

UNITED SECURITY FUND

QUALIFIED FOR REGISTERED RETIREMENT SAVINGS PLAN,
REGISTERED RETIREMENT INCOME FUND AND
REGISTERED HOME OWNERSHIP SAVINGS PLAN INVESTMENTS

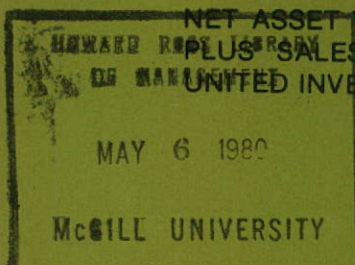
PROSPECTUS

April 26, 1979

NO SECURITIES COMMISSION OR SIMILAR AUTHORITY IN CANADA
HAS IN ANY WAY PASSED UPON THE MERITS OF THE SECURITIES
OFFERED HEREUNDER AND ANY REPRESENTATION TO THE
CONTRARY IS AN OFFENCE.

UNDER THE PERIODIC WITHDRAWAL OPTION AS REFERRED TO ON
PAGE 4 HEREOF, IF LIQUIDATIONS ARE IN EXCESS OF EARNINGS OF
THE FUND AND NET CAPITAL APPRECIATION, IT WILL RESULT IN
ENCROACHMENT ON OR POSSIBLE EXHAUSTION OF THE UNIT
HOLDER'S ORIGINAL CAPITAL.

UNITS OF TRUST OFFERED BY THIS PROSPECTUS ARE OFFERED AT
NET ASSET VALUE NEXT DETERMINED AFTER THE TIME OF SALE
PLUS SALES COMMISSION AND ARE DISTRIBUTED THROUGH
UNITED INVESTMENT SERVICES LTD. AS PRINCIPAL DISTRIBUTOR.



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UNITED SECURITY FUND

1. THE OFFERING

1.01 General

United Security Fund (the "Fund") is an open-end mutual fund investment trust having its assets invested in a portfolio consisting primarily of bonds, debentures and preference shares together with insured mortgages. The Fund will continue to operate in such a manner that it will be qualified for registered retirement savings plan, registered retirement income fund and registered home ownership savings plan investments. The assets of the Fund are managed by United Funds Management Corporation (the "Manager"). United Investment Services Ltd. (the "Distributor") is the principal distributor of the units of trust ("units") of the Fund. The assets of the Fund are deposited for safekeeping with a Canadian Chartered Bank (the "Custodian") at Toronto. Continental Trust Company (the "Registrar") is the Registrar and Transfer Agent of the units of the Fund. Further, Continental Trust Company (as "Investment Trustee"), under investment plans, will purchase units on behalf of the investor and hold the same in its name in trust for the beneficial owners thereof on the books of the Fund. Correspondence from investors should be directed to the Registrar or the Distributor at their principal office at 145 King Street West, Toronto, Ontario, M5H 2E2. Eight individuals act as trustees of the Fund (the "Fund Trustees") but they do not receive or take possession of the securities or other assets of the Fund. Such pass directly to and are held by the Custodian. Continental Trust Company also acts as trustee of the individual registered retirement savings plan, registered retirement income fund and registered home ownership savings plan trusts (the "Plan Trustee") taken out by the investor for the purpose of investing in the Fund.

1.02 Investment Objectives and Policy

The primary investment objective of the Fund is to combine good income yield with relative long-term stability of investment. To meet this objective the Fund's professional managers will select for the portfolio short-term and long-term bonds, debentures and preference shares of corporations in Canada and the United States some of which may be convertible and warrant bearing debentures and preference shares. The portfolio may include mortgages insured by the Government of Canada through the Central Mortgage and Housing Corporation or an insurance company registered or licensed under the Canadian and British Insurance Companies Act (Canada). To a lesser degree the portfolio may also include common shares purchased under warrants and conversion privileges received with convertible and warrant bearing debentures and preference shares.

The proportion to be invested in bonds and debentures and in mortgages will be varied according to market circumstances and anticipated rates of return from such investments. Accordingly, as circumstances change, the Manager would expect to shift the emphasis between such classes of investments but would at all times endeavour to achieve a maximum income return within the investment policy. See also section 5.04, Investment Restrictions.

1.03 Registered Retirement Savings Plan, Registered Retirement Income Fund and Registered Home Ownership Savings Plan Concepts

Registered Retirement Savings Plans ("RRSPs") and Registered Home Ownership Savings Plans ("RHOSPs") are provided for under the Income Tax Act (Canada) to permit a taxpayer to reduce the amount of his income which is otherwise subject to tax in the taxation year by the amount invested in an RRSP or RHOSP. Such amounts must be invested during the taxation year or in the case of an RRSP within 60 days after the end of such year.

The maximum amount generally permitted to be invested each year under the provisions of the Income Tax Act (Canada) in an RRSP is \$5,500 and, in the case of a contributor who is a member of an employer pension plan to which the employer has made or will make a contribution on his behalf with respect to the current year, \$3,500 less any personal contributions in the year to the other plan. Both levels of contribution are subject to a maximum of 20% of earned income. Future benefits received will form part of taxable income.

Between age 60 and the end of the calendar year in which he reaches age 71, the taxpayer must purchase a registered retirement income fund or retirement annuity with the amounts accumulated in his RRSP and treat the amounts received therefrom as income for tax purposes and pay tax thereon at his after-retirement tax rates.

Registered Retirement Income Funds ("RRIFs") are provided under the Income Tax Act (Canada) to permit an annuitant under an RRSP to transfer the proceeds of liquidation of the RRSP into a RRIF without paying tax thereon at the time of transfer provided that the transfer is made between the 60th birthday and the end of the calendar year in which the annuitant becomes age 71. The RRIF is an investment fund held by a trustee for the annuitant and investing in investments such as the Fund that qualify as investments for RRSPs. Periodic payments are made from the RRIF to the annuitant until the last day of the year in which he reaches age 90. The payments are of such amounts that those made in each year taken together are generally equal to the net asset value of the RRIF at the beginning of such year divided by the number of years left to age 90.

RHOSPs are available to those individuals 18 years of age and over who did not own a home in either the taxation year or the previous year (if married, generally neither the taxpayer nor his spouse may have owned a house in either such year). A qualified individual investor may contribute up to \$1,000 per calendar year with a cumulative limit of \$10,000 in his lifetime.

The Plan Trustee will hold the units of the Fund for the account of each such individual RRSP, RRIF or RHOSP trust as a separate trust fund account on the books of the Fund on behalf of the investor. For its services as RRSP, RRIF or RHOSP Plan Trustee, it shall be entitled to an administration fee as established under the RRSP, RRIF or RHOSP trust agreement. At present rates the Plan Trustee will receive for its services an annual fee of \$12.00 for each RRSP; \$25.00 for each RRIF and \$12.00 for each RHOSP; such fee to be realized on August 31 in each year from the account of the Planholder. Further, the RRIF Plan Trustee is entitled to deduct \$200.00 at the time of any closing or transfer prior to maturity at age 90 and the RHOSP Plan Trustee is entitled to deduct \$35.00 at the time of the closing of an RHOSP.

Due to market fluctuations, the Fund provides no assurance of a return of the original investment.

1.04 Distributions to Unitholders

Distributions to provide a full flow through of net income and taxable realized capital gains shall be made once in each calendar year or more often if, in the opinion of the Fund Trustees, it is the interests of the investors as a class so to do. It is the present intention of the Fund Trustees to make distributions of income, exclusive of taxable realized capital gains, quarter-annually and to make distributions of net realized capital gains at the end of each calendar year. Such distributions will be automatically reinvested in additional units of the Fund at net asset value per unit without sales charges, and credited to the unitholder's account; except that payment of distributions from a non-registered account may be in cash if requested in writing by the investor.

Distributions to unitholders in each of the fiscal periods ended December 31, assuming that the unit was held for the entire fiscal period were:

Year	Per Unit From income
1974	40¢
1975	43¢
1976	43¢
1977	41.5¢
1978	41.75¢

1.05 Tax Information in respect of Distributions on RRSPs, RRIFs and RHOSPs

So long as the unitholder's investment is held by his individual RRSP, RRIF or RHOSP, the distributions referred to in section 1.04 will be exempt from income tax in the year of distribution.

Subject to the provisions of the Income Tax Act (Canada) as they may be amended from time to time, in the event the investor liquidates to cash and deregisters, (i) a part or all of his RRSP prior to the purchase of a RRIF or an annuity; or (ii) all of his RHOSP account except for the purchase of a home; the proceeds of liquidation will normally be added to the taxable income of the investor in the taxation year of such liquidation. If such liquidation of his RRSP is by way of a qualified transfer to a registered retirement savings plan or RRIF, the amount thereof will not be so added to taxable income. The benefits payable under the RRIF or annuity are taxable as earned income in the year when received. An investor is only permitted to maintain an RHOSP for up to 20 years at which time, if not already used as allowed under the Plan, the funds will be included as taxable income of the contributor. In the event of withdrawal and the contributor has not spent such funds in the purchase of a home,

- (i) the contributor may continue to shelter the funds from tax by transferring them into an income averaging annuity within the year of withdrawal or 60 calendar days after the year in which the funds were received or deemed to have been received as taxable income.

- (ii) if within 3 taxation years after withdrawal of the funds the contributor purchases a home then (provided that such withdrawal occurred prior to the funds being deemed to have been received as taxable income at the end of the 20 year period and provided that he was taxed on such funds in the year of withdrawal,) the contributor will subsequently be entitled to a deduction of the cashed in funds in such year when the home was purchased and the funds used for such purchase.

1.06 Tax Status of the Fund

The Fund, being a mutual fund trust, acts as a conduit and, therefore, is not itself under normal circumstances subject to Canadian taxes on income (including net taxable realized capital gains) under relevant tax legislation as the income and net realized capital gains are distributable to the unitholders under the terms of its Trust Deed in the manner and to the extent referred to in section 1.04.

1.07 Tax Information in respect of Unregistered Investments

Individual unitholders who do not hold their investments in the Fund through a registered vehicle are, however, subject to income taxes on that part of the income for the year including the net taxable realized capital gains of the Fund that is attributed to their units, whether or not distributions have been received by them in cash or reinvested in additional units.

Under current income tax legislation, unitholders who are individuals resident in Canada are required to include as income for tax purposes such amounts as will be reported to them on the annual tax information report. Such amounts will include (i) their proportionate share of the income of the Fund, plus (ii) 50% of that part of the income that is gross dividends received by the Fund from taxable Canadian corporations that is allocated to them as their fair proportion for tax purposes. Such unitholders, however, are entitled to the general deduction relating to Canadian interest and to dividends received from taxable Canadian corporations under current tax legislation, and to a tax credit equal to approximately the 50% of dividends included by them in income as referred to in (ii) above. All unitholders resident in Canada are entitled to applicable tax credits for their proportionate share of taxes withheld from foreign income.

Individual unitholders resident in Canada will also include the share of net capital gains realized on sale of investments by the Fund allocated to them with any other capital gains subject to tax realized by them during the year. Such unitholders will be taxed on 50% of such gains at normal personal rates, subject to the general rules relating to capital gains.

A Canadian resident unitholder who redeems or sells his units will be subject to tax on any capital gain thereby realized, subject to the general rules relating to capital gains. The capital gain realized will generally be subject to tax only to the extent that (a) the redemption or sale proceeds exceed cost (adjusted cost base) and (b) such proceeds had not previously been taxed through capital gains and earnings allocations as previously described.

2. METHODS OF PURCHASE

Units of the Fund are available for purchase through the Distributor and through its selected mutual fund dealers and brokers ("selected brokers") qualified to transact securities business in the provinces in which units may be offered for sale to the public as described below. Units so purchased are taken in the name of the Investment Trustee and held by it in trust for the beneficial owner. Subscriptions for units received by a sales representative or agent shall be mailed to the principal office of the Distributor and the Registrar, 145 King Street West, Toronto, Ontario, M5H 2E2, the same day they are received. Further, at the subscriber's request and expense, a subscription request may be transmitted by wire or telephone to the said principal office. Any subscription may be rejected by the Distributor or the Registrar. The decision to accept or reject subscriptions will be exercised promptly and in any event within 2 days of receipt of the subscription, and in the case of a rejection, all monies received with the subscription will be refunded to the subscriber immediately.

2.01 Available Accounts

Units are available on initial investment in amounts of \$1,000 or more and subsequent investments may be made in amounts of \$100 or more excepting for RRIF plans which require an initial investment of \$40,000.

2.01.1 Accumulation Plan

Amounts of less than \$1,000 will be accepted under the Accumulation Plan. Initial investments must be at least \$100 and subsequent investments must be at least \$50 each. If the initial investment is less than \$500, the application must be accompanied by a pre-authorized chequing plan to provide for subsequent investments. Subsequent investments of less than \$100 each must be by a pre-authorized chequing plan.

The Registrar reserves the right to redeem in full any Accumulation Plan account on the second Thursday in March of the third year, or any subsequent year, after the calendar year in which the account was opened if the amount invested therein, less redemptions, is then less than \$1,000.

2.01.2 Periodic Withdrawal Option

At any time when the value of the units in his non-registered account is \$10,000 or more, the investor, by written request may arrange for a Periodic Withdrawal Programme under which he may liquidate monthly or quarter-annually (a) such number of units as is necessary to provide for payments of a specific dollar amount or (b) a specific number of units. The investor may be subject to applicable tax on any gain realized on the units liquidated, in the manner referred to in section 1.07, Tax Information in respect of Unregistered Investments. A minimum balance of \$1,000 in net asset value of the remaining units must be left invested after a partial liquidation or the Registrar has the right to redeem the remaining units, make payment to the investor and close the account.

However, if such liquidations are in excess of earnings of the Fund and net capital appreciation, it will result in encroachment on or possible exhaustion of the unitholder's original capital.

2.02 Issue Price and Acquisition Charges

The issue price of each unit shall be the net asset value thereof next determined after the time of sale (being the time that a subscription with payment has been received at the principal office of the Distributor at Toronto, Ontario) plus the sales commission payable. Sales commission is payable on application. Sales made after the time of closing of The Toronto Stock Exchange on a day when net asset value is determined shall be deemed to have been made after such determination of net asset value.

The Distributor receives the sales commission. The balance received is invested in the Fund. Sales commission rates are as follows:

where the "amounted invested" is	commission as a % of price paid by investor shall not exceed	commission as a % of net asset value of units purchased shall not exceed
\$ 0 to \$ 24,999	9%	9.89%
\$ 25,000 to \$ 49,999	7%	7.53%
\$ 50,000 to \$ 99,999	5%	5.26%
\$100,000 to \$199,999	4%	4.17%
\$200,000 to \$299,999	3%	3.09%
\$300,000 to \$499,999	2%	2.04%
\$500,000 or more	1%	1.01%

To determine the "amount invested", the above table will be applied to each investment separately.

2.03 Partial Redemptions, Conversions from certain other United Funds and Changes of Ownership

An investor in a non-registered account may liquidate from time to time a part of the units held in such account. A minimum balance of \$1,000 in net asset value of the remaining units must be left invested at the time of such partial redemption or the Registrar has the right at any time thereafter to redeem the remaining units, make payment to the investor and close the account.

Where (i) an investment is converted from one fund to another or between the Fund and any fund associated with it or (ii) the registration of a change of ownership of the investment is requested by the investor and otherwise permitted by the prospectus of the fund effected, then no sales charge will be payable on the conversion or change of ownership. The shareholder or unitholder will be required to pay applicable tax, if any, on any gain realized on the redemption of shares or units converted. If such transaction is effected by redemption or conversion of part only of an account then a minimum balance of \$1,000 must be left in such account. No conversion to the Fund will be permitted from any Periodic Withdrawal Programme of an associated fund if, as a result, there is an amount of less than \$10,000 in net asset value remaining in such Programme.

Similar arrangements for conversion into other associated funds are currently offered by such funds to unitholders of this Fund.

3. VALUATION AND REDEMPTION OF INVESTMENT

3.01 Frequency of Valuation

The net asset value of each unit will be determined in accordance with the provisions of the Trust Deed and shall take effect at the times and for the purposes of pricing for sales and redemptions as set out in the paragraphs relating to such transactions and any determination of net asset value so made shall be binding on all parties. A determination of net asset value shall be made:

- (i) as of the close of business of The Toronto Stock Exchange on (1) each Thursday in each week and in the event that Thursday is a holiday then on the next business day (as defined in sub-paragraph (iii) of section 3.03) following such Thursday and further (2) on the last business day of each calendar month, and
- (ii) in addition to the foregoing, at any particular time selected by the Manager on any day if such is for any reason deemed advisable.

3.02 Method of Determining Net Asset Value

The net asset value of each unit shall be determined in accordance with the Trust Deed as follows:

The net asset value of each unit as of any particular time shall be the quotient obtained by dividing the value, as at such time, of the net assets of the Fund (i.e. the value of the assets of the Fund less its liabilities) by the total number of units of the Fund outstanding at such time.

The value of any bond, time note, share of stock, subscription right or other security which shall be listed or dealt with upon any recognized stock exchange shall be determined as of the close of business by taking the last sale price (or lacking any sales, a price not higher than the closing asked price and not lower than the closing bid price therefor as the Manager may from time to time determine) on that exchange on the date as of which the net asset value is being determined, and, in the case of a determination made other than as of the close of business, the latest available quotations (i.e. last sale preceding the time as of which the determination is being made or latest bid and asked if there was no sale on that day) shall be used.

The value of any bond, time note, share of stock, subscription right or other security or other property which is not listed on a recognized stock exchange shall be determined by taking the last ascertainable sale price thereof or, in the event of any lack of sales or in the event that the Manager is of the opinion that such last ascertainable sale price does not accurately reflect the value of such security or property, then such value shall be determined by taking such price as the Manager may, from time to time, determine provided that it shall not be higher than the last quoted asking price and not lower than the last quoted bid price. Restricted securities and other non-liquid assets, if any, other than mortgages (further referred to in item 21 under section 5.04, Investment Restrictions) shall be valued while their disposition is restricted at a discount rate from the market price equal to that at which such securities were purchased.

Mortgages shall be valued at a principal amount which produces yields equal to the unserviced mortgage rate as determined by the portfolio manager to be applicable to similar insured mortgages then available on an arm's length basis for purchase by the Fund. In calculating such yields, the life of the mortgage shall be assumed to be either one-half of the remaining amortization period, or the term to maturity, whichever is the lesser. When, in the opinion of the Manager, any change of $\frac{1}{4}$ of 1% or more occurs in such unserviced mortgage rate, the value of the mortgages shall be increased or decreased accordingly. In each computation of net asset value of the Fund, the valuation method applied to mortgages shall be the same.

3.03 Redemption

Any investor may require the Registrar at any time and from time to time to accept for redemption at the net asset value thereof, all or any of the units registered in his name by delivering a written request (a) to the Distributor or to it at their principal office, at Toronto, Ontario or (b) to a sales manager, representative or agent of the Distributor who shall mail it to the Registrar at Toronto the same day it is received. A redemption request may be transmitted to the Registrar at Toronto by wire or telephone at the investor's request and expense and the representative or agent shall so advise the investor. The redemption will be carried out subject to the following terms and conditions:

- (i) Units to be redeemed pursuant to any notice deposited with the Registrar at Toronto, shall be redeemed at the net asset value next determined following such deposit; provided, however, that any notice deposited after the close of business of The Toronto Stock Exchange on a day when net asset value is determined shall be deemed to have been deposited on the next business day.

In respect of RHOSPs and RRSPs, the right of redemption is subject to the requirements and limitations of the Income Tax Act (Canada) and the trust instrument under which they are administered.

A minimum balance of \$1,000 in net asset value of the remaining units must be left invested at the time of a partial redemption from an RRSP or the Registrar has the right to redeem the remaining units, make appropriate payment therefor and close the account.

(ii) Notwithstanding the foregoing, where units being redeemed have been purchased by payment to the Fund made within 90 days of the deposit of notice of redemption at a sales commission of less than 2% of the sales price, then a redemption fee will be charged and deducted from the redemption price of the units in an amount equal to the difference between the sales commission actually charged on the units being redeemed and 2% of the sales price. Such redemption fee will be retained by the Fund. This redemption fee shall not apply to redemptions in the normal course under Periodic Withdrawal Programmes.

(iii) A business day shall mean a business day of the Fund which is normally a day when The Toronto Stock Exchange is open for trading.

(iv) Deposit of notice of redemption shall be valid only when a written request from the investor has been delivered to and received at the principal office of the Registrar at Toronto, Ontario, in a form satisfactory to the Registrar or the Plan Trustee, as the case may require, and with signature guaranteed by a Canadian Chartered Bank, a Trust Company authorized to do business in Canada, a Caisse Populaire or a selected broker together with evidence of compliance with the requirements of the Plan Trustee and all laws and regulatory requirements pertaining to such redemption. Such request for redemption may be for all or part of the units in an RRSP or a non-registered account or all of the units in an RHOSP.

(v) Payment for such units shall be made within 7 days after the date as of which the units are valued for redemption. Payment for such units so to be redeemed (less federal and other taxes, if any, and Plan Trustee fees in the case of RRSPs and RHOSPs) shall be made by cheque payable to the registered holder unless, at the request of such holder the Registrar in its absolute discretion agrees otherwise.

(vi) Redemption of units owned by the investor is only permitted upon the written request of such investor or for the purposes of payment of service fees, taxes and other lawful charges and the liquidation of small accounts as provided for herein.

3.04 Service Charge Summary

(i)	Plan Trustee's fees (see section 1.03)	
	RRSP administration per year	\$ 12.00
	RRIF administration per year	25.00
	premature closing	200.00
	RHOSP administration per year	12.00
	closing	35.00
(ii)	Sales charges (see section 2.02)	
(iii)	Management fees (see section 5.01)	

3.05 Rights and Conditions

The rights, limitations and conditions related to the purchase of units of the Fund shall be such as are provided in the then current prospectus and the unitholder will be provided with a copy of the current prospectus or otherwise advised of changes, if any, to such rights, limitations and conditions. The rights, limitations and conditions (other than those related to acquisition fee under any Periodic Investment Plans sold under a previous prospectus) related to the investment shall be such as are established from time to time by the Fund Trustees for the orderly regulation and administration of unitholders' accounts as such are evidenced by the provisions of the Trust Deed, laws, regulations and administrative policies to which the Fund becomes subject, as such may be amended from time to time. Such rights, limitations and conditions shall include but not be limited to rights to redemption, transfer, distributions to unitholders and the maintenance of investment records and accounts in respect of any and all forms of investments in the Fund.

4. ORGANIZATION OF THE FUND

4.01 Trust Information

United Financial Management Ltd. (the "Parent Company") established and promoted the Fund in accordance with the laws of Ontario by a Declaration of Trust dated September 22, 1971. The Declaration of Trust

was superseded by a Trust Deed dated November 30, 1971 under which the Parent Company as Settlor of the trust appointed Trustees of the Fund. The Fund has its head office and principal place of business at 145 King Street West, Toronto, Ontario.

4.02 Trustees and Officers of the Fund

The names and home addresses in full of all Trustees and Officers of the Fund, the positions with the Fund held by each and the principal occupations of each within the 5 preceding years are as follows:

<u>Name and Home Address</u>	<u>Position with the Fund</u>	<u>Principal Occupation</u>
John Hewson Coleman, LL.D.(Hon.), K.M., Apartment No. 603-4, 561 Avenue Road, Toronto, Ontario.	Chairman of the Board, President and Trustee	President, J.H.C. Associates Ltd.
Stanley Roy Anderson 64 Ravine Park Crescent, West Hill, Ontario.	Vice-President, Secretary and Trustee	Secretary, United Financial Management Ltd.
Gordon Arthur Christopher, B.A., LL.B., 1668 West 40th Avenue, Vancouver, British Columbia.	Trustee	President, Christopher Enterprises Ltd.
H. Reuben Cohen, Q.C., D.C.L., 115 Hillcrest Drive, Moncton, New Brunswick.	Trustee	Barrister and Solicitor
Jacques de Billy, Q.C. 1410 Oak Avenue, Quebec City, Quebec.	Trustee	Senior Partner, Gagnon, de Billy, Cantin, Dionne, Martin, Beaudoin & Lesage
Leonard Ellen, 94 Summit Crescent, Westmount, Quebec.	Trustee	President, Leonard Ellen Incorporated (Prior to March, 1977 Chairman of the Board and Managing Director, C.J. Hodgson, Richardson Inc.)
Graham Martin MacLachlan 6 Wilket Road, Willowdale, Ontario.	Trustee	Retired Executive
James Bernard Prendergast 58 Old Forest Hill Road, Toronto, Ontario.	Trustee	President, Westroac Industries Limited (Prior to September, 1975 President, United Financial Management Ltd.)
William James Clarke 1188 Carey Road, Oakville, Ontario.	Executive Vice-President	President, United Financial Management Ltd. (Prior to January, 1975 Vice-President, The Metropolitan Trust Company)
Gerald Francis Coleman 2510 Winthrop Crescent, Mississauga, Ontario.	Vice-President	Vice-President, United Funds Management Corporation (Prior to September, 1978 Regional Manager, Pension Investment Services, Montreal Trust Company)

<u>Name and Home Address</u>	<u>Position with the Fund</u>	<u>Principal Occupation</u>
James Lionel Dent 100 Ranstone Gardens, Scarborough, Ontario.	Vice-President	Vice-President, United Financial Management Ltd.
Engelbert Joseph Dessailly 56 Cassandra Boulevard, Town House 4, Don Mills, Ontario.	Treasurer	Treasurer, United Financial Management Ltd. (Prior to January, 1975 Treasurer, Canadian Security Management Ltd.)
John Winston Henry Davies Jones 40 Onslow Court, Oakville, Ontario.	Controller	Controller, United Financial Management Ltd. (Prior to March, 1976 Supervisor, General Accounting, United Financial Management Ltd.)

5. INVESTMENT MANAGEMENT

5.01 The Manager

United Funds Management Corporation, a professional investment management company, incorporated under the laws of Ontario, with head office and principal place of business at 145 King Street West, Toronto, Ontario, is the Manager of the Fund. Under its Agreement (as amended) dated November 30, 1971, the Manager is responsible to supervise, manage and direct the investment of the cash, securities and other property comprising the assets of the Fund and to recommend what securities should be purchased or sold and what portion of the Fund's assets should be held uninvested. The Manager also provides and pays for adequate office space and equipment, pays for any other expenses incidental to the operation thereof including the costs and fees of the Fund Trustees, maintains the financial accounts of the Fund, calculates, when required, the net asset value of the units and places orders for the purchase and sale of securities on behalf of the Fund.

Any brokerage fees and commissions, costs, claims and adjustments on the purchase and sale of portfolio securities, mortgage servicing fees and taxes of all kinds to which the Fund is or might be subject will be borne by the Fund. All other fees and expenses incurred by the Fund in the ordinary course of its business relating to its organization, management and operation will be paid by the Manager.

For all services and facilities which the Manager provides to the Fund, it is paid for each day 1/365 of 1% of the net asset value of the Fund. The Manager's fee for each day in any period commencing with the day that net asset value of the assets of the Fund is determined and ending with the next day that such net asset value is again determined shall be based upon the net asset value determined at the beginning of such period.

Any changes in management fees will not be made without prior approval by a vote of at least 50% of the units represented by a return of proxies solicited by prior notice of at least 21 days and at which a quorum of at least 10% of the issued and outstanding units has been obtained in accordance with National Policy Statement No. 7.

Charges to the Fund over the last 5 years were as follows:

	<u>Net asset value per unit</u>		<u>Distributions per unit (a)</u>	<u>Total fees charged to the Fund (b)</u>	<u>Total charges as a per cent of average net assets (c)</u>
	<u>At beginning of year</u>	<u>At end of year</u>			
1974	\$4.99	\$4.43	40¢	\$50,766	0.999%
1975	4.43	4.42	43¢	51,858	1.003%
1976	4.42	4.75	43¢	51,315	1.002%
1977	4.75	4.73	41.5¢	56,542	1.004%
1978	4.73	4.55	41.75¢	57,113	1.014%

- (a) Cumulative distributions for the 5 years were \$2.0925 per unit.
- (b) All charges were paid by the Fund. The Manager does not pay Plan Trustee fees or other charges for special services provided to individual unitholders.
- (c) Average net assets are calculated to be the average of the net asset value determined at the end of each month.
- (d) Management charges vary from one mutual fund to another.

The amount of remuneration paid by the Fund to the Manager during the last completed financial year was \$57,113.

During the year ended December 31, 1977, the total amount of brokerage paid by the Fund for brokerage services was \$25,541. The amount of brokerage paid by the Fund to a principal broker and such amount as a percentage of the total brokerage paid are as follows (there was no principal broker for the 1976 and 1978 years):

<u>Principal broker</u>	<u>Amount paid to principal broker</u>	<u>Amount paid to principal broker as a % of total brokerage</u>
Loewen, Ondaatje, McCutcheon & Company Limited	\$7,875	30.83%
McLeod Young Weir Limited	5,806	22.73%
Wood Gundy Limited	3,953	15.48%

5.02 Directors and Officers of the Manager

The names and home addresses in full of all Directors and Officers of the Manager and the positions with the Manager held by each are as follows:

<u>Name</u>	<u>Home Address</u>	<u>Position with the Manager</u>
William James Clarke	1188 Carey Road Oakville, Ontario	President and Director
Stanley Roy Anderson	64 Ravine Park Crescent West Hill, Ontario	Vice-President, Secretary and Director
Gerald Francis Coleman	2510 Winthrop Crescent Mississauga, Ontario	Vice-President and Director
James Lionel Dent	100 Ranstone Gardens Scarborough, Ontario	Vice-President and Director
James Montague Farley	234 Cardinal Drive Oakville, Ontario	Director
Engelbert Joseph Dessailly	56 Cassandra Boulevard Town House 4 Don Mills, Ontario	Treasurer
John Winston Henry Davies Jones ...	40 Onslow Court Oakville, Ontario	Controller

5.03 Portfolio Management

The Manager retains a staff of professional and trained investment managers who analyse and study data, information and recommendations obtained from all available sources including direct discussion with management of a company whose securities are being considered for purchase and recommendations and studies offered by brokers and economists. All purchases and sales of securities must be authorized by the Manager. Each Fund Trustee and each member of the Board of Directors of the Manager is provided with a detailed monthly report of such purchases and sales. The portfolio is reviewed frequently by the Manager and, if warranted, is further considered at meetings of the Fund Trustees. Transactions are normally arranged through a large number of brokerage houses. Payments for and settlement of transactions are formally carried out by the Custodian of the securities. The Manager and its personnel never have custody of any portfolio securities at any time. In determining the allocation of brokerage business, the Manager's objectives will include ensuring that the stock exchange and brokerage firm used will be such as to provide for execution of the portfolio transaction as expeditiously as possible at favourable prices and that, where not inconsistent with the transaction objective, allocation of brokerage business will result in the generation of research services and securities trading services and market information from the brokerage community consistent with good portfolio management practice.

The total cost of securities of the Fund portfolio at December 31, 1977 was \$5,347,453 and at December 31, 1978 was \$5,092,558. The total cost of securities purchased during the financial year ended December 31, 1978 was as follows:

(a) Short term notes:		
Government issued or guaranteed securities		\$ 442,422
Other short term notes		10,015,704
(b) Other securities:		
Government issued or guaranteed securities	3,101,375	
Other	994,125	4,095,500
Total		<u>\$ 14,553,626</u>

5.04 Investment Restrictions

The Fund will continue to be operated as a fully managed mutual fund. Subject to the following investment restrictions, the Fund's assets may be invested in securities of any class or kind in any country. Investment of the Fund's assets is restricted and all investors will be notified within 15 days of any amendment to the Trust Deed which changes such restrictions. The Fund:

1. shall not borrow money or hypothecate, mortgage or pledge any of its property, real or personal, movable or immovable; excepting that the Fund may borrow from its Bankers on its general credit up to 5% of its net asset value for the purpose of payment of the proceeds of redemptions if in the opinion of the Manager it is in the interests of the Fund so to do;
2. shall not purchase on margin securities of any sort;
3. shall not sell short any security;
4. shall not underwrite or participate in the underwriting of any securities;
5. shall not participate on a joint or joint and several basis in any trading account in securities;
6. shall not lend any of its funds or other assets to any person, directly or indirectly, other than through the purchase, in accordance with the investment policies of the Fund, of securities of a person who does not control and is not under common control with the Fund;
7. shall not purchase or otherwise acquire any security issued by or any other interest in the business of any person who is a broker or dealer or is engaged in the business of underwriting or is an investment adviser;
8. shall not knowingly acquire any security:
 - (a) if, after giving effect thereto, the Fund would at the time of such acquisition directly or indirectly own, control or hold with power to vote 10% or more of the outstanding voting securities of any other company;
 - (b) of an issuer (other than securities issued or guaranteed by the Government of Canada or any province thereof or any agency of any such government) if, after giving effect thereto, the Fund would have invested more than 10% of its net assets determined in accordance with the provisions of its Trust Deed, in securities of such issuer;
9. shall not deal with a Trustee or the Manager, any affiliate or any officer or director or employee thereof as principal in making purchases or sales of securities (other than units which may be issued by the Fund itself); provided that any affiliate or any officer or director or employee of the Manager may, upon compliance with applicable laws and regulations, either directly or through a firm, act as a broker and they may accept the customary commissions in the purchase and sale of securities by or for the account of the Fund and the Distributor referred to in section 6.01 may act as such in connection with the purchase or sale of any units issued by the Fund;
10. shall not purchase or sell real estate;
11. shall not purchase or sell commodities or commodity future contracts;
12. shall not purchase or write options;
13. shall not purchase securities of its management company or contractual distributor;
14. shall not issue purchase warrants or any obligations, bonds, notes, debentures or other senior securities;
15. shall not purchase securities which are the object of an initial sale or distribution, unless (a) such securities may be lawfully sold in the jurisdiction in which the Fund and its Manager are situate, and (b) such securities may be lawfully sold in the jurisdiction in which the issuer is situate;
16. shall not invest in any security which may, by its terms, require the Fund to make an additional contribution;
17. shall not invest in the securities of mutual funds or in the securities of any other pooled investment vehicles from which investment advisory or management fees are exigible;
18. shall not purchase securities other than through normal public market facilities unless the purchase price approximates the prevailing market price and is negotiated on an arm's length basis;
19. shall require the Trustees and any director, officer or employee of the Manager engaged in investment research or participating in any way in any investment decision with respect to the securities of a company in which such Trustee, director, officer or employee has any interest, direct or indirect, to disclose immediately such interest and refrain from voting on such investment decision;
20. shall not invest in excess of 10% of its net assets in mortgages;
21. shall not invest in excess of 10% of the net asset value of the Fund in restricted securities and other non-liquid assets which term shall include options, rights and warrants. (Directly held mortgages shall be deemed to be a form of non-liquid assets);
22. shall not invest in excess of 10% of its assets in foreign property as defined in the Income Tax Act (Canada).

5.05 Custodian of Portfolio Securities

Securities and cash owned by the Fund are deposited for safekeeping with and are kept by the Custodian, a Canadian Chartered Bank, 44 King Street West, Toronto, Ontario or such other depository as may be necessary or advisable in the due operation of the Fund and is arranged through the Custodian. The Manager pays the fees of the Custodian.

5.06 Registrar and Transfer Agent Responsibility

By Agreement dated April 26, 1974, as amended, Continental Trust Company, a 99.8% owned subsidiary of United Financial Management Ltd., was appointed Registrar and Transfer Agent for the Fund in the cities of Toronto, Montreal, Edmonton and Vancouver. The costs of the registrar and transfer agent services that would be otherwise payable by the Fund are borne by the Manager under the management contract. Estates of investors who were residents of the Provinces of Saskatchewan, Manitoba, Nova Scotia, New Brunswick, Prince Edward Island or Newfoundland are required to file Form 3 under the Succession Duty Act of the Province of Ontario and obtain a release or pay duty where the circumstances so require.

6. DISTRIBUTION

6.01 Principal Distributor

United Investment Services Ltd. with head office at 1201 Place du Canada, 1010 La Gauchetière Street West, Montreal, Quebec is the principal distributor of the Fund. The offers and applications together with any payments in respect thereof are sent to it at 145 King Street West, Toronto, Ontario. It is the intention of the Fund Trustees and of the Distributor to offer the units in continuous offering.

6.02 Directors and Officers of the Distributor

The names and home addresses in full of all Directors and Officers of the Distributor and the positions with the Distributor held by each are as follows:

<u>Name</u>	<u>Home Address</u>	<u>Position with the Distributor</u>
William James Clarke	1188 Carey Road Oakville, Ontario	President and Director
Stanley Roy Anderson	64 Ravine Park Crescent..... West Hill, Ontario	Vice-President, Secretary and Director
Gerald Francis Coleman	2510 Winthrop Crescent Mississauga, Ontario	Vice-President and Director
James Lionel Dent	100 Ranstone Gardens..... Scarborough, Ontario	Vice-President and Director
James Montague Farley	234 Cardinal Drive..... Oakville, Ontario	Director
Marcel Rosaire LaRochelle.....	774 Colonel Jones Avenue ... Ste Foy, Quebec	Vice-President
Engelbert Joseph Dessailly	56 Cassandra Boulevard Town House 4 Don Mills, Ontario	Treasurer
John Winston Henry Davies Jones ...	40 Onslow Court Oakville, Ontario	Controller
Judith Ann Kavanagh	1645 DeMaisonneuve..... Boulevard West Apartment 515 Montreal, Quebec	Assistant Secretary

7. ADDITIONAL INFORMATION

7.01 Rights of Unitholders

The units of the Fund rank equally in respect of all unitholder rights. The Fund is operated and controlled under the Trust Deed. Fractional units shall have the same rights, limitations and conditions which are provided for whole units in the proportions which they bear to one unit of the Fund. Unitholders will be provided with the proxy material issued by the Fund and given an opportunity to vote in person or by proxy.

The Fund Trustees will refer for determination by the vote of unitholders, any material changes to investment policy, fees paid by the Fund and negotiated on other than a fully arm's length basis with the Fund Trustees, the renewal of the management contract in the fifth year, any material amendment to the Trust Deed and any other matter deemed by the Fund Trustees to be a proper matter under the Trust Deed for reference to unitholders and the cost of such reference shall be borne by the Manager. Matters other than those referred to above which affect unitholders as a class may be referred to a vote of unitholders by unitholders representing 5% of the units of the Fund and the cost of such reference shall be borne by such last mentioned unitholders.

7.02 Purchaser's Statutory Rights of Withdrawal and Rescission

Sections 64 and 65 of The Securities Act (Ontario), Sections 63 and 64 of The Securities Act (Manitoba), Sections 70 and 71 of The Securities Act, 1967 (Saskatchewan) and Sections 64 and 65 of The Securities Act (Alberta) provide, in effect, that where a security is offered to the public in the course of distribution:

- (i) a purchaser will not be bound by a contract for the purchase of such security if written or telegraphic notice of his intention not to be bound is received by the vendor not later than midnight on the second business day after the prospectus offering such security is received or is deemed to be received by the purchaser or his agent; and
- (ii) a purchaser has the right to rescind a contract for the purchase of such security, while still the owner thereof, if the prospectus or any amended prospectus offering such security contains an untrue statement of a material fact or omits to state a material fact necessary in order to make any statement therein not misleading in the light of the circumstances in which it was made, but no action to enforce this right can be commenced by a purchaser after the expiration of 90 days from the later of the date of such contract or the date on which such prospectus or amended prospectus is received or is deemed to be received by the purchaser or his agent.

Sections 61 and 62 of the Securities Act (British Columbia) provide in effect that, where a security is offered to the public in the course of primary distribution, a purchaser has the same right of rescission described in (ii) above and also that a purchaser has a right to rescind a contract for the purchase of a security, while still the owner thereof, if a copy of the last prospectus, together with financial statements and reports and summaries of reports relating to the securities as filed with the Superintendent of Brokers, was not delivered to him or his agent prior to delivery to either of them of the written confirmation of the sale of the securities. Written notice of intention to commence an action for rescission must be served on the person who contracted to sell within 60 days of the date of delivery of the written confirmation, but no action shall be commenced after the expiration of three months from the date of such notice.

Reference is made to the said Acts for the complete texts of the provisions under which the foregoing rights are conferred and the foregoing summary is subject to the express provisions thereof.

7.03 Principal Holders of Securities

As of March 31, 1979 units or shares of the Fund, of the Manager and of the Distributor held by any one shareholder holding more than 10% of any class of each such corporation's or trust's shares or units were as follows:

Name and Address of Shareholders	Name of Corporation	Relationship to Issuer	Designation of Class	Type of Ownership	Number of Shares or Units owned	Percent of Class
Exco Corporation Limited 1583 Hollis Street Halifax, Nova Scotia	United Financial Management Ltd. 145 King St. W. Toronto, Ontario	Direct Shareholder of Manager	Common	Beneficial and of Record	1,151,711	92.25%
United Financial Management Ltd. 145 King St. W. Toronto, Ontario	United Funds Management Corporation 145 King St. W. Toronto, Ontario	Manager	Common	Beneficial and of Record	252,500	100%
United Funds Management Corporation 145 King St. W. Toronto, Ontario	United Investment Services Ltd. 1201 Place du Canada 1010 La Gauchetière St. W. Montreal, Quebec	Principal Distributor	Common	Beneficial and of Record	5,000	100%

H. Reuben Cohen, Q.C., 115 Hillcrest Drive, Moncton, New Brunswick owns 50% and Leonard Ellen, 94 Summit Crescent, Westmount, Quebec owns 49.96% of the issued and outstanding shares of Exco Corporation Limited.

As of March 31, 1979, the directors and senior officers of the Manager as a group, owned, directly and indirectly, less than 1% of its common shares. The Trustees and senior officers of the Fund as a group owned less than 1% of its units.

7.04 Material Contracts

The Trust Deed dated November 30, 1971, as amended — See section 4.01. The Management Agreement dated November 30, 1971, as amended — See section 5.01.

The Registrar Agreement dated April 26, 1974, as amended — See section 5.06.

The Custodian Agreement with a Canadian Chartered Bank dated November 30, 1971 — See section 5.05. The Distributor Agreement dated November 30, 1971, as amended — See section 6.01.

Copies of all contracts referred to in this prospectus may be inspected at the principal office of the Registrar, 145 King Street West, Toronto, Ontario during normal office hours. These contracts may also be inspected at the head office of the Distributor at 1201 Place du Canada, 1010 La Gauchetière Street West, Montreal, Quebec.

UNITED SECURITY FUND
INVESTMENT PORTFOLIO — December 31, 1978

	<u>Par Value</u>	<u>Average Cost</u>	<u>Market Value</u>
Bonds and Debentures: 87.64%			
Industrials: 30.79%			
The Algoma Steel Corporation, Limited, 11%, May 1, 1995	\$ 450,000	\$ 451,174	\$ 457,875
Brunswick Mining and Smelting Corporation Limited, 11%, December 1, 1996	\$ 500,000	500,000	493,750
Genstar Limited, 11½%, June 1, 1995	\$ 441,000	439,226	458,640
MacMillan Bloedel Limited, 11¼%, January 15, 1995	\$ 200,000	200,000	206,000
		<u>1,590,400</u>	<u>1,616,265</u>
Real Estate: 18.45%			
Carma Developers Ltd., 11¼%, July 10, 1998	\$ 500,000	496,297	483,750
Daon Development Corporation, 11¼%, June 15, 1998	\$ 500,000	497,928	485,000
		<u>994,225</u>	<u>968,750</u>
Utilities: 9.88%			
The Alberta Gas Trunk Line Company Limited, 11½%, August 1, 1995	\$ 495,000	495,000	518,513
Government: 28.52%			
Government of Canada, 10%, October 1, 1995	\$1,000,000	1,013,548	1,001,250
Government of Canada, 9¾%, February 1, 1984	\$ 500,000	499,385	495,940
		<u>1,512,933</u>	<u>1,497,190</u>
		<u>4,592,558</u>	<u>4,600,718</u>
TOTAL BONDS AND DEBENTURES: 87.64%			
Short Term Commercial Notes: 9.52%			
Credit Foncier 10.90%, March 20, 1979	\$ 500,000	500,000	500,000
TOTAL INVESTMENT PORTFOLIO		<u>\$5,092,558</u>	<u>\$5,100,718</u>
		<u>Percent of</u>	<u>Market</u>
Summary:		<u>Net Assets</u>	<u>Value</u>
Investment Portfolio		97.16%	\$5,100,718
Other Assets (Net)		2.84	149,180
Net Assets		<u>100.00%</u>	<u>\$5,249,898</u>

See accompanying notes

UNITED SECURITY FUND

(A Mutual Fund established by declaration of trust)

ASSETS AND LIABILITIES

December 31, 1978

ASSETS

Investment portfolio at market value (average cost \$5,092,558)	\$ 5,100,718
Interest bearing bank deposits	534,333
Accounts receivable:	
Units sold	12,837
Accrued interest receivable	111,788
	<u>5,759,676</u>

LIABILITIES

Accounts payable:		
Securities purchased	500,176	
Units redeemed	5,118	
Other	4,484	509,778
Net assets		<u>\$ 5,249,898</u>

UNITHOLDERS' EQUITY

December 31, 1978

CAPITAL (note 3):

Units outstanding	
1,153,334 units	\$ 5,883,174
Undistributed net income (deficit)	(20,028)
Undistributed net realized loss on sale of investments	(621,408)
Unrealized appreciation of investments	8,160
	<u>\$ 5,249,898</u>

On behalf of the Trustees:

JAMES B. PRINDERGAST, Trustee

STANLEY R. ANDERSON, Trustee

See accompanying notes

UNITED SECURITY FUND
STATEMENT OF CHANGES IN NET ASSETS
For the Five Years Ended December 31, 1978

	1978	1977	1976	1975	1974
Net assets, beginning of year	\$ 5,751,804	\$ 5,372,444	\$ 4,987,155	\$ 4,880,882	\$ 6,097,121
Changes during the year:					
Due to investment activities --					
Net income for the year	497,503	492,186	478,238	474,775	437,085
Undistributed net income included in the price of units issued or redeemed net (note 3)	(9,310)	1,488	(2,628)	(4,079)	2,711
Distribution from net income (a)	(493,451)	(492,678)	(478,091)	(487,333)	(433,695)
Realized gain (loss) on sale of investments (b)	(11,463)	106,104	(212,529)	(280,632)	(208,075)
Unrealized appreciation (depreciation) of investments	(194,277)	(123,818)	580,366	271,148	(424,285)
	(210,998)	(16,718)	365,356	(26,121)	(626,259)
Due to capital transactions (note 3):					
Proceeds from issue of units (d)	1,118,082	1,823,576	1,526,840	1,534,983	2,647,143
Amounts paid for units redeemed (c)	(1,408,990)	(1,427,498)	(1,506,907)	(1,402,589)	(3,237,123)
	(290,908)	396,078	19,933	132,394	(589,980)
Net assets, end of year	\$ 5,249,898	\$ 5,751,804	\$ 5,372,444	\$ 4,987,155	\$ 4,880,882
(a) Distribution per unit	41.75c	41.5c	43c	43c	40c
(b) Realized gain (loss) on sale of investments:					
Proceeds on sale of investments (c)	\$ 4,589,571	\$ 3,144,138	\$ 4,099,359	\$ 5,780,677	\$ 5,582,371
Cost of investments sold (c):					
Investments at cost, beginning of year	5,347,453	4,958,754	5,181,667	5,305,770	6,248,337
Shares, bonds, debentures and mortgages purchased	4,095,500	3,302,372	4,013,975	6,387,206	6,786,980
Net change during the year in investment at cost, in short-term commercial notes	250,639	124,361	75,000	(450,000)	(1,939,101)
Investments at cost, end of year	(5,092,558)	(5,347,453)	(4,958,754)	(5,181,667)	(5,305,770)
	4,601,034	3,038,034	4,311,888	6,061,309	5,790,446
Realized gain (loss) on sale of investments	\$ (11,463)	\$ 106,104	\$ (212,529)	\$ (280,632)	\$ (208,075)
(c) Excluding short-term commercial note redemptions during the year of	\$ 10,207,487	\$ 2,915,739	\$ 3,562,097	\$ 3,742,952	\$ 9,632,794
(d) Units issued	242,144	386,928	337,832	340,388	556,622
(e) Units redeemed	305,117	302,572	333,935	314,210	677,393
(f) Net asset value per unit:					
At beginning of year	\$4.73	\$4.75	\$4.42	\$4.43	\$4.99
At end of year	4.55	4.73	4.75	4.42	4.43
(g) Per unit information for a unit outstanding throughout the year:					
Net income412	.415	.426	.421	.398
Net realized and unrealized gain (loss) on investments	(.1745)	(.02)	.334	(.001)	(.558)

See accompanying notes

UNITED SECURITY FUND
STATEMENT OF INCOME AND EXPENSE
For the Five Years Ended December 31, 1978

	1978	1977	1976	1975	1974
Income from investments	\$ 554,616	\$ 548,728	\$ 529,553	\$ 526,633	\$ 487,851
Management fees (note 4)	57,113	56,542	51,315	51,858	50,766
Net income for the year (note 2)	<u>\$ 497,503</u>	<u>\$ 492,186</u>	<u>\$ 478,238</u>	<u>\$ 474,775</u>	<u>\$ 437,085</u>

STATEMENT OF UNDISTRIBUTED NET INCOME (DEFICIT)
For the Five Years Ended December 31, 1978

	1978	1977	1976	1975	1974
Balance, beginning of year	\$ (14,770)	\$ (15,766)	\$ (13,285)	\$ 3,352	\$ (2,749)
Net income for the year	497,503	492,186	478,238	474,775	437,085
Undistributed net income included in the price of units issued or redeemed net	(9,310)	1,488	(2,628)	(4,079)	2,711
Distribution from net income	(493,451)	(492,678)	(478,091)	(487,333)	(433,695)
Balance, end of year	<u>\$ (20,028)</u>	<u>\$ (14,770)</u>	<u>\$ (15,766)</u>	<u>\$ (13,285)</u>	<u>\$ 3,352</u>

**STATEMENT OF UNDISTRIBUTED NET REALIZED
LOSS ON SALE OF INVESTMENTS**
For the Five Years Ended December 31, 1978

	1978	1977	1976	1975	1974
Balance, beginning of year	\$ (609,945)	\$ (716,049)	\$ (503,520)	\$ (222,888)	\$ (14,813)
Realized gain (loss) on sale of investments during the year	(11,463)	106,104	(212,529)	(280,632)	(208,075)
Balance, end of year	<u>\$ (621,408)</u>	<u>\$ (609,945)</u>	<u>\$ (716,049)</u>	<u>\$ (503,520)</u>	<u>\$ (222,888)</u>

**STATEMENT OF UNREALIZED APPRECIATION
(DEPRECIATION) OF INVESTMENTS**
For the Five Years Ended December 31, 1978

	1978	1977	1976	1975	1974
Balance, beginning of year	\$ 202,437	\$ 326,255	\$ (254,111)	\$ (525,259)	\$ (100,974)
Unrealized appreciation (depreciation) of investments during the year	(194,277)	(123,818)	580,366	271,148	(424,285)
Balance, end of year	<u>\$ 8,160</u>	<u>\$ 202,437</u>	<u>\$ 326,255</u>	<u>\$ (254,111)</u>	<u>\$ (525,259)</u>

See accompanying notes

UNITED SECURITY FUND
NOTES TO FINANCIAL STATEMENTS
December 31, 1978

1. Significant accounting policies

The following is a summary of significant accounting policies consistently followed by the Fund:

- (a) **Basis of determining market value** — Each listed security is valued at the latest sale price thereof reported by the principal securities exchange on which the issue is traded or, if no sale is reported, the average of the latest bid and asked price is used. Other bonds, notes and mortgages have been valued on a yield basis at the average price quoted by independent brokers.
- (b) **Investment transactions and income** — Investment transactions are accounted for on the trade date (date the order to buy or sell is executed). Dividend income is recorded on the ex-dividend date. Interest income is recorded on the accrual basis, and includes amortization of discounts received and premiums paid on purchase of interest bearing securities. Realized gains and losses from investment transactions and unrealized appreciation or depreciation of investments are calculated on an average cost basis, or amortized cost in the case of interest bearing securities.
- (c) **Fund unit valuation** — The issue price of each unit of the Fund is an amount equal to the aggregate of the net asset value of each unit outstanding at the date of issue (received by the Fund) and the distributor's commission (retained by the distributor). The units of the Fund are redeemable at the option of the holder at their net asset value. Net asset value per unit is determined at least weekly as of the close of business of the last to close of The Toronto Stock Exchange or the New York Stock Exchange when either of the said exchanges are open for trading, by dividing the total value of the Fund's net assets by the number of units outstanding.

2. Income taxes

The Fund distributes annually to its unitholders all of its taxable income and all of its net realized capital gains for tax purposes, to the extent that such gains are not offset by capital losses carried forward from prior years or deemed to have been distributed to unitholders who have redeemed their units during each year. Such income and net realized capital gains are taxable in the hands of the unitholders and not in the Fund. Accordingly no provisions for Canadian income taxes have been made in the accompanying financial statements. Realized capital losses, net of realized capital gains, accumulated in the Fund, which are available to offset future realized capital gains for tax purposes amount to \$619,000 at December 31, 1978.

3. Capital

The issue price of each unit is an amount equal to the aggregate of the net asset value of each unit outstanding at the date of issue (received by the Fund) and the distributor's commission (retained by the distributor). During the year ended December 31, 1978, 242,144 units were issued for cash aggregating \$1,123,881 (exclusive of the distributor's commission) of which \$1,118,082 was allocated to capital and the balance of \$5,799 to undistributed net income. Units of the Fund are redeemable at the option of the holder at their net asset value. During the year the Fund redeemed 305,117 units for an aggregate amount of \$1,424,099 of which \$1,408,990 was allocated to capital and the balance of \$15,109 to undistributed net income.

4. Management fees

Management fees payable to the Manager, United Funds Management Corporation, have been computed on the basis of 1% per annum of the average daily net assets. For these fees the Manager supervises, manages and directs the investment of the assets of the Fund, and recommends the securities to be purchased or sold. The Manager also pays all expenses incurred by the Fund in the ordinary course of business relating to its organization, management and operation, with the exception of the commissions and brokerage fees on the purchase and on the sale of securities in the portfolio and taxes of all kinds to which the Fund is or might be subject.

Charges to the Fund over the last 5 years were as follows:

	<u>Net asset value per unit</u>		<u>Distributions per unit (a)</u>	<u>Total fees charged to the Fund (b)</u>	<u>Total charges as a per cent of average net assets (c)</u>
	<u>At beginning of year</u>	<u>At end of year</u>			
1974	\$4.99	\$4.43	40¢	\$50,766	0.999%
1975	4.43	4.42	43¢	51,858	1.003%
1976	4.42	4.75	43¢	51,315	1.002%
1977	4.75	4.73	41.5¢	56,542	1.004%
1978	4.73	4.55	41.75¢	57,113	1.014%

- (a) Cumulative distributions for the 5 years were \$2.0925 per unit.
- (b) All charges were paid by the Fund. The Manager does not pay Plan Trustee fees or other charges for special services provided to individual unitholders.
- (c) Average net assets are calculated to be the average of the net asset value determined at the end of each month.
- (d) Management charges vary from one mutual fund to another.

UNITED SECURITY FUND

AUDITORS' REPORT

To the Trustees of
UNITED SECURITY FUND:

We have examined the following financial statements of United Security Fund:

AT DECEMBER 31, 1978 —
Assets and liabilities
Unitholders' equity
Investment portfolio

FOR THE FIVE YEARS ENDED DECEMBER 31, 1978 —
Changes in net assets
Income and expense
Undistributed net income (deficit)
Undistributed net realized loss on sale of investments
Unrealized appreciation (depreciation) of investments

Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position and investment portfolio of the Fund as at December 31, 1978 and the results of its operations and the changes in its net assets for the five years then ended in accordance with generally accepted accounting principles applied on a consistent basis during the period.

Toronto, Canada.
January 19, 1979.

CLARKSON, GORDON & CO.
Chartered Accountants

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part VII of The Securities Act (Ontario) and the regulations thereunder, by Part VII of The Securities Act (Manitoba) and the regulations thereunder, by Part VII of the Securities Act (British Columbia) and the regulations thereunder, by Part 7 of The Securities Act (Alberta) and the regulations thereunder, by Part VIII of The Securities Act, 1967 (Saskatchewan) and the regulations thereunder, by Section 13 of the Securities Act (New Brunswick) and by the Securities Act (Quebec) and the Regulation thereunder.

Dated April 26, 1979.

(Signed) JOHN H. COLEMAN
Chief Executive Officer

(Signed) ENGELBERT J. DESSAILLY
Chief Financial Officer

On behalf of the Board of Trustees

(Signed) JOHN H. COLEMAN

*(Signed) JACQUES DE BILLY

(Signed) STANLEY R. ANDERSON

*(Signed) LEONARD ELLEN

*(Signed) GORDON A. CHRISTOPHER

*(Signed) GRAHAM M. MACLACHLAN

*(Signed) H. REUBEN COHEN

(Signed) JAMES B. PRENDERGAST

*Signed by his appointed agent, STANLEY R. ANDERSON

To the best of our knowledge, information and belief, the foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part VII of The Securities Act (Ontario) and the regulations thereunder, by Part VII of The Securities Act (Manitoba) and the regulations thereunder, by Part VII of the Securities Act (British Columbia) and the regulations thereunder, by Part 7 of The Securities Act (Alberta) and the regulations thereunder, by Part VIII of The Securities Act, 1967 (Saskatchewan) and the regulations thereunder, by Section 13 of the Securities Act (New Brunswick) and by the Securities Act (Quebec) and the Regulation thereunder.

Dated April 26, 1979.

(Principal Distributor) UNITED INVESTMENT SERVICES LTD.

by (Signed) STANLEY R. ANDERSON

THE FUND

United Security Fund

INVESTMENT MANAGER

United Funds Management Corporation

PRINCIPAL DISTRIBUTOR

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145 King Street West, Toronto, Ontario

(Head Office)

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1010 La Gauchetière Street West, Montreal, Quebec)

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1201 Place du Canada

1010 La Gauchetière Street West, Montreal, Quebec

Telephone: 866-8885

9939 Bellamy Hill Road, Edmonton, Alberta

Telephone: 424-9104

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701 West Georgia Street, Vancouver, British Columbia

Telephone: 684-7548

AUDITORS

Clarkson, Gordon & Co.

Toronto, Ontario

CUSTODIAN OF PORTFOLIO SECURITIES

A Canadian Chartered Bank

44 King Street West

Toronto, Ontario

**UNITED
SECURITY
FUND**

PROSPECTUS

April 26, 1979

A MUTUAL FUND

FOR CANADIANS TO SHARE

IN ECONOMIC GROWTH