



**Dividend 15 Split Corp. II**

*2006 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*

# Annual Management Report of Fund Performance

November 30, 2006

This is the annual **Management Report of Fund Performance (MRFP)** for the period ended November 30, 2006. 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).



## Investment Objectives and Strategies

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

Bank of Montreal	Royal Bank
Bank of Nova Scotia	Sun Life Financial
BCE Inc.	TELUS Corporation
CIBC	Thomson Corporation
CI Financial	Toronto-Dominion Bank
Enbridge Inc.	TransAlta Corporation
Manulife Financial	TransCanada Corp.
National Bank of Canada	

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 of the Preferred Shares 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 (termination date), to pay the holders of the Preferred Shares the original issue price of those shares.

### Class A Shares

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

1. to provide holders of the Class A Shares with 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; and
2. on or about December 1, 2014 (termination date), to pay the holders of Class A Shares at least the original issue price of those shares.

## Risk

The risks of investing in the Company remain as discussed in the Annual Information form dated February 21, 2007.

## Results of Operations

As a result of the regulatory requirement to produce this report as at the annual financial statement date, this initial report covers only the first 14 days of operations from November 16, 2006 to November 30, 2006.

The primary activity during this brief period was to begin the process of investing the proceeds of the offering, completed on November 16, 2006, into the 15 core equity securities identified above. As at November 30, 2006, the Company had established a portfolio of \$82.8 million of investment in the core holdings representing approximately 67.8% of the Company's net assets as at November 30, 2006 with the balance remaining in short-term investments for further investment.

## Recent Developments

On December 7, 2006, the Company issued an additional 390,000 Preferred shares and Class A shares for gross proceeds of \$9,750,000. Agent's fees of \$468,000 were incurred in connection with this offering resulting in net proceeds of \$9,282,000. After this offering, a total of 5,590,000 Preferred shares and Class A shares were outstanding.

The Federal government's November 23, 2005 proposal to reduce federal taxes on ordinary dividend income received from Canadian corporations was enacted at both the federal and provincial levels.

As a result, both Preferred shareholders and Class A shareholders will benefit through the enhanced after-tax return they will receive on ordinary dividend payments received in 2006 and beyond. In most provinces, the effective marginal tax rate on ordinary dividend income is now approximately the same taxation rate as capital gains.

## Related Party Transactions

None

## 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 \$37,461 paid for the 14 day period ended November 30, 2006 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 and 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.

## Summary of Investment Portfolio

### All holdings as at November 30, 2006

Canadian Imperial Bank of Commerce	7.9 %
Sun Life Financial Inc.	6.2 %
Royal Bank of Canada	6.1 %
National Bank of Canada	5.7 %
TransAlta Corporation	5.3 %
AGF Management Ltd., Class 'B'	5.1 %
BCE Inc.	5.1 %
CI Financial	5.0 %
Manulife Financial Corporation	4.6 %
Toronto-Dominion Bank	4.2 %
Bank of Montreal	3.6 %
TransCanada Corp.	3.4 %
Bank of Nova Scotia	3.1 %
Thomson Corp.	1.3 %
Telus Corporation	0.8 %
Industrial Alliance Insurance	0.2 %
Enbridge Inc.	0.2 %
Total long positions as a percentage of net assets	67.8 %
Other net assets	32.2 %

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.

## The Company's Net Asset Value (NAV) per unit

	<b>2006<sup>(2)</sup></b>
Net asset value per unit, beginning of the period <sup>(1)</sup>	23.68 <sup>(3)</sup>
Increase (decrease) from operations	
Total revenue	0.02
Total expenses	(0.02)
Realized gains for the period	-
Unrealized gains for the period	<u>(0.20)</u>
Total decrease from operations <sup>(4)</sup>	<u>(0.20)</u>
Distributions <sup>(5)</sup>	
Taxable Dividends	-
Capital Gains	<u>-</u>
Total annual distributions	<u>-</u>
Net asset value per unit, as at November 30	<u>23.49</u>
Net asset value per Preferred share	10.00
Net asset value per Class A share	<u>13.49</u>
Net asset value per unit at November 30	23.49

<sup>(1)</sup> Net asset value 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

<sup>(2)</sup> Initial period was from November 16, 2006 to November 30, 2006

<sup>(3)</sup> Initial net asset value per unit is after deducting all agents' fees and filing costs in connection with the initial public offering

<sup>(4)</sup> Total decrease from operations is calculated based on the weighted average number of units outstanding during the year

<sup>(5)</sup> Distributions are 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

	2006 <sup>(1)</sup>
Net assets (millions)	\$122.2
Number of units outstanding <sup>(2)</sup>	5,200,000
Base Management expense ratio <sup>(3)</sup>	N/A
Management expense ratio including one time initial offering expenses <sup>(4)</sup>	N/A
Portfolio turnover rate <sup>(5)</sup>	0.00%
Trading expense ratio <sup>(6)</sup>	0.07%
Closing market price (TSX): Preferred shares	\$10.88
Closing market price (TSX): Class A shares	\$15.52

<sup>(1)</sup> Results for the period November 16, 2006 (inception) to November 30, 2006

<sup>(2)</sup> This information is provided as at November 30

<sup>(3)</sup> The Company had only been in operation for 14 days and as such, management does not believe that annualizing the expenses for such a brief period of time will be representative of an entire year. Further information on actual expenses incurred can be found in the attached annual financial statement.

<sup>(4)</sup> Share issue expenses, representing all Agents' fees and other offering expenses are one time initial expenses connected with the launch of the Company

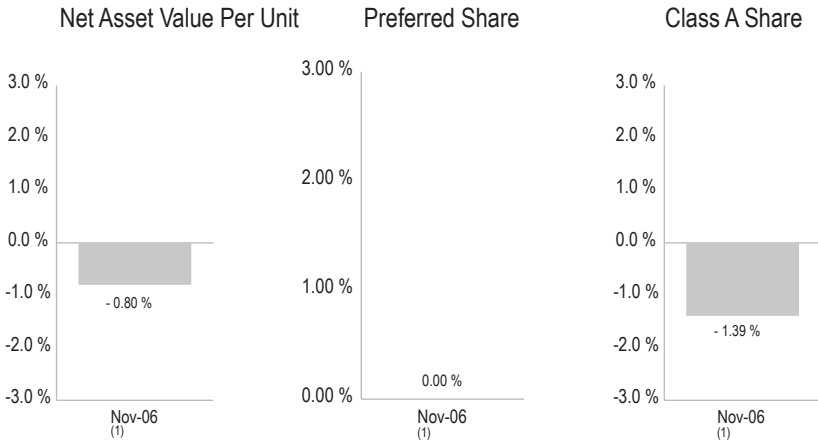
<sup>(5)</sup> The Company's portfolio turnover rate indicates how actively the Company's portfolio advisor manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Company buying and selling all of the securities in its portfolio once in the course of the year. The Company employs a covered call writing strategy which can cause the portfolio turnover rate to be higher than conventional mutual funds

<sup>(6)</sup> The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net assets during the period.

## 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 annual periods ending November 30 is presented in the bar charts below. With 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 periods 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.



<sup>(1)</sup> Based on initial period from November 16, 2006 to November 30, 2006

## Annual Compound Performance

Annual Compound Performance has not been presented because the duration of the initial period was only 14 days.

# Auditors' Report

January 15, 2007

## Auditors' Report

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

We have audited the statements of portfolio investments and financial position of **Dividend 15 Split Corp. II** (the "Company") as at November 30, 2006 and the statements of operations and retained earnings, changes in shareholders' equity and cash flow for period from November 16, 2006 (date of commencement) to November 30, 2006. 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 audit.

We conducted our audit 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, 2006 and the results of its operations and cash flow for the period from November 16, 2006 to November 30, 2006 in accordance with Canadian generally accepted accounting principles.

*PricewaterhouseCoopers LLP*

**Chartered Accountants**

**Toronto, Ontario**

# Dividend 15 Split Corp. II

## Statement of Financial Position

As at November 30

2006

### Assets

	(\$)
Investments* - at market value	115,819,189
Cash	9,840,975
Interest, dividends and other receivables	106,782
<b>Total Assets</b>	<b>125,766,946</b>

### Liabilities

Fees and other accounts payable	665,120
Capital tax payable	-
Payable in respect of investments purchased	2,940,036
Preferred shares (note 3)	52,000,000
	<b>55,605,156</b>

### Shareholders' Equity

Class A and Class B shares (note 4)	71,161,000
Deficit	(999,210)
	<b>70,161,790</b>

### Total Liabilities & Shareholders' Equity

**125,766,946**

\*cost \$116,849,578

Number of units (1 Preferred share and 1 Class A share) outstanding	5,200,000
Net asset value per unit	\$23.49
Net asset value per Preferred share	\$10.00
Net asset value per Class A share	\$13.49

Approved on behalf of the Board of Directors



**Wayne Finch**  
Chairman and  
Chief Investment Officer



**Peter Cruickshank**  
Managing Director and  
Chief Financial Officer

# Dividend 15 Split Corp. II

## Statements of Operations and Retained Earnings

For the period from November 16 to November 30, 2006

For the period  
Nov 16, 2006  
to Nov 30, 2006  
(\$)

<b>Income</b>	
Dividends	106,782
Interest	9,518
	<u>116,300</u>
<b>Expenses</b> (note 5)	
Management fees	37,461
Service fees	13,600
Audit fees	7,506
Custodian fees	3,374
Other operating expenses	18,766
Capital tax	-
Goods and services tax	4,414
	<u>85,121</u>
<b>Net investment income before distributions on Preferred shares</b>	31,179
<b>Distributions on Preferred shares</b> (note 3 and 6)	-
<b>Net investment income for the period</b>	<u>31,179</u>
<b>Realized and unrealized (loss) on investments and options</b>	
Change in unrealized (depreciation) of investments	(1,030,389)
<b>Net (loss) on investments and options for the period</b>	<u>(1,030,389)</u>
<b>Decrease in net assets from operations for the period</b>	<u>(999,210)</u>
<b>Retained earnings - Beginning of period</b>	-
<b>Distributions on Class A shares</b> (note 4 and 6)	-
<b>Deficit - End of period</b>	<u>(999,210)</u>
<b>Decrease in net assets from operations per Class A share</b>	<u>(0.19)</u>

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

# Dividend 15 Split Corp. II

## Statements of Changes in Shareholders' Equity

For the period from November 16 to November 30, 2006

	For the period from Nov 16, 2006 to Nov 30, 2006 (\$)
<b>Shareholders' equity - Beginning of period</b>	-
<b>Decrease in net assets from operations</b>	(999,210)
Gross proceeds from issue of Class A shares	78,000,000
Agents' fees and filing costs in connection with the initial public offering	(6,840,000)
Net proceeds from issue of Class A shares (note 4)	<u>71,160,000</u>
Net proceeds from issue of Class B shares (note 4)	1,000
<b>Increase in net assets for the period</b>	<u><b>70,161,790</b></u>
<b>Shareholders' equity - End of period</b>	<u><b>70,161,790</b></u>

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



# Dividend 15 Split Corp. II

## Statements of Cash Flow

For the period from November 16 to November 30, 2006

	For the period from Nov 16, 2006 to Nov 30, 2006
<b>Cash flow from Operating activities</b>	(\$)
Net investment income	31,179
Proceeds from sale of investments	-
Purchase of investments	(116,849,578)
Net change in receivable balances	(106,782)
Net change in payable balances	3,605,156
Cash flow from operations	(113,320,025)
<b>Cash flow from Shareholder activities</b>	
Gross proceeds from the issue of Class A shares and Preferred shares*	130,001,000
Agents' fee and filing costs in connection with the initial public offering	(6,840,000)
Cash flow from Shareholder activities	123,161,000
Net increase in cash	9,840,975
Cash, beginning of period	-
<b>Cash, end of period</b>	<b>9,840,975</b>

\*includes 1,000 Class B shares

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

# Dividend 15 Split Corp. II

## Statement of Portfolio Investments

As at November 30, 2006

No. of shares	Description	Average cost/ (Premiums received) (\$)	Market value(\$)
<b>Canadian Core Common Equities</b>			
65,000	Bank of Montreal	4,544,354	4,445,350
74,000	Bank of Nova Scotia	3,869,780	3,844,300
222,500	BCE Inc.	6,086,511	6,241,125
107,000	Canadian Imperial Bank of Commerce	9,859,160	9,597,900
231,400	CI Financial	5,988,631	6,074,250
8,000	Enbridge Inc.	319,388	321,600
150,000	Manulife Financial Corporation	5,715,920	5,658,000
110,000	National Bank of Canada	7,172,584	6,974,000
139,000	Royal Bank of Canada	7,503,090	7,405,920
155,000	Sun Life Financial Inc.	7,540,012	7,556,250
19,500	Telus Corporation	1,069,060	1,071,525
33,100	Thomson Corp.	1,581,058	1,612,301
76,300	Toronto-Dominion Bank	5,176,238	5,109,811
249,300	TransAlta Corporation	6,963,707	6,426,954
106,300	TransCanada Corp.	4,105,476	4,107,432
<b>Total Canadian Core Common Equities (92.3%)</b>		<b><u>77,494,969</u></b>	<b><u>76,446,718</u></b>
<b>Other Canadian Common Equities</b>			
243,900	AGF Management Ltd., Class 'B'	6,214,285	6,243,840
10,000	Industrial Alliance Insurance	360,791	359,800
<b>Total Other Canadian Common Equities (8.0%)</b>		<b><u>6,575,076</u></b>	<b><u>6,603,640</u></b>
<b>Total Canadian Common Equities</b>		<b><u>84,070,045</u></b>	<b><u>83,050,358</u></b>
<b>Call Options written (100 shares per contract)</b>			
<b>Canadian call options written</b>			
(200)	Bank of Montreal, December 2006 @ \$72	(12,000)	(1,500)
(400)	Bank of Nova Scotia, January 2007 @ \$54	(11,200)	(11,000)
(250)	Canadian Imperial Bank of Commerce, December 2006 @ \$95	(14,625)	(2,500)
(600)	Manulife Financial Corporation, December 2006 @ \$38	(31,800)	(36,000)
(400)	Manulife Financial Corporation, January 2007 @ \$40	(11,600)	(8,000)
(400)	National Bank of Canada, January 2007 @ \$66	(31,200)	(22,000)
(350)	Royal Bank of Canada, January 2007 @ \$55	(32,550)	(31,500)
(300)	Royal Bank of Canada, January 2007 @ \$56	(19,050)	(10,500)
(500)	Sun Life Financial Inc., January 2007 @ \$50	(31,830)	(45,000)
(400)	TransAlta Corporation, January 2007 @ \$25	(19,200)	(46,000)
(300)	TransAlta Corporation, January 2007 @ \$26	(5,400)	(21,000)
<b>Total Canadian call options written (-0.3%)</b>		<b><u>(220,455)</u></b>	<b><u>(235,000)</u></b>
<b>Other short term investments</b>			
	Interest rate forward, December 27, 2006 @ 4.25%	32,999,988	33,003,831
<b>Total Investments (100%)</b>		<b><u>116,849,578</u></b>	<b><u>115,819,189</u></b>

The Statement of Portfolio Investments is at November 30, 2006 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.



# Dividend 15 Split Corp. II

## Notes to Financial Statements

For the period from November 16, 2006 to November 30, 2006

### 1. Incorporation

Dividend 15 Split Corp. II (the "Company") is a mutual fund corporation established under the laws of the Province of Ontario on September 28, 2006 and began investment operations on November 16, 2006. 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, include estimates and assumptions by management that affect the reported amount of assets, liabilities, income and expenses during the reporting periods. The following is a summary of the significant accounting policies followed by the Company. Actual results could differ from these estimates.

#### Valuation of investments

Investments are recorded in the financial statements at their market values at the end of the period, determined as follows:

- Shares or other securities for which market quotations are readily available are valued at the closing sale price or, if there is no sale price, the average of the closing bid and ask prices.
- Listed options are valued at market values as reported on recognized exchanges. Over the counter options are valued using an appropriate valuation model.
- The value of any forward contract will be the market value on the valuation date if the position in the forward contract were to be closed out.

#### 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 value of investments in shareholders' equity.
- 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.

# Dividend 15 Split Corp. II

## Notes to Financial Statements

For the period from November 16, 2006 to November 30, 2006

### 3. Preferred shares

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

Issued and outstanding	November 30, 2006
5,200,000 Preferred shares	<u>\$52,000,000</u>

On November 16, 2006, 5,200,000 Preferred Shares were issued at \$10 per share.

Preferred shares are entitled to 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 3860 of the CICA Handbook.

Preferred shares trade under the symbol "DF.PR.A" on the Toronto Stock Exchange (TSX). Preferred shares trading price on the TSX was \$10.88 as at November 30, 2006. 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 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. The net asset value per unit as at November 30, 2006 was \$23.49. 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.

### 4. Class A shares and Class B shares

#### Authorized

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

#### Issued and outstanding

5,200,000 Class A shares	November 30, 2006
1,000 Class B shares	\$71,160,000
	\$1,000
	<u>\$71,161,000</u>

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

# Dividend 15 Split Corp. II

## Notes to Financial Statements

For the period from November 16, 2006 to November 30, 2006

Class A shares trade under the symbol "DF" on the Toronto Stock Exchange (TSX). Class A shares trading price on the TSX was \$15.52 as at November 30, 2006. 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 an Preferred share (together, a "unit") in the month of August in each year will be entitled to receive an amount equal to the 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. The net asset value per unit as at November 30, 2006 was \$23.49. 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. Upon the termination of the Company, Class A shareholders will receive an amount equal to the net asset value per unit less \$10 (the redemption value of the Preferred shares).

On November 16, 2006, the Company issued 5,200,000 Class A shares for a gross proceeds of \$78,000,000. Agents' fees of \$6,240,000 and filing costs of \$600,000 were incurred in connection with this offering.

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 November 16, 2006, the Company issued \$1,000 Class B shares to Quadravest Capital Management Inc., the Company's investment manager, for cash consideration of \$1,000.

### 5. 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 net assets of the Fund, 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 net assets of the Company, which includes 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 \$37,461 incurred during the period include the administration fee and base management fee.

# Dividend 15 Split Corp. II

## Notes to Financial Statements

For the period from November 16, 2006 to November 30, 2006

### 5. Expenses (continued)

The brokerage commissions paid during the period by the Company for its portfolio transactions were \$79,812.

### 6. Distributions

The Company's investment objectives are to provide floating 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, 2006

Preferred shares	-
Class A shares	-

### 7. 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.

### 8. Financial instruments and risk management

The fair values of the Company's assets and liabilities are affected by changes in interest rates and equity markets. The Company manages these risks through the use of various risk limits and trading strategies.

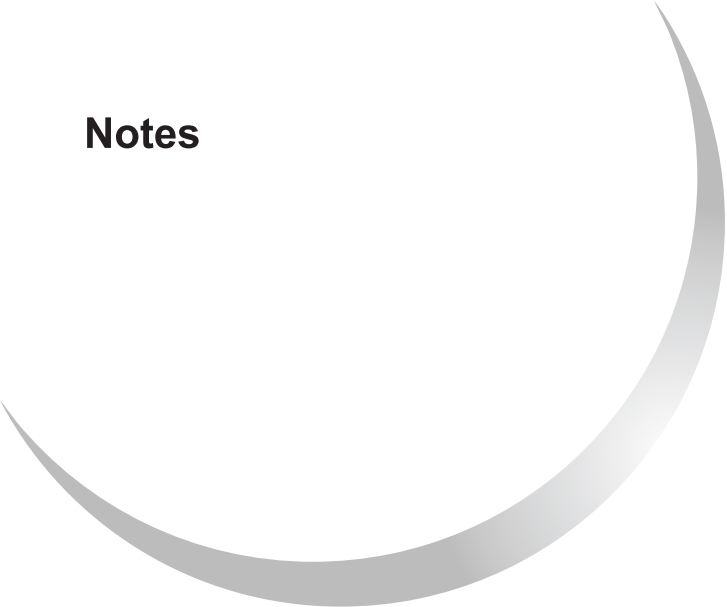
### 9. Subsequent Event

On December 7, 2006, the Company issued an additional 390,000 Preferred shares and Class A shares for gross proceeds of \$9,750,000. Agents' fees of \$468,000 were incurred in connection with this offering resulting in net proceeds of \$9,282,000. After this offering, a total of 5,590,000 Preferred shares and Class A shares were outstanding.



# Notes

# Notes



# 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.

## Board of Directors

Wayne Finch,  
Chairman and  
Chief Investment Officer

Peter Cruickshank,  
Managing Director and  
Chief Financial Officer

Laura Johnson,  
Managing Director and  
Portfolio Manager

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

Michael W. Sharp  
Blake, Cassels & Graydon LLP

John Steep  
Consultant

## 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  
11<sup>th</sup> Floor, Toronto, Ontario M5W 1P9

# Request For Financial Statements

## Dividend 15 Split Corp. II (DSPQ)

Dear Shareholder:

The financial reports for Dividend 15 Split Corp. II will be available online to view or download at [www.quadravest.com](http://www.quadravest.com) and [www.sedar.com](http://www.sedar.com).

If you wish to receive our financial statements by mail, please choose one of the following options:

- 1) Register online at [www.computershare.com/ca/maillinglist](http://www.computershare.com/ca/maillinglist) or
- 2) Complete, detach and return this form by mail to:  
Computershare Investor Services  
Stock and Bond Transfer Department  
100 University Avenue, 9th floor  
Toronto, ON  
M5J 2Y1

Your name will then be placed on the Supplemental Mailing List maintained by our Transfer Agent and Registrar, Computershare Investor Services. Once submitted, your preference will remain a standing instruction. You can change your preference at any time by contacting Computershare using either one of the methods listed above.

If you have any questions about this procedure, please contact Computershare Investor Services by phone at 1-800-564-6253 or by email at [service@computershare.com](mailto:service@computershare.com).

To:

### Computershare Investor Services and Dividend 15 Split Corp. II (DSPQ)

Please add my name to the Supplemental Mailing List for Dividend 15 Split Corp. II and send me the financial statements as indicated below:

Interim Financial Statements  
(includes Management Report  
of Fund Performance)

Name: \_\_\_\_\_  
(Please print)

Annual Financial Statements  
(includes Management Report  
of Fund Performance)

Address: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Postal/Zip: \_\_\_\_\_



# Dividend 15

77 King Street West,  
P.O. Box 341, Toronto, ON  
M5K 1K7

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Toll: 877.4QUADRA  
or 877.478.2372  
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