



ISL Loan Trust II

Annual Information Form

For the year ended May 31, 2016

No securities regulatory authority has expressed an opinion about these Units and it is an offence to claim otherwise.

August 29, 2016

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1 DESCRIPTION OF THE BUSINESS

1.1 NAME AND FORMATION

ISL Loan Trust II (the “Fund”) is an investment fund established under the laws of the Province of Ontario and governed by the Fund’s Trust Agreement (the “Trust Agreement”) dated February 26, 2013 between Aston Hill Capital Markets Inc. (formerly Connor, Clark & Lunn Capital Markets Inc.) (the “Manager”) and Computershare Trust Company of Canada (the “Trustee”). The Fund’s principal office is located at 77 King Street West, Suite 2110, P.O. Box 92, Toronto, Ontario M5K 1G8.

1.2 STATUS OF THE FUND

ISL Loan Trust II is not considered to be a mutual fund under the securities legislation of the provinces and territories of Canada. Consequently, ISL Loan Trust II is not subject to the various policies and regulations that apply to mutual funds under such legislation.

2 INVESTMENT OBJECTIVES

2.1.1 Investment Objectives

ISL Loan Trust II’s investment objectives are to: (i) provide Unitholders with distributions and (ii) provide an investment in a diversified portfolio (the “Portfolio”) consisting primarily of senior, secured floating rate corporate loans (“Senior Loans”) and other senior debt obligations of non-investment grade North American borrowers, actively managed by Voya Investment Management Co. LLC (formerly ING Investment Management Co. LLC) (the “Sub-Advisor”).

2.1.2 Investment Strategy

In order to achieve ISL Loan Trust II’s investment objectives, the Sub-Advisor invests in a broadly diversified portfolio composed primarily of Senior Loans. The Sub-Advisor generally seeks to make investments in Senior Loans and other debt obligations of borrowers that have: (i) significant levels of asset and/or cash flow coverage; (ii) a protective capital structure, with adequate subordinated debt cushion; (iii) strong senior management; and (iv) attractive market positioning.

The Portfolio consists primarily of Senior Loans that are expected to generate increased Portfolio cash flow in the event that short-term interest rates rise. Up to 20% of Total Assets of the Fund may be invested in senior, unsecured floating rate loans and notes, second lien floating rate loans and notes, corporate debt securities, short-term debt obligations, money market obligations and equity securities that are incidental to investment in loans. The return to the Unitholders is dependent upon the return on the Portfolio.

2.1.3 Investment Management Approach

The Voya Senior Loan Group within the Sub-Advisor manages the Portfolio pursuant to the Sub-Advisor Agreement (the “Sub-Advisor Agreement”). The Sub-Advisor employs a disciplined process to identify, analyze, purchase and monitor investments. This process begins with macro economic research. The Sub-Advisor continually monitors world events, interest rate trends, domestic and global economic cycles and other economic variables. This research helps the Sub-Advisor identify industries for further review and analysis, while avoiding sectors prone to the clustering of defaults.

Once industries have been identified for further review and analysis, the Sub-Advisor analyzes those industries in terms of whether they are cyclical or non-cyclical, production or distribution, durable or non-durable, integrated or non-integrated, industrial or consumer, domestic or international and analyzes their capital flows, developing trends, pricing power and supply/demand dynamics.

Fundamental credit analysis is the foundation of the Sub-Advisor’s portfolio construction. The Sub-Advisor analyzes potential investments with respect to both the individual company and the deal structure. Fundamental credit analysis of a company is an in-depth, independent analysis focused on free cash flow generation, liquidity and adequacy of collateral coverage. In addition, the Sub-Advisor evaluates a company’s management, its competitive position, its market share within its industry and the strengths and weaknesses of its business segments.

The Sub-Advisor's review of the structure of a proposed transaction focuses on the provisions of the credit documents, particularly the strength of the protective covenants and the voting rights of lenders. The Sub-Advisor also analyzes the sponsors of the transaction to determine whether they are proven, committed and have the financial resources required to support the company if necessary.

Proposed investments that are recommended after the foregoing review and analysis are presented to the Voya Senior Loan Group's Investment Committee. The Investment Committee approves all new credit exposure, sets maximum per issuer credit limits and makes portfolio allocations. It also oversees secondary trading and compliance, validates credit scores, sets trading policy and provides approval of regular quarterly monitoring. All investment decisions of the Investment Committee must receive majority approval.

The final aspect of the Sub-Advisor's investment process is rigorous on-going monitoring. The Sub-Advisor's investment professionals continuously monitor general economic and company specific information, including daily review of indicative market valuations. The Voya Senior Loan Group's Investment Committee oversees internal credit ratings on all assets under management. In addition, all assets are subject to a formal credit review by the Investment Committee at least quarterly.

2.1.4 Leverage

The Fund may employ leverage of up to 40% of Total Assets. The addition of leverage has the potential to enhance returns but also involves additional risks. There can be no assurance that the leverage employed by the Fund will enhance returns. If there is a decline in the value of the assets in the Portfolio, the leverage will cause a decrease in the Net Asset Value in excess of that which would otherwise be experienced if no leverage was utilized. Under certain conditions, leverage may be reduced or discontinued.

The Fund applied leverage in the range from 12.7% to 36.3% or from U.S. \$14,700,000 to U.S. \$44,200,000 during the year ended May 31, 2016. The amount of U.S. \$22,200,000 or the Canadian equivalent of \$29,039,820 was outstanding as of May 31, 2016. The leverage factor was approximately 22.6% as of May 31, 2016 (19.0 to 35.2% or from U.S. \$35,600,000 to U.S. \$66,400,000 during the year ended May 31, 2015. The amount of U.S. \$34,700,000 or the Canadian equivalent of \$43,314,275 was outstanding as of May 31, 2015. The leverage factor was approximately 23.6 % as of May 31, 2015). The related interest expense during the year ended May 31, 2016 was \$508,492 (\$787,401 during the same period ended May 31, 2015).

2.1.5 Use of Derivatives

The Fund may invest in and use derivative instruments for hedging purposes to the extent considered appropriate by the Manager taking into account factors including transaction costs. There can be no assurance that the Fund's hedging strategies will be effective.

2.1.6 Investment Restrictions of the Fund

The Fund is subject to certain investment restrictions which are set out in the Trust Agreement. The investment restrictions of the Fund provide that the Fund will not:

- (a) invest at the time of purchase less than 80% of the Total Assets in Senior Loans, except within 60 days after the Closing Date and within 60 days prior to the Fund's termination;
- (b) invest at the time of purchase less than 85% of the Total Assets in assets denominated in U.S. Dollars;
- (c) invest at the time of purchase less than 90% of the Total Assets in floating rate assets;
- (d) invest at the time of purchase more than 25% of Total Assets in the Senior Loans of borrowers in the same industry sector (determined with reference to the industry sectors identified by Standard & Poor's);
- (e) invest at the time of purchase more than 10% of Total Assets in debt obligations of any one borrower or issuer;
- (f) invest at the time of purchase more than 15% of Total Assets in credit facility agreements that are less than U.S. \$150 million in size;
- (g) employ financial leverage in excess of 40% of Total Assets, except in connection with foreign exchange rate hedging;

- (h) purchase the common or preferred shares of any “substantial securityholder” of the Fund (as defined in the Securities Act (Ontario)) or the direct or indirect parent of any substantial securityholder of the Fund;
- (i) make or hold any investments in entities that would be “foreign affiliates” of the Fund for purposes of the Tax Act;
- (j) make or hold any investments in securities of a non-resident trust (or a partnership which holds such an interest) other than “exempt foreign trusts” as defined in proposed section 94 of the Tax Act set forth in the Tax Proposals;
- (k) make or hold any investments that could require the Fund to include any material amount in its income pursuant to the offshore investment fund property rules in section 94.1 of the Tax Act as modified by the Tax Proposals;
- (l) acquire any interest in a trust (or a partnership which holds such an interest) which would require the Fund (or the partnership) to report income in connection with such interest pursuant to the rules in proposed section 94.2 of the Tax Act, as set forth in the Tax Proposals;
- (m) pledge any of its assets, except in connection with the employment of permitted financial leverage and foreign exchange rate hedging; or
- (n) purchase the securities of a borrower for the purposes of exercising control or direction, whether alone or in concert, over management of that borrower, except under circumstances where such borrower is in breach of the terms of, or in default under, the Senior Loan.

3 UNITHOLDER’S EQUITY

3.1 THE UNITS

ISL Loan Trust II is authorized to issue an unlimited number of redeemable, transferable units of beneficial interest, which units may be issued in any number of classes. Each Unit entitles the holder to the same rights and obligations as a Unitholder and no Unitholder is entitled to any privilege, priority or preference in relation to any other holder of Units, subject to Unitholders of different classes being entitled to distributions or redemptions based on the Net Asset Value per Unit of the applicable class if any such class is denominated in a different currency. Each Unitholder is entitled to one vote at all meetings of Unitholders for each Unit held and is entitled to participate equally with respect to any and all distributions made by the Fund, including distributions of net realized capital gains or income, if any. On the redemption of Units, however, the Fund may in its sole discretion, designate payable to redeeming Unitholders, as part of the redemption price, any capital gains realized by, and income of, the Fund in the taxation year in which the redemption occurred. On termination or liquidation of the Fund, the Unitholders of record are entitled to receive on a pro rata basis with other holders of Units of that class the assets of the Fund remaining after payment of all debts, liabilities and liquidation expenses of the Fund. Unitholders have no voting rights in respect of assets held by the Fund. The Fund has delegated to the Portfolio Manager the responsibility for voting on matters for which the Fund receives, in its capacity as a securityholder, proxy materials for a meeting of securityholders of a borrower included in the Portfolio. All units of the Fund are owned by a “taxable Canadian corporation” as defined in the Tax Act.

On December 16, 2004, the Trust Beneficiaries’ Liability Act, 2004 (Ontario) came into force. This statute provides that holders of units of a trust are not, as beneficiaries, liable for any act, default, obligation or liability of the trust if, when the act or default occurs or the liability arises, (i) the trust is a reporting issuer under the Securities Act (Ontario) and (ii) the trust is governed by the laws of Ontario. The Fund is a reporting issuer under the Securities Act (Ontario) and it is governed by the laws of Ontario by virtue of the provisions of the Trust Agreement.

3.2 UNITHOLDER MATTERS

3.2.1 Meetings of Unitholders

A meeting of Unitholders may be convened by the Trustee or the Manager by a written requisition specifying the purpose of the meeting and must be convened by the Trustee if requisitioned by Unitholders holding not less than 10% of the then outstanding Units entitled to vote on the matter. The Trustee or the Manager may convene a meeting of only the holders of a particular class of Units if the nature of the business to be transacted at that meeting is only relevant to the Unitholders of such class.

Notice of all meetings of Unitholders will be given in accordance with the Trust Agreement and applicable law. The quorum for a meeting of all Unitholders is one or more Unitholders present in person or represented by proxy holding not less than five percent of the Units then outstanding. The quorum for a meeting of the holders of any particular class of Units is one or more holders of Units of such class present in person or represented by proxy holding not less than five percent of the Units of such class then outstanding. In the event that such quorum is not present within one-half hour after the time called for a meeting, the meeting, if convened upon the request of a Unitholder, will be dissolved, but in any other case, the meeting will stand adjourned to such day no later than 14 days later and to such time and place as may be appointed by the chairman of the meeting (which for greater certainty can be at a later time on the date of the originally scheduled meeting) and if at such adjourned meeting a quorum is not present, the Unitholders present in person or by proxy at such adjourned meeting will be deemed to constitute a quorum.

A matter requiring an Extraordinary Resolution requires an affirmative vote of at least two-thirds of the votes cast, either in person or by proxy, at a meeting of Unitholders called for the purpose of considering such resolution.

3.2.2 *Amendment of the Trust Agreement*

Except as provided below, the Trust Agreement may be amended by an Ordinary Resolution approved at a meeting of Unitholders duly convened and held in accordance with the provisions in that regard contained in the Trust Agreement or by the written consent in lieu of a meeting if there is only one Unitholder.

The following matters may only be undertaken with the approval of Unitholders by an Extraordinary Resolution:

- (a) any change in the investment objectives or investment restrictions of the Fund, unless such changes are necessary to ensure compliance with applicable laws, regulations or other requirements imposed by applicable regulatory authorities from time to time;
- (b) any change of the Manager except where the new manager is an affiliate of the Manager;
- (c) any increase in the management fee;
- (d) any amendment, modification or variation in the provisions or rights attaching to the Units;
- (e) any change in the frequency of calculating the Net Asset Value per Unit to less often than daily;
- (f) any merger, arrangement or similar transaction or the sale of all or substantially all of the assets of the Fund other than in the ordinary course;
- (g) any liquidation, dissolution or termination of the Fund except if it is determined by the Manager, in its sole discretion, to be in the best interest of the Unitholders or otherwise in accordance with the terms of the Trust Agreement; and
- (h) any amendment to the above provisions except as permitted by the Trust Agreement.

Notwithstanding the foregoing, the Trustee or the Manager is entitled to amend the Trust Agreement without the consent of, or notice to, the Unitholders, to:

- (a) remove any conflicts or other inconsistencies which may exist between any terms of the Trust Agreement and any provisions of any law, regulation or requirements of any governmental authority applicable to or affecting the Fund;
- (b) make any change or correction in the Trust Agreement which is of a typographical nature or is required to cure or correct any ambiguity or defective or inconsistent provision, clerical omission, mistake or manifest error contained therein;
- (c) bring the Trust Agreement into conformity with applicable laws, rules and policies of Canadian securities regulators or with current practice within the securities or investment fund industries, provided such amendments do not in the opinion of the Manager adversely affect the pecuniary value of the interest of the Unitholders or restrict any protection for the Trustee or the Manager or increase their respective responsibilities; or
- (d) provide added protection or benefit to Unitholders.

3.2.3 Reporting to Unitholders

The Fund makes available to Unitholders such financial statements and other continuous disclosure documents as are required by applicable law, including (i) unaudited interim and audited annual financial statements of the Fund, prepared in accordance with International Financial Reporting Standards and, (ii) interim and annual management reports of fund performance in respect of the Fund. Such financial statements and other continuous disclosure documents are available on Sedar at www.sedar.com and on the Manager's website at www.astonhill.ca. The Fund makes available to each Unitholder annually and within the time prescribed by law, information necessary to enable such Unitholder to complete an income tax return with respect to the amounts payable by the Fund.

3.3 TERMINATION OF THE FUND

The Fund does not have a fixed termination date. However, the Fund may be terminated at any time provided that the prior approval of Unitholders has been obtained by a majority vote at a meeting of Unitholders called for that purpose (the "Termination Date"); provided, however, that the Manager may, in its discretion, on at least 60 days' notice to Unitholders, terminate the Fund without the approval of Unitholders if, in the opinion of the Manager, it would be in the best interests of Unitholders to terminate the Fund. The Fund will also issue a press release ten days prior to the Termination Date setting forth the details of the termination including the fact that, upon termination, the net assets of the Fund will be distributed to Unitholders on a pro rata basis. Immediately prior to the termination of the Fund, including on the Termination Date, the Trustee will, to the extent possible, convert the assets of the Fund to cash and after paying or making adequate provision for all of the Fund's liabilities, distribute the net assets of the Fund to the Unitholders as soon as practicable after the date of termination, subject to compliance with any securities or other laws applicable to such distributions.

Upon termination, the Trust Agreement provides that the Fund will distribute to Unitholders their pro rata portions of the remaining assets of the Fund after all liabilities of the Fund have been satisfied or appropriately provided for. Such assets, which will include cash and, to the extent liquidation of certain assets is not practicable or the Manager considers such liquidation not to be appropriate prior to any Termination Date, unliquidated assets in specie rather than in cash. The value of any remaining assets of the Fund will be determined by the Manager, acting reasonably. Following such distribution, the Fund will be dissolved.

3.4 DISTRIBUTIONS

The Fund does not have a fixed distribution. The Fund pays distributions if, as and when declared by the Fund from time to time.

The Fund distributes all of its income and net realized capital gains earned in each fiscal year to ensure that it is not liable for tax under Part I of the Tax Act. To the extent that the Fund has not distributed in cash the full amount of its net income in any year, the difference between such amount and the amount actually distributed by the Fund will be paid through an Additional Distribution which may involve the issuance of additional Units having a Net Asset Value in the aggregate at the date of distribution equal to this difference. Immediately after any such Additional Distribution of Units, the number of outstanding Units may be consolidated such that each Unitholder will hold after the consolidation the same number of Units as it held before the distribution of additional Units.

3.5 REDEMPTIONS OF UNITS

Units may be redeemed for a redemption price per Unit equal to 100% of the Net Asset Value per Unit on a Redemption Date. Units surrendered for redemption by a Unitholder on or before 5:00 p.m. (Toronto time) on any Redemption Date will be redeemed on such Redemption Date, subject to the Manager's right to suspend redemptions in certain circumstances. The Net Asset Value per Unit will vary depending on the performance of the Portfolio, which depends on a number of factors including the value of the securities included in the Portfolio.

A Unitholder who desires to exercise redemption privileges must deliver to the Manager at its office in the City of Toronto, a written notice of the Unitholder's intention to redeem Units by no later than 5:00 p.m. (Toronto time) on the relevant notice date.

By delivering to the Manager a notice of intention to redeem Units, the Unitholder will be deemed to have irrevocably surrendered his or her Units for redemption. Any redemption notice that the Manager determines to be incomplete, not in proper form or not duly executed will, for all purposes, be void and of no effect and the redemption privilege to which it relates will be considered, for all purposes, not to have been exercised thereby.

The Manager may suspend the redemption of Units or payment of redemption proceeds: (i) for the whole or any part of a period during which normal trading is suspended on one or more exchanges on which more than 50% of the securities included in the Portfolio are listed and traded, and if the securities are not traded on any other exchange that represents a reasonable, practical alternative for the Fund or (ii) for any period not exceeding five days during which the Manager determines that conditions exist which render impractical the sale of assets of the Fund or which impair the ability of the Manager to determine the value of the assets of the Fund. The suspension may apply to all requests for redemption received prior to the suspension but for which payment has not been made, as well as to all requests received while the suspension is in effect. In such circumstances all Unitholders will have and will be advised that they have, the right to withdraw their requests for redemption. The suspension will terminate in any event on the first Business Day on which the condition giving rise to the suspension has ceased to exist, provided that no other condition under which a suspension is authorized then exists. To the extent not inconsistent with official rules and regulations promulgated by any government body having jurisdiction over the Fund, any declaration of suspension made by the Manager will be conclusive.

4 VALUATION

4.1 VALUATION POLICIES AND PROCEDURES

State Street Trust Company Canada acts as the valuation agent for the Fund (the “Valuation Agent”). The Valuation Agent calculates the Net Asset Value per Unit as at the close of business on each Valuation Date.

For transactional reporting purposes, the Net Asset Value on a particular date is equal to: (i) the Total Assets of the Fund less (ii) the aggregate value of the liabilities of the Fund. The Net Asset Value per Unit on any day is obtained by dividing the Net Asset Value on such day by the number of Units then outstanding.

For the purposes of calculating Net Asset Value (i.e., for purposes other than financial statements) of the Fund on a Valuation Date, the Total Assets of the Fund on such Valuation Date is determined as follows:

- (a) the value of any cash on hand or on deposit, bill, demand note, account receivable, prepaid expense, distribution or other amount receivable (or declared to holders of record of assets owned on a date before the Valuation Date as of which the Total Assets are being determined and to be receivable) and interest accrued and not yet received are deemed to be the full amount thereof provided that if the Valuation Agent has determined that any such deposit, bill, demand note, account receivable, prepaid expense, distribution, or other amount receivable (or declared to holders of record of assets owned on a date before the Valuation Date as of which the Total Assets are being determined, and to be receivable) or interest accrued and not yet received is not otherwise worth the full amount thereof, the value thereof is deemed to be such value as the Valuation Agent determines to be the fair market value thereof;
- (b) the value of any loans, including Senior Loans, bonds, debentures and other debt obligations are valued by taking the average of the bid and ask prices quoted by a major dealer or recognized information provider in such assets on a Valuation Date at such times as the Valuation Agent, in its discretion, deems appropriate. Short-term investments including notes and money market instruments are valued at cost plus accrued interest;
- (c) the value of any security which is listed or traded upon a stock exchange (or if more than one, on the principal stock exchange for the security, as determined by the Valuation Agent) are determined by taking the latest available sale price of recent date, or lacking any recent sales or any record thereof, the simple average of the latest available offer price and the latest available bid price (unless in the opinion of the Valuation Agent such value does not reflect the value thereof and in which case the latest offer price or bid price will be used), as at the Valuation Date on which the Total Assets are being determined, all as reported by any means in common use;
- (d) the value of any security which is traded over-the-counter are priced at the average of the last bid and asked prices quoted by a major dealer or recognized information provided in such securities;
- (e) any market price reported in currency other than Canadian dollars are translated into Canadian currency at the rate of exchange available from the Valuation Agent on the Valuation Date on which the Total Assets are being determined;
- (f) listed securities subject to a hold period are valued as described above with an appropriate discount as determined by the Valuation Agent and investments in private companies and other assets for which no published market exists are valued at the lesser of cost and the most recent value at which such securities have been exchanged in an arm’s length transaction

which approximates a trade effected in a published market, unless a different fair market value is determined to be appropriate by the Valuation Agent;

- (g) the value of any forward contract or other derivatives, such as future contracts, swap contracts or options on financial futures, is the value that would be realized by the Fund if, on the date on which the Total Assets are being determined, the forward contract or other derivatives were closed out in accordance with its terms; and
- (h) the value of any security or property to which, in the opinion of the Valuation Agent, the application of the above principles cannot be applied (whether because no price or yield equivalent quotations are available as above provided or for any other reason) is the fair market value thereof determined in good faith in such manner as the Valuation Agent determines in consultation with the Manager or the Sub-Advisor from time to time.

The Net Asset Value per Unit is calculated in Canadian dollars (or in the event that a class of Units is denominated in a different currency, such other currency) in accordance with the rules and policies of the Canadian Securities Administrators or in accordance with any exemption therefrom that the Fund may obtain.

4.1.1 Reporting of Net Asset Value

The Net Asset Value per Unit is provided daily to Unitholders at no cost on the Manager's website at www.astonhill.ca and is also available to Unitholders upon request, at no cost, by calling 1-800-513-3868.

4.2 AUDIT OF FINANCIAL STATEMENTS

The annual financial statements of ISL Loan Trust II are audited by ISL Loan Trust II's auditor in accordance with International Financial Reporting Standards. The auditor is asked to report on the fair presentation of the annual financial statements in accordance with International Financial Reporting Standards.

5 MANAGEMENT OF THE FUND

5.1 THE MANAGER

Aston Hill Capital Markets Inc. (formerly Connor, Clark & Lunn Capital Markets Inc.) acts as manager of the Fund. The Manager oversees, manages and implements the objectives of the Fund. The Manager is entitled to receive fees as compensation for management services rendered to the Fund. See "Duties and Services provided by the Manager" and "Fees and Expenses" below.

5.1.1 Sale of Connor, Clark & Lunn Capital Markets Inc.

Connor, Clark & Lunn Financial Group and the principals of the Manager entered into a sale transaction to sell to Aston Hill Financial Inc. ("Aston Hill") shares in the Manager, Connor, Clark & Lunn Capital Markets Inc. (the "Company"). The terms of the transaction involved Aston Hill purchasing 80% of the Company from Connor, Clark & Lunn Financial Group, Neil Murdoch (President and Chief Executive Officer) and Darren Cabral (Chief Financial Officer). Neil Murdoch and Darren Cabral hold the remaining 20% of the Company not owned by Aston Hill. Completion of the sale transaction occurred on August 15, 2013. The business acquired by Aston Hill included the management agreement related to the Fund.

5.1.2 Duties and Services provided by the Manager

Pursuant to the Trust Agreement, the Manager has exclusive authority to manage the operations and affairs of the Fund, to make all decisions regarding the undertaking of the Fund and to bind the Fund. 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 the Fund to do so.

The Manager's duties includes maintaining accounting records for the Fund; authorizing the payment of operating expenses incurred on behalf of the Fund; preparing financial statements, income tax returns and financial and accounting information as required by the Fund; ensuring that Unitholders are provided with financial statements and other reports as are required from time to time by applicable law; ensuring that the Fund complies with regulatory requirements, including its continuous disclosure requirements under applicable securities laws; preparing the Fund's reports to Unitholders and to the Canadian securities regulators; providing the Custodian with information and reports necessary for the Custodian to fulfil its fiduciary responsibilities; currency hedging;

administering the redemption of Units; arranging for any payment required on the termination of the Fund; dealing and communicating with Unitholders and negotiating contracts with third party providers of services, including, but not limited to, custodians, transfer agents, legal counsel, auditors and printers.

The Manager also implements and monitors the Fund’s investment strategy to ensure compliance with the Fund’s investment restrictions.

5.1.3 Details of the Manager’s Obligations under the Trust Agreement

Pursuant to the Trust Agreement, the Manager shall exercise the powers and discharge the duties of its office honestly, in good faith and in the best interests of the Fund and its Unitholders and in connection therewith, shall exercise the degree of care, diligence and skill that a reasonably prudent manager would exercise in similar circumstances. The Trust Agreement provides that the Manager shall not be liable in any way for any default, failure or defect in the assets held by the Fund or for any loss or diminution in the value of such assets or other loss or damage suffered by any such person or for any errors of judgement, acts or omissions if it has satisfied the duties and standard of care, diligence and skill set forth above. The Manager will, however, incur liability in cases of wilful misconduct, bad faith or negligence or breach of its obligations under the Trust Agreement and is responsible for any investment advisory and portfolio management services provided to the Fund, including those provided to the Fund by the Sub-Advisor.

The Manager may resign as manager of the Fund upon at least 60 days’ notice to the Unitholders and to the Fund or upon such lesser notice period as the Fund may accept. If the Manager resigns it may appoint its successor but unless its successor is an affiliate of the Manager, its successor must be approved by Unitholders. If the Manager is in material default of its obligations under the Trust Agreement and such default has not been cured within 20 business days after notice of same has been given to the Manager or the Fund shall give notice thereof to Unitholders and such Unitholders may remove the Manager and appoint a successor manager.

The Manager is entitled to fees for its services under the Trust Agreement as described under “Fees and Expenses” and is reimbursed for all reasonable costs and expenses incurred by it on behalf of the Fund.

The Manager and each of its directors, officers, employees and agents are indemnified by the Fund 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 or the Manager’s failure to meet the standard of care set forth above.

5.1.4 Accounting and Reporting

The Fund’s fiscal year-end is May 31. The Manager ensures that the Fund complies with all applicable reporting and administrative requirements.

5.1.5 Officers and Directors of the Manager

The name and municipality of residence of the directors and officers of the Manager and their principal occupations are as follows:

Name and Municipality	Position with the Manager	Principal Occupation
James Werry Toronto, Ontario	Director	Chief Executive Officer, Aston Hill Financial Inc.
Kal Zakarneh Toronto, Ontario	Chief Financial Officer	Chief Financial Officer, Aston Hill Capital Markets Inc.
Derek Slemko Calgary, Alberta	Director	Vice President and Chief Financial Officer, Aston Hill Financial Inc.
Sasha Rnjak Woodbridge, Ontario	Chief Compliance Officer and Corporate Secretary	Vice President, Fund Operations and Chief Compliance Officer, Aston Hill Asset Management Inc.

James Werry: James Werry joined Aston Hill in February 2016. The majority of Mr. Werry's 34 years in the Canadian investment

industry were spent at ScotiaMcLeod where he held a number of progressively senior positions, ultimately becoming Managing Director and Head of ScotiaMcLeod. After leaving ScotiaMcLeod in 2003, Mr. Werry founded and was CEO of what has become one of Canada's largest independent private client investment firms, Richardson GMP (formerly GMP Private Client). Mr. Werry currently sits on the Board of Myca Health Inc. and is the Past Chair of the Foundation Board of the Toronto East General Hospital.

Kal Zakarneh: B.Comm, University of Jordan. Mr. Zakarneh joined Aston Hill Capital Markets Inc. in 2013. Prior thereto Mr. Zakarneh was a Fund Accounting Controller with Connor, Clark & Lunn Financial Group since 2005.

Derek Slemko: C.A.; B.Comm, University of Alberta. Mr. Slemko joined Aston Hill Financial Inc. in 2006. Prior thereto, Mr. Slemko was controller of Vault Energy Trust from 2005 to 2006.

Sasha Rnjak: BA Economics, University of Western Ontario, Vice President, Fund Operations and Chief Compliance Officer, Aston Hill Asset Management Inc., since April 2011; prior thereto, Compliance Manager, CI Investments Inc., since September, 2007.

5.2 THE SUB-ADVISOR

Voya Investment Management Co. LLC (formerly ING Investment Management Co. LLC) acts as the Sub-Advisor to ISL Loan Trust II in connection with the selection, purchase and sale of Senior Loans and other assets of the Portfolio. The Sub-Advisor is part of Voya Investment Management (formerly ING Investment Management), a leading U.S.-based asset management firm and wholly owned subsidiary of Voya Financial, Inc. (formerly ING Financial, Inc.) (NYSE: VOYA).

The Sub-Advisor principally provides its services to ISL Loan Trust II in Scottsdale, Arizona, U.S.A. The Voya Senior Loan Group within the Sub-Advisor manages the Portfolio pursuant to the Sub-Advisor Agreement. The Voya Senior Loan Group has one of the industry's largest teams dedicated exclusively to Senior Loans with global loan management capabilities.

The name, municipality of residence, position with the Sub-Advisor and principal occupation of each of the directors and the officers of the Sub-Advisor involved in managing the assets of ISL Loan Trust II is set out below:

Name and Municipality	Position with the Investment Manager	Principal Occupation
Daniel A. Norman Scottsdale, Arizona, U.S.A.	Managing Director	Group Head, Voya Senior Loan Group
Jeffrey A. Bakalar Scottsdale, Arizona, U.S.A.	Managing Director	Group Head, Voya Senior Loan Group
Ralph E. Bucher Scottsdale, Arizona, U.S.A.	Senior Vice President	Senior Credit Officer, Voya Senior Loan Group

During the past five years, all of the officers of the Sub-Advisor listed above have held their present principal occupations (or similar positions with their present employer or its affiliates).

The Sub-Advisor is primarily responsible for providing advice to the Manager with respect to the investment in Senior Loans and other assets in the Portfolio. Specifically, pursuant to the Sub-Advisor Agreement, the Sub-Advisor provides investment management services necessary for ISL Loan Trust II to implement its stated investment strategy.

The team of individuals working at the Sub-Advisor responsible for advising, servicing and making investment decisions on behalf of ISL Loan Trust II consists of three individuals, Mr. Daniel A. Norman, Mr. Jeffrey A. Bakalar and Mr. Ralph E. Bucher, each of whom has significant experience in portfolio management and investment advisory services. These individuals comprise the Investment Committee of the Voya Senior Loan Group which is responsible for all investment decisions. Mr. Norman and Mr. Bakalar share primary portfolio management responsibilities, with final decision-making responsibility resting with the Investment Committee. A short biography of each of Messrs. Norman, Bakalar and Bucher is provided below, which includes their respective full name, title, length of time of service with the Sub-Advisor and business experience over the past five years.

Daniel A. Norman: B.A., MBA, University of Nebraska. Mr. Norman is Managing Director and Group Head of the Voya Investment Management Co. LLC's Senior Loan Group and is the co-chairman of such group's Investment Committee. Mr. Norman began

managing senior loan portfolios in 1995 when Voya's predecessor acquired the management rights to Voya Prime Rate Trust. Mr. Norman is currently a member of the Loan Syndications and Trading Association and International Association of Credit Portfolio Managers Boards of Directors. Mr. Norman has a wide variety of business and investment experience, having begun his career at Arthur Andersen & Co. in 1981. Mr. Norman joined Voya's predecessor in 1992.

Jeffrey A. Bakalar: B.S. (Finance), University of Illinois Chicago; M.B.A. (Finance), DePaul University. Mr. Bakalar is Managing Director and Group Head of the Voya Investment Management Co. LLC's Senior Loan Group and is co-chairman of the Group's Investment Committee. Mr. Bakalar joined Voya's predecessor in 1998 and became part of the investment team for what is now Voya Prime Rate Trust. Mr. Bakalar began his career as an associate with Continental Bank in 1987, serving in various credit and corporate finance roles.

Ralph E. Bucher: B.A., University of Arizona in 1983; MA (International Management), Thunderbird School of Global Management. Mr. Bucher is Senior Vice President and Senior Credit Officer in the Voya Investment Management Co. LLC's Senior Loan Group and joined the group in November 2001. Mr. Bucher serves as a member of the group's Investment Committee. Mr. Bucher also assists in the approval of Senior Loan credit limits, problem loan management and loan valuations. Mr. Bucher has spent most of his financial career in credit risk management and distressed asset management. Prior to joining Voya, Mr. Bucher was the North American Head of Special Assets for Standard Chartered Bank. Mr. Bucher has also held other senior credit risk management positions with Standard Chartered and Societ  Generale, as well as credit structuring and analysis positions with National Australia Bank and Commerzbank.

5.2.1 Details of the Sub-Advisor Agreement

Under the Sub-Advisor Agreement, the Sub-Advisor is required to act at all times on a basis which is fair and reasonable to the Fund and to act honestly and in good faith with a view to the best interests of the Fund and in connection therewith, to exercise the degree of care, diligence and skill that a reasonably prudent investment advisor would exercise in comparable circumstances. The Sub-Advisor Agreement provides that the Sub-Advisor shall not be liable in any way for any default, failure or defect in the assets held by the Fund or for any loss or diminution in the value of such assets or other loss or damage suffered by any such person or for any errors of judgement, acts or omissions if it has satisfied the duties and standard of care, diligence and skill set forth above. The Sub-Advisor will, however, incur liability in cases of wilful misconduct, bad faith or negligence or breach of its standard of care set forth above.

The Sub-Advisor Agreement will continue in effect unless earlier terminated in accordance with the terms thereof. If the Manager is terminated, the Sub-Advisor Agreement will terminate at such time. The Manager may terminate the Sub-Advisor Agreement if the Sub-Advisor has committed certain events of bankruptcy or insolvency, has lost any registration, licence or other authorization required to perform its services thereunder or is in material breach or default of the provisions thereof and such material breach or default has not been cured within 20 Business Days after notice thereof has been given to the Sub-Advisor by the Manager.

The Sub-Advisor Agreement includes various customary rights of termination, including that the Sub-Advisor may terminate the Sub-Advisor Agreement upon at least 20 business days' notice in the event that the Fund or the Manager is in material breach or default of the provisions thereof and such material breach or default has not been cured within 20 business days' notice of same to the Manager and to the Fund, as applicable, or in the event that there is a material change in the investment guidelines of the Fund. In addition, either the Manager or the Sub-Advisor may terminate the Sub-Advisor Agreement upon at least 90 days' notice to the other party.

Any amendment to the Sub-Advisor Agreement requires the prior written consent of the Manager, which consent shall not be unreasonably withheld or delayed.

The Manager is responsible for the payment of the fees of the Sub-Advisor out of its fees.

5.3 CONFLICTS OF INTEREST

The management and administrative services provided by the Manager to the Fund pursuant to the Trust Agreement are not exclusive and nothing in the Trust Agreement prevents the Manager from providing similar management services to other investment funds and clients (whether or not their investment objectives and policies are similar to those of the Fund) or from engaging in other activities. Investment decisions for the Fund are made independently of those made for other clients and independently of investments of the Manager. On occasion, however, the Manager may manage the same investment for the Fund and for one or more of its other clients. If the Fund and one or more of the other clients of the Manager are engaged in the purchase or sale of the same security, the transactions will be effected on an equitable basis.

The services of the Sub-Advisor and its officers and directors are not exclusive to the Fund or the Manager. The Sub-Advisor or any of its affiliates and associates may, at any time, engage in the promotion, management or investment management of any other entity or portfolio which invests primarily in the same assets as those held by the Fund and provide similar services to other investment funds and other clients and engage in other activities. Investment decisions for the Fund are made independently of those made for other clients and independently of investments of the Sub-Advisor. On occasion, however, the Sub-Advisor may identify the same investment for the Fund and for one or more of its other clients. If the Fund and one or more of the other clients of the Sub-Advisor are engaged in the purchase or sale of the same security, the transactions will be effected on an equitable basis.

5.4 INDEPENDENT REVIEW COMMITTEE

The Manager has appointed an independent review committee (the "Independent Review Committee") in accordance with NI 81-107 comprised of four members, each of whom is independent of the Manager and entities related to the Manager. The Independent Review Committee intends to function in accordance with applicable securities law, including NI 81-107. The mandate of the Independent Review Committee is to review and provide its decisions to the Manager on conflict of interest matters that the Manager has referred to the Independent Review Committee for review. The Manager is required to identify conflict of interest matters inherent in its management of the Fund and request input from the Independent Review Committee in respect of how it manages those conflicts of interest, as well as its written policies and procedures outlining its management of those conflicts of interest. The Independent Review Committee has adopted a written charter which it follows when performing its functions and is subject to requirements to conduct regular assessments. In performing their duties, members of the Independent Review Committee are required to act honestly, in good faith and in the best interests of the Fund and to exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. The Independent Review Committee report annually to the Fund which report is available free of charge upon request to the Manager and is also posted on the Manager's website at www.astonhill.ca.

The members of the Independent Review Committee are John Crow (chair), C. Scott Browning, Robert B. Falconer and Joseph H. Wright. The Independent Review Committee acts as a review committee for a number of investment funds managed by the Manager and its affiliates.

The principal occupations and biographies of the Independent Review Committee members are set out below:

John Crow (chair) is the former Governor of the Bank of Canada and a noted economist. He is a director or advisor to a number of companies, and is also a Senior Fellow of the C.D. Howe Institute. In 1999, he chaired a committee of international experts that was commissioned by the Executive Board of the International Monetary Fund (the "IMF") to evaluate IMF bilateral, regional, and multilateral surveillance activities, and in 2002, he took part in a high level international mission to advise on monetary problems in Argentina. In 2003, he chaired an international task force commissioned by the International Federation of Accountants to examine the loss of credibility in financial reporting and how to restore it. Mr. Crow is the author (2002) of *Making Money: An Insider's Perspective on Finance, Politics, and Canada's Central Bank*.

C. Scott Browning received his doctorate in chemistry from the University of Toronto in 1992. He returned to join the faculty at UofT after a sixteen month term as a post-doctoral Fellow at the National Institute of Bioscience in Japan. His research on the modular design, synthesis and properties of tunable phosphine ligands has been published in the journals of the Royal Society of Chemistry and the American Chemical Society and presented at international conferences. Dr. Browning is a Fellow of the University of St. Michael's College and is currently coauthoring a textbook that emphasizes a strong mechanistic approach to understanding organic chemistry.

Robert B. Falconer is a Member of Board of Directors, Audit and Valuation, Investment and Independent Review Committee (chair) of VentureLink Funds and has financial consulting contracts with Altamira Financial Services, Ontario Clean Water Agency and GHD International. He recently worked as a Director of Community Loans Policy & Risk Control for Ontario Strategic Infrastructure Financing Authority and as a Vice President of Corporate Finance for Altamira Financial Services.

Joseph H. Wright spent 23 years with Citibank in New York, Geneva and Toronto. He left Citibank in 1986 to join Burns Fry Limited where he worked until 1994, finishing as a Vice Chairman. In 1995, he joined Swiss Bank Corporation (Canada) as President & CEO. Following Swiss Bank, he has spent 16 years as a corporate director, serving on the boards of Loblaw Companies Limited, O & Y Real Estate Investment Trust, Call-Net Enterprises Inc. and St. Laurent Paperboard Inc., to name a few. He also served for 5 years as the Chair of the Connor, Clark & Lunn Financial Group's independent review committee.

Effective August 15, 2013 Aston Hill Financial Inc., the parent company to Aston Hill Asset Management Inc., announced that it had completed its acquisition of an 80% interest (the "Acquisition") in Connor, Clark & Lunn Capital Markets Inc. ("Capital Markets").

Concurrent with completion of the Acquisition, Capital Markets has been renamed Aston Hill Capital Markets Inc. and the IRC of the funds managed by Aston Hill Asset Management Inc. became the IRC of the funds managed by Capital Markets that were included in the Acquisition. Additionally, Mr. Wright joined the IRC as its fourth member.

The IRC members each receive \$15,000 per annum (\$20,000 for the Chairman) plus \$1,250 per meeting for acting in such capacity and are also reimbursed for expenses in connection with performing their duties. These fees and expense reimbursements are allocated across investment funds that are managed by the Manager in a manner that is fair and reasonable.

For the year ended May 31, 2016, members of the IRC were paid the following aggregate compensation: Mr. Crow: \$28,688; Mr. Falconer: \$23,200; Mr. Browning \$23,200 and Mr. Wright \$23,200. The report prepared by the IRC is available on the Manager's website (www.astonhill.ca), or on request at no cost, by contacting the Manager at 77 King Street West, Suite 2110, P.O. Box 92, Toronto-Dominion Centre, Toronto, Ontario M5K 1G8; telephone: (416) 583-2300; or toll free: 1-800-513-3868.

The IRC reviews its compensation on an annual basis, giving consideration to: industry practice; the number, nature and complexity of the funds; and the nature and extent of the workload.

5.5 THE TRUSTEE

Computershare Trust Company of Canada is the trustee of the Fund under the Trust Agreement and as such, is responsible for certain aspects of the day-to-day administration of the Fund as described in the Trust Agreement. The Trustee's office is located in Toronto, Ontario.

The Trustee may resign upon at least 60 days' notice to the Manager and to Unitholders. The Trustee may be removed with the approval of a simple majority vote cast at a meeting of Unitholders called for such purpose or by the Manager, if the Trustee has committed certain events of bankruptcy or insolvency or is in material breach or default of its obligations under the Trust Agreement, which breach has not been cured within 30 days after notice thereof has been given to the Trustee. Any such resignation or removal shall become effective only upon the acceptance of appointment by a successor. If the Trustee resigns, its successor may be appointed by the Manager. The successor of the Trustee must be approved by Unitholders if the Trustee is removed by Unitholders. If no successor has been appointed within 90 days, the Fund will be terminated.

The Trust Agreement provides that the Trustee shall not be liable in carrying out its duties under the Trust Agreement, except where it is in breach of its obligations under the Trust Agreement or where the Trustee fails to act honestly and in good faith and in the best interests of Unitholders to the extent required by laws applicable to trustees, or to exercise the degree of care, diligence and skill that a reasonably prudent trustee would exercise in comparable circumstances. In addition, the Trust Agreement contains other customary provisions limiting the liability of the Trustee and indemnifying the Trustee, or its officers, directors, employees or agents, in respect of certain liabilities incurred by it in carrying out its duties.

The Trustee is entitled to receive fees from the Fund as described under "Fees and Expenses". The Trustee is entitled to be reimbursed for all expenses and liabilities which are properly incurred by the Trustee in connection with the activities of the Fund.

5.6 THE CUSTODIAN

State Street Trust Company Canada also acts as custodian (the "Custodian") of the assets of the Fund pursuant to the Custodian Agreement. The Custodian, in its capacity as valuation services agent, carries out certain aspects of the day-to-day administration of the Fund, including calculating Net Asset Value, net income and net realized capital gains of the Fund and maintaining the books and records of the Fund. The Custodian's office is located in Toronto, Ontario.

5.7 AUDITOR

The auditor of the Fund is PricewaterhouseCoopers LLP, Chartered Accountants, at 18 York Street, Suite 2600, Toronto, Ontario, M5J 0B2.

5.8 TRANSFER AGENT AND REGISTRAR

The Manager maintains the securities registers of the Units and registers transfers of the Units.

5.9 PORTFOLIO TRANSACTIONS AND BROKERAGE

The Manager and the Sub-Advisor are responsible for selecting members of securities exchanges, brokers and investment dealers for the execution of transactions in respect of the Fund's investments and, when applicable, the negotiation of commissions in connection therewith. The Fund is responsible to pay those commissions.

6 FEES AND EXPENSES

6.1 MANAGEMENT FEES

The Manager receives a management fee from the Fund equal to 0.75% per annum of the Net Asset Value calculated daily and payable monthly in arrears, plus applicable taxes.

The management fees charged to the Fund during the year ended May 31, 2016 were \$866,047 (during the year ended May 31, 2015 were \$1,146,412 plus applicable taxes).

The Manager is responsible for paying the fees of the Sub-Advisor out of the above amount received by the Manager.

6.2 ONGOING EXPENSES

The Fund pays for all expenses incurred in connection with its operation and administration, including, fees payable to the Trustee, custodial fees, legal, audit, valuation fees and expenses, any additional fees payable to third party service providers, expenses of the directors of the Manager, fees and expenses of the members of the Independent Review Committee appointed under NI 81-107 and expenses related to compliance with NI 81-107, costs of reporting to Unitholders, registrar, transfer and distribution agency costs, printing and mailing costs and other administrative expenses and costs incurred in connection with the continuous public filing requirements of the Fund, fees and expenses relating to the voting of proxies by a third party, taxes, brokerage commissions, costs and expenses relating to the issue of Units, costs and expenses of preparing financial and other reports, costs and expenses arising as a result of complying with all applicable laws, regulations and policies (including U.S. and other foreign laws applicable to the Fund), extraordinary expenses that the Fund may incur, but excluding the fees payable to the Manager and the Sub-Advisor. Such expenses also include expenses of any action, suit or other proceedings in which or in relation to which the Manager, the Sub-Advisor, the Custodian, the Trustee and/or any of their respective officers, directors, employees, consultants or agents is entitled to indemnity by the Fund.

The aggregate amount of these fees and expenses during the year ended May 31, 2016 were \$338,694 plus applicable taxes (\$316,102 plus applicable taxes during the year ended May 31, 2015).

7 CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

This summary is of a general nature only, is not exhaustive of all possible Canadian federal income tax considerations that may be relevant to the Fund, and is not intended to be legal or tax advice to any particular investor. Prospective investors should consult their own tax advisors with respect to the income tax consequences of an investment in Units in their particular circumstances including, in the case of an investor that is a "financial institution" for the purposes of the "mark-to-market" rules contained in the Tax Act, whether Units would constitute "mark-to-market property".

The Fund is a "financial institution" for purposes of the "mark-to-market" rules contained in the Tax Act at any time if more than 50% of the fair market value of all interests in the Fund are held at that time by one or more such financial institutions. The Tax Act contains special rules for determining the income of financial institutions.

The Fund is subject to tax in each taxation year under Part I of the Tax Act on the amount of its income for the year, including net realized taxable capital gains, less the portion thereof that it deducts in respect of the amount paid or payable to Unitholders in the year. The Fund intends to deduct, in computing its income in each taxation year, the full amount available for deduction in each year and, therefore, provided the Fund makes distributions in each year of its net income and net realized capital gains as described under "Distributions", it will generally not be liable in such year for income tax under Part I of the Tax Act. In computing its income for tax purposes, the Fund may deduct reasonable administrative and other expenses incurred to earn income.

The Fund may be subject to "minimum tax" under the Tax Act. The Manager will endeavor to manage the Fund in a manner such that the Fund will not be subject to minimum tax.

The Tax Act provides for a special tax on designated income on certain trusts which have designated beneficiaries. The Trust Agreement prohibits ownership of Units by any person that would be a designated beneficiary for the purposes of the Tax Act.

8 MATERIAL CONTRACTS

The following contracts that have been entered into by ISL Loan Trust II that can reasonably be regarded as material to purchasers of Units:

- (a) the Trust Agreement;
- (b) the Custodian Agreement; and
- (c) the Sub-Advisor Agreement.

Copies of the foregoing documents may be obtained at any time from the Manager on written request. These documents are also available on www.sedar.com.

ISL LOAN TRUST II

Additional information about ISL Loan Trust II is available in the financial statements. You can obtain a copy of the financial statements, including a statement of portfolio transactions, at no charge by contacting the Manager by:

- Mail: Aston Hill Capital Markets Inc.
77 King Street West
Suite 2110, P.O. Box 92
Toronto, Ontario
M5K 1G8
www.astonhill.ca
- Phone: 1-800-513-3868
- E-mail: info@astonhill.ca