



CAPITAL MARKETS

**CONNOR, CLARK & LUNN CONSERVATIVE INCOME FUND  
AND  
CONNOR, CLARK & LUNN CONSERVATIVE INCOME &  
GROWTH FUND**

**NOTICE OF SPECIAL MEETINGS OF UNITHOLDERS  
AND  
JOINT MANAGEMENT INFORMATION CIRCULAR**

**Meeting of Connor, Clark & Lunn  
Conservative Income Fund  
to be held at 8:30 a.m.  
January 14, 2011**

**1 First Canadian Place  
Suite 6300  
100 King Street West  
Toronto, Ontario**

**Meeting of Connor, Clark & Lunn  
Conservative Income & Growth Fund  
to be held at 8:30 a.m.  
January 21, 2011**

**1 First Canadian Place  
Suite 6300  
100 King Street West  
Toronto, Ontario**



181 University Avenue  
Suite 300  
Toronto, Ontario M5H 3M7

CONNOR, CLARK & LUNN CONSERVATIVE INCOME FUND  
AND  
CONNOR, CLARK & LUNN CONSERVATIVE INCOME & GROWTH FUND

December 16, 2010

Dear Unitholders:

You are invited to special meetings of holders of units of Connor, Clark & Lunn Conservative Income Fund (“CCQ”) and Connor, Clark & Lunn Conservative Income & Growth Fund (“CCP”, and collectively with CCQ, the “Funds”). The meeting of holders of units of CCQ (the “CCQ Meeting”) will be held at 8:30 a.m. (Toronto time) on January 14, 2011 and the meeting of holders of units of CCP (the “CCP Meeting”, and collectively with the CCQ Meeting, the “Meetings”) will be held at 8:30 a.m. (Toronto time) on January 21, 2011. The Meetings will be held at 1 First Canadian Place, Suite 6300, 100 King Street West, Toronto, Ontario. The purpose of the Meetings is to consider and vote upon extraordinary resolutions relating to the proposed merger (the “Merger Proposal”) of CCQ and CCP. CCP will be the continuing fund and, as a result, unitholders of CCQ would become unitholders of CCP.

The objectives of the Merger Proposal are to: (i) lower the administrative costs and increase trading liquidity by establishing a larger fund; and (ii) permit CCQ unitholders to participate in CCP’s broader range of high yielding securities than currently offered by CCQ, and to provide greater potential for capital appreciation and utilization of accumulated tax losses. 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. The objectives of CCQ and CCP include providing their unitholders monthly distributions targeted to yield approximately 7.0% and 6.0% per annum, respectively, on the original issue prices. While the targeted yield for CCP is lower than for CCQ, we expect CCP’s distributions to have a larger dividend component and therefore be, on the whole, more efficient for income tax purposes than the portion of CCQ’s distributions that is sourced from ordinary trust income.

The Merger Proposal is more fully described in the accompanying joint management information circular (the “Circular”).

If the Merger Proposal is approved and implemented, unitholders of CCQ will have the opportunity to redeem their units for a redemption price equal to net asset value per unit if they choose not to participate going forward by tendering units for the CCQ annual redemption on the last business day of January 2011. To be redeemed, CCQ units must be tendered for redemption no later than January 17, 2010. In order for the Merger Proposal to become effective, it must be approved by a two-thirds majority of the unitholders of each of the Funds present in person or represented by proxy at the Meetings. The Merger Proposal is also subject to the receipt of all necessary regulatory and stock exchange approvals. If approved, the extraordinary resolutions are expected to be implemented on or about January 31, 2011.

**The Board of Directors of Connor, Clark & Lunn Capital Markets Inc. (“CC&L Capital Markets”), the manager of both Funds, has determined that the Merger Proposal is in the best interests of each of the Funds and their unitholders. Accordingly, the Board of Directors of CC&L Capital Markets recommends that unitholders of each of CCQ and CCP vote in favour of their extraordinary resolution.**

In addition, each of the Funds’ advisory board and Independent Review Committee have reviewed the Merger Proposal, and recommended that the Merger Proposal be put to unitholders of each of the Funds for their consideration.

Attached is a Notice of Special Meetings of Unitholders and the Circular, which contain important information relating to the extraordinary resolutions. We urge you to read the Circular carefully. If you are in doubt as to how to deal with the matters described in the Circular, you should consult your advisors.

If you wish to vote on the proposal, you should submit the enclosed voting instruction form voting on the extraordinary resolutions as soon as possible, and in any event no later than 5:00 p.m. (Toronto time) on January 12, 2011 for CCQ unitholders and no later than 5:00 p.m. (Toronto time) on January 19, 2011 for CCP unitholders.

If you have any questions please do not hesitate to call 1-888-276-2258.

Sincerely,

A handwritten signature in black ink, appearing to read "W. Neil Murdoch". The signature is fluid and cursive, with a prominent initial "W." and a long, sweeping underline.

W. Neil Murdoch  
Chief Executive Officer and President  
Connor, Clark & Lunn Capital Markets Inc.

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**CONNOR, CLARK & LUNN CONSERVATIVE INCOME FUND  
AND  
CONNOR, CLARK & LUNN CONSERVATIVE INCOME & GROWTH FUND  
NOTICE OF SPECIAL MEETINGS OF UNITHOLDERS**

**TAKE NOTICE** that a special meeting of holders of units of Connor, Clark & Lunn Conservative Income Fund (“CCQ”) will be held at 8:30 a.m. (Toronto time) on January 14, 2011 and a special meeting of holders of units of Connor, Clark & Lunn Conservative Income & Growth Fund (“CCP”) will be held at 8:30 a.m. (Toronto time) on January 21, 2011. Each meeting will be held at 1 First Canadian Place, Suite 6300, 100 King Street West, Toronto, Ontario for the following purpose:

- For CCQ, to consider and, if thought appropriate approve, with or without variation, an extraordinary resolution (the “CCQ extraordinary resolution”) providing for the merger of the CCQ and CCP, including the transfer by CCQ to CCP of substantially all of the net assets of CCQ in consideration for units of CCP and the automatic redemption by CCQ of the units of CCQ. CCP will be the continuing fund; and
- For CCP, to consider and, if thought appropriate approve, with or without variation, an extraordinary resolution (the “CCP extraordinary resolution”) providing for the merger of the CCQ and CCP. CCP will be the continuing fund.

The proposal is more fully described in the accompanying joint management information circular (the “Circular”). A copy of the CCQ extraordinary resolution is attached as Appendix I to the Circular and a copy of the CCP extraordinary resolution is attached as Appendix II to the Circular.

**DATED** at Toronto, Ontario as of the 16<sup>th</sup> day of December, 2010.

**By Order of the Board of Directors of  
CONNOR, CLARK & LUNN CAPITAL MARKETS INC.**

By: 

\_\_\_\_\_  
W. Neil Murdoch  
Chief Executive Officer and President

Note: Reference should be made to the Circular for details of the above matter. If you are unable to be present in person at the meetings, you are requested to complete and sign the enclosed form of proxy or voting instruction form and to return it in the enclosed prepaid envelope provided for that purpose. Voting instruction forms sent by Broadridge Investor Communication Solutions may be completed by telephone or through the internet at [www.proxyvote.com](http://www.proxyvote.com).

## CONNOR, CLARK & LUNN CONSERVATIVE INCOME FUND

Connor, Clark & Lunn Conservative Income Fund (“CCQ”) is an investment trust established under the laws of the Province of Ontario pursuant to an amended and restated trust agreement dated November 29, 2004 between the Connor, Clark & Lunn Capital Markets Inc. (the “Manager” or “CC&L Capital Markets”) and RBC Dexia Investor Services Trust (formerly, The Royal Trust Company) (the “Trustee” or “RBC Dexia”).

On December 15, 2004, CCQ completed its initial public offering raising \$143.75 million and the units began trading on the Toronto Stock Exchange (the “TSX”).

### Investment Objectives

CCQ’s investment objectives are to:

- (i) provide holders of units with a stable stream of monthly cash distributions targeted to be \$0.0583 per unit (representing a yield of approximately 7.0% per annum on the issue price of \$10.00 per unit); and
- (ii) preserve the net asset value per unit in order to return at least the original issue price of units (\$10.00 per unit) to unitholders on or about December 15, 2014 and to provide unitholders an opportunity for capital appreciation above the original issue price.

### Portfolio and Investment Process

In support of these investment objectives, the assets of the Trust, including any borrowings or other leverage, are invested in a portfolio (the “Portfolio”) consisting of income producing securities including Canadian business income trusts, real estate investment trusts (“REITS”), utility income trusts, corporate bonds and convertible bonds. In addition, from time to time, the Portfolio may include significant cash and cash equivalents.

As of December 10, 2010, 4,719,817 units of CCQ were outstanding.

## CONNOR, CLARK & LUNN CONSERVATIVE INCOME & GROWTH FUND

Connor, Clark & Lunn Conservative Income & Growth Fund (formerly Connor, Clark & Lunn PRINTS Trust) (“CCP”) is an investment trust established under the laws of the Province of Ontario pursuant to a trust agreement dated November 29, 2001 between the Manager and RBC Dexia. On December 12, 2001, CCP completed its initial public offering raising in excess of \$100 million and the units of CCP began trading on the TSX.

On June 14, 2010, Connor, Clark & Lunn Conservative Income Fund II (“CCK”) merged into CCP. The continuing fund was renamed Connor, Clark & Lunn Conservative Income & Growth Fund.

### Investment Objectives

CCP’s investment objectives are to provide unitholders with:

- (i) an attractive yield through receipt of monthly distributions initially targeted to yield approximately 6.0% of net asset value per annum;
- (ii) downside protection through diversification across multiple asset classes and a conservative approach to security selection; and
- (iii) growth that outpaces inflation by investing in securities that provide both a high yield and capital appreciation potential.

On May 31, 2012, CCP will convert to an open-ended mutual fund which will be able to distribute and redeem its units on a continuous basis.

CCP seeks to achieve its investment objectives by diligently selecting and actively managing a diversified portfolio of high income investments across a broad range of income-oriented securities. These may include

equities, income trusts, limited partnerships, REITS, corporate bonds, convertible bonds, preferred shares, other income funds and other investments, in accordance with the investment objectives and investment strategy.

The diversification guidelines are as follows:

	Minimum	Maximum
Equities & Income Trusts	10%	80%
REITS & Real Estate	10%	50%
Bonds, Preferred Shares & Cash	10%	60%

CCP's investment manager is Connor, Clark & Lunn Investment Management Ltd. (the "Investment Manager" or "CC&L Investment Management"). The Investment Manager employs leverage in the portfolio to enhance returns when it considers market conditions appropriate. The Investment Manager seeks to reduce or eliminate leverage and may increase the allocation to cash when the Investment Manager believes the outlook for market performance is unfavourable. The aggregate amount of borrowings and other leverage may not exceed 15% of the assets of CCP. Such leverage may be used to purchase additional securities for the portfolio. If leverage of 15% of the total assets is employed, the portfolio will have a debt-to-equity ratio of 0.176:1 representing a total asset-to-equity ratio of 1.176:1.

In the event that the total amount borrowed or otherwise subject to leverage by CCP exceeds the 15% limit, indebtedness is reduced on a commercially reasonable basis as soon as practicable so that the amount borrowed or otherwise subject to leverage does not continue to exceed such limit. If the total amount borrowed or otherwise subject to leverage by CCP exceeds 20% of the total assets of CCP, indebtedness will be reduced immediately such that the amount borrowed or otherwise subject to leverage does not constitute more than 15% of the total assets of CCP.

Derivative instruments are only used for purposes of hedging or to add leverage to the portfolio. Counterparty risk arising from derivative transactions are limited to credits rated "A" or better, as defined by Standard & Poor's, a division of The McGraw-Hill Companies, Inc. (or an equivalent rating from another recognized rating agency). Instruments used may include but are not limited to forward contracts, futures contracts, options, swaps and structured notes.

### *Investment Approach*

The demand for income is a secular trend driven by persistently low government bond yields, an aging population and a scarcity of high income alternatives. While the income trust market is winding down, the following new opportunities are emerging that the merged fund aims to capture:

- There is a deep pool of ultra high dividend paying equities emerging. Corporations recognize that investors demand a higher dividend payout and are raising payouts accordingly. In addition, most former income trusts are retaining a high payout and attractive yields as corporations.
- Qualifying REITS are exempt from the SIFT Rules (as defined herein). In addition, there is broadening and deepening of the REIT and real estate market in Canada occurring. Existing REITS have begun to make significant acquisitions funded in part by equity, greatly increasing the market capitalization of the REIT sector. In addition, a pipeline of REIT initial public offerings is beginning to develop which should offer investors further investment opportunities.
- The high yield market in Canada is finally beginning to emerge. Demand for high yield bonds from Canadian investors is substantial and high yield issuance is expected to increase to meet this demand.

This strategy seeks to capitalize on the strengths of the Investment Manager's Canadian Equity and Fixed Income teams. The Canadian Equity team has deep history in income-oriented investments and a strong track record of security selection, particularly in less efficient, small and mid-cap securities while the Fixed Income team's demonstrated strength is credit research.

The Canadian Equity team follows a rigorous bottom-up approach to security selection for equities, income trusts and REITS. The cornerstone of the process is management interviews, during which analysts seek to identify milestones for value creation. The Canadian Equity team has further discussions with customers, competitors and research analysts and develops forecasts for each company based on their outlook. From there, targets prices are set for each security based on the valuation to their sector. While the Canadian Equity team seeks to invest in the securities with the highest total returns, they are constrained by the foremost objective of delivering a high and sustainable yield. At the low end of the yield spectrum (approximately 2 - 4%), they want to see a track record of dividend growth, as well as prospects for further dividend growth. At the high end of the yield spectrum (approximately 5 - 12%), the Canadian Equity team is much more focussed on sustainability, including a careful analysis of payout ratios. Over time, they expect to have a fairly equal split in the equity portion of the portfolio between lower yields with growth potential and high sustainable yields. In this manner, the Canadian Equity team hopes to capture both high income and growth in income.

The Fixed Income team has the ability to invest across the fixed income spectrum but, similar to CCQ, its current emphasis will be in corporate bonds including high yield debt. The Fixed Income team's process is a bottom-up process. During the research process, the Fixed Income team focuses on liquidity and cash flow, analyzes covenants in the debt documents and looks at management performance as well as asset value and quality. While some capital appreciation is expected, the focus is on finding companies where the yield on the investment is expected to be realized.

The investment mandate of CCP is similar to an existing mandate of the Investment Manager, the Connor, Clark & Lunn High Income Composite, which consists of a single fund, the Connor, Clark & Lunn High Income Fund. The performance of this mandate as of November 30, 2010 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%

Notes:

- (1) Returns presented are net of trading and administration costs but are gross of management expenses.
- (2) While the merged fund will be managed on substantially the same basis as the Connor, Clark & Lunn High Income Composite, there are differences in the investment objectives and strategy, including the use of leverage, that will result in different performance.
- (3) The performance data quoted above represents past performance and does not guarantee future results. Current performance may be lower or higher than the performance data quoted.
- (4) The Federal Government's October 31, 2006 Tax Fairness Plan signalled the winding down of the income trust market by January 1, 2011. The Investment Manager determined that income trusts would convert to equities over that period and would be valued in similar fashion to equities. Therefore, to account for the income trust conversions and open a broader set of investment opportunities, the Investment Manager began to include equities in Connor, Clark & Lunn High Income Fund as of December 31, 2006.

#### *Conversion to Open-Ended Mutual Fund and Change in Redemption Rights*

Until May 31, 2012, units of CCP may not be redeemed on the December Valuation Date for net asset value per unit and instead units are redeemable only on a monthly Valuation Date for a redemption price per unit equal to the lesser of (a) 95% of the Market Price, and (b) 100% of the Closing Market Price of the units on the applicable Valuation Date. For such purposes, the "Market Price" is the weighted average trading price of the units on the principal stock exchange on which the units are listed (or, if the units are not listed on any stock exchange, on the principal market on which the units are quoted for trading) for the 10 trading days immediately preceding the applicable Valuation Date. For such purposes, the "Closing Market Price" means the closing price of the units on the principal stock exchange on which the units are listed (or, if the units are not listed on any stock exchange, on the principal market on which the units are quoted for trading) or, if there was no trade on the relevant date, the average of the last bid and the last asking prices of the units on the principal stock exchange on which the units are listed (or, if the units are not listed on any stock exchange, on the principal market on which the units are quoted for trading).

After May 31, 2012, units of CCP may be surrendered for redemption on any business day (the “Redemption Date”), subject to CCP’s right to suspend redemptions, for a redemption price per unit (the “Redemption Amount”) equal to the net asset value per unit and the unitholder will receive payment on or before the 3rd business day following the Redemption Date. Any unpaid distribution payable on or before the Redemption Date in respect of units tendered for redemption on such Redemption Date will also be paid on the same day as the redemption proceeds are paid. The net asset value per unit will vary depending on a number of market factors, including interest rates and volatility in the equity markets.

As a result of the conversion and daily redemption rights that a unitholder will have, the units of CCP will be delisted from the TSX after the date of the conversion.

#### *Exercise of Redemption Right after May 31, 2012*

An owner of units of CCP who desires to exercise redemption privileges after May 31, 2012 must do so by causing a participant of CDS (a “CDS Participant”) to deliver on behalf of the owner a written notice (the “Redemption Notice”) of the owner’s intention to redeem units on the relevant notice date. Redemption of units may only be effected through FundSERV by the book-entry only system administered by International Financial Data Services (Canada) Limited (“IFDS”). Notice of redemption must be provided no later than 4:00 p.m. (Toronto time) on a Redemption Date. Generally, to be effective on a business day, a redemption request will need to be initiated by 2:00 p.m. (Toronto time) on that business day (or such other time as may be established by FundSERV). Any request received after such time will be deemed to be a request sent and received on the next following business day. An owner who desires to redeem units should ensure that the CDS Participant is provided with notice of his or her intention to exercise his or her redemption privilege sufficiently in advance of the relevant notice date so as to permit the CDS Participant to deliver notice to IFDS by the required time. The form of Redemption Notice will be available from a CDS Participant or IFDS. Any expense associated with the preparation and delivery of Redemption Notices will be for the account of the owner exercising the redemption privilege.

By causing a CDS Participant to deliver a Redemption Notice to IFDS, an owner shall be deemed to have irrevocably surrendered such units for redemption and appointed such CDS Participant to act as his or her exclusive settlement agent with respect to the exercise of the redemption privilege and the receipt of payment in connection with the settlement of obligations arising from such exercise.

Any Redemption Notice delivered by a CDS Participant regarding an owner’s intent to redeem which IFDS determines to be incomplete, not in proper form or not duly executed shall for all purposes be void and of no effect and the redemption privilege to which it relates shall be considered for all purposes not to have been exercised thereby. A failure by a CDS Participant to exercise redemption privileges or to give effect to the settlement thereof in accordance with the owner’s instructions will not give rise to any obligations or liability on the part of CCP to the CDS Participant or to the owner.

CCP calculates the value of its assets on each business day (a “NAV Valuation Date”). CCP’s total assets (the “Total Assets”) consist of the aggregate value of the CCP’s assets. The Manager will review on a daily basis and, if satisfactory, approve the valuation and will, from time to time, consider the appropriateness of the valuation policies adopted by CCP, as such policies are modified from time to time in the discretion of the Manager, acting reasonably, and in the best interests of unitholders.

#### *Termination of CCP*

CCP has no fixed termination date. This provides unitholders with the on-going opportunity to participate in the performance of the portfolio and to attempt to fully utilize CCP’s accumulated capital losses.

Notwithstanding the above, the Manager may, in its discretion, terminate CCP (the “Proposed Termination Date”) without the approval of unitholders if, in the opinion of the Manager, the Net Asset Value of CCP is reduced as a result of redemptions or otherwise so that it is no longer economically feasible to continue CCP and it would be in the best interest of the unitholders to terminate CCP. CCP will provide unitholders with notice in writing through CDS no less than 30 days and no more than 60 days prior to such Proposed Termination Date and will issue a press release in respect thereof at least 10 business days in advance of such

Proposed Termination Date. CCP will include a description of the entitlement of the unitholders in such notice and press release.

CCP may be terminated upon not less than 90 days written notice to the Manager from the Trustee with the approval of the unitholders by a two-thirds majority vote passed at a duly convened meeting of unitholders called for the purpose of considering such termination, provided that unitholders holding at least 10% of the units outstanding on the record date of the meeting vote in favour of such termination.

Immediately prior to the Proposed Termination Date, the Manager will, to the extent possible, convert the assets of CCP to cash and the Trustee, after paying or making adequate provision for all of CCP's liabilities, shall distribute the net assets of CCP allocable to each class of units *pro rata* to unitholders as soon as practicable after the Proposed Termination Date.

As of December 10, 2010, 770,308 units of CCP were outstanding.

### **Further Information**

For further information about CCQ, see CCQ's annual information form for the year ended October 31, 2009 (the "CCQ AIF") or the CC&L Capital Markets website at [www.cclcapitalmarkets.com](http://www.cclcapitalmarkets.com).

For further information about CCP, see CCP's annual information form for the year ended December 31, 2009 (the "CCP AIF") or the CC&L Capital Markets website at [www.cclcapitalmarkets.com](http://www.cclcapitalmarkets.com).

The CCQ AIF and the CCP AIF (collectively, the "AIFs") are both specifically incorporated by reference into this Circular. See also "Documents Incorporated by Reference".

### **BACKGROUND TO THE PROPOSAL**

Since its launch in 2004, given the turmoil in the markets and the government changes in income trust taxation, CCQ has also had a significant portion of its units redeemed. This is a situation that many closed-end funds with similar income trust portfolio investment exposure have experienced. As a result, its assets are lower and the management expense ratio of CCQ is increasing.

In 2006, the Federal government introduced tax rules (the "SIFT Rules") that have the effect of taxing income earned and distributed by certain income trusts at rates comparable to those applicable to income earned and distributed by a taxable Canadian corporation. The effect of the SIFT Rules is generally to reduce the after-tax return of investments in such income trusts, making them less attractive to certain investors, including those who obtain exposure to them indirectly through a vehicle such as the Funds. The deferral of the application of the SIFT Rules for taxation years of qualifying trusts ending prior to 2011 will shortly expire. As a result of the SIFT Rules and the upcoming expiry of the deferral period, funds focused on this sector are having difficulty finding suitable investments as an increasing number of income trusts are being converted to corporations.

The Manager believes that the proposed merger of CCQ with CCP will allow CCQ unitholders to participate in CCP's broader set of high yielding equity securities and will offset the reduction in the number of income trust investments that are available. As a result, the Manager believes the merger of the Funds will provide benefits for unitholders of both Funds because CCP, as the continuing fund, will have a larger market capitalization which should assist in increased liquidity for the units and reduced costs on a per unit basis as a result of the reduction of certain operating costs and expenses of the Funds and an enhanced ability to utilize tax losses.

CCP estimates that it has non-capital losses of \$4,646,208 and capital losses of \$18,939,735 to carry forward into 2011. The Manager believes that CCP's tax losses will be available to be applied against future gains and income with the result that distributions may be paid to unitholders as returns of capital or be available for growth in net asset value. However there can be no assurance that legislation will not be enacted or amended or that the Canada Revenue Agency ("CRA") could not successfully challenge the ability of CCP to use its tax losses, thereby adversely affecting the tax characterization of distributions to unitholders or liability of the Fund for taxes on undistributed income.

The following chart sets out the number of units outstanding, closing trading price and net asset value per unit for CCP and CCQ as at December 10, 2010:

Name of Fund	Number of Units Outstanding	Closing Unit Price (\$)	Net Asset Value per Unit (\$)
Connor, Clark & Lunn Conservative Income Fund	4,719,817	9.83	9.96
Connor, Clark & Lunn Conservative Income & Growth Fund	770,308	23.88	24.80

The following chart sets out the performance of CCP and CCQ on a net asset value basis for the following periods ended November 30, 2010:

Name of Fund	NAV Performance <sup>(1)</sup>					
	1 Month	3 Month	6 Month	1 Year	3 Year <sup>(3)</sup>	Since Inception <sup>(3)(4)</sup>
Connor, Clark & Lunn Conservative Income Fund	1.0%	9.8%	16.9%	27.8%	9.1%	9.1%
Connor, Clark & Lunn Conservative Income & Growth Fund <sup>(2)</sup>	0.4%	7.0%	10.4%	8.9%	9.6%	1.6%

Notes:

- (1) Performance numbers include reinvestment of distributions and are net of fees.
- (2) As discussed above, the investment objectives and strategy of Connor, Clark & Lunn Conservative Income & Growth Fund changed following its merger with Connor, Clark & Lunn Conservative Income Fund II on June 14, 2010. As such, past NAV performance will not be indicative of future performance. Connor, Clark & Lunn High Income Composite, whose performance is shown on page 4 of this Circular, has a similar mandate over a longer time frame.
- (3) Performance numbers are annualized.
- (4) CCP's date of inception was December 12, 2001 and CCQ's date of inception was December 15, 2004.

## DETAILS OF THE PROPOSAL

The purpose of the special meetings is for holders of units of CCQ (the "CCQ Meeting") and for holders of units of CCP (the "CCP Meeting", and collectively with the CCQ Meeting, the "Meetings") to consider and vote upon extraordinary resolutions relating to the proposed merger of CCQ and CCP (the "Merger Proposal").

### Merger Proposal

Unitholders of each Fund will be asked to consider and vote upon the Merger Proposal. CCP unitholder approval is required pursuant to subsection 611(d) of the TSX Company Manual. If the Merger Proposal is implemented, holders of units of CCP will continue as, and unitholders of CCQ participating in the merger will become, holders of units of CCP. If approved by unitholders of each Fund, it is expected that the merger will become effective on or about January 31, 2011 (the "Effective Date").

The objectives of the Merger Proposal are to: (i) lower the administrative costs and increase trading liquidity by establishing a larger fund; and (ii) permit CCQ unitholders to participate in CCP's broader range of high yielding securities than currently offered by CCQ, and to provide greater potential for capital appreciation and utilization of accumulated tax losses.

Currently, units of CCQ may be surrendered at any time for redemption but are only redeemed on the last business day of each month at market price. Unitholders whose units are redeemed on the January redemption date each year are entitled to receive a redemption price per unit equal to the net asset value per unit determined as at such redemption date. If the Merger Proposal is approved, unitholders of CCQ participating in the merger will benefit from the automatic conversion of CCP to an open-ended mutual fund which will be able to distribute and redeem its units on a continuous basis commencing on May 31, 2012. As a result of the conversion and daily redemption rights that a unitholder will have, the units of CCP will be delisted from the TSX after the date of the conversion.

The following steps will then take place to implement the Merger Proposal:

CCQ will transfer all or substantially all of its net assets to CCP in consideration for the issuance by CCP to CCQ of a number of units of CCP determined based on an exchange ratio established as of the close of trading on the business day immediately preceding the Effective Date.

The Exchange Ratio (as defined below) will be calculated based on the relative net asset value of the units of CCQ and the units of CCP.

Immediately following the transfer of the assets of CCQ to CCP and the issuance of units of CCP to CCQ, all CCQ units will be automatically redeemed and each CCQ unitholder participating in the merger will receive such number of units of CCP as is equal to the number of CCQ units held multiplied by the Exchange Ratio.

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. The net asset value of the units of CCQ and the units of CCP will be calculated in accordance with the provisions of the trust agreements of CCQ and CCP, respectively. 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 to CCP unitholders. By way of an example, if, on the day prior to the Effective Date, the net asset value per unit of CCP was \$24.00 per unit and the net asset value per unit of CCQ was \$12.00 per unit, then on the merger, each CCQ unit would entitle the holder thereof to and the holder would receive 0.5 of a unit of CCP. At current net asset values, it is estimated that approximately 1,895,500 units of CCP would be issued under the merger. No fractional units of CCP or cash in lieu thereof will be issued or paid under the merger.

If the Merger Proposal is approved, unitholders of CCQ will not be required to take any action in order to be recognized as unitholders of CCP and to trade their units. CCQ units held by CCQ unitholders will automatically be exchanged for units of CCP calculated by reference to the Exchange Ratio. Registration of beneficial interests in CCP as the continuing fund will be made only through the book-entry only system administered by CDS Clearing and Depository Services Inc. ("CDS"). Beneficial owners of units of CCP will not have the right to receive physical certificates evidencing their ownership. Following the Effective Date, CCQ units will be delisted from the TSX. After the merger, CCQ will be wound up as soon as possible.

The Merger Proposal is subject to approval of CCQ unitholders and CCP unitholders and to TSX and any other required approvals. There is no assurance that the conditions to the implementation of the merger will be satisfied on a timely basis, if at all. In such event, CCQ and CCP will not merge but will continue as separate funds.

If the Merger Proposal is approved and implemented, unitholders of CCQ participating in the merger will become holders of units of CCP. Additional information relating to CCP, including a description of the attributes of CCP units is available in the CCP AIF (as defined below) which is incorporated by reference into this Circular.

If the Merger Proposal is approved and implemented, CCQ unitholders who do not wish to participate in the merger may surrender their units for redemption no later than 5:00 p.m. (Toronto time) on January 17, 2011. Units so surrendered will be redeemed on January 31, 2011 for a redemption price per unit equal to the net asset value per unit as of such date and payment of the redemption price will be made on or before the Effective Date. Unitholders who wish to redeem their units should still vote in favour of the Merger Proposal and simply redeem their units.

## **RECOMMENDATION OF THE BOARD OF DIRECTORS OF CC&L CAPITAL MARKETS**

**The Board of Directors of CC&L Capital Markets has determined that the Merger Proposal is in the best interests of each of the Funds and their unitholders. Accordingly, the Board of Directors of CC&L Capital Markets recommends that unitholders of each of the Funds vote in favour of their extraordinary resolution.**

In arriving at this determination, consideration was given to the following factors:

- If the Merger Proposal is approved and CCQ is merged into CCP, CCP, as the continuing fund, will have a larger market capitalization and a greater number of units outstanding which is expected to increase trading liquidity of the units on the TSX.
- The merger is expected to result in administrative cost savings by eliminating the duplication of certain third party costs. As a result, CCP, as the continuing fund, is expected to have reduced costs on a per unit basis when compared to the current costs on a per unit basis of either CCP or CCQ.
- The conversion of CCP to an open-ended mutual fund on May 31, 2012 will provide daily liquidity at NAV and is expected to provide a lower discount to NAV in the interim. Currently, units of CCP are redeemable on a monthly basis. Unitholders wishing to dispose of their units at other times must sell through a broker or dealer through the TSX. Generally, units have traded at a discount to their net asset value and unitholders also incur commission costs. Due to limited trading volume, unitholders may be unable to dispose of large blocks of units without affecting price. The conversion is intended to provide enhanced liquidity as unitholders will be able to redeem their units on a daily basis and to receive net asset value of the redeemed units within three business days.
- The conversion of CCP to an open-ended mutual fund will allow the Manager to raise additional funds without diluting existing unitholders. If CCP is successful in selling additional units, all unitholders will benefit from economies of scale of a larger fund that has the potential to decrease the management expense ratio.
- The SIFT Rules introduced by the Federal government relating to the taxation of income trust investments have considerably narrowed the universe of available investments for CCQ.
- If the extraordinary resolution is approved and implemented, unitholders of CCQ will have an opportunity to redeem their units at 100% of NAV should they choose not to participate by continuing to hold units.

As required by National Instrument 81-107 — *Independent Review Committee for Investment Funds* (“NI 81-107”), CC&L Capital Markets presented the terms of the extraordinary resolution to the independent review committee of the Funds for a recommendation as required by NI 81-107.

Each Fund’s advisory board and independent review committee has reviewed the Merger Proposal, and recommended that the Merger Proposal be put to each of the Funds’ unitholders for their consideration.

### **CONDITIONS TO IMPLEMENTING THE EXTRAORDINARY RESOLUTIONS**

The Merger Proposal is subject to unitholder, TSX and any other required approvals.

In order to become effective, the CCQ extraordinary resolution must be approved by 66 $\frac{2}{3}$ % of unitholders of CCQ voting on such resolution and the CCP extraordinary resolution must be approved by 66 $\frac{2}{3}$ % of unitholders of CCP voting on such resolution.

There can be no assurance that the conditions precedent to implementing the Merger Proposal will be satisfied on a timely basis, if at all. If the requisite unitholder approval for the Merger Proposal is not obtained or if any other required approval is not obtained, the Merger Proposal will not be implemented.

### **EXPENSES OF THE EXTRAORDINARY RESOLUTIONS**

Whether or not the extraordinary resolutions are approved, all costs and expenses incurred in connection with the calling and holding of the Meetings will be borne by each of the Funds. Such costs and expenses are estimated to be approximately \$55,000 for CCQ and \$10,000 for CCP.

## TERMINATION OF THE EXTRAORDINARY RESOLUTIONS

The extraordinary resolutions may, at any time before or after the holding of the Meetings (but prior to the entering into of any amendment to CCQ's trust agreement giving effect to CCQ's extraordinary resolution) be terminated by the Board of Directors of CC&L Capital Markets without further notice to, or action on the part of, unitholders of the Funds if such board determines in its sole judgement that it would be inadvisable for the Funds to proceed.

## MANAGEMENT OF CCP AS THE CONTINUING FUND

### **The Manager**

CC&L Capital Markets, a registered portfolio manager, is the manager of the Funds and is responsible for their management and administration. The registered and head office of the Manager is 181 University Avenue, Suite 300, Toronto, Ontario M5H 3M7.

The Manager is a leading provider of investment products and has raised over \$1.8 billion since 2004. The Manager is part of the Connor, Clark & Lunn Financial Group, which also includes Connor, Clark & Lunn Investment Management Ltd., Connor, Clark & Lunn Private Capital Ltd., Baker Gilmore & Associates Inc., PCJ Investment Counsel Ltd., Scheer Rowlett & Associates Investment Management Ltd., New Star Canada Inc., Banyan Capital Partners Management Partnership and Global Alpha Capital Management Ltd. and Gyrus Investment Management Inc. The Connor, Clark & Lunn Financial Group, with over \$38 billion in assets under management as at September 30, 2010, offers professional management of financial assets for pension plan sponsors, capital accumulation plans, corporations, foundations, mutual funds and individual investors.

The Manager also acts as manager or investment advisor for the following investment funds: Connor, Clark & Lunn 2009 Flow-Through Limited Partnership, Connor, Clark & Lunn 2010 Flow-Through Limited Partnership, Connor, Clark & Lunn Real Return Income Fund, Connor, Connor, Clark & Lunn Global Financials Fund II, CANADIAN Financials & Utilities Split Corp., Focused Global Trends Fund, Canadian Banc Capital Securities Trust, Connor, Clark & Lunn Natural Resources Class, Connor, Clark & Lunn Balanced Portfolio Class, Build America Investment Grade Bond Fund, North American Financials Capital Securities Trust, HBanc Capital Securities Trust and Australian Banc Capital Securities Trust.

### *Duties and Services Provided by the Manager*

Pursuant to CCP's trust agreement, the Manager has exclusive authority to manage the operations and affairs of CCP, to make all decisions regarding the business of CCP and to bind CCP. The Manager may delegate certain of its powers to third parties where, in the discretion of the Manager, it would be in the best interests of CCP to do so. Among other restrictions imposed on the Manager, it may not dissolve CCP or wind up CCP's affairs except in accordance with the provisions of CCP's trust agreement.

The Manager's duties include: maintaining accounting records for CCP; authorizing the payment of operating expenses incurred on behalf of CCP; calculating the amount and determining the frequency of distributions by CCP; preparing financial statements, income tax returns and financial and accounting information as required by CCP; ensuring that unitholders of CCP are provided with financial statements and other reports as are required from time to time by applicable law; ensuring that CCP complies with regulatory requirements; preparing the reports to CCP's unitholders and to the Canadian Securities Administrators; providing the Trustee with information and reports necessary for it to fulfil its fiduciary responsibilities; administering the redemption of units; and negotiating contracts with third-party providers of services, including, but not limited to, custodians, transfer agents, auditors and printers. The Manager provides office facilities and personnel to carry out these services, together with clerical services which are not furnished by the Trustee or transfer agent of CCP.

Under CCP's trust agreement, the Manager has full responsibility for investment advisory and portfolio management services to CCP in accordance with the investment guidelines, including the investment objectives.

The Manager is required to exercise its powers and discharge its duties honestly, in good faith and in the best interests of CCP and to exercise the care, diligence and skill of a prudent and qualified person in similar

circumstances. CCP's trust agreement provides that the Manager will not be liable in any way for any default, failure or defect in any of the securities comprising the investment portfolio of CCP if it has satisfied the duties and the standard of care, diligence and skill set forth above. The Manager will incur liability, however, in cases of willful misconduct, bad faith, negligence, disregard of the Manager's standard of care or by any material breach or default by it of its obligations under CCP's trust agreement.

Unless the Manager resigns or is removed as described below, the Manager will continue as manager until the termination of CCP. The Manager may resign if CCP is in breach or default of the provisions of CCP's trust agreement and, if capable of being cured, any such breach or default has not been cured within twenty business days' notice of such breach or default to CCP and the Manager is deemed to have resigned if the Manager becomes bankrupt or insolvent or in the event the Manager ceases to be resident in Canada for the purposes of the Income Tax Act (Canada) (the "Tax Act"). The Manager may not be removed by the Trustee other than by an extraordinary resolution of the unitholders in the event that the Manager is in material breach or default (defaults under CCP's trust agreement include, among other things, cases of willful misconduct, bad faith, disregard of the Manager's standard of care or negligence) of the provisions of CCP's trust agreement and, if capable of being cured, any such breach or default has not been cured within twenty business days' notice of such breach or default to the Manager, or if the Manager becomes bankrupt or insolvent.

*Management Fees*

The Manager is entitled to fees for its services under CCP's trust agreement at a rate of 1.10% per annum of the net asset value of CCP and is reimbursed for all reasonable costs and expenses incurred by the Manager on behalf of CCP, as described under "Fees and Expenses Payable by the Trust" of the CCP AIF. The Manager pays the Investment Manager's fee out of its own fees. In addition, the Manager and each of its directors, officers, employees and agents is indemnified by CCP for all liabilities, costs and expenses incurred in connection with any action, suit or proceeding that is proposed or commenced or other claim that is made against the Manager or any of its officers, directors, employees or agents in the exercise of its duties as manager, except those resulting from the Manager's wilful misconduct, bad faith or negligence. The management fee for CCQ is 1.10% per annum of the net asset value of CCQ.

*Officers and Directors of the Manager*

The name, municipality of residence, offices held with the Manager and principal occupation for the past five years of each of the directors and officers of the Manager are set out below:

<u>Name and Municipality</u>	<u>Position with the Manager</u>	<u>Principal Occupation</u>
W. NEIL MURDOCH . . . . . Oakville, Ontario	Director, President and Chief Executive Officer	Director, President and Chief Executive Officer, CC&L Capital Markets
MICHAEL W. FREUND . . . . . Toronto, Ontario	Director, Chairman and Chief Financial Officer	Managing Partner, Connor, Clark & Lunn Financial Group.
DARREN N. CABRAL . . . . . Toronto, Ontario	Director and Vice-President	Vice-President, CC&L Capital Markets

During the past five years, all of the directors and officers of CC&L Capital Markets listed above have held their present principal occupations (or similar positions with their present employer or its affiliates), except for Darren N. Cabral who joined CC&L Capital Markets in May 2007.

**W. Neil Murdoch:** *CFA; BComm, McGill University; LLB, University of Toronto; Master of Management, Kellogg Graduate School of Management, Northwestern University.* Mr. Murdoch joined CC&L Capital Markets in December 2003. Prior thereto, Mr. Murdoch was Executive Vice-President and Portfolio Manager at AIC Group of Funds.

**Michael W. Freund:** *B.Bus.Sci., University of Cape Town.* Mr. Freund has held various management positions within the CC&L Group of companies since 1997. Mr. Freund's current principal occupation is Managing Partner of the Connor, Clark & Lunn Financial Group.

**Darren N. Cabral:** *CFA; BA (Hons.), York University; MBA, Schulich School of Business, York University.* Mr. Cabral joined CC&L Capital Markets in May 2007. Prior thereto, Mr. Cabral held various positions with affiliates of Middlefield Group Limited from September 2001 to April 2007, including Executive Director of Research at Middlefield Capital Corporation and Managing Director of Middlefield International Limited.

### **The Advisory Board**

CCP established an advisory board (the "Advisory Board") consisting of two members appointed by the Manager and independent of the Manager, the Investment Manager and each of their affiliates, and free from any interest and any business or other relationship which could, or could be reasonably perceived to, materially interfere with the exercise of an Advisory Board member's judgement. The Advisory Board provides independent advice to the Manager to assist the Manager in performing its services under CCP's trust agreement, including with respect to conflicts of interest or potential conflicts of interest or related party transactions identified by the Manager. The members of the Advisory Board are required to act honestly and in good faith in the best interests of CCP and their unitholders and, in connection with that duty, will exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

The Manager reports to the Advisory Board on the operation and performance of CCP on a quarterly basis, including with respect to compliance with applicable investment restrictions and material contracts as amended from time to time.

All fees and expenses of the Advisory Board incurred in connection with its duties with respect to CCP are paid by CCP. The Advisory Board has the authority to retain, at the expense of CCP, independent counsel or other advisors if the Advisory Board deems it appropriate to do so. The members of the Advisory Board receive remuneration for their services as advisors. The advisors' fees paid during the year ended December 31, 2009 were \$21,000.

The members of the Advisory Board are indemnified by CCP except in cases of wilful misconduct, bad faith, negligence or breach of their standard of care. The Advisory Board members are not responsible for the investments made by CCP or for the performance of CCP. The members of the Advisory Board may serve in a similar capacity in respect of other entities managed by the Manager.

The following is a brief description of the backgrounds of the members of the Advisory Board:

**Eric Schwitzer** is Vice-Chairman of Lincoln Peck Financial, a financial advisory firm. Prior thereto, he was Managing Partner of Enterprise Capital Management Inc., a fund manager. He has served on a number of public and private boards and is presently on the boards of Northwest Upgrading Inc., Pitchstone Exploration Inc. and SNP Split Corp.

**Joseph Wright** has served on the boards of public and private companies including Loblaw Companies Limited and IESI-BFC Ltd. His former positions include the Chief Executive Officer of Swiss Bank Corporation (Canada) and Vice-Chairman and Director of Burns Fry Limited.

### **The Independent Review Committee**

NI 81-107 requires all publicly offered investment funds, including CCP, to establish an independent review committee to whom the Manager must refer all conflict of interest matters for review or approval. NI 81-107 also imposes obligations upon the Manager to establish written policies and procedures for dealing with conflict of interest matters, maintain records in respect of these matters and provide assistance to the independent review committee in carrying out its functions. The independent review committee is required to be comprised of a minimum of three independent members, and is subject to requirements to conduct regular assessments and provide reports to CCP and to unitholders in respect of its functions. CCP is fully compliant with NI 81-107 and the following individuals have been appointed as members of the independent review

committee: Fred Lazar, Frank Santangeli and Joseph Wright. The principal occupations and biographies of such individuals are set out below.

**Fred Lazar** is a Professor of Economics at York University's Schulich School of Business. In addition to a distinguished academic career, Mr. Lazar has served as a senior advisor to the governments of Canada and Ontario and to a number of national and international companies.

**Frank Santangeli** has worked in the financial services industry since 1960. Positions he has held include Vice-President of Sunlife Canada, President and Chief Executive Officer of Finsco Investment Management Corporation, and Vice-President of Imasco Financial Corporation. He has also served as Chairman of The Investment Funds Institute of Canada.

**Joseph Wright's** biography is set forth above.

### **The Trustee**

RBC Dexia has been appointed the trustee of CCP pursuant to the provisions of CCP's trust agreement. The Trustee acts as custodian of CCP's assets and is responsible for certain aspects of the day-to-day administration of CCP as described in CCP's trust agreement, including executing documents on behalf of CCP, processing redemptions, calculating Net Asset Value, net income and net realized capital gains of CCP and maintaining the books and records of CCP.

The Trustee or any successor trustee may resign upon 60 days' written notice to unitholders and the Manager or may be removed with the approval of a majority of the votes cast at a meeting of unitholders called for such purpose with two or more persons present in person or by proxy representing not less than 10% of the units then outstanding. Any such resignation or removal shall become effective only on the acceptance of appointment by a successor trustee. If the Trustee resigns or is removed by unitholders, its successor must be approved by unitholders. If, after the resignation or removal of the Trustee, no successor has been appointed within 60 days, the Trustee, the Manager or any unitholder may apply to a court of competent jurisdiction for the appointment of a successor trustee.

CCP's trust agreement provides that the Trustee not to be liable in carrying out its duties under CCP's trust agreement except in cases of willful misconduct, bad faith, negligence or disregard of its obligations and duties or in cases where the Trustee fails to act honestly and in good faith with a view to the best interests of the unitholders or to exercise the degree of care, diligence and skill that a reasonably prudent trustee would exercise in comparable circumstances. In addition, CCP's trust agreement contains other customary provisions limiting the liability of the Trustee and indemnifying the Trustee in respect of certain liabilities incurred by it in carrying out its duties.

The Trustee is entitled to receive fees from CCP and to be reimbursed for all expenses and liabilities which are properly incurred by the Trustee in connection with the activities of the Funds.

### **The Investment Manager**

CC&L Investment Management provides investment advisory and portfolio management advice to CCP pursuant to the investment management agreement.

CC&L Investment Management is responsible for execution of the investment strategy of CCP. CC&L Investment Management was established in March 1982, has offices in Vancouver and Toronto, Canada, and had approximately \$21 billion directly under its management as at September 30, 2010. CC&L Investment Management is a private company wholly-owned, indirectly, by its professionals. The principal office of the Investment Advisor is located at 2200 - 1111 West Georgia Street, Vancouver, British Columbia V6E 4M3.

The name, municipality of residence, position with the Investment Manager and principal occupation of the relevant directors and officers of the Investment Manager are set out below:

<u>Name and Municipality</u>	<u>Position with the Investment Manager</u>	<u>Principal Occupation</u>
LARRY R. LUNN . . . . . Vancouver, British Columbia	Director, Chairman and President	Director, Chairman and President of CC&L Investment Management
MICHAEL W. FREUND . . . . . Toronto, Ontario	Director	Managing Partner, Connor, Clark & Lunn Financial Group
MARTIN L. GERBER . . . . . West Vancouver, British Columbia	Director and Commodity Advising Officer	Director and Commodity Advising Officer of CC&L Investment Management
BRIAN EBY . . . . . West Vancouver, British Columbia	Director and Vice-President	Director and Vice-President of CC&L Investment Management
GORDON H. MACDOUGALL . . . . . West Vancouver, British Columbia	Director and Vice-President	Director and Vice-President of CC&L Investment Management
J. WARREN STODDART . . . . . Toronto, Ontario	Director and Vice-President	Managing Partner, Connor, Clark & Lunn Financial Group
GARY BAKER . . . . . West Vancouver, British Columbia	Director	Director of CC&L Investment Management
PHILLIP J. COTTERILL . . . . . West Vancouver, British Columbia	Director	Director of CC&L Investment Management
KATHLEEN A. LEAVENS . . . . . Vancouver, British Columbia	Compliance Officer	Compliance Officer, CC&L Investment Management

Each of the foregoing has held his or her current office or has held a similar office with the Investment Manager during the five years preceding the date hereof, except Mr. Baker, who was appointed to the board of the Investment Manager in 2006.

*Investment Team*

The team of investment professionals responsible for investment management at the Investment Manager all have significant experience in managing investment portfolios.

**Brian Eby:** *CFA; MBA (1987), BComm (1985), McMaster University.* Mr. Eby is co-leader of the Fixed Income team, responsible for strategy and research. Mr. Eby is a director of Connor, Clark & Lunn Investment Management and a partner in Connor, Clark & Lunn Investment Management Partnership.

**Gary Baker:** *CFA; MBA, University of Toronto (1985); BEng, McMaster University (1984).* Mr. Baker is the team leader and Portfolio Manager on the fundamental Canadian Equity team, responsible for fundamental research in the Financial and Technology sectors and overall portfolio strategy. Mr. Baker is a Director of Connor, Clark & Lunn Investment Management and a partner in Connor, Clark & Lunn Investment Management Partnership. In 2010, Gary Baker was recognized as a TopGun Portfolio Manager by worldwide intelligence-based advisory firm Brendan Wood International. The prestigious award reflects those with the best grasp of the industries in which they invest and those with the most influence in the Canadian market.

**Steven Vertes:** *CFA; Honours Business Administration, University of Western Ontario (1998).* Mr. Vertes is a portfolio manager on the Fundamental Canadian Equity Team, responsible for fundamental research and analysis in the Consumer, Telecom and Real Estate sectors. Mr. Vertes is a Vice-President in Connor, Clark & Lunn Investment Management Partnership. He joined the Investment Manager in 2002, after having spent the previous four years as an investment banker at UBS Securities Canada Inc. In 2010, Steven Vertes was recognized as a TopGun Portfolio Manager by worldwide intelligence-based advisory firm Brendan Wood

International. The prestigious award reflects those with the best grasp of the industries in which they invest and those with the most influence in the Canadian market.

**Mark Bridges:** *CFA; Bachelor of Commerce, University of Calgary.* Mr. Bridges is a member of the Canadian Equity team, responsible for fundamental research and analysis in the energy sector. He is a Vice-President of Connor, Clark & Lunn Investment Management. Mark joined Connor, Clark & Lunn in 2009 after working as a securities analyst for over eight years at CIBC World Markets Inc. Prior to joining CIBC World Markets, Mark spent the previous two years as an energy analyst at Peters & Co.

**John P. Novak:** *CFA; MSc, London School of Economics; MBA, University of Toronto; BA, Brock University.* Mr. Novak is a Portfolio Manager responsible for fundamental Canadian equity research in the utility, forest products, and industrial products sectors. He is a Vice-President of Connor, Clark & Lunn Investment Management. Mr. Novak joined the Investment Manager in 2006, after having spent the previous 13 years as an equity analyst on the sell side at CIBC World Markets Inc., Westwind Partners Inc., TD Securities Inc. and Loewen Ondaatje McCutcheon Ltd. In 2010, John Novak was recognized as a TopGun Portfolio Manager by worldwide intelligence-based advisory firm Brendan Wood International. The prestigious award reflects those with the best grasp of the industries in which they invest and those with the most influence in the Canadian market.

**Samba Chunduri:** *MBA, University of Western Ontario; Btech, JN Technical University, India.* Mr. Chunduri is an analyst for the fundamental Canadian Equity team, responsible for research in the chemicals, metals, mining and healthcare sectors. Mr. Chunduri is a Vice-President of Connor, Clark & Lunn Investment Management. He joined the Investment Manager in 2005, after having spent the previous four years as an equity analyst in the investment industry at Orion Securities and Raymond James.

#### *Investment Management Agreement*

An investment management agreement (the “Investment Management Agreement”) was entered into between the Manager on behalf of CCP and CC&L Investment Management on November 29, 2001, pursuant to which CC&L Investment Management makes all investment decisions in respect of CCP in accordance with the investment guidelines. Decisions as to the purchase and sale of securities and as to the execution of all portfolio and other transactions in connection with the Capital Portfolio are made by CC&L Investment Management. In the purchase and sale of securities for CCP, CC&L Investment Management seeks to obtain overall services and prompt execution of orders on favourable terms.

Under the Investment Management Agreement, CC&L Investment Management is required to act at all times on a basis which is fair and reasonable to CCP, to act honestly and in good faith with a view to the best interests of the unitholders and, in connection therewith, to exercise the degree of care, diligence and skill that a reasonably prudent portfolio manager would exercise in comparable circumstances. The Investment Management Agreement provides that CC&L Investment Management shall not be liable in any way for any default, failure or defect in any of the securities of CCP, nor shall it be liable if it has satisfied the duties and standard of care, diligence and skill set forth above. CC&L Investment Management will, however, incur liability in cases of wilful misconduct, bad faith, negligence or breach of its obligations under the Investment Management Agreement.

The Investment Management Agreement, unless terminated as described below will continue in effect until the termination of the Manager. The Manager may terminate the Investment Management Agreement if CC&L Investment Management has committed certain events of bankruptcy or insolvency or is in material breach or default of the provisions thereof and such material breach or default has not been cured within twenty business days after notice thereof has been given to CC&L Investment Management and the Trustee by the Manager. Except as described above, CC&L Investment Management cannot be terminated as investment manager of CCP.

CC&L Investment Management may terminate the Investment Management Agreement upon twenty business days’ notice in the event that the Manager is in material breach or default of the provisions thereof and such material breach or default has not been cured within twenty business days’ notice of same to the Manager and to the Trustee, or in the event that there is a material change in the investment guidelines.

If the Investment Management Agreement is terminated, the Manager will promptly appoint a successor investment manager to carry out the activities of the Investment Manager until a meeting of the unitholders is held to confirm such appointment.

CC&L Investment Management is entitled to fees for its services under the Investment Management Agreement and will be reimbursed for all reasonable costs and expenses incurred by CC&L Investment Management on behalf of CCP. The Investment Manager's fee will be paid by the Manager out of its own fees. In addition, CC&L Investment Management and each of its directors, officers, employees and agents will be indemnified by CCP for all liabilities, costs and expenses incurred in connection with any action, suit or proceeding that is proposed or commenced or other claim that is made against CC&L Investment Management or any of its officers, directors, employees or agents in the exercise of its duties as investment manager, except those resulting from CC&L Investment Management's wilful misconduct, bad faith, negligence or breach of its obligations under the Investment Management Agreement.

#### **INTEREST OF MANAGEMENT AND OTHERS IN THE EXTRAORDINARY RESOLUTIONS**

CC&L Capital Markets is the manager of the Funds and receives a fee from the Funds as described in the AIFs, which are specifically incorporated by reference into, and form an integral part, of this Circular. See "Documents Incorporated by Reference".

#### **CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS**

In the opinion of Osler, Hoskin & Harcourt LLP, counsel to the Funds, the following is a summary of the principal Canadian federal income tax considerations relating to the Merger Proposal that are generally applicable to unitholders of CCQ who are individuals (other than trusts) and who, at all relevant times for purposes of the Tax Act are resident in Canada, hold units of CCQ as capital property and deal at arm's length with and are not affiliated with CCQ. Certain unitholders whose units might not otherwise qualify as capital property may be entitled to make the irrevocable election in the circumstances permitted by subsection 39(4) of the Tax Act to deem units (and all other Canadian securities owned by the holder) to be capital property. Units held by certain "financial institutions" (as defined in the Tax Act) will generally not be capital property to such unitholders and will be subject to special rules in the Tax Act applicable to securities held by financial institutions. These rules are not discussed in this summary and unitholders to whom these rules may be relevant should consult their own tax advisors.

This summary is based on the current provisions of the Tax Act, the regulations thereunder (the "Regulations"), all specific proposals to amend the Tax Act and Regulations publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof, and counsel's understanding of the current administrative policies and assessing practices of the CRA published in writing prior to the date hereof. This summary is not exhaustive of all possible Canadian federal income tax considerations and does not anticipate any changes in law, nor does it take into account, provincial, territorial or foreign tax considerations, which may differ significantly from those discussed herein. This summary is also based on the assumptions that the Funds qualify at all times as "mutual fund trusts" within the meaning of the Tax Act, were not established and have not and will not be maintained for the benefit of non-residents of Canada for the purpose of the Tax Act and are not "SIFT trusts" within the meaning of the Tax Act.

**This summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any particular unitholder, and no representations with respect to the income tax consequences to any particular unitholder are made. Accordingly, unitholders should consult their own tax advisors for advice with respect to the tax consequences to them of the extraordinary resolution, including the application and effect of the income and other tax laws of any country, province, territory, state or local tax authority.**

#### **Merger Proposal**

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 more detail below, holders will realize any accrued capital gain or loss on their units as a result of the merger.

### *Tax Consequences to CCP and CCQ*

On the disposition by CCQ of substantially all of its net assets to CCP, CCQ will, in respect of such assets held as capital property, realize a capital gain (or capital loss) in the amount by which the proceeds of disposition of such assets exceed (or are less than) the aggregate of the adjusted cost base to CCQ of such assets and any reasonable costs of disposition. The proceeds of disposition of such assets to CCQ will equal the then fair market value of the units of CCP received as consideration therefor.

CCP will acquire the assets of CCQ at a cost equal to the then NAV of the units issued to CCQ as consideration therefor (which the Manager expects to be representative of the fair market value of such units at the time of issuance). On the disposition by CCP of its assets, including assets acquired from CCQ, CCP will, in respect of such assets held as capital property, realize a capital gain (or capital loss) in the amount by which the proceeds of disposition of such assets exceed (or are less than) the aggregate of the adjusted cost base to CCP of such assets and any reasonable costs of disposition.

### *Tax Consequences to Unitholders*

A holder of CCQ units will be considered to dispose of such units upon the automatic redemption of such units for proceeds consisting of CCP units, and will be considered to realize a capital gain (or capital loss) in the amount by which the then fair market value of the CCP units received by such holder, less any amount of income or capital gains of CCQ allocated to such holder in respect of the redemption, exceeds (or is less than) the aggregate of such holder's adjusted cost base of their CCQ units, taking into account any reinvested distributions as of the time of the merger, and any reasonable costs of disposition.

The aggregate cost for tax purposes to a unitholder receiving CCP units as proceeds on the automatic redemption of CCQ units will be the fair market value of such CCP units at that time. For the purpose of determining the adjusted cost base to a unitholder of CCQ units at the time of redemption, the cost of each CCQ unit owned by the unitholder must be averaged with the adjusted cost base of all CCQ units owned by the unitholder as capital property.

Where a holder of CCQ units has received a return of capital distribution from CCQ in respect of a CCQ unit, the adjusted cost base of such unit will have been reduced by the amount of such distribution. To the extent that the adjusted cost base of such unit would otherwise be less than zero, a capital gain equal to the negative amount will have been deemed to have been realized by such holder, and the adjusted cost base of such unit will have been increased by the amount of such deemed capital gain.

One-half of any capital gain (a "taxable capital gain") realized on the disposition of CCQ units will be included in the unitholder's income and one-half of any capital loss (an "allowable capital loss") realized will generally be deducted from any taxable capital gains realized in the same taxation year subject to and in accordance with detailed rules in the Tax Act.

### **ELIGIBILITY FOR INVESTMENT**

In the opinion of Osler, Hoskin & Harcourt LLP, provided that CCP qualifies as a "mutual fund trust" for the purposes of the Tax Act and the Regulations, or units of CCP are listed on a designated stock exchange, units of CCP will be qualified investments under the Tax Act for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans, registered disability savings plans, registered education savings plans and tax-free savings accounts ("TFSA").

Provided the holder of a TFSA deals at arm's length with CCP, does not have a "significant interest" (within the meaning of the Tax Act) in CCP, and does not have a "significant interest" (within the meaning of the Tax Act) in a corporation, partnership or trust that does not deal at arm's length with CCP, units of CCP will not be a prohibited investment under the Tax Act for such TFSA.

## UNITS AND PRINCIPAL UNITHOLDERS

As at December 10, 2010, there are 4,719,817 units of CCQ issued and outstanding. As at December 10, 2010, there are 770,308 units of CCP issued and outstanding.

As at December 10, 2010, to the knowledge of the Manager, no person owns of record more than 10% of the outstanding units of CCP or CCQ other than CDS & Co., the nominee of CDS, which holds all of the units of each of CCP and CCQ as registered owner for various brokers and other persons on behalf of their clients and others and the names of the beneficial owners of such units are not known to CCP or CCQ.

## THE TRUSTEE

The Trustee of the Funds is RBC Dexia Investor Services Trust. The Trustee's principal office is located at 77 King Street West, Royal Trust Tower, 12<sup>th</sup> Floor, P.O. Box 7500, Station "A", Toronto Dominion Centre, Toronto, Ontario M5W 1P9.

## AUDITORS, CUSTODIAN AND TRANSFER AGENT

The auditor of the Funds is PricewaterhouseCoopers LLP, Chartered Accountants, 77 King Street West, Royal Trust Tower, Suite 3000, P.O. Box 82, Toronto Dominion Centre, Toronto, Ontario M5K 1G8.

Computershare Investor Services Inc. ("Computershare") is the registrar and transfer agent for the Funds at its principal office in Toronto, Ontario. The principal office of the registrar and the place where the securities register for the Units is kept is located at 8th Floor, 100 University Avenue, Toronto, Ontario M5J 2Y1.

RBC Dexia serves as custodian of each of the Funds.

## GENERAL PROXY INFORMATION

### Circular

This Circular is furnished in connection with the solicitation of proxies by management of the Funds to be used at the Meetings or at any adjournment thereof. The CCQ Meeting will be held on January 14, 2011 at 8:30 a.m. (Toronto time) and the CCP Meetings will be held on January 21, 2011 at 8:30 a.m. (Toronto time). The Meetings will be held at 1 First Canadian Place, Suite 6300, 100 King Street West, Toronto, for the purposes set forth in the Notice of Special Meetings of Unitholders accompanying this Circular (the "Notice"). Solicitation of proxies will be by mail, and may be supplemented by telephone or other personal contact by representatives or agents of the Funds.

### Voting Rights, Record Date, Quorum and Proxy Information

To be used at the Meetings, a proxy must be deposited with Computershare by delivery to its principal offices in Toronto at 100 University Avenue, 9<sup>th</sup> Floor, Toronto, Ontario M5J 2Y1, Attention: Proxy Department at any time up to 5:00 p.m. (Toronto time) on January 12, 2011 for the CCQ Meeting and any time up to 5:00 p.m. (Toronto time) on January 19, 2011 for the CCP Meeting.

Only holders of record of whole units of CCQ at the close of business on December 10, 2010 will be entitled to receive notice of the CCQ Meeting and to vote in respect of the matters to be voted at the CCQ Meeting or any adjournment thereof. Only holders of record of whole units of CCP at the close of business on December 21, 2010 will be entitled to receive notice of the CCP Meeting and to vote in respect of the matters to be voted at the CCP Meeting or any adjournment thereof.

With respect to each matter properly before the Meetings, a unitholder shall be entitled to one vote for each unit registered in the name of such unitholder. In order to become effective, the CCQ extraordinary resolution must be approved by 66⅔% of unitholders of CCQ voting on such resolution and the CCP extraordinary resolution must be approved by 66⅔% of unitholders of CCP voting on such resolution.

Pursuant to the trust agreements, a quorum at the Meetings will consist of two or more unitholders present in person or by proxy representing not less than 10% of the outstanding units in the case of CCQ and not less than 25% of the outstanding units in the case of CCP. If a quorum of unitholders is not constituted within 30 minutes from the time fixed for holding the CCQ Meeting, the CCQ Meeting will be adjourned to 8:30 a.m. (Toronto time) on January 24, 2011 and the CCQ unitholders present at any such adjourned meeting will constitute a quorum. If a quorum of unitholders is not constituted within 30 minutes from the time fixed for holding the CCP Meeting, the CCP Meeting will be adjourned to 8:30 a.m. (Toronto time) on January 31, 2011 and the CCP unitholders present at any such adjourned meeting will constitute a quorum.

### **Appointment of Proxy Unitholders**

Unitholders who are unable to be present at a Meeting may still vote through the use of proxies. If you are a unitholder, you should complete, execute and return the enclosed proxy form. By completing and returning the enclosed proxy form, you can participate in a Meeting through the person or persons named on the form. Please indicate the way you wish to vote and your vote will be cast accordingly. **If you do not indicate a preference, the units represented by the enclosed proxy form, if the same is executed in favour of the management appointees named in the proxy form and deposited as provided in the Notice, will be voted in favour of all matters identified in such Notice.**

### **Discretionary Authority of Proxies**

The proxy form confers discretionary authority upon the management appointees named therein with respect to such matters, including without limitation, amendment or variation to the extraordinary resolution, as, though not specifically set forth in the Notice, may properly come before a Meeting. Management does not know of any such matter which may be presented for consideration at a Meeting. However, if such a matter is presented, the proxy will be voted on the matter in accordance with the best judgment of the management appointees named in the proxy form.

**On any ballot that may be called for at a Meeting, all units in respect of which the management appointees named in the accompanying proxy form have been appointed to act will be voted in accordance with the specification of the unitholder signing the proxy form. If no specification is made, the units will be voted in favour of all matters identified in the Notice.**

### **Alternate Proxy**

**A unitholder has the right to appoint a person or company to represent them at a Meeting other than the management appointees designated on the accompanying proxy form by crossing out the printed names and inserting the name of the person he or she wishes to act as proxy in the blank space provided, or by completing another proxy form. Proxy forms which appoint persons other than the management appointees whose names are printed on the form should be submitted to the Fund and the person so appointed should be notified. A person acting as proxy need not be a unitholder.**

The securities represented by the proxy will be voted or withheld from voting in accordance with the instructions of the unitholder on any ballot that may be called for. If the unitholder specifies a choice with respect to any matter to be acted upon, the units will be voted accordingly. If no specification is made, the units may be voted in accordance with the best judgment of the person named in the proxy form. Furthermore, the person named in the proxy form will have discretionary authority with respect to any amendments to the matters set forth in the Notice and with respect to any other matters that may properly come before a Meeting, and units will be voted on such amendments and other matters in accordance with the best judgment of the person named in the proxy form.

### **Revocation of Proxies**

If the accompanying form of proxy is executed and returned, the proxy may nevertheless be revoked by an instrument in writing executed by the unitholder or his or her attorney authorized in writing, as well as in any other manner permitted by law. Any instrument revoking a proxy must either be deposited (i) at the registered office of Computershare no later than 5:00 p.m. (Toronto time) on the day before the day of the Meeting or (ii) with the Chairman of such Meeting on the day of the Meeting or any adjournment thereof. If the instrument of revocation is deposited with the Chairman on the day of the Meeting or any adjournment thereof, the instrument will not be effective with respect to any matter on which a vote has already been cast pursuant to that proxy.

### **Solicitation of Proxies**

The Manager will reimburse brokers, custodians, nominees and fiduciaries for the proper charges and expenses incurred in forwarding this Circular and related materials to beneficial owners of units. In addition to

solicitation by mail, officers and directors of CC&L Capital Markets may, without additional compensation, solicit proxies personally or by telephone.

### **Advice to Beneficial Unitholders**

The information set forth in this section is of significant importance to beneficial unitholders (“Beneficial Unitholders”). The units of each of the Funds are held in book-entry form in the name of CDS & Co., the nominee of CDS, and not in the name of Beneficial Unitholders. CDS is a limited purpose corporation organized as a “clearing corporation” under the applicable provincial securities regulatory authorities. CDS is owned or controlled by CDS Participants and was created to hold securities for CDS Participants and to facilitate the clearance and settlement of securities transactions between CDS Participants through electronic book entries, thereby eliminating the need for physical movement of certificates. CDS Participants include securities brokers and dealers, banks, trust companies, and clearing corporations. Indirect access to the CDS system is also available to others such as bankers, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a CDS Participant, either directly or indirectly.

As a result of CCQ and CCP issuing their units in book-entry form only, CDS is the sole registered unitholder of each of the Funds. Only registered unitholders or the persons they appoint as proxies are permitted to vote at the Meetings. All of the Beneficial Unitholders of each of the Funds hold their units through either CDS Participants or intermediaries. Units held by brokers, dealers or their nominees through CDS & Co. can only be voted upon the instructions of the Beneficial Unitholder. Without specific instructions, CDS & Co. and brokers, dealers and their nominees are prohibited from voting units for their clients. The Funds do not know for whose benefit the units registered in the names of CDS & Co. are held. Therefore, Beneficial Unitholders cannot be recognized at their Meeting for purposes of voting their units in person or proxy unless they comply with the procedures described in the Circular.

Applicable regulatory policy requires brokers, dealers and other intermediaries to seek voting instructions from Beneficial Unitholders in advance of unitholder meetings. Every intermediary has its own mailing procedures and provides its own return instructions, which should be carefully followed by Beneficial Unitholders in order to ensure that their units are voted at their Meeting. Often, the form of proxy supplied to a Beneficial Unitholder by its intermediary is identical to that provided to registered unitholders. However, its purpose is limited to instructing the registered unitholders how to vote on behalf of the Beneficial Unitholders. The majority of intermediaries now delegate responsibility for obtaining instructions from clients to Broadridge Investor Communication Solutions (“Broadridge”). Broadridge typically prepares a voting instruction form which it mails to the Beneficial Unitholders and asks Beneficial Unitholders to complete and return directly to Broadridge. Broadridge then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of units to be represented at their Meeting. **A Beneficial Unitholder receiving a voting instruction form cannot use that form to vote units directly at their Meeting. Rather, the voting instruction form must be returned to Broadridge well in advance of their Meeting in order to have the units voted.**

**If you are a Beneficial Unitholder and wish to vote in person at a Meeting, please contact your broker, dealer or other intermediary well in advance of such Meeting to determine how you can do so.**

**If you are a unitholder and wish to vote in favour of an extraordinary resolution, you should submit a voting instruction form voting in favour of the extraordinary resolution well in advance of the 5:00 p.m. (Toronto time) deadline on January 12, 2011 for CCQ unitholders and the 5:00 p.m. (Toronto time) deadline on January 19, 2011 for the CCP unitholders for the deposit of proxies.**

Voting instruction forms sent by Broadridge may be completed by telephone or through the internet at [www.proxyvote.com](http://www.proxyvote.com).

## DOCUMENTS INCORPORATED BY REFERENCE

Information has been incorporated by reference into the Circular from documents filed with securities commissions or similar authorities in Canada. The AIFs are specifically incorporated by reference into, and form an integral part of, this Circular.

The documents incorporated by reference are available on SEDAR at [www.sedar.com](http://www.sedar.com). Upon request, CC&L Capital Markets will promptly provide a copy of any such document free of charge to unitholders of CCQ or CCP. See "Additional Information".

## ADDITIONAL INFORMATION

Additional information on each of CCP and CCQ is provided in the financial statements and management reports of fund performance for each of the Funds. Copies of all of these documents may be obtained from CC&L Capital Markets upon sending a request stating the Fund for which information is being requested to 181 University Avenue, Suite 300, Toronto, Ontario M5H 3M7.

Copies of these documents and other information about each of the Funds are also available on CC&L Capital Market's website at [www.cclcapitalmarkets.com](http://www.cclcapitalmarkets.com) or on SEDAR at [www.sedar.com](http://www.sedar.com).

## APPROVAL OF THE MANAGER

The Board of Directors of CC&L Capital Markets as manager of the Funds has approved the contents and the sending of this Circular to unitholders of the Funds.

**DATED** at Toronto, Ontario this 16<sup>th</sup> day of December, 2010.

Connor, Clark & Lunn Capital Markets Inc., as manager of  
Connor, Clark & Lunn Conservative Income Fund and  
Connor, Clark & Lunn Conservation Income & Growth Fund

By: 

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W. Neil Murdoch  
Chief Executive Officer and President

**APPENDIX I**  
**CONNOR, CLARK & LUNN CONSERVATIVE INCOME FUND**  
**EXTRAORDINARY RESOLUTION**

**BE IT RESOLVED THAT:**

1. The merger (the “Merger”) of Connor, Clark & Lunn Conservative Income & Growth Fund (“CCP”) with Connor, Clark & Lunn Conservative Income Fund (“CCQ”), with CCP as the continuing fund, substantially as described in the joint management information circular of CCQ and CCP dated December 16, 2010 (the “Circular”) including, without limitation, the transfer by CCQ to CCP of substantially all of the assets of CCQ, and the automatic redemption by CCQ of all of the units of CCQ, in exchange for units of CCP, such that unitholders of CCQ will become holders of units of CCP, is authorized and approved.
2. The entering into of an agreement amending the terms of CCQ’s trust agreement between Connor, Clark & Lunn Capital Markets Inc. (“CC&L Capital Markets”) as manager of CCQ and RBC Dexia Investor Services Trust (the “Trustee”) as trustee of CCQ in order to implement the Merger, including without limitation, to permit the transfer by CCQ to CCP of substantially all of the assets of CCQ and the automatic redemption by CCQ of all units of CCQ, as more particularly described in the Circular, is authorized and approved.
3. CC&L Capital Markets is hereby authorized and directed, as manager of CCQ, to take such action and negotiate, approve, execute and deliver all such certificates, documents, authorizations, agreements and instruments or other documentation and to take any and all such further action as may be necessary or desirable in connection with or to implement the matters contemplated in this extraordinary resolution.
4. Notwithstanding the provisions hereof, the Board of Directors of CC&L Capital Markets, as manager of CCQ, may revoke this extraordinary resolution at any time prior to its implementation without further approval of unitholders of CCQ.

**APPENDIX II**  
**CONNOR, CLARK & LUNN CONSERVATIVE INCOME & GROWTH FUND**  
**EXTRAORDINARY RESOLUTION**

**BE IT RESOLVED THAT:**

1. The merger (the “Merger”) of Connor, Clark & Lunn Conservative Income & Growth Fund (“CCP”) with Connor, Clark & Lunn Conservative Income Fund (“CCQ”), with CCP as the continuing fund, substantially as described in the joint management information circular of CCQ and CCP dated December 16, 2010 (the “Circular”), is authorized and approved.
2. Connor, Clark & Lunn Capital Markets Inc. (“CC&L Capital Markets”) is hereby authorized and directed, as manager of CCP, to take such action and negotiate, approve, execute and deliver all such certificates, documents, authorizations, agreements and instruments or other documentation and to take any and all such further action as may be necessary or desirable in connection with or to implement the matters contemplated in this extraordinary resolution.
3. Notwithstanding the provisions hereof, the Board of Directors of CC&L Capital Markets, as manager of CCP, may revoke this extraordinary resolution at any time prior to its implementation without further approval of unitholders of CCP.