

CC&L CONSERVATIVE INCOME FUND MERGER PROPOSAL

QUESTION & ANSWER – JANUARY 2011

On December 20, 2010 Connor, Clark & Lunn Conservative Income & Growth Fund (“CCP”) and Connor, Clark & Lunn Conservative Income Fund (“CCQ”) announced a proposal to merge CCQ into CCP. The Board of Directors of Connor, Clark & Lunn Capital Markets Inc. (the “Manager”) recommends that unitholders vote in favour of the proposals.

Why The Proposal Has Been Made?

Change of Mandate

- 1) CCP’s mandate has a broader range of high yielding securities than currently available under CCQ’s mandate. Forthcoming changes to certain Canadian tax rules governing income trusts increases the importance for CCQ to offer its unitholders a broader range of securities, and a meeting of unitholders to approve a change in CCQ’s investment mandate would likely be necessary in the absence of the Merger Proposal.
- 2) Connor, Clark & Lunn Investment Management Ltd. has considerable expertise in the proposed new portfolio mandate. They already made the proposed shift in mandate in their High Income Fund in December of 2006. The CCP investment objectives provide unitholders with:
 - An attractive yield through receipt of monthly distributions initially targeted to yield approximately 6.0% per annum based on the net asset value of the CCP units;
 - Downside protection through diversification across multiple asset classes and a conservative approach to security selection; and
 - Growth that outpaces inflation by investing in securities that provide both a high yield and capital appreciation potential.
- 3) The track record for the High Income Fund is outlined below:

	NAV Performance*			
	1 Year	3 Year	5 Year	Since Inception**
Connor, Clark & Lunn High Income Composite	24.6%	7.5%	7.4%	13.6%

* For the period ending November 30, 2010

** Inception date March 2001

Improve Liquidity And Lower Costs

- 1) If the proposals are approved then the continuing fund will have a greater market capitalization and a greater number of units outstanding which is expected to increase the trading liquidity of the units on the TSX.
- 2) The merger is expected to result in administrative cost savings by eliminating the duplication of certain third party costs and increasing

the asset base over which fixed costs are spread which is expected to lower the on-going per unit costs of the Fund.

- 3) In May 2012 the Fund will convert to an open ended mutual fund that will provide daily liquidity at net asset value and is expected to provide a lower discount to net asset value in the interim.

Ability To Utilize Tax Losses

CCP has significant net capital losses and non-capital losses which are available to be applied against future gains and income with the result that distributions may be paid to unitholders as return of capital.

Will The Merger Be A Taxable Event?

The proposed merger will likely not have any tax consequences for CCP unitholders as CCP will be the continuing fund.

The proposed merger will likely have tax consequences for CCQ unitholders because the merger will not take place on a rollover basis for tax purposes. As described in the management information circular, holders will realize any accrued capital gain or loss on their units as a result of the merger.

What Will Be The Distribution Of The New Fund?

CCP has a target distribution of 6% per annum as compared to CCQ’s target of 7%. It is expected that CCP’s distributions will have a larger dividend component and will therefore be more tax efficient.

What If The Proposal Is Not Approved?

CCQ will be left in its current form. Given the changes to the Canadian tax rules governing income trusts, the range of securities that CCQ will be able to invest in will be considerably smaller. The Manager will, in all likelihood, call a meeting of unitholders to approve a change in CCQ’s investment mandate if the merger is not approved.

Will The Merger Result In Any Dilution?

No. CCQ units will be redeemed by CCQ in exchange for units of CCP at an exchange ratio (the “Exchange Ratio”) calculated based on the relative net asset value of the units of CCQ and the units of CCP as at the close of trading on the TSX on the business day prior to the effective date of the merger. CCP unitholders will continue to hold the same number of units as they held prior to the merger and, because units of CCP will be issued to CCQ at the Exchange Ratio, the issuance will not be dilutive. By way of an example, if on the day prior to the effective date, the net asset value per unit of CCP was \$20.00 and the net asset value per unit of CCQ was \$10.00, then on the merger an investor with 100 units of CCQ, valued at \$1,000 (100 units x \$10), would receive 50 units of CCP valued at \$1,000 (50 units x \$20).

When Will The Merger Take Place?

If approved, the merger is expected to be implemented on or about January 31, 2011.

What Is Needed For The Proposal To Be Approved?

In order to become effective, the proposal must be approved by a two-thirds majority of the unitholders of CCQ and CCP present in person or represented by proxy at each of the meetings.

Both of the proposals are also subject to the receipt of all necessary regulatory and stock exchange approvals.

When Will The Meetings Take Place?

The special meeting of unitholders of CCQ and CCP will be held at 8:30 a.m. (Toronto time) on January 14, 2011 and January 21, 2011 respectively at 1 First Canadian Place, Suite 6300, 100 King Street West, Toronto, Ontario to consider and vote upon the proposal.

How Do I Vote?

If you are a beneficial unitholder and wish to vote in person at the meeting, please contact your broker, dealer or other intermediary well in advance of the meeting to determine how you can do so. If you are a unitholder and wish to vote in favour of the extraordinary resolutions, you should submit a voting instruction form voting in favour of the extraordinary resolutions well in advance of the 5:00 p.m. (Toronto time) deadline on January 12, 2011 for CCQ and January 19, 2011 for CCP for the deposit of proxies. Voting instruction forms sent by Broadbridge permit the completion of the voting instruction form by telephone or through the internet at www.proxyvotecanada.com and www.investorvote.com, respectively.