

2008

**DIVIDEND 15 SPLIT CORP.**  
**ANNUAL REPORT**



**Dividend 15**

This report may contain forward-looking statements about the Company. Forward-looking statements include statements that are predictive in nature, that depend upon or refer to future events or conditions, or that include words such as “expects”, “anticipates”, “intends”, “plans”, “believes”, “estimates” or negative versions thereof and similar expressions. In addition, any statement that may be made concerning future performance, strategies or prospects, and possible future Company action, is also forward-looking. Forward-looking statements are based on current expectations and projections about future events and are inherently subject to, among other things, risks, uncertainties and assumptions about the Company and economic factors.

Forward-looking statements are not guarantees of future performance, and actual events and results could differ materially from those expressed or implied in any forward-looking statements made by the Company. Any number of important factors could contribute to any divergence between what is anticipated and what actually occurs, including, but not limited to, general economic, political and market factors, interest and foreign exchange rates, global equity and capital markets, business competition, technology change, changes in government regulations, unexpected judicial or regulatory proceedings, and catastrophic events.

The above-mentioned list of important factors is not exhaustive. You should consider these and other factors carefully before making any investment decisions and you should avoid placing undue reliance on forward-looking statements. While the Company currently anticipates that subsequent events and developments may cause the Company’s views to change, the Company does not undertake to update any forward-looking statements.

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## **DIVIDEND 15 SPLIT CORP.**

### **ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE**

**NOVEMBER 30, 2008**

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This is the annual Management Report of Fund Performance (MRFP) for the year ended November 30, 2008. This MRFP contains financial highlights but does not contain the complete financial statements of the Company. The annual financial statements and accompanying notes are attached to this report.

Investors may also obtain a copy of the Company's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure by visiting our website at [www.dividend15.com](http://www.dividend15.com) or by writing to the Company at Investor Relations, Royal Trust Tower, 77 King Street West, P.O. Box 341, Toronto, Ontario, M5K 1K7.

These reports are available to view and download at [www.dividend15.com](http://www.dividend15.com) or [www.sedar.com](http://www.sedar.com).

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## **INVESTMENT OBJECTIVES AND STRATEGIES**

Dividend 15 Split Corp. invests primarily in a portfolio of dividend yielding common shares, which will include each of the 15 Canadian companies listed below:

Bank of Montreal

BCE Inc.

Canadian Imperial Bank of Commerce

CI Financial Inc.

Enbridge Inc.

Manulife Financial Corp.

National Bank of Canada

Royal Bank of Canada

Sun Life Financial Inc.

TELUS Corporation

The Bank of Nova Scotia

The Thomson Corporation

The Toronto-Dominion Bank

TransAlta Corporation

TransCanada Corporation

The Company may also invest up to 15% of the Net Asset Value in equity securities of issuers other than the 15 companies listed above. In order to supplement the dividends received on the Portfolio and to reduce risk, the Company will from time to time write covered call options in respect of some or all of the common shares of the portfolio.

The Company offers two types of shares:

### **Preferred Shares**

The investment objectives with respect to the Preferred shares are as follows:

1. To provide holders with fixed cumulative preferential monthly cash dividends in the amount of \$0.04375 per Preferred share to yield 5.25% per annum on the original issue price; and
2. On or about December 1, 2014 ( the termination date) to pay holders the original issue price (\$10) of the Preferred shares

### **Class A Shares**

The investment objectives with respect to the Class A shares are as follows:

1. To provide with regular monthly cash dividends initially targeted to be \$0.10 per Class A shares to yield 8% per annum on the original issue price; and
2. On or about December 1, 2014 (the termination date), to pay holders at least the original issue price (\$15) of those shares

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## **RISK**

The risks of investing in the Company remain as discussed in the Annual Information form dated February 23, 2009. In addition, Note 3 of the annual financial statements (“Management of Risk”) contains disclosure on specific types of risks related to the financial investments held by the Company.

The overall risk environment for all financial assets has increased significantly over the year ended November 30, 2008 as further explained in the Results of Operation section below. This environment has had a material adverse impact on the market prices of the companies held in the portfolio.

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## **RESULTS OF OPERATIONS**

The year ended November 30, 2008 was one of the worst periods in financial market history. The underlying problems in the US subprime housing market which began to surface in August 2007 developed into a full global financial and economic crisis by the end of 2008.

The financial sector in the United States reached a critical point in the fall of 2008 as many former blue chip financial services companies, weighed down by worsening mortgage loans, excessive leverage and failed credit default swaps, began encountering capital and insolvency problems. The collapse of Lehman Brothers in September 2008 proved to be a particularly destabilizing event creating tremendous uncertainty in financial markets. Following this event, the US government took unprecedented actions to save many similarly troubled US financial companies by injecting billions into these companies in an effort to deal with their troubled assets and improve their capital bases.

The destabilization of the US financial services sector had a far reaching global impact and demonstrated the interconnectivity of world financial markets. As a consequence, most other major governments around the world ultimately had to take similar actions as it became evident that these problems were not isolated to the US financial services companies. On the monetary front, central banks around the world continued to aggressively cut administered interest rates to multi-decade lows in an attempt to make borrowing easier and stimulate their economies.

Notwithstanding the massive amounts of capital that have been injected into financial services companies around the world and record low interest rates, the credit “freeze” remained a major problem as lending activity reached record low levels towards the end of 2008. The lack of available credit to even the most creditworthy corporations began weighing on economic growth.

By the end of 2008, the cumulative impact of the deterioration in financial and economic conditions created record lows in business, investor and consumer confidence and resulted in recessionary conditions throughout the world. In addition, the de-leveraging of hedge funds and other similar funds during the final months exacerbated market volatility and losses in financial markets.

Market indices experienced declines not seen since the Great Depression of the 1930s. In North America, the S&P TSX 60 index declined by -27.65% for the year ending November 30, 2008.

Throughout this difficult environment, the core holdings in the portfolio have been negatively impacted. The Company met its distribution objectives during the year for both classes of shares, but the net asset value declined to \$16.87 per unit (a unit consisting of one Preferred share and one Class A share) as of November 30, 2008.

The Company’s core 15 holdings consist of 9 Canadian financial services stocks. Although the Canadian financial services companies have been adversely impacted by this worldwide financial crisis, the Canadian banks have on a relative basis performed much better than almost all other banking sectors across the world.

The dividend income in the portfolio continues to be supplemented by a limited covered call writing program which provides some additional income to the portfolio.

An additional 110,013 units were issued in connection with the Company’s rights offering in June 2008.

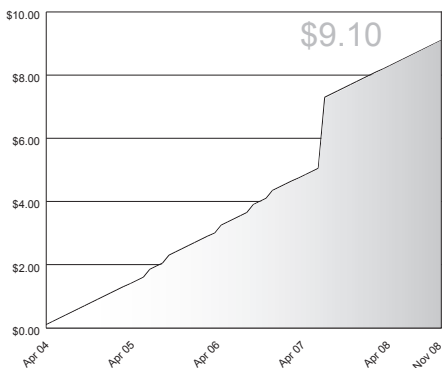
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## DISTRIBUTIONS

### Class A Shares - Distributions

Class A shareholders are entitled to receive regular monthly cash dividends initially targeted to be \$0.10 per Class A share to yield 8.0% per annum on the original issue price. Distributions paid during the year included the twelve regular monthly cash distributions for a total of \$1.20 per share.

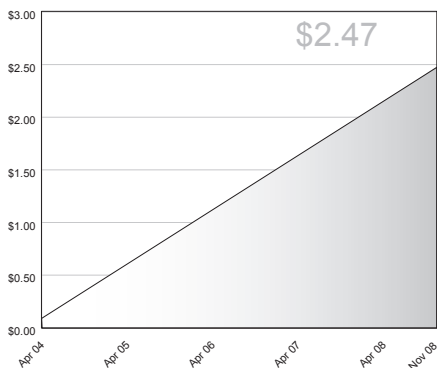
### Cumulative Distributions since inception



### Preferred Shares - Distributions

Preferred shareholders are entitled to fixed, cumulative preferential monthly cash dividends in the amount of \$0.04375 per Preferred share to yield 5.25% per annum on the original issue price. Distributions paid during the year were at the fixed rate for a total of \$0.525 per share.

### Cumulative Distributions since inception



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## RECENT DEVELOPMENTS

### Adoption of new accounting standards:

On December 1, 2008, the Company adopted three new accounting standards that were issued by the Canadian Institute of Chartered Accountants ("CICA"): Section 1535, Capital Disclosures; section 3862, Financial Instruments - Disclosures; and section 3863, Financial Instruments - Presentation. Detailed information on the impact of these standards can be found in Note 3 of the annual audited financial statements.

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## RELATED PARTY TRANSACTIONS

Quadravest Capital Management Inc. (the "Investment Manager") and Quadravest Inc. ("Manager") earn fees from the Company as described below in the Management Fees section.

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## MANAGEMENT FEES

The Investment Manager is entitled to a base management fee payable monthly in arrears at an annual rate equal to 0.65% of the Company's Net Asset Value calculated as at the last Valuation Date in each month.

The Manager is entitled to an administration fee payable monthly in arrears at an annual rate equal to 0.1% of the Company's Net Asset Value calculated as at the last Valuation Date in each month.

Total management fees of \$ 1,822,740 paid for the period ended November 30, 2008 include the base management fee and the administration fee. The base management fee was used by the Investment Manager to pay costs associated with the managing of the investment portfolio, providing investment analysis and recommendations, making investment decisions, making brokerage arrangements for the purchase and sale of securities including the covered call writing program. The administration fee was used to provide or arrange administrative services required by the Company, which includes all operational, financial accounting, shareholder reporting and regulatory reporting requirements.

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## SUMMARY OF INVESTMENT PORTFOLIO

All holdings as at November 30, 2008

Name	Weighting (%)
BCE Inc.	7.8
CI Financial Income Fund	7.4
TransCanada Corp.	7.3
TransAlta Corporation	7.1
Canadian Imperial Bank of Commerce	6.7
Royal Bank of Canada	6.7
Thomson Reuters Corp.	6.3
National Bank of Canada	5.9
Enbridge Inc.	5.6
Toronto-Dominion Bank	5.5
Telus Corporation	5.3
Sun Life Financial Inc.	5.2
Manulife Financial Corporation	5.0
Bank of Montreal	4.8
Bank of Nova Scotia	4.7
TMX Group Inc.	4.7
AGF Management Ltd., Class 'B'	3.0
Loblaw Companies Ltd.	0.6
<b>Total long positions as a percentage of net assets</b>	<b>99.6</b>
Other net assets	0.4

The summary of investment portfolio may change due to ongoing portfolio transactions of the Company. Updates are available quarterly.

## FINANCIAL HIGHLIGHTS

The following tables show selected financial information about the Company and are intended to help you understand the Company's financial performance. This information is derived from the Company's audited annual financial statements. For November 30, 2008 and November 30, 2007, the Net Assets included in the Net Assets per unit table is from the Company's financial statements and calculated using bid prices while the Net Asset Value included in the Ratios/Supplemental data Table is for Transactional pricing purposes and calculated using closing prices (see Note 2 in the financial statements).

### The Company's Net Assets per unit

	Years ended November 30				
	2008	2007	2006	2005	2004 <sup>(2)</sup>
Net assets per unit, beginning of year <sup>(1)</sup>	27.58	29.33	27.78	24.53	23.74 <sup>(3)</sup>
Increase (decrease) from operations					
Total revenue	0.96	0.97	0.83	0.78	0.45
Total expenses	(0.30)	(0.39)	(0.58)	(0.97)	(0.21)
Realized gains for the year	0.27	1.50	3.13	1.59	0.19
Unrealized gains (losses) for the year	(9.86)	0.01	0.67	4.08	1.53
Total increase (decrease) from operations <sup>(4)</sup>	<u>(8.93)</u>	<u>2.09</u>	<u>4.05</u>	<u>5.48</u>	<u>1.96</u>
Distributions <sup>(5)</sup>					
Taxable Dividends	(1.46)	(2.21)	(0.82)	(0.71)	(0.97)
Capital Gains	(0.27)	(1.76)	(1.66)	(1.51)	(0.20)
Total annual distributions	<u>(1.73)</u>	<u>(3.97)</u>	<u>(2.48)</u>	<u>(2.22)</u>	<u>(1.17)</u>
Net assets per unit at end of year	16.87	27.58	29.33	27.78	24.53
Net assets per Preferred share	10.00	10.00	10.00	10.00	10.00
Net assets per Class A share	<u>6.87</u>	<u>17.58</u>	<u>19.33</u>	<u>17.78</u>	<u>14.53</u>
Net assets per unit at end of year	16.87	27.58	29.33	27.78	24.53

(1) Net assets per unit is the difference between the aggregate value of the assets of the Company and the aggregate value of the liabilities excluding the Preferred shares of the Company on that date divided by the number of units then outstanding.

(2) Results for the year March 16, 2004 (inception) to November 30, 2004.

(3) Initial Net assets per unit is after deducting all agents' fees and filing costs in connection with the initial public offering.

(4) Total increase (decrease) from operations is before the payment of Preferred and Class A share distributions and is calculated based on the weighted average number of units outstanding during the year.

(5) Distributions to Preferred shares and Class A shares are based on the number of Preferred shares and Class A shares outstanding on the record date for each distribution and were paid in cash. Characterization of distributions is based on the tax treatment that is received by investors.

## RATIOS AND SUPPLEMENTAL DATA

	Years ended November 30				
	2008	2007	2006	2005	2004 <sup>(1)</sup>
Net assets (millions)	\$173.5	\$281.3	\$275.8	\$233.3	\$206.0
Number of units outstanding <sup>(2)</sup>	10,112,666	10,199,868	9,403,500	8,400,000	8,400,000
Base Management expense ratio <sup>(3)</sup>	1.22%	1.34%	1.44%	1.30%	1.25%
Management expense ratio including one time initial offering expenses <sup>(4)</sup>	1.22%	1.35%	2.12%	1.30%	6.58%
Management expense ratio with performance fee and one time initial offering expenses <sup>(5)</sup>	1.22%	1.35%	2.73%	3.72%	6.58%
Portfolio turnover rate <sup>(6)</sup>	2.5%	13.60%	31.4%	17.6%	7.2%
Trading expense ratio <sup>(7)</sup>	0.01%	0.02%	0.04%	0.05%	0.12%
Closing market price (TSX): Preferred shares	\$7.27	\$10.07	\$10.60	\$10.90	\$10.68
Closing market price (TSX): Class A shares	\$6.00	\$16.77	\$18.35	\$18.40	\$13.77

(1) Results for the year March 16, 2004 (inception) to November 30, 2004

(2) This information is provided as at November 30

(3) A separate base management expense ratio has been presented to reflect the normal operating expenses of the Company excluding the one time initial offering expenses and performance fees. Management expense ratio is based on total expenses for the stated year and is expressed as an annualized percentage of average net assets during the year

(4) Share issue expenses, representing all Agents' fees and other offering expenses are one time initial expenses connected with the launch of the Company or any subsequent secondary offering

(5) Performance fees occur in years in which the total return per unit exceeds a pre established threshold

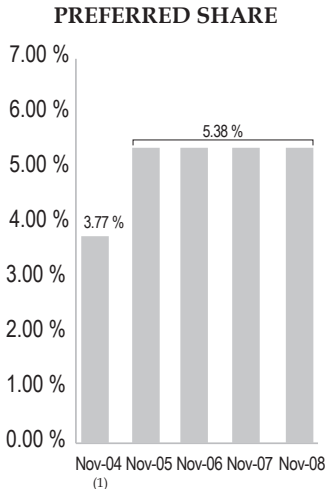
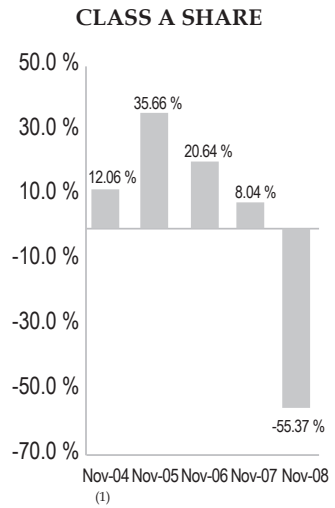
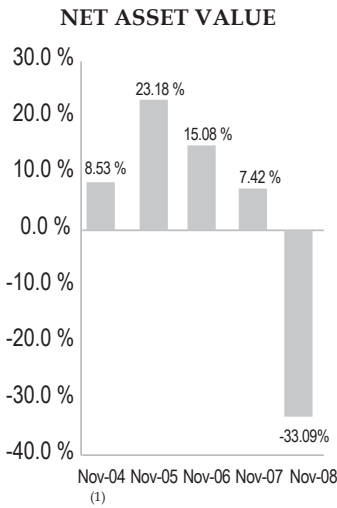
(6) The Company's portfolio turnover rate indicates how actively the Company's portfolio advisor manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Company buying and selling all of the securities in its portfolio once in the course of the year. The Company employs a covered call writing strategy which can cause the portfolio turnover rate to be higher than conventional mutual funds. The higher the Company's portfolio turnover rate in a year, the greater the trading costs payable by the Company in the year and the greater chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of the Company

(7) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of average net assets during the year.

## PAST PERFORMANCE

The past performance of 1) the net asset value per unit (1 Preferred share and 1 Class A share); 2) the Preferred share on net asset value basis; and 3) the Class A share on a net asset value basis for the year ended November 30 and for each 12 month year ended November 30 since inception are presented in the bar charts below. Each bar in the chart reflects the change in percentage terms of how a Unit, a Preferred share or a Class A share would have increased or decreased during the applicable year. In respect to the charts displayed below, please note the following:

- The performance information shown assumes that all cash distributions made by the Company during the years shown were reinvested in the applicable additional securities of the Company,
- The performance information does not take into account sales, redemption, distribution or other optional charges that would have reduced returns or performance; and,
- Past performance of the Company does not necessarily indicate how it will perform in the future.



(1) Based on initial year from November 14, 2003 to November 30, 2003

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## ANNUAL COMPOUND PERFORMANCE

The following table shows the Company's annual compound return for the period ended November 30, 2008:

	One year	Three years	Since inception
Dividend 15 Split Corp - Unit	-33.09%	-6.13%	2.16%
Dividend 15 Split Corp - Preferred share	5.38%	5.38%	5.37%
Dividend 15 Split Corp - Class A share	-55.37%	-16.53%	-2.58%
Benchmark Index <sup>(1)</sup>	N/A	N/A	N/A

## MARKET INDEX

S&P TSX 60	-27.65%	-0.57%	2.96%
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<sup>(1)</sup> As a result of the Company being limited to a specific universe of stocks and that a covered call writing program is implemented to generate additional income, the investment profile of the Company is quite unique and any comparisons with any other external market indices may not be appropriate.

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## **DIVIDEND 15 SPLIT CORP. MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING**

The financial statements of Dividend 15 Split Corp. (the "Company") and all the information in this annual report are the responsibility of management and have been approved by the Board of Directors of the Company.

The Company maintains appropriate procedures to ensure that relevant and reliable financial information is produced. Statements have been prepared in accordance with Canadian generally accepted accounting principles and may include certain amounts that are based on estimates and judgments. The significant accounting policies applicable to the Company are described in Note 2 to the financial statements.

The Board of Directors of the Company is responsible for ensuring that management fulfills its responsibilities for financial reporting and has reviewed and approved these financial statements.

The Company with the approval of its Board of Directors, has appointed the external firm PricewaterhouseCoopers LLP as the auditors of the Company. They have audited the financial statements of the Company in accordance with Canadian generally accepted auditing standards to enable them to express to shareholders their opinion on the financial statements. The auditors have full and unrestricted access to the Audit Committee to discuss their findings.

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## **AUDITORS' REPORT FEBRUARY 12, 2009**

### **Auditors' Report**

#### **To the Shareholders of Dividend 15 Split Corp.**

We have audited the statement of portfolio investments of **Dividend 15 Split Corp.** (the "Company") as at November 30, 2008, the statements of financial position as at November 30, 2008 and 2007 and the statements of operations and retained earnings (deficit), changes in shareholders' equity and cash flow for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at November 30, 2008 and 2007 and the results of its operations and its cash flow for the years then ended in accordance with Canadian generally accepted accounting principles.

*PricewaterhouseCoopers LLP*

**Chartered Accountants, Licensed Public Accountants  
Toronto, Ontario**

**DIVIDEND 15 SPLIT CORP.**  
**STATEMENTS OF FINANCIAL POSITION**

AS AT NOVEMBER 30

	2008 (\$)	2007 (\$)
<b>ASSETS</b>		
Investments - at fair value (note 2)	169,651,196	269,406,020
Cash	2,039,945	13,472,934
Interest, dividends and other receivables	555,164	677,168
<b>Total Assets</b>	<u><b>172,246,305</b></u>	<u><b>283,556,122</b></u>
<b>LIABILITIES</b>		
Fees and other accounts payable	197,998	363,243
Capital tax payable	-	8,000
Payable in respect of investments purchased	-	427,457
Dividends payable	1,453,696	1,466,231
Unamortized premium on issue of Preferred shares	413,201	482,057
Preferred shares (note 4)	<u>101,126,660</u>	<u>101,998,680</u>
	<u>103,191,555</u>	<u>104,745,668</u>
<b>SHAREHOLDERS' EQUITY</b>		
Class A and Class B shares (note 5)	147,121,914	148,423,368
Retained earnings (deficit)	<u>(78,067,164)</u>	<u>30,387,086</u>
	69,054,750	178,810,454
<b>TOTAL LIABILITIES &amp; SHAREHOLDERS' EQUITY</b>	<u><b>172,246,305</b></u>	<u><b>283,556,122</b></u>
Number of units (1 Preferred share and 1 Class A share) outstanding		
	10,112,666	10,199,868
Net assets per unit (note 2)	\$16.87	\$27.58
Net assets per Preferred share (note 2)	\$10.00	\$10.00
Net assets per Class A share (note 2)	\$6.87	\$17.58
Net asset value per unit (Transactional) (note 2)	\$17.16	\$27.64

Approved on behalf of the Board of Directors



**WAYNE FINCH**  
 Chairman and  
 Chief Investment Officer



**PETER CRUICKSHANK**  
 Managing Director and  
 Chief Financial Officer

The accompanying notes are an integral part of these financial statements.

**DIVIDEND 15 SPLIT CORP.**  
**STATEMENTS OF OPERATIONS AND RETAINED EARNINGS (DEFICIT)**  
FOR THE YEARS ENDED NOVEMBER 30

	2008 (\$)	2007 (\$)
<b>INCOME</b>		
Dividends	9,785,394	9,463,983
Interest	22,496	63,482
	<u>9,807,890</u>	<u>9,527,465</u>
<b>EXPENSES (note 6)</b>		
Management fees	1,822,740	2,190,794
Service fees	612,659	955,695
Audit fees	19,408	20,149
Directors' and Independent Review Committee fees	24,068	30,057
Custodian fees	45,409	52,014
Legal fees	142,915	14,191
Shareholder reporting costs	85,083	290,192
Other operating expenses	149,340	146,245
Goods and services tax	114,451	164,619
	<u>3,016,073</u>	<u>3,863,956</u>
<b>Net investment income</b>		
before distributions on Preferred shares	6,791,817	5,663,509
<b>Distributions on Preferred shares (note 4 and 7)</b>	<u>(5,353,287)</u>	<u>(5,151,852)</u>
<b>Net investment income for the year</b>	<u>1,438,530</u>	<u>511,657</u>
<b>Realized and unrealized gain (loss)</b>		
<b>on investments and options and transactional costs</b>		
Net realized gain on investments and options	2,772,556	14,734,523
Change in unrealized appreciation (depreciation) of investments	(100,559,802)	108,818
Transaction costs on purchase and sale of investments (note 2)	<u>(32,528)</u>	<u>(55,625)</u>
<b>Net gain (loss) on investments and options for the year</b>	<u>(97,819,774)</u>	<u>14,787,716</u>
<b>Amortization of premium on issue of Preferred shares</b>	68,856	150,756
<b>Increase (decrease) in net assets from operations for the year</b>	<u>(96,312,388)</u>	<u>15,450,129</u>
<b>Retained earnings - Beginning of year</b>	30,387,086	48,385,263
<b>Transitional adjustment for new accounting policy (note 2)</b>	-	(434,286)
<b>Net allocation on retractions</b>	94,222	(80,483)
<b>Distributions on Class A shares (note 5 and 7)</b>	<u>(12,236,084)</u>	<u>(32,933,537)</u>
<b>Retained earnings (deficit) - End of year</b>	<u>(78,067,164)</u>	<u>30,387,086</u>
<b>Increase (decrease) in net assets from operations per Class A share</b>	<b>(9.45)</b>	<b>1.57</b>

The accompanying notes are an integral part of these financial statements.

**DIVIDEND 15 SPLIT CORP.**  
**STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**

FOR THE YEARS ENDED NOVEMBER 30

	2008 (\$)	2007 (\$)
<b>Shareholders' equity - Beginning of year</b>	<b>178,810,454</b>	<b>181,143,561</b>
Transitional adjustment on adopting new accounting pronouncement (note 2)	-	(434,286)
Adjusted Shareholders' equity - Beginning of year	<u>178,810,454</u>	<u>180,709,275</u>
Increase (decrease) in net assets from operations for the year	(96,312,388)	15,450,129
Gross proceeds from issue of Class A shares	1,567,685	
Agents' fees and filing costs in connection with the secondary offering		(46,122)
Net proceeds from issue of Class A shares (note 4)	<u>1,567,685</u>	<u>(46,122)</u>
Class A capital stock distribution	-	16,456,125
Redemption of Class A shares	(2,774,917)	(825,416)
<b>Distributions on Class A shares</b>		
From net investment income	(1,438,530)	(511,657)
From net realized gains	(2,772,556)	(14,734,523)
From return of capital	<u>(8,024,998)</u>	<u>(17,687,357)</u>
	(12,236,084)	(32,933,537)
<b>Decrease in net assets for the year</b>	<b><u>(109,755,704)</u></b>	<b><u>(1,898,821)</u></b>
<b>Shareholders' equity - End of year</b>	<b><u>69,054,750</u></b>	<b><u>178,810,454</u></b>

The accompanying notes are an integral part of these financial statements.

**DIVIDEND 15 SPLIT CORP.**  
**STATEMENTS OF CASH FLOW**  
 FOR THE YEARS ENDED NOVEMBER 30

	2008 (\$)	2007 (\$)
<b>Cash flow from Operating activities</b>		
Net investment income for the year	1,438,530	511,657
Proceeds from sale of investments	7,752,404	46,707,133
Purchase of investments	(5,817,354)	(36,055,682)
Net change in receivable balances	122,004	(38,511)
Net change in payable balances	(613,237)	(1,204,016)
Cash flow from operations	<u>2,882,347</u>	<u>9,920,016</u>
<b>Cash flow from Financing activities</b>		
Gross proceeds from the issue of Class A shares and Preferred shares	2,667,815	8,709,276
Agents' fee and filing costs in connection with the secondary offering	-	(340,638)
Amount paid on redemption of Class A shares and Preferred shares	(4,747,067)	(1,276,496)
Distributions on Class A shares	<u>(12,236,084)</u>	<u>(16,477,412)</u>
Cash flow from Financing activities	<u>(14,315,336)</u>	<u>(9,385,270)</u>
Net increase (decrease) in cash for the year	(11,432,989)	534,746
Cash, beginning of year	<u>13,472,934</u>	<u>12,938,188</u>
<b>Cash, end of year</b>	<u><b>2,039,945</b></u>	<u><b>13,472,934</b></u>

The accompanying notes are an integral part of these financial statements.

**DIVIDEND 15 SPLIT CORP.**  
**STATEMENT OF PORTFOLIO INVESTMENTS**

AS AT NOVEMBER 30, 2008

No. of shares	Description	Average Cost (\$) (Premiums received)	Fair Value (\$)
<b>15 Core Holdings</b>			
<b>Canadian Common Equities</b>			
220,800	Bank of Montreal	12,776,354	8,149,728
215,000	Bank of Nova Scotia	9,127,423	7,955,000
531,658	BCE Inc.	14,765,497	13,222,334
236,000	Canadian Imperial Bank of Commerce	19,021,434	11,448,360
887,500	CI Financial Income Fund	26,363,583	12,620,250
255,500	Enbridge Inc.	6,563,216	9,507,155
367,000	Manulife Financial Corporation	12,258,464	8,584,130
247,400	National Bank of Canada	11,448,393	10,069,180
271,400	Royal Bank of Canada	10,388,034	11,401,515
320,200	Sun Life Financial Inc.	13,470,026	8,853,530
245,000	Telus Corporation	6,383,072	9,077,250
343,300	Thomson Reuters Corp.	14,507,322	10,721,259
207,000	Toronto-Dominion Bank	11,576,489	9,315,000
536,700	TransAlta Corporation	9,441,078	12,156,255
379,100	TransCanada Corp.	11,803,399	12,377,615
	<b>Total Core Portfolio Equities (91.6%)</b>	<b><u>189,893,784</u></b>	<b><u>155,458,561</u></b>
Other Canadian Equity Holdings			
646,800	AGF Management Ltd., Class 'B'	12,879,391	5,303,760
39,900	Loblaw Companies Ltd.	1,222,074	1,276,800
320,600	TMX Group Inc.	13,357,011	7,934,850
	<b>Total Canadian Common Equities in Other (8.6%)</b>	<b><u>27,458,476</u></b>	<b><u>14,515,410</u></b>
	<b>Total Canadian Common Equities</b>	<b><u>217,352,260</u></b>	<b><u>169,973,971</u></b>
<b>Call Options written (100 shares per contract)</b>			
<b>Canadian call options written</b>			
(200)	Bank of Montreal, January 2009 @ \$40	(19,600)	(12,000)
(900)	BCE Inc., January 2009 @ \$40	(177,453)	(13,500)
(200)	Manulife Financial Corporation, January 2009 @ \$25	(11,400)	(37,000)
(275)	Royal Bank of Canada, January 2009 @ \$44	(45,925)	(48,400)
(400)	Sun Life Financial Inc., January 2009 @ \$26	(60,800)	(128,000)
(275)	Toronto-Dominion Bank, January 2009 @ \$46	(54,725)	(83,875)
	<b>Total call options written (-0.2%)</b>	<b><u>(369,903)</u></b>	<b><u>(322,775)</u></b>
		<b><u>216,982,357</u></b>	<b><u>169,651,196</u></b>
	less adjustments for transaction costs (note 2)	<u>(238,734)</u>	
	<b>Total Investments (100%)</b>	<b><u>216,743,623</u></b>	<b><u>169,651,196</u></b>

The Statement of Portfolio Investments is at November 30, 2008 and may or may not be indicative of the current portfolio. Due to tax considerations, the level of option premiums outstanding at year end may not be indicative of options outstanding during the year.

The accompanying notes are an integral part of these financial statements.

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## **DIVIDEND 15 SPLIT CORP.**

### **NOTES TO FINANCIAL STATEMENTS**

FOR THE YEARS ENDED NOVEMBER 30, 2008 AND 2007

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#### **1. Incorporation**

Dividend 15 Split Corp. (the "Company") is a mutual fund corporation established under the laws of the Province of Ontario on January 9, 2004 and began investment operations on March 16, 2004. The manager of the Company is Quadravest Inc. (the "Manager") and the investment manager is Quadravest Capital Management Inc. ("Quadravest"). All shares outstanding on December 1, 2014, the termination date of the Company, will be redeemed by the Company on that date.

#### **2. Summary of significant accounting policies**

These financial statements, prepared in accordance with Canadian generally accepted accounting principles ("GAAP"), include estimates and assumptions by management that affect the reported amount of assets, liabilities, income and expenses during the reporting years. The following is a summary of the significant accounting policies followed by the Company. Actual results could differ from these estimates.

##### **Adoption of New Accounting standards**

On December 1, 2007, the Company adopted three new accounting standards that were issued by the Canadian Institute of Chartered Accountants ("CICA"): Section 1535, Capital Disclosures; section 3862, Financial Instruments-Disclosures; and Section 3863, Financial Instruments-Presentation. These standards impact the Company's disclosure provided but does not affect the Company's results or financial position.

##### **Section 1535-Capital Disclosures**

On December 1, 2007, the Company adopted CICA section 1535, "Capital Disclosures" which requires that the Company disclose information about its objectives, policies and processes for managing capital, including disclosures of any externally imposed capital requirements and the consequences of non-compliance.

##### **Section 3862-Financial Instruments-Disclosures**

CICA section 3862, "Financial Instruments-Disclosures" requires enhanced disclosure of the nature and extent of the risks arising from financial instruments and how the Company manages those risks.

##### **Section 3863-Financial Instruments-Presentation**

CICA section 3863, "Financial Instruments-Recognition and Measurement," carries forward the presentation requirements of Section 3861 with respect to financial instruments.

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## DIVIDEND 15 SPLIT CORP.

### NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED NOVEMBER 30, 2008 AND 2007

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#### Valuation of investments

In accordance with Accounting Guideline 18, Investment Companies, investments are deemed to be categorized as held for trading, and are required to be recorded at fair value as defined in CICA Handbook-Accounting Section 3855, Financial Instruments-Recognition and Measurement ("Section 3855"). The provisions of Section 3855 were applied retroactively without a restatement of prior periods. Accordingly, the opening net assets in the Statement of Changes in Shareholders Equity for the period ended November 30, 2007 have been adjusted.

The fair value of investments as at the financial reporting date is determined as follows:

- Shares or other securities for which market quotations are readily available are valued at the closing bid price
- Listed options are valued at closing bid prices as reported on recognized exchanges
- Fixed income investments are based on the average bid quotations from recognized dealers

Section 14.2 of amended National Instrument 81-106 ("NI-106") issued by the Canadian Securities Administrators, that came into force on September 8, 2008, requires an investment fund to calculate its net asset value for the purposes of any purchases or redemption of units to be based on the fair value of the investment's fund's assets and liabilities (Net Asset Value or NAV). The Company has not changed its methodology in this respect.

The fair value of investments for purposes of calculating the bi monthly net asset value published on the Company's website and also used for the purposes of calculating the price paid on any redemptions received is determined as follows:

- Shares or other securities for which market quotations are readily available are valued at the last traded market price
- Listed options are valued at the last traded prices as reported on recognized exchanges
- Fixed income investments are based on the average bid quotations from recognized dealers

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**DIVIDEND 15 SPLIT CORP.****NOTES TO FINANCIAL STATEMENTS**FOR THE YEARS ENDED NOVEMBER 30, 2008 AND 2007

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In accordance with Section 3.6 (1) 5 of NI-81-106, the Net Asset Value per unit is compared to the Net Assets per unit and a reconciliation between the differences, are required in the notes to the financial statements. The following table is presented to show the differences between the calculations of these amounts:

	Net Assets (GAAP NAV)	Difference	Net Asset Value (Published NAV)
November 30, 2008	\$170,594,611	\$2,925,586	\$173,520,197

	Net Assets (GAAP NAV) per unit	Difference	Net Asset Value (Published NAV) per unit
November 30, 2008	\$16.87	\$0.29	\$17.16

**Transaction costs**

- Transaction costs, such as brokerage commissions, incurred in the purchase and sale of securities by the Company are recognized as an expense in the Statement of Operations and Retained Earnings (Deficit). The transaction costs for investments held at November 30, 2008 is shown separately on the Statement of Portfolio Investments.

**Investment transactions and income recognition**

- Investment transactions are accounted for on the trade date.
- Realized gains and losses on investment sales and unrealized appreciation or depreciation in investment values are calculated on the average cost basis.
- Option fees paid or received are deferred and included in investments on the statements of financial position. Realized capital gains or losses are recognized in the statements of operations when options are exercised, expire or are closed out.
- Deferred gains and losses on options are recognized in investments and as a component of net unrealized appreciation (depreciation) in the statements of operations.
- Dividend income is recognized on the ex-dividend date. Interest income is recognized when earned.
- Net realized gains and losses on investments include net realized gains or losses from foreign currency changes.

**Redeemable Preferred shares**

Each redeemable Preferred share is valued for financial statement purposes at the lesser of: (i) \$10.00; and (ii) the net assets of the Company divided by the number of Preferred shares outstanding. The net assets is equal to the difference between the aggregate value of the assets of the Company and the aggregate value of the liabilities excluding Preferred shares of the Company on a particular date.

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## DIVIDEND 15 SPLIT CORP.

### NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED NOVEMBER 30, 2008 AND 2007

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#### Recent Accounting Pronouncements

The Canadian Accounting Standards Board ("AcSB") has confirmed its plan to adopt all International Financial Reporting Standards, as published by the International Accounting Standards Board, on or by January 1, 2011. In accordance with Canadian GAAP and AcSB's plan, the Company will adopt the International Financial Reporting Standards (IFRS). The Manager has developed a changeover plan to meet the timetable published by the CICA for changeover to IFRS. The key elements of the plan include disclosures of the qualitative impact in the 2009 annual financial statements, the disclosure of the quantitative impact, if any, in the 2010 financial statements and the preparation of the 2012 financial statements in accordance with IFRS with comparatives. The Manager has presently determined that there will be no impact to net asset value per unit from the changeover to IFRS. The impact of IFRS on accounting policies and implementation decisions will mainly be in the areas of additional note disclosures in the financial statements of the Company.

#### 3. Management of Financial Risk

The Company's investment activities expose it to a variety of financial risks: market risk (including price risk, interest rate risk and currency risk), credit risk and liquidity risk.

**Any sensitivity analysis presented below may differ from actual results and the difference could be material.**

##### Market Price Risk

All securities investments present a risk of loss of capital. The 15 core stock holdings were selected because of their long term history of above average market price appreciation and dividend growth. These Companies were selected from the S&P/TSX 60 index and are among the largest companies in Canada.

The market price risk is affected by three main components: price movements, interest rate risk and foreign currency movements.

##### Price risk

The Investment Manager manages market price risk by generally limiting investment in any one Portfolio company to no more than 10% of the net assets of the Corporation at the time of purchase. In addition, the supplemental covered call writing program which generates an additional stream of income to the portfolio may also help mitigate against market price declines during years in which a particular Portfolio company has a covered call option written against that position.

Since the 15 Portfolio companies are significant components of the S&P/TSX 60 index, it would be reasonable to expect that the Company's Portfolio will exhibit market price movements that are reflective and generally highly correlated with those particular securities and to a lesser extent with the price movements of the S&P/TSX 60 index based on the underlying composition of the portfolio.

A 10% increase /decrease in the portfolio (net of any covered call option written) would currently increase/decrease net assets by \$16,997,397.

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**DIVIDEND 15 SPLIT CORP.****NOTES TO FINANCIAL STATEMENTS**FOR THE YEARS ENDED NOVEMBER 30, 2008 AND 2007

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**Interest rate risk**

The majority of the Company's financial assets and liabilities are non interest bearing. As a result, the Company is not subject to significant amounts of risk due to fluctuations in the prevailing levels of market interest rates and considers interest rate risk insignificant.

**Currency Risk**

All portfolio holdings and other net assets are denominated in Canadian dollars and therefore there is no currency risk.

**Other risks****Credit risks**

Credit risk is defined as the risk that a counterparty will be unable to pay amounts in full when due. All of the Company's transactions are in listed securities and options and are settled and paid for using approved brokers. The risk of default is considered minimal as delivery of securities sold is only made once the broker has received payment. Payment is made on purchase once the securities have been received by the broker.

**Liquidity risk**

The Company pays monthly dividends and is subject to redemption requests from time to time. The Company's Portfolio is invested in highly liquid large capitalization investments that trade on the Toronto Stock Exchange ("TSX"). As such, any requirement to raise cash beyond the Company's normal operating level can easily be satisfied through the sales of its Portfolio holdings. The Company receives adequate notice for all redemption requests. The Company considers liquidity risk as low.

**Concentration risk**

An individual Portfolio holding may represent no more than 10% of the net asset value of the Company at the time of purchase.

**4. Preferred shares**

The Company is authorized to issue an unlimited number of Preferred shares.

<u>Issued and outstanding</u>	November 30, 2008	November 30, 2007
10,112,666 Preferred shares (2007-10,199,868)	<u>\$101,126,660</u>	<u>\$101,998,680</u>

**Preferred share transactions**

Beginning of year	10,199,868	9,403,500
Issued during the year	110,013	841,476
Redeemed during the year	<u>(197,215)</u>	<u>(45,108)</u>
End of year	10,112,666	10,199,868

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# DIVIDEND 15 SPLIT CORP.

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED NOVEMBER 30, 2008 AND 2007

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Preferred shares have a per value of \$10 per share.

Preferred shares are entitled to fixed, cumulative monthly cash dividends of \$0.04375 per Preferred share. All Preferred shares outstanding on December 1, 2014 will be redeemed by the Company on that date. For accounting purposes, the Preferred shares have been presented as liabilities in the financial statements in accordance with Section 3863 of the CICA Handbook.

Preferred shares trade under the symbol "DFN.PR.A" on the TSX. Preferred shares trading price on the TSX was \$7.27 as at November 30, 2008 (\$10.07- November 30, 2007). Preferred shares may be surrendered at any time for retraction at specified retraction amounts, but will be retracted only on the last day of each month. Shareholders who concurrently retract a Preferred share and a Class A share (together, a "unit") in the month of August in each year will be entitled to receive an amount equal to the transactional net asset value per unit on the last day of August. Preferred shares retracted in any other month will receive a retraction price based on a discounted specified retraction formula. Under the terms of a Recirculation Agreement, the Company may, but is not obligated to, require the Recirculation Agent to use its best efforts to find purchasers for any Preferred shares or Class A shares tendered for retraction.

The Preferred shares rank in priority to the Class A shares with respect to the payment of dividends. Preferred shares rank in priority to the Class A shares upon termination of the Company.

### 5. Class A shares and Class B shares

#### Authorized

An unlimited number of Class A shares  
1,000 Class B shares

#### Issued and outstanding

10,112,666 Class A shares (2007 -10,199,868)  
1,000 Class B shares

	November 30, 2008	November 30, 2007
	\$147,120,914	\$148,422,368
	\$1,000	\$1,000
	<u>\$147,121,914</u>	<u>\$148,423,368</u>

#### Class A share transactions

Beginning of year	10,199,868	9,403,500
Issued during the year	110,013	841,476
Redeemed during the year	<u>(197,215)</u>	<u>(45,108)</u>
End of year	10,112,666	10,199,868

Class A shares were originally issued at \$15 per share. Class A share distributions are targeted at \$0.10 per month. All Class A shares outstanding on December 1, 2014 will be redeemed by the Company on that date.

Class A shares trade under the symbol "DFN" on the TSX. Class A shares trading price on the TSX was \$6.00 as at November 30, 2008 (\$16.77-November 30, 2007). Class A shares may be surrendered at any time for retraction at specified retraction amounts, but will be retracted only on the last day of each month. Shareholders who concurrently retract a Class A share and a Preferred share (together, a "unit") in the month of August in each year will be entitled to receive an amount equal to the transactional net asset value per unit on the last day of August. Class A shares retracted in any other month will receive a retraction price based on a discounted specified retraction formula. Under the terms of a Recirculation Agreement, the Company may, but is not obligated to, require the Recirculation Agent to use its best efforts to find purchasers for any Preferred shares or Class A shares tendered for retraction.

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## DIVIDEND 15 SPLIT CORP.

### NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED NOVEMBER 30, 2008 AND 2007

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The Preferred shares rank in priority to the Class A shares with respect to the payment of dividends. Upon the termination of the Company, Class A shareholders will receive an amount equal to the transactional net asset value per unit less \$10 (the redemption value of the Preferred shares).

The holders of Class B shares are not entitled to receive dividends. The Class B shares are retractable at a price of \$1.00 per share. Class B shareholders are entitled to one vote per share. On March 16, 2004, the Company issued 1,000 Class B shares to Quadravest Capital Management Inc., the Company's investment manager, for cash consideration of \$1,000.

#### 6. Expenses

The Company is responsible for all expenses incurred in connection with the operation and administration of the Company, including, but not limited to, ongoing custodian, transfer agent, legal and audit expenses.

Pursuant to the administration agreement, the Manager is entitled to an administration fee payable monthly in arrears at an annual rate of 0.10% of the transactional net assets of the Company, which includes the outstanding Preferred shares, calculated as at each monthly valuation date and an amount equal to the service fee payable to dealers on the Class A Shares at a rate of 0.50% per annum.

Pursuant to the terms of the investment management agreement, Quadravest is entitled to a base management fee payable in arrears at an annual rate equal to 0.65% of the transactional net assets of the Company which include the outstanding Preferred shares, calculated as at each monthly valuation date. In addition, Quadravest is entitled to receive a performance fee subject to the achievement of certain pre-established total return thresholds.

Total management fees of \$1,822,740 (November 30, 2007 - \$2,190,794), incurred during the year, include the administration fee and base management fee. No performance fees were paid in 2008 or 2007.

Total brokerage commissions paid during the year by the Company for its portfolio transactions was \$32,528 (2007 - \$55,625).

#### 7. Distributions

The Company's investment objectives are to provide steady monthly distributions to both the Preferred and Class A shareholders while returning the original issue price to each shareholder on the termination date of the Company on December 1, 2014.

Distributions per share were as follows:

	November 30, 2008	November 30, 2007
Preferred shares	\$0.525	\$0.525
Class A shares	\$1.20	\$3.45

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**DIVIDEND 15 SPLIT CORP.****NOTES TO FINANCIAL STATEMENTS**FOR THE YEARS ENDED NOVEMBER 30, 2008 AND 2007

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**8. Capital Management**

The Company considers its capital to consist of Class A, Class B and Preferred shares.

The Company's objectives in managing its capital are:

- i) to provide holders of Preferred shares with fixed cumulative preferential monthly cash dividends in an amount of \$0.04375 per Preferred share to yield 5.25% per annum on the original issue price and to return the original issue price to their holders on December 1, 2014; and
- ii) to provide holders of Class A shares with regular monthly cash distribution targeted to be \$0.10 per Class A share to yield 8.0% on the original issue price and return the original issue price to their holders on December 1, 2014

In order to manage its capital structure, the Company may adjust the amount of dividends paid to shareholders or return capital to shareholders.

**9. Income Taxes**

The Company is a mutual fund corporation as defined in the Income Tax Act (Canada) (the Act) and is subject to tax in respect of its net realized capital gains. This tax is refundable in certain circumstances. Also, the Company is generally subject to a tax of 33-1/3% under Part IV of the Act on taxable dividends received in the year. This tax is fully refundable upon payment of sufficient dividends.

The Company is also a financial intermediary corporation as defined in the Act and, as such, is not subject to tax under Part IV.1 of the Act on dividends received nor is it generally liable to tax under Part VI.1 on dividends paid on taxable preferred shares.



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## **QUADRAVEST CAPITAL MANAGEMENT INC.**

Quadravest Capital Management Inc. was formed in 1997 and is focused on the creation and management of enhanced yield products for retail investors. The investment strategy combines fundamental based equity investing with covered call writing. Guided by four key principles, Quadravest sets attainable investment objectives that allow the team to stay focused on a long-term investment strategy.

The four principles – innovation in financial products, discipline in investment management, solid results for investors, and excellence in client service – form the foundation of Quadravest. Each member of the firm’s tight-knit team is committed to upholding these principles, ensuring a coherence and dedication that is unique to the Company.

Quadravest has raised over \$2.5 billion in initial public offerings.

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## **BOARD OF DIRECTORS**

Wayne Finch,  
Chairman and  
Chief Investment Officer

Laura Johnson,  
Managing Director and  
Portfolio Manager

Michael W. Sharp  
Blake, Cassels & Graydon LLP

Peter Cruickshank,  
Managing Director and  
Chief Financial Officer

William Thornhill,  
President, William C.  
Thornhill Consulting Inc.

John Steep  
President, S. Factor Consulting Inc.

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## **CORPORATE DETAILS**

### **Auditors**

PricewaterhouseCoopers LLP  
77 King Street West, P.O. Box 82  
Toronto, Ontario M5K 1G8

### **Transfer Agent**

Computershare  
100 University Avenue  
Toronto, Ontario M5J 2Y1

### **Legal Counsel**

Blake, Cassels & Graydon LLP  
Commerce Court West  
Toronto, Ontario M5L 1A9

### **Custodian**

RBC Dexia  
Royal Trust Tower, 77 King Street West  
11th Floor, Toronto, Ontario M5W 1P9



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# Dividend 15

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