

May 31 **Dividend 15 Split Corp. II**

**2007** *Semi-Annual Report (unaudited)*



**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.*

# Semi-Annual Management Report of Fund Performance

May 31, 2007

This is the **Semi-Annual Management Report of Fund Performance (MRFP)** for the period ended May 31, 2007. This MRFP contains financial highlights but does not contain the complete financial statements of the Company. The semi-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 Income Fund	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

Distributions to both Class A shareholders and Preferred shareholders were made at the targeted rates. The net asset value per unit increased by \$1.68 to \$25.17 (after all distributions paid) during the period. At May 31, 2007, the Company's portfolio was primarily invested in the 15 core Canadian large capitalization companies which rank among the highest dividend yielding stocks on the TSX. 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.

## Distributions

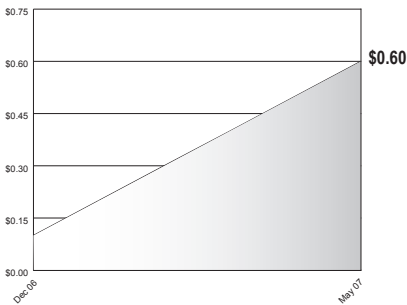
### Class A Shares – Distributions

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 period include the regular distributions at the targeted rate for a total of \$0.60 per share.

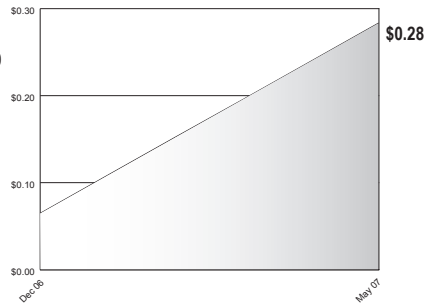
### Preferred Shares – Distributions

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 period were at the fixed rate for a total of \$0.2835 per share.

### Cumulative Distributions since inception



### Cumulative Distributions since inception



## Recent Developments

The Canadian Institute of Chartered Accountants (CICA) has issued new standards for the fair valuation and recording of portfolio investments for fiscal years beginning on or after October 1, 2006 (see note 2 in the semi annual financial statements for further details). Basically, the new standards require that portfolio investments be measured based on the last bid price of a security rather than the last traded price (as previously had been the case). The semi-annual financial statements attached reflect these changes. The implementation of these new valuation standards is immaterial to the Company as can be seen in note 2 which presents the actual impact of this change on the net asset value per unit.

## 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 \$516,930 paid for the period ended May 31, 2007 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.

## Summary of Investment Portfolio

### All holdings as at May 31, 2007

BCE Inc.	9.3 %
CI Financial Income Fund	8.3 %
AGF Management Ltd.	7.8 %
Canadian Imperial Bank of Commerce	7.4 %
Sun Life Financial Inc.	6.0 %
TransAlta Corporation	5.7 %
Thomson Corp.	5.6 %
National Bank of Canada	5.5 %
Bank of Montreal	5.4 %
TransCanada Corp.	5.1 %
Toronto-Dominion Bank	5.0 %
Manulife Financial Corporation	4.8 %
Royal Bank of Canada	4.4 %
Telus Corporation	4.3 %
Enbridge Inc.	3.9 %
Bank of Nova Scotia	2.4 %
TSX Group Inc.	1.1 %
Total long positions as a percentage of net assets	92.0 %
Other net assets	8.0 %

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 semi-annual (unaudited) and audited annual financial statements.

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

	Six months ended May 31, 2007	Period ended Nov 30 2006 <sup>(2)</sup>
Net asset value per unit, beginning of the period <sup>(1)</sup>	23.49	23.68 <sup>(3)</sup>
Increase (decrease) from operations		
Total revenue	0.34	0.02
Total expenses	(0.16)	(0.02)
Realized gains for the period	0.20	-
Unrealized gains for the period	<u>2.17</u>	<u>(0.20)</u>
Total decrease from operations <sup>(4)</sup>	<u>2.55</u>	<u>(0.20)</u>
Distributions <sup>(5)</sup>		
Taxable Dividends	(0.88)	-
Capital Gains	-	-
Total distributions	<u>(0.88)</u>	<u>-</u>
Net asset value per unit, as at end of period	<u>25.17</u>	<u>23.49</u>
Net asset value per Preferred share	10.00	10.00
Net asset value per Class A share	<u>15.17</u>	<u>13.49</u>
Net asset value per unit at end of period	25.17	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 period

<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

	Six months ended May 31, 2007	Period ended Nov 30 2006 <sup>(1)</sup>
Net assets (millions)	\$140.8	\$122.2
Number of units outstanding <sup>(2)</sup>	5,590,000	5,200,000
Base Management expense ratio <sup>(3)</sup>	1.32%	N/A
Management expense ratio including one time initial offering expenses <sup>(4)</sup>	1.67%	N/A
Portfolio turnover rate <sup>(5)</sup>	19.6%	0.00%
Trading expense ratio <sup>(6)</sup>	0.05%	0.07%
Closing market price (TSX): Preferred shares	10.35	\$10.88
Closing market price (TSX): Class A shares	15.00	\$15.52

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

<sup>(2)</sup> This information is at May 31 or November 30 as applicable

<sup>(3)</sup> 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. Management expense ratio is based on total expenses for the stated period and is expressed as an annualized percentage of average net assets during the period. The Company had only been in operation for 14 days in fiscal 2006 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 occurred can be found in the 2006 annual financial statements

<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

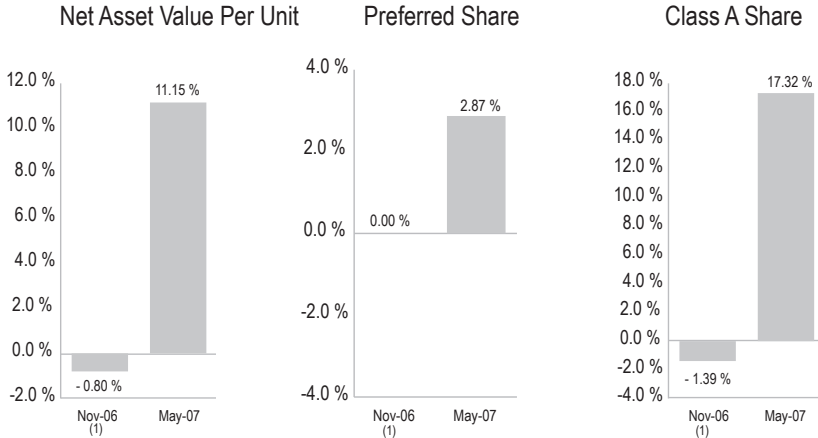
<sup>(5)</sup> The Company's portfolio turnover rate indicates how actively the Company's portfolio advisor manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Company buying and selling all of the securities in its portfolio once in the course of the year. The Company 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 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 six month period ended May 31 and for each 12 month period ended November 30 since inception are presented in the bar charts below. 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 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

---

## **Dividend 15 Split Corp. II**

### **Management's Responsibility for Financial Reporting**

The financial statements of Dividend 15 Split Corp. II (the "Company") and all the information in this semi-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's independent auditors have not performed a review of these semi annual financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants.

# Dividend 15 Split Corp. II

## Statement of Financial Position

As at May 31, 2007 and November 30, 2006 (unaudited)

	May 31, 2007	November 30, 2006
<b>Assets</b>	<b>(\$)</b>	<b>(\$)</b>
Investments* - at fair value (note 2)	129,205,972	115,819,189
Cash	12,326,212	9,840,975
Interest, dividends and other receivables	322,020	106,782
<b>Total Assets</b>	<b><u>141,854,204</u></b>	<b><u>125,766,946</u></b>
<b>Liabilities</b>		
Fees and other accounts payable	375,614	665,120
Payable in respect of investments purchased	-	2,940,036
Dividends payable	803,563	-
Preferred shares (note 3)	55,900,000	52,000,000
	<b><u>57,079,177</u></b>	<b><u>55,605,156</u></b>
<b>Shareholders' Equity</b>		
Class A and Class B shares (note 4)	76,543,000	71,161,000
Retained earnings (deficit)	8,232,027	(999,210)
	<b><u>84,775,027</u></b>	<b><u>70,161,790</u></b>
<b>Total Liabilities &amp; Shareholders' Equity</b>	<b><u>141,854,204</u></b>	<b><u>125,766,946</u></b>
*cost \$118,192,388 (May 31, 2007); \$116,849,578 (November 30, 2006)		
Number of units (1 Preferred share and 1 Class A share) outstanding	5,590,000	5,200,000
Net asset value per unit (GAAP)(note 2)	\$25.17	\$23.49
Net asset value per Preferred share (GAAP)(note 2)	\$10.00	\$10.00
Net asset value per Class A share (GAAP)(note 2)	\$15.17	\$13.49
Net asset value per unit (Transactional)(note 2)	\$25.18	\$23.49

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 six month period ended May 31 (unaudited)

	2007 (\$)
<b>Income</b>	
Dividends	1,888,401
Interest	37,203
	<u>1,925,604</u>
<b>Expenses</b> (note 5)	
Management fees	516,930
Service fees	218,780
Audit fees	8,500
Directors' fees	9,558
Custodian fees	28,375
Legal fees	9,976
Shareholder reporting costs	16,633
Other operating expenses	52,589
Goods and services tax	38,908
	<u>900,249</u>
<b>Net investment income before distributions on Preferred shares</b>	<b>1,025,355</b>
<b>Distributions on Preferred shares</b> (note 3 and 6)	<b>(1,584,653)</b>
<b>Net investment (loss) for the period</b>	<b>(559,298)</b>
<b>Realized and unrealized gain on investments and options and transaction costs</b>	
Net realized gain on investments and options	1,183,036
Change in unrealized appreciation of investments	12,147,839
Transaction costs on purchase and sale of investments (note 2)	(65,594)
	<u>13,265,281</u>
<b>Net gain on investments and options for the period</b>	<b>13,265,281</b>
<b>Increase in net assets from operations for the period</b>	<b>12,705,983</b>
<b>Deficit earnings - Beginning of period</b>	<b>(999,210)</b>
<b>Transitional adjustment for new accounting policy</b> (note 2)	<b>(120,746)</b>
<b>Distributions on Class A shares</b> (note 4 and 6)	<b>(3,354,000)</b>
<b>Retained earnings - End of period</b>	<b>8,232,027</b>
<b>Increase in net assets from operations per Class A share</b>	<b>2.27</b>

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

# Dividend 15 Split Corp. II

## Statements of Changes in Shareholders' Equity

For the six month period ended May 31 (unaudited)

	2007 (\$)
<b>Shareholders' equity - Beginning of period</b>	<b>70,161,790</b>
Transitional adjustment on adopting new accounting pronouncement (note 2)	(120,746)
Adjusted Shareholders' equity - Beginning of period	<u>70,041,044</u>
Increase in net assets from operations for the period	12,705,983
Gross proceeds from issue of Class A shares	5,850,000
Agents' fees and filing costs in connection with the initial public offering	(468,000)
Net proceeds from issue of Class A shares (note 4)	<u>5,382,000</u>
<b>Distributions on Class A shares</b>	
From net realized gains	(623,738)
From return of capital	(2,730,262)
	<u>(3,354,000)</u>
<b>Increase in net assets for the period</b>	<b>14,733,983</b>
<b>Shareholders' equity - End of period</b>	<b><u>84,775,027</u></b>

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

# Dividend 15 Split Corp. II

## Statements of Cash Flow

For the six month period ended May 31 (unaudited)

	2007
<b>Cash flow from Operating activities</b>	<b>(\$)</b>
Net investment loss for the period	(559,298)
Proceeds from sale of investments	53,490,861
Purchase of investments	(53,733,109)
Net change in receivable balances	(215,238)
Net change in payable balances	(2,425,979)
Cash flow from operations	(3,442,763)
<b>Cash flow from Shareholder activities</b>	
Gross proceeds from the issue of Class A shares and Preferred shares	9,750,000
Agents' fee and filing costs in connection with the initial public offering	(468,000)
Distributions on Class A shares	(3,354,000)
Cash flow from Shareholder activities	5,928,000
Net increase in cash for the period	2,485,237
Cash, beginning of period	9,840,975
<b>Cash, end of period</b>	<b>12,326,212</b>

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

# Dividend 15 Split Corp. II

## Statement of Portfolio Investments

As at May 31, 2007

No. of shares	Description	Average cost/ (Premiums received) (\$)	Market value(\$)
<b>Canadian Core Common Equities</b>			
106,200	Bank of Montreal	7,451,421	7,557,192
64,000	Bank of Nova Scotia	3,320,028	3,443,200
332,500	BCE Inc.	9,917,715	13,120,450
102,000	Canadian Imperial Bank of Commerce	9,655,053	10,471,320
397,000	CI Financial Income Fund	10,651,451	11,707,530
143,000	Enbridge Inc.	5,525,082	5,426,850
170,000	Manulife Financial Corporation	6,630,165	6,776,200
120,000	National Bank of Canada	7,811,884	7,804,800
106,600	Royal Bank of Canada	5,881,039	6,211,582
166,400	Sun Life Financial Inc.	8,189,429	8,403,200
94,500	Telus Corporation	5,307,043	6,071,625
173,100	Thomson Corp.	8,338,961	7,836,237
96,300	Toronto-Dominion Bank	6,538,338	7,107,903
282,400	TransAlta Corporation	6,931,172	7,994,744
181,300	TransCanada Corp.	6,928,419	7,114,212
	<b>Total Canadian Core Common Equities (90.6%)</b>	<b><u>109,077,200</u></b>	<b><u>117,047,045</u></b>
<b>Other Canadian Common Equities</b>			
298,900	AGF Management Ltd.	7,922,698	11,008,487
33,100	TSX Group Inc.	1,415,526	1,403,440
	<b>Total Other Canadian Common Equities (9.6%)</b>	<b><u>9,338,224</u></b>	<b><u>12,411,927</u></b>
	<b>Total Canadian Common Equities (100.2%)</b>	<b><u>118,415,424</u></b>	<b><u>129,458,972</u></b>
<b>Call Options written (100 shares per contract)</b>			
<b>Canadian call options written</b>			
(200)	Bank of Montreal, June 2007 @ \$70	(10,000)	(33,000)
(150)	Bank of Nova Scotia, July 2007 @ \$54	(13,200)	(14,250)
(250)	Canadian Imperial Bank of Commerce, June 2007 @ 105	(20,750)	(11,250)
(200)	Canadian Imperial Bank of Commerce, June 2007 @ 110	(5,600)	(1,000)
(200)	Manulife Financial Corporation, June 2007 @ \$40	(6,800)	(10,000)
(300)	National Bank of Canada, June 2007 @ \$64	(31,800)	(43,500)
(300)	Royal Bank of Canada, July 2007 @ \$62	(17,400)	(7,500)
(250)	Sunlife Financial Corporation, June 2007 @ \$52	(7,000)	(5,000)
(250)	Toronto-Dominion Bank, July 2007 @ \$76	(18,875)	(13,750)
(1500)	TransAlta Corporation, June 2007 @ \$28	(20,250)	(105,000)
(350)	TransCanada Corp., June 2007 @ \$40	(18,550)	(8,750)
	<b>Total Canadian call options written (-0.2%)</b>	<b><u>(170,225)</u></b>	<b><u>(253,000)</u></b>
		<b>118,245,199</b>	<b>129,205,972</b>
	<b>less adjustment for transaction costs</b>	<b>(52,811)</b>	<b>-</b>
	<b>Total Investments (100%)</b>	<b><u>118,192,388</u></b>	<b><u>129,205,972</u></b>

The Statement of Portfolio Investments is at May 31, 2007 and may or may not be indicative of the current portfolio.

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



# Dividend 15 Split Corp. II

## Notes to Financial Statements

For the six month period ended May 31 (unaudited)

### 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 ("GAAP"), 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.

#### New Accounting Standards

The Canadian Institute of Chartered Accountants (CICA) issued Section 3855 of the CICA Handbook, "Financial Instruments-Recognition and Measurement", which established standards for the fair valuation and recording of portfolio investments effective for fiscal years beginning on or after October 1, 2006. Section 3855 requires that securities be valued at fair value, which in an active market will commonly be measured based on the last bid price for the security. Prior to October 1, 2006, fair value was most commonly based on the last traded price of a security for the day.

National Instrument 81-106, section 14.2, issued by the Canadian Securities Administrators ("CSA") in 2005, requires the net asset value of an investment fund to be calculated in accordance with Canadian GAAP. The CSA has granted relief to investment funds from complying on a temporary basis with Section 3855, for the purposes of calculating and reporting net asset value (other than for financial reporting purposes) until September 30, 2007, to permit further review of the impact this pronouncement has on the redemption price of an investment fund ("Transactional"). Depending on the outcome of this review, the method by which net asset value is calculated as governed by Section 3855 may result in a change to the Transactional NAV on such date. In accordance with the relief granted by the CSA, a reconciliation of the net asset value calculated in accordance with Section 3855 of an investment fund (GAAP NAV) is required to be disclosed in the financial reporting periods in the one year period ending September 30, 2007. The Company has applied this change on a prospective basis. The reconciliation of the Company's Transactional NAV (ie. based on last traded price of portfolio securities) and the GAAP NAV (ie. based on last bid price of portfolio securities) is presented in the following table:

	GAAP NAV	Difference	Transactional NAV
May 31, 2007	140,675,027	82,305	140,757,332
	GAAP NAV per unit	Difference	Transactional NAV per unit
May 31, 2007	25.17	.01	25.18

# Dividend 15 Split Corp. II

## Notes to Financial Statements

For the six month period ended May 31 (unaudited)

### 2. Summary of significant accounting policies (continued)

#### 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. Prior to December 1, 2006, the Company's policy had been to add these expenses to the costs of securities purchased or deducted from the proceeds of sale. The transaction costs for investments held at May 31, 2007 is shown separately on the Statement of Portfolio Investments. Effective December 1, 2006, the Company adopted the new accounting policy retroactively, without restatement of prior periods. The adoption of the policy does not impact the Transactional NAV or the GAAP NAV.

#### 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 bid price.
- 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 six month period ended May 31 (unaudited)

### 3. Preferred shares

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

<u>Issued and outstanding</u>	May 31, 2007
5,590,000 Preferred shares	<u>\$55,900,000</u>

#### Preferred share transactions

Beginning of period	5,200,000
Issued during the period	<u>390,000</u>
End of period	<u>5,590,000</u>

On November 16, 2006, 5,200,000 Preferred shares were issued at \$10 per share. An additional 390,000 Preferred shares were issued at \$10 per share on December 7, 2006.

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 3861 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 \$10.35 as at May 31, 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.

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

#### Authorized

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

<u>Issued and outstanding</u>	May 31, 2007
5,590,000 Class A shares	\$76,542,000
1,000 Class B shares	<u>\$1,000</u>
	<u>\$76,543,000</u>

#### Class A share transactions

Beginning of period	5,200,000
Issued during the period	<u>390,000</u>
End of period	<u>5,590,000</u>

# Dividend 15 Split Corp. II

## Notes to Financial Statements

For the six month period ended May 31 (unaudited)

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.

Class A shares trade under the symbol "DF" on the Toronto Stock Exchange (TSX). Class A shares trading price on the TSX was \$15.00 as at May 31, 2007 (2006 - \$15.52). 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.

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).

On November 16, 2006, the Company issued 5,200,000 Class A shares for 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. On December 7, 2006, the Company issued an additional 390,000 Class A shares for gross proceeds of \$5,850,000. Agents' fees of \$468,000 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 Dividend 15 Split Corp. II Holding Trust 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 transactional 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 transactional 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.

# Dividend 15 Split Corp. II

## Notes to Financial Statements

For the six month period ended May 31 (unaudited)

### 5. Expenses (continued)

Total management fees of \$516,930 (2006 - nil) incurred during the period include the administration fee and base management fee.

The brokerage commissions paid during the period by the Company for its portfolio transactions were \$65,594 (2006 - nil).

### 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:

	May 31, 2007
Preferred shares	\$0.2835
Class A shares	\$0.60

### 7. Income Taxes

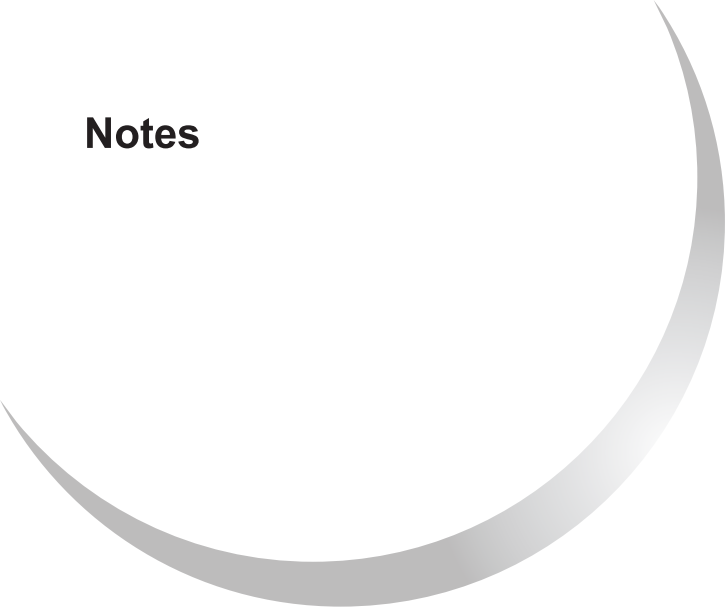
The Company is a mutual fund corporation as defined in the Income Tax Act (Canada) (the Act) and is subject to tax in respect of its net realized capital gains. This tax is refundable in certain circumstances. Also, the Company is generally subject to a tax of 33-1/3% under Part IV of the Act on taxable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

# 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





# Dividend 15

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

Tel: 416.304.4443  
Toll: 877.4QUADRA  
or 877.478.2372  
Fax: 416.304.4441

[info@quadravest.com](mailto:info@quadravest.com)  
[www.quadravest.com](http://www.quadravest.com)