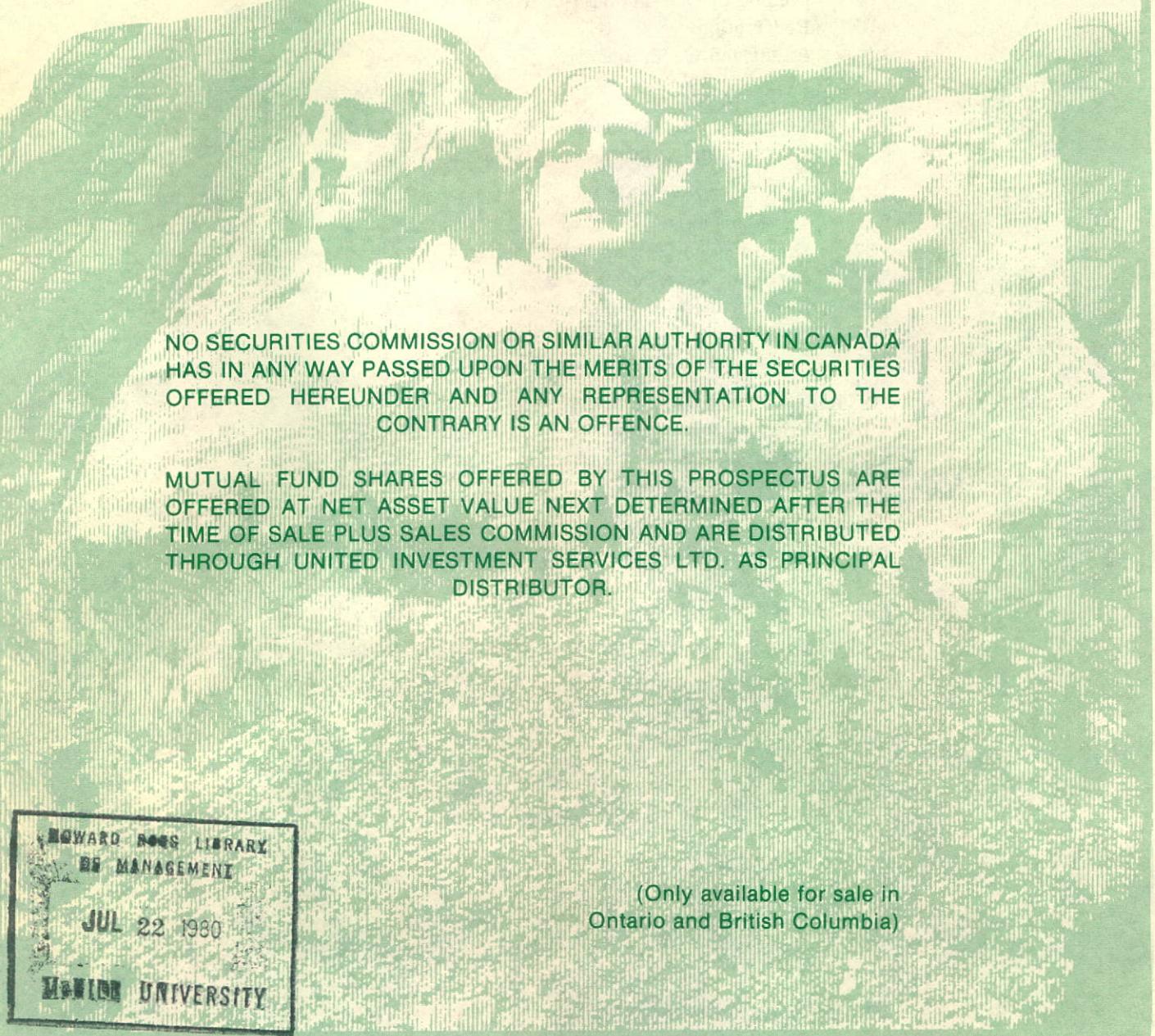


United financial Mgt. Co.

UNITED AMERICAN FUND LTD.

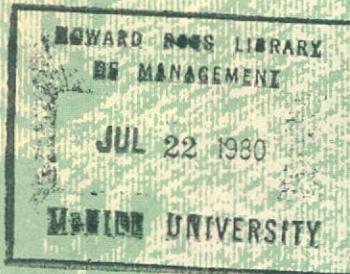
PROSPECTUS

May 28, 1980



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.

MUTUAL FUND SHARES 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.



(Only available for sale in
Ontario and British Columbia)

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UNITED AMERICAN FUND LTD.

SUMMARY OF PROSPECTUS

The Fund and its Shares

United American Fund Ltd. (the "Fund") is an incorporated mutual fund, issuing only one class of shares being mutual fund shares, the value of each of which is the net asset value of the Fund divided by the number of shares outstanding.

Investment Objectives and Policies

The primary objective of the Fund is the long term growth of capital through investment in securities of issuers in the United States, primarily common stocks, which in the judgment of the Manager offer above average growth potential. The Fund may periodically invest in bonds and other fixed interest securities when such appears advisable. Portfolio investments may be made without restriction as to class of industry. It is presently invested predominantly in common stocks.

When recommending the purchase or sale of a security, it is the policy of the Fund Manager to consider the maturity and history of the company and its management and the apparent prospects for the company, its industry class and market changes. The Manager will emphasize well established companies and will recommend the appropriate level of investment to be held in short term paper from time to time. To illustrate the foregoing, major investments held as at January 31, 1980 are shown:

| <u>Security</u> | <u>Percentage of Portfolio</u> | <u>Security</u> | <u>Percentage of Portfolio</u> |
|-----------------------------|--|---------------------------------------|--|
| Ward Foods, Inc. | 5.5% | SCM Corporation | 4.5% |
| Towle Manufacturing Company | 10.9% | Universal Resources Corporation | 10.7% |
| American Biltrite Inc. | 6.7% | Gulf Resources & Chemical Corporation | 9.1% |
| Gamble-Skogmo, Inc. | 6.5% | Standard Pacific Corp. | 5.8% |
| FMC Corporation | 5.8% | Other Assets (net) | <u>34.5%</u> |
| | | Total | <u>100.0%</u> |

Net assets at January 31, 1980 were \$2,334,292 - for portfolio, see page 14.

Five Year Annual Performance of the Fund Per Share

| | <u>1980</u> | <u>1979</u> | <u>1978</u> | <u>1977</u> | <u>1976</u> |
|-----------------------------------|--------------|--------------|-------------|--------------|--------------|
| Net asset value per share: | | | | | |
| At end of year | \$2.39 | \$1.82 | \$1.49 | \$1.36 | \$1.21 |
| At beginning of year | 1.82 | 1.49 | 1.36 | 1.21 | 1.04 |
| Change in year | \$.57 | \$.33 | \$.13 | \$.15 | \$.17 |
| Percentage change in year | <u>31.3%</u> | <u>22.1%</u> | <u>9.6%</u> | <u>12.4%</u> | <u>16.3%</u> |

Risk Factors and Reward Potential

The risk-to-reward factors of a fund vary with the nature of its portfolio investments. Changing market conditions are reflected in the fund's share values.

The Offering and Purchase of Shares

The shares are offered by United Investment Services Ltd., as principal distributor, through its agents in continuous distribution. For details of methods of purchase, see pages 3 and 4.

Redemption of Shares

Shares may be redeemed at their net asset value without charge following a request for redemption made to the Registrar, Continental Trust Company. For details, see pages 5 and 6.

Management of the Fund

United Funds Management Corporation as investment manager receives 1 3/4% per annum of the average net asset value of the portfolio for which it provides the Fund with management and advisory services and pays a part of the expenses otherwise payable by the Fund. During its last fiscal year, total expenses of the Fund were 1.744% of its average net assets. For details, see pages 8 and 9.

Dividend Policy and Tax Information

The Fund may pay dividends from time to time but only in such amount as may be necessary to enable the Fund to obtain a refund of special refundable federal tax.

The Fund does not qualify within the investment restrictions for registered retirement savings plans or other tax deferral plans which have similar investment restrictions. For further tax information, see page 3.

General

The foregoing summary is subject to the further information in the prospectus.

1. THE OFFERING

1.01 General

United American Fund Ltd. (the "Fund") is a mutual fund having its assets invested in a portfolio consisting primarily of equity shares of American companies. United Investment Services Ltd. (the "Distributor") is the principal distributor of the mutual fund shares ("shares") of the Fund. The assets of the Fund are managed by United Funds Management Corporation (the "Manager"). Continental Trust Company (the "Registrar") is Registrar and Transfer Agent of the shares of the Fund. Further, Continental Trust Company under investment plans, (as "Trustee") will purchase shares 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.

1.02 Investment Objectives and Policy

The primary objective of the Fund is the long term growth of capital through investment in securities of issuers in the United States, primarily common stocks, which in the judgment of the Manager offer above average growth potential. The Fund may periodically invest in bonds and other fixed interest securities when such appears advisable. Portfolio investments may be made without restriction as to class of industry. It is presently invested predominantly in common stocks.

1.03 Distributions Policy

It is not the present practice of the Fund to pay dividends from earnings or capital appreciation.

1.04 Tax Status of the Shareholders

Ordinary dividends, if paid by the Fund, whether taken in cash or reinvested in additional shares would generally be subject to tax in the hands of individual shareholders who are resident in Canada. However, in determining the amount of tax payable by such shareholders with respect to such dividends, a dividend tax credit would be allowed.

Distributions to shareholders of realized capital gains, if made by the Fund, would be treated as realized capital gains in the hands of shareholders who are individuals resident in Canada and one-half thereof would be included in their income, subject to the general rules relating to the taxation of capital gains.

With respect to shareholders of the Fund which are corporations, the tax treatment of dividends received from the Fund will depend, in part, upon the tax status of the recipient corporation.

A gain realized by any Canadian resident shareholder on the redemption of shares of the Fund is normally treated as a capital gain and 50% of such gain is included in taxable income, subject to the general rules relating to taxation of capital gains under the legislation. Similarly, in the event that a loss is so realized, 50% of such loss is included with one-half of other capital gains and losses of such shareholder in computing his income subject to tax, subject to the general rules relating thereto under the legislation. (See section 1.03, Distributions Policy).

1.05 Tax Status of the Fund

The Fund qualifies as a mutual fund corporation as defined in the Income Tax Act (Canada). Interest and foreign dividends received, less the expenses of the Fund, are taxed at full corporate rates and there are applicable credits for foreign taxes paid.

Capital gains net of capital losses realized on the sale of investments are included to the extent of 50% thereof as income of the Fund for tax purposes, to the extent that such gains accrued subsequent to 1971, and subject to the general rules relating to the taxability of such gains. The Fund receives refunds of the taxes paid by it on such realized gains, if and when the realized gains are distributed, or deemed through redemptions, on a formula basis, to be distributed, to shareholders.

2. METHODS OF PURCHASE

Shares of the Fund are offered to the public through the Distributor and its agents. Shares so purchased are taken in the name of the Trustee and held by it in trust for the beneficial owner. Subscriptions received by its 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 Open Accounts

Shares are available on initial investment in amounts of \$1,000 or more and subsequent investments may be made in amounts of \$100 or more.

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.

2.02 Issue Price and Acquisition Charges

The issue price of each share 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 New York Stock Exchange on a day when net asset 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 "amount invested" is | commission as a % of price paid by investor shall not exceed | commission as a % of net asset value of shares 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 or more | 2% | 2.04% |

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

2.03 Partial Redemptions and Changes of Ownership

An investor may liquidate from time to time a part of the shares held in his account. A minimum balance of \$1,000 in net asset value of the remaining shares 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 shares, make payment to the investor and close the account.

Where the registration of a change of ownership of the investment is requested by the investor, then no sales charge will be payable on such change. The shareholder will be required to pay applicable tax, if any, on any gain realized on any transfer of shares. If such transaction is effected by transfer of part only of an account then a minimum balance of \$1,000 must be left in such account.

No conversion of investment 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.

3. VALUATION AND REDEMPTION OF SHARES

3.01 Frequency of Valuation

The net asset value of each share will be determined at the times and in the manner set out in this section and shall take effect at the times and for the purposes of pricing for sales and redemptions as set out in the sections 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 New York Stock Exchange on each business day (as defined in subparagraph (iii) of section 3.03) when such exchange is open for trading, and
- (ii) in addition to the foregoing, at any particular time selected by the board 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 share shall be determined in accordance with the Articles of Continuance of the Fund as follows:

The net asset value of each share 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 shares 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 the New York Stock Exchange, or any other 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 board 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 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 any of the officers of the Fund then having the power and duty to determine the net asset value of the shares 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 any such officers 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, (further referred to in item 21 under section 5.04, Investment Restrictions) shall be valued while their disposition is restricted at the same rate of discount from market as was used at the time of purchase.

Clearing corporation options, if purchased, shall be valued at current market value. Upon writing of covered clearing corporation options, the premium received shall immediately be set up as a liability. Thereafter, so long as the Fund's obligation under the option is outstanding, such liability shall be valued at an amount equal to the current market value of an option, the purchase of which would have the effect of extinguishing the Fund's liability under the written option. The stocks which are the subject of a clearing corporation option, shall continue to be valued at current market value.

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 shares registered in his name by delivering a written request to it or to the Distributor at their principal office, at Toronto, Ontario, or to its agent who shall mail it to the Registrar at Toronto the same day it is received. At the investor's request and expense, a redemption request may be transmitted to the Registrar at Toronto by wire or telephone. The redemption will be carried out subject to the following terms and conditions:

- (i) Shares 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 New York Stock Exchange on a day when net asset value is determined, shall be deemed to have been deposited on the next business day.

(ii) Notwithstanding the foregoing, where shares 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 shares in an amount equal to the difference between the sales commission actually charged on the shares being redeemed and 2% of the sales price. Such redemption fee will be retained by the Fund.

(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 it and with signature guaranteed by a Canadian Chartered Bank, a Trust Company authorized to do business within Canada, a Caisse Populaire or a selected broker.

(v) Payment for such shares shall be made within 7 days after the date as of which the shares are valued for redemption. Payment for such shares so to be redeemed shall be made by cheque payable to the holder of record thereof at his address of record unless, at the request of such shareholder the Registrar in its absolute discretion agrees otherwise.

(vi) Redemption of shares 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 Rights and Conditions

The rights, limitations and conditions related to the purchase of shares of the Fund shall be such as are provided in the then current prospectus and the shareholder 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 related to the investment shall be such as are established from time to time by the Directors of the Fund for the orderly regulation and administration of shareholders' accounts as such are evidenced by the provisions of the Articles of Continuance, By-laws and Resolutions of the Directors of the Fund, laws, regulations and administrative policies to which the Fund becomes subject, all 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, dividends and distributions and the maintenance of investment records and accounts in respect of any and all forms of investments in the Fund.

4. THE ISSUER

4.01 Corporate Information

The Fund, being the issuer of the securities offered, was incorporated under the laws of Canada by Letters Patent dated June 19, 1967 and has received a Certificate of Continuance under the Canada Business Corporations Act. Its head office and principal place of business is at 145 King Street West, Toronto, Ontario.

4.02 Directors and Officers of the Fund

The names and home addresses in full of all Directors 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> |
|---|---|---|
| <u>Name and Home Address</u> | <u>Present* — First**</u> | <u>Principal Occupation</u> |
| John Hewson Coleman,..... L.L.D.(Hon.),K.M. Apartment No. 603-4, 561 Avenue Road, Toronto, Ontario. | Chairman of the Board..... President and Director* Director** | President, J.H.C. Associates Ltd. (financial consultants) |
| William James Clarke 1188 Carey Road, Oakville, Ontario. | Executive Vice-President and Director* Vice-President, Finance and Treasurer** | President, United Financial Management Ltd. (a holding company) |

| <u>Name and Home Address</u> | <u>Position with the Fund</u> <u>Present* — First**</u> | <u>Principal Occupation</u> |
|--|--|--|
| Gordon Arthur Christopher,..... B.A., L.L.B., 1668 West 40th Avenue, Vancouver, British Columbia. | Director..... | President, Christopher Enterprises Ltd. (garment servicing company) |
| H. Reuben Cohen, Q.C., D.C.L. 115 Hillcrest Drive, Moncton, New Brunswick. | Director..... | Barrister and Solicitor |
| Jacques de Billy, Q.C. 1410 Oak Avenue, Quebec City, Quebec. | Director..... | Senior Partner Gagnon, de Billy, Cantin, Martin Beaudoin & Lesage (a law firm) |
| Leonard Ellen 94 Summit Crescent, Westmount, Quebec. | Director..... | President, Leonard Ellen Incorporated (lumber wholesaler) (Prior to March, 1977 — Chairman of the Board and Managing Director, C.J. Hodgson, Richardson Inc.) |
| Graham Martin MacLachlan 6 Wilket Road, Willowdale, Ontario. | Director..... | Retired Executive |
| James Bernard Prendergast..... 58 Old Forest Hill Road, Toronto, Ontario. | Director*..... Executive Vice-President and Director** | President, Westroc Industries Limited (building materials) (Prior to September, 1975 — President, United Financial Management Ltd.) |
| Stanley Roy Anderson..... 64 Ravine Park Crescent, West Hill, Ontario. | Vice-President and Secretary* Secretary** | Secretary, United Financial Management Ltd. (a holding company) |
| Gerald Francis Coleman | Vice-President | Vice-President, United Funds Management Corporation (an investment management company) (Prior to September, 1978 — Regional Manager, Pension Investment Services, Montreal Trust Company) |
| James Lionel Dent | Vice-President | Vice-President, United Financial Management Ltd. (a holding company) |
| Engelbert Joseph Dessailly | Vice-President and..... Treasurer* Assistant Treasurer** | Treasurer, United Financial Management Ltd. (a holding company) |

| <u>Name and Home Address</u> | <u>Position with the Fund</u> <u>Present* — First**</u> | <u>Principal Occupation</u> |
|---|--|---|
| John Winston Henry Davies Jones 40 Onslow Court, Oakville, Ontario. | Controller* Assistant Controller** | Controller, United Financial Management Ltd. (a holding company) (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 June 20, 1967, 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 paying of remuneration of directors, officers and of sufficient personnel required to keep the financial accounts of the Fund, to calculate the net asset value of the shares and to place orders for the purchase and sale of securities on behalf of the Fund. The Manager's contract may be terminated by common consent or for cause.

Any brokerage fees and commissions, costs, claims and adjustments on the purchase and sale of portfolio securities 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 the sum of:- 1 3/4% of the first \$40,000,000, plus 1 1/2% of the excess over \$40,000,000 up to \$80,000,000, plus 1 1/4% of the excess over \$80,000,000 up to \$120,000,000, plus 1% of the excess over \$120,000,000 of the net assets of the Fund excluding from such net assets, refundable income taxes. 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.

An increase in management fees will not be made without prior approval by a vote of at least 50% of the shares represented at a special general meeting of shareholders called by prior notice of at least 21 days and at which a quorum of at least 10% of the issued and outstanding shares has been obtained in accordance with National Policy Statement No. 7.

Per share net asset values and charges to the Fund over the last 5 completed financial years were as follows:

| | <u>Net asset value per share</u> | | <u>Total management fees charged to the Fund</u> | <u>Total charges as a per cent of average net assets (b)</u> |
|------|----------------------------------|-----------------------|--|--|
| | <u>At beginning of year</u> | <u>At end of year</u> | | |
| 1976 | \$1.04 | \$1.21 | \$ 22,894 | 1.000% |
| 1977 | 1.21 | 1.36 | 24,221 | 1.075% |
| 1978 | 1.36 | 1.49 | 22,815 | 1.092% |
| 1979 | 1.49 | 1.82 | 34,299 | 1.756% |
| 1980 | 1.82 | 2.39 | 34,418 (a) | 1.744% |

(a) Prior to June 1, 1979 the Manager was paid for each day 1/365 of the sum of:- 1 3/4% of the first \$3,000,000, plus 1 1/2% of the excess over \$3,000,000 up to \$5,000,000, plus 1 1/4% of the excess over \$5,000,000 up to \$10,000,000, plus 1% of the excess over \$10,000,000 up to \$100,000,000, plus .75 of 1% of the excess over

\$100,000,000 of the net assets of the Fund. Had the rate in management fees introduced June 1, 1979 been in effect for the entire fiscal year the total management fees charged to the Fund would have been \$34,533 and the management fee expense ratio would have been 1.75%.

- (b) The percentage represents the aggregate of all fees and other expenses paid or payable by the Fund during the year divided by the average net assets for the year. Average net assets calculated to be the average of the net assets determined at each valuation date of the Fund.
- (c) Management expense ratios vary from one mutual fund to another.

The amount of brokerage paid by the Fund to principal brokers and the total amount paid by the Fund for brokerage services in each of the last 3 completed financial years were as follows:

| <u>Year ended November 30</u> | <u>Principal Broker</u> | <u>Total amount of brokerage paid by Fund</u> | <u>Amount paid to Principal Broker</u> | <u>Amount paid to Principal Broker as a % of total brokerage</u> |
|-----------------------------------|-------------------------|---|--|--|
| 1978 | First Boston | \$17,624 | \$3,170 | 17.99% |
| | Morgan Stanley | | 6,476 | 36.75% |
| | Oppenheimer | | 3,310 | 18.78% |
| 1979 | Morgan Stanley | 23,637 | 4,653 | 19.69% |
| 1980 | Merrill Lynch | 21,890 | 8,419 | 38.46% |

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 | Vice-President and Treasurer |
| John Winston Henry Davies Jones ... | 50 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 first recommended by the Manager. An officer of the Fund must then be satisfied that all requisite procedural action has been taken before he approves payment for or delivery of securities. Each member of the Board of Directors of the Fund and of the Manager is provided with a detailed monthly report of such purchases and sales. The portfolio is reviewed frequently by the Manager and is further considered at meetings of the Directors of the Fund. Transactions are normally arranged through a large number of brokerage houses. Payments for and settlement of transactions are formally carried out by a Canadian Chartered Bank which acts as the custodian of portfolio securities. The Manager and its personnel never have custody of any 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, 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 January 31, 1979 was \$1,227,936 and at January 31, 1980 was \$1,592,130. The total cost of securities purchased during the financial year ended January 31, 1980 was as follows:

| | | |
|--|----|---------------------|
| (a) Short term notes: | | |
| Government issued or guaranteed securities | \$ | Nil |
| Other short term notes | | Nil |
| (b) Other securities | | <u>1,936,164</u> |
| Total | | <u>\$ 1,936,164</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. The Fund:

1. shall not borrow money or hypothecate, mortgage or pledge any of its property, real or personal, movable or immovable;
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 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 Letters Patent, in securities of such issuer;
9. shall not deal with its own or its Manager's officers or directors or any firm in which any officer or director may have an interest or be an employee thereof, as principals in making purchases or sales of securities (other than mutual fund shares which may be issued by the Fund itself); provided that any officer or director of the Fund may, either directly or through a firm, act as a broker they may accept the customary commissions in the purchase and sale of securities by or for the account of the Fund and may act as a dealer in connection with the purchase or sale of any mutual fund shares issued by the Fund;
10. shall not purchase or sell real estate or other property other than securities;
11. shall not purchase or sell commodities or commodity future contracts;
12. shall not purchase securities of its management company or contractual distributor;
13. shall not issue or guarantee purchase warrants or any obligations, bonds, notes, debentures or other senior securities;
14. shall not purchase or write options; except that with respect to clearing corporation options, the Fund may
 - i) purchase such options provided that immediately following such purchase the value of all rights, warrants and options collectively held shall not exceed 5% of the value of the Fund's net assets;
 - ii) write such "covered" options provided that immediately following such writing the value of the securities underlying all options written and outstanding shall not exceed 10% of the Fund's assets invested in stock;

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 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 any director, officer or employee of the Fund or 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 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 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;

The basis of restrictions 1 to 13 above have been established in the Articles of Continuance or By-Laws and cannot be changed without shareholder approval.

5.05 Custodian of Portfolio Securities

Securities and cash owned by the Fund are deposited for safekeeping with and are kept at the offices of a Canadian Chartered Bank at 44 King Street West, Toronto, Ontario. The fees of the Custodian are paid by the Manager.

5.06 Registrar and Transfer Agent Responsibility

By agreement dated May 25, 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 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, as amended. (See section 5.01.)

6. DISTRIBUTION

6.01 Principal Distributor

United Investment Services Ltd. with head office at 1201 Place du Canada, 1010 de 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 and of the Distributor to offer the shares 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:

| Name | Home Address | Position with the Distributor |
|------------------------------|------------------------------|--------------------------------------|
| William James Clarke | 1188 Carey Road | President and Director |
| | Oakville, Ontario | |
| Stanley Roy Anderson | 64 Ravine Park Crescent | Vice-President, Secretary |
| | West Hill, Ontario | and Director |
| Gerald Francis Coleman | 2510 Winthrop Crescent | Vice-President and Director |
| | Mississauga, Ontario | |
| James Lionel Dent | 100 Ranstone Gardens | Vice-President and Director |
| | Scarborough, Ontario | |
| James Montague Farley | 234 Cardinal Drive | Director |
| | Oakville, Ontario | |

| <u>Name</u> | <u>Home Address</u> | <u>Position with the Distributor</u> |
|-------------------------------------|--|--------------------------------------|
| Engelbert Joseph Dessailly | 56 Cassandra Boulevard, Town House 4 Don Mills, Ontario | Vice-President and Treasurer |
| Marcel Rosaire LaRochelle | 774 Colonel Jones Avenue ... Ste Foy, Quebec | Vice-President |
| John Cameron Trull | 1403 Londonderry Boulevard . Mississauga, Ontario | Vice-President |
| John Winston Henry Davies Jones ... | 40 Onslow Court | Controller |
| Helen Corrigan..... | Oakville, Ontario 4873 Vezina Street, Apartment 32 Montreal, Quebec | Assistant Secretary |

7. ADDITIONAL INFORMATION

7.01 Shareholder Rights

The respective voting rights, preferences, conversion and exchange rights, rights to dividends and distributions, profits or capital of each class of shares including redemption rights and rights on liquidation or distribution of capital assets of each class of shares of the capital stock of the Fund are as follows:

- (i) Common shares are not issued.
- (ii) Each mutual fund share shall entitle the holder thereof to one vote at all meetings of shareholders of the Fund.
- (iii) Mutual fund shares shall rank equally with respect to any and all payments made to shareholders of the Fund whether by way of dividends or by way of distribution of capital.
- (iv) Fractional shares shall carry and be subject to the rights, limitations and conditions respectively applicable to the whole shares in the proportions which they bear to one share.

Shareholders will be provided with the proxy material issued by the Fund and given an opportunity to vote in person or by proxy at shareholder meetings.

7.02 Purchaser's Statutory Rights of Withdrawal and Rescission

(a) 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:

- (i) 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 3 months from the date of such notice.
- (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, as filed with the Superintendent of Brokers, 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.

(b) Sections 70, 126, 134 and 135 of The Securities Act, 1978 (Ontario) provide, in effect, that when the securities offered herein have been purchased under an offer in the course of a distribution or a distribution to the public:

A. The purchaser may rescind the contract by written or telegraphic notice, if such notice is received by the dealer from whom the security was purchased (i) not later than midnight of the second business day after the latest prospectus and any amendment thereto has been received or deemed to have been received by the purchaser or his agent, and (ii) further, in the event that the amount so purchased was less than \$50,000, such notice may be given at any time up to 48 hours after a confirmation of such purchase was received.

B. If the prospectus together with any amendment thereto contains information that was a misrepresentation at the time of purchase, the purchaser shall be deemed to have relied on such misrepresentation and shall have (i) a right of action against the issuer, the selling security holder or any underwriter who signed the prospectus, to rescind the contract, such right to be exercised within 180 days after the purchase or, in lieu thereof, (ii) a right of action to be initiated within 180 days of the knowledge by the purchaser of the facts giving rise to the right but not later than three years after the transaction complained of for damages against the issuer or selling security holder, the underwriter and every other person or company who signed the prospectus or amendment, every director of the issuer at the date of filing of the prospectus or amendment, and (with respect to reports, opinions or statements made by them) every person or company whose consent has been filed in respect of the prospectus or the amendment.

Reference is made to the said Acts for the complete texts of the provisions under which the foregoing rights are conferred and **THE FOREGOING SUMMARIES ARE SUBJECT TO THE EXPRESS PROVISIONS OF SUCH ACTS.**

7.03 Principal Holders of Securities

As of April 30, 1980, the distribution of 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 shares was as follows:

| <u>Name and Address of Shareholders</u> | <u>Name of Corporation</u> | <u>Relationship to Issuer</u> | <u>Designation of Class</u> | <u>Type of Ownership</u> | <u>Number of Shares owned</u> | <u>Percent of class</u> |
|--|--|-------------------------------|-----------------------------|--------------------------|-------------------------------|-------------------------|
| Exco Corporation Limited 5151 Terminal Road Halifax, Nova Scotia | United Financial Management Ltd. 145 King St. W. Toronto, Ontario | Direct Shareholder of Manager | Common | Beneficial and of Record | 1,161,910 | 93% |
| 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 de 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 and Leonard Ellen, 94 Summit Crescent, Westmount, Quebec each own 50% of the issued and outstanding shares of Exco Corporation Limited.

As of April 30, 1980, the directors and senior officers of the Manager as a group, owned, directly and indirectly, less than 1% of its common shares. The directors and senior officers of the Fund as a group owned less than 1% of its shares.

7.04 Material Contracts

The Manager's contract dated June 20, 1967 was amended to provide for an increase in management fees with effect as of June 1, 1979 to those described in section 5.01.

The Registrar and Transfer Agent contract dated May 25, 1974, as amended. See section 5.06.

The Distributor's contract dated August 14, 1967. 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 de la Gauchetière Street West, Montreal, Quebec.

UNITED AMERICAN FUND LTD.
INVESTMENT PORTFOLIO
January 31, 1980

| | Number of common shares | Average cost | Market value |
|---|--|----------------------------------|---------------------------|
| Common Shares and their Equivalent: 80.72% | | | |
| Apparel: 2.88% | | | |
| Bobbie Brooks, Incorporated (a) | 15,000 | <u>\$ 91,188</u> | <u>\$ 67,256</u> |
| Chemicals: 2.57% | | | |
| Olin Corporation (a) | 3,000 | <u>74,629</u> | <u>59,880</u> |
| Foods: 9.74% | | | |
| Stokely-Van Camp, Inc. (a) | 3,000 | <u>120,918</u> | <u>99,366</u> |
| Ward Foods, Inc. (a) | 15,000 | <u>184,353</u> | <u>128,004</u> |
| | | <u>305,271</u> | <u>227,370</u> |
| Manufacturing: 17.60% | | | |
| Towle Manufacturing Company (a) | 10,000 | <u>155,939</u> | <u>254,562</u> |
| American Biltrite Inc. (a) | 15,000 | <u>112,513</u> | <u>156,208</u> |
| | | <u>268,452</u> | <u>410,770</u> |
| Merchandising: 6.49% | | | |
| Gamble-Skogmo, Inc. (a) | 4,000 | <u>138,849</u> | <u>151,580</u> |
| Metals and Mining: 9.07% | | | |
| Gulf Resources & Chemical Corporation (a) | 6,000 | <u>88,579</u> | <u>211,749</u> |
| Miscellaneous: 12.80% | | | |
| FMC Corporation (a) | 4,000 | <u>113,480</u> | <u>136,538</u> |
| The Penn Central Corporation (a) | 2,000 | <u>43,784</u> | <u>56,988</u> |
| SCM Corporation (a) | 4,000 | <u>117,983</u> | <u>105,296</u> |
| | | <u>275,247</u> | <u>298,822</u> |
| Oil and Gas: 10.71% | | | |
| Universal Resources Corporation (a) | 9,000 | <u>155,532</u> | <u>249,934</u> |
| Real Estate: 5.76% | | | |
| Standard-Pacific Corp. (a) | 10,000 | <u>95,736</u> | <u>134,513</u> |
| Steel: 3.10% | | | |
| Kaiser Steel Corporation (a) | 2,000 | <u>98,647</u> | <u>72,319</u> |
| TOTAL COMMON SHARES AND THEIR EQUIVALENT: 80.72% | | <u><u>\$1,592,130</u></u> | <u><u>\$1,884,193</u></u> |
| Summary: | | | |
| Investment Portfolio | | Percent of net assets | Market value |
| Other Assets (Net) | | <u>80.72%</u> | <u>\$1,884,193</u> |
| Net Assets | | <u>19.28</u> | <u>450,099</u> |
| | | <u>100.00%</u> | <u>\$2,334,292</u> |

The Fund would be pleased to provide without charge a Statement of Portfolio Transactions (unaudited) upon request to the Fund's Toronto office.

(a) Securities issued by companies incorporated in jurisdiction outside Canada.

See accompanying notes

UNITED AMERICAN FUND LTD.
 (Incorporated under the Canada Business Corporations Act — Note 1)

ASSETS AND LIABILITIES
 January 31, 1980

ASSETS:

| | |
|---|-------------|
| Investment portfolio at market value (average cost \$1,592,130) | \$1,884,193 |
| Interest bearing bank deposits | 447,537 |
| Accounts receivable: | |
| Investment securities sold | 28,180 |
| Dividends and accrued interest receivable | 2,788 |
| | <hr/> |
| | 2,362,698 |

LIABILITIES:

| | |
|-------------------------------------|-------------------------|
| Accounts payable: | |
| Shares redeemed | 14,924 |
| Other accrued liabilities | 3,085 |
| Income taxes payable | 10,397 |
| Net assets (per share \$2.39) | <hr/> <hr/> 28,406 |
| | <hr/> <hr/> \$2,334,292 |

SHARE CAPITAL AND SURPLUS
 January 31, 1980

SHARE CAPITAL (notes 1 and 4):

| | |
|----------------------------------|-------------|
| Outstanding — | |
| 976,315 mutual fund shares | \$3,614,874 |

SURPLUS:

| | |
|--|-------------------------|
| Undistributed net income | 185,773 |
| Accumulated realized loss on sale of investments | (1,758,418) |
| Unrealized appreciation of investments | 292,063 |
| | <hr/> <hr/> \$2,334,292 |

On behalf of the Board:

JAMES B. PRENDERGAST, Director

W. JAMES CLARKE, Director

See accompanying notes

UNITED AMERICAN FUND LTD.

STATEMENT OF CHANGES IN NET ASSETS
For the Five Years Ended January 31, 1980

| | 1980 | 1979 | 1978 | 1977 | 1976 |
|---|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| Net assets, beginning of year | <u>\$1,902,525</u> | <u>\$1,830,814</u> | <u>\$2,128,307</u> | <u>\$2,289,909</u> | <u>\$2,145,673</u> |
| Changes during the year: | | | | | |
| Due to investment activities — | | | | | |
| Net income for the year | 24,777 | 15,658 | 22,466 | 16,463 | 32,568 |
| Realized gain (loss) on sale of investments including foreign exchange adjustments: | | | | | |
| Based on average cost (a) | 260,174 | 370,135 | 239,171 | 226,043 | (355,135) |
| Adjustment to gains (loss) realized resulting from issue of Supplementary Letters Patent (note 7) | | | | (17,556) | (5,850) |
| Based on book value | | | | <u>208,487</u> | <u>(360,985)</u> |
| Unrealized appreciation (depreciation) of investments during the year: | | | | | |
| Based on average cost | 259,945 | 7,558 | (64,923) | 27,064 | 678,331 |
| Adjustment resulting from issue of Supplementary Letters Patent (note 7) | | | | 17,556 | 5,850 |
| Based on book value | | | | <u>44,620</u> | <u>684,181</u> |
| | <u>544,896</u> | <u>393,351</u> | <u>196,714</u> | <u>269,570</u> | <u>355,764</u> |
| Due to share capital transactions (note 4) — | | | | | |
| Proceeds from issue of shares (b) | 364,013 | | | | 32,432 |
| Amounts paid for shares redeemed (c) | (477,142) | (321,640) | (494,207) | (431,172) | (243,960) |
| | <u>(113,129)</u> | <u>(321,640)</u> | <u>(494,207)</u> | <u>(431,172)</u> | <u>(211,528)</u> |
| Net assets, end of year | <u><u>\$2,334,292</u></u> | <u><u>\$1,902,525</u></u> | <u><u>\$1,830,814</u></u> | <u><u>\$2,128,307</u></u> | <u><u>\$2,289,909</u></u> |
| (a) Realized gain (loss) over average cost on sale of investments: | | | | | |
| Proceeds on sale of investments, including foreign exchange adjustments | \$ 1,832,144 | \$ 3,137,460 | \$ 2,298,603 | \$ 2,962,799 | \$ 1,833,164 |
| Cost of investments sold: | | | | | |
| Investments at cost, beginning of year | 1,227,936 | 1,754,563 | 1,714,646 | 1,594,299 | 2,361,612 |
| Shares and debentures purchased | 1,936,164 | 2,240,698 | 2,099,349 | 2,857,103 | 1,420,986 |
| Investments at cost, end of year | (1,592,130) | (1,227,936) | (1,754,563) | (1,714,646) | (1,594,299) |
| Cost of investments sold | 1,571,970 | 2,767,325 | 2,059,432 | 2,736,756 | 2,188,299 |
| Realized gain (loss) over average cost on sale of investments | <u>\$ 260,174</u> | <u>\$ 370,135</u> | <u>\$ 239,171</u> | <u>\$ 226,043</u> | <u>\$ (355,135)</u> |
| (b) Mutual fund shares issued | 167,054 | | | | 30,353 |
| (c) Mutual fund shares redeemed | 233,862 | 185,408 | 333,653 | 328,920 | 212,247 |
| (d) Net asset value per share: | | | | | |
| At end of year | \$2.39 | \$1.82 | \$1.49 | \$1.36 | \$1.21 |
| At beginning of year | 1.82 | 1.49 | 1.36 | 1.21 | 1.04 |
| (e) Per share information for a share outstanding throughout the year: | | | | | |
| Net income | .025 | .014 | .016 | .009 | .02 |
| Net realized and unrealized gain on investments | .545 | .316 | .114 | .141 | .15 |

See accompanying notes

UNITED AMERICAN FUND LTD.

STATEMENT OF INCOME AND EXPENSE
For the Five Years Ended January 31, 1980

| | 1980 | 1979 | 1978 | 1977 | 1976 |
|------------------------------|------------------|------------------|------------------|------------------|------------------|
| Dividend income..... | \$ 60,069 | \$ 41,095 | \$ 53,430 | \$ 58,581 | \$ 49,474 |
| Interest income..... | 29,914 | 23,906 | 12,114 | 7,104 | 34,891 |
| Income from investments..... | 89,983 | 65,001 | 65,544 | 65,685 | 84,365 |
| Management fee (note 5)..... | 34,418 | 34,299 | 22,815 | 24,221 | 22,894 |
| Income before taxes..... | 55,565 | 30,702 | 42,729 | 41,464 | 61,471 |
| Income taxes (note 3)..... | 30,788 | 15,044 | 20,263 | 25,001 | 28,903 |
| Net income for the year..... | <u>\$ 24,777</u> | <u>\$ 15,658</u> | <u>\$ 22,466</u> | <u>\$ 16,463</u> | <u>\$ 32,568</u> |
| Net income per share..... | 2.5¢ | 1.4¢ | 1.6¢ | 0.9¢ | 2.0¢ |

STATEMENT OF UNDISTRIBUTED NET INCOME
For the Five Years Ended January 31, 1980

| | 1980 | 1979 | 1978 | 1977 | 1976 |
|---------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Balance, beginning of year..... | \$ 160,996 | \$ 145,338 | \$ 122,872 | \$ 106,409 | \$ 73,841 |
| Net income for the year..... | 24,777 | 15,658 | 22,466 | 16,463 | 32,568 |
| Balance, end of year..... | <u>\$ 185,773</u> | <u>\$ 160,996</u> | <u>\$ 145,338</u> | <u>\$ 122,872</u> | <u>\$ 106,409</u> |

STATEMENT OF ACCUMULATED REALIZED GAIN (LOSS) ON SALE OF INVESTMENTS
For the Five Years Ended January 31, 1980

| | 1980 | 1979 | 1978 | 1977 | 1976 |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|
| Balance, beginning of year..... | \$(2,018,592) | \$(2,388,727) | \$(2,627,898) | \$(2,836,385) | \$(2,475,400) |
| Realized gain (loss) on sale of investments during the year including foreign exchange adjustments: | | | | | |
| Based on average cost..... | 260,174 | 370,135 | 239,171 | 226,043 | (355,135) |
| Adjustment to gains realized resulting from issue of Supplementary Letters Patent (note 7)..... | | | | (17,556) | (5,850) |
| Based on book value..... | | | | 208,487 | (360,985) |
| Balance, end of year (note 7)..... | <u>\$(1,758,418)</u> | <u>\$(2,018,592)</u> | <u>\$(2,388,727)</u> | <u>\$(2,627,898)</u> | <u>\$(2,836,385)</u> |

STATEMENT OF UNREALIZED APPRECIATION (DEPRECIATION) OF INVESTMENTS
For the Five Years Ended January 31, 1980

| | 1980 | 1979 | 1978 | 1977 | 1976 |
|---|-------------------|------------------|------------------|------------------|------------------|
| Balance, beginning of year..... | \$ 32,118 | \$ 24,560 | \$ 89,483 | \$ 44,863 | \$ (639,318) |
| Unrealized appreciation (depreciation) of investments during the year: | | | | | |
| Based on average cost..... | 259,945 | 7,558 | (64,923) | 27,064 | 678,331 |
| Adjustment resulting from issue of Supplementary Letters Patent (note 7)..... | | | | 17,556 | 5,850 |
| Based on book value..... | | | | 44,620 | 684,181 |
| Balance, end of year (note 7)..... | <u>\$ 292,063</u> | <u>\$ 32,118</u> | <u>\$ 24,560</u> | <u>\$ 89,483</u> | <u>\$ 44,863</u> |

See accompanying notes

UNITED AMERICAN FUND LTD.
NOTES TO FINANCIAL STATEMENTS
January 31, 1980

1. Continuance under the Canada Business Corporations Act

On June 7, 1979 the Fund was continued under the Canada Business Corporations Act ("CBCA") and its authorized share capital was changed from a defined number of common shares of \$1 par value each (none issued) and mutual fund shares of \$1 par value each into an unlimited number of mutual fund shares without nominal or par value.

Under the CBCA the distinction between paid up capital and contributed surplus is not applicable for mutual funds. Accordingly the two amounts, previously shown separately, are now reflected as one combined figure for share capital in the financial statements of the Fund and prior years' figures have been reclassified for comparative purposes on the same basis.

2. 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. Securities which are traded over-the-counter are priced at the average of the latest bid and asked prices quoted by a major dealer in such securities. Securities having no quoted market value are valued at fair value as determined by the Board of Directors of the Fund.
- (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. Realized gains and losses from investment transactions and unrealized appreciation or depreciation of investments are calculated on the basis described in note 7.
- (c) Fund share valuation — Net asset value per share is determined at least weekly as of the close of business of The New York Stock Exchange when the said exchange is open for trading, by dividing the total value of the Fund's net assets by the number of shares outstanding.
- (d) Foreign exchange — Foreign currency amounts are expressed in Canadian dollars on the following bases:
 - (i) Market value of investment securities, other assets and liabilities at the closing daily rate of exchange.
 - (ii) Purchases and sales of investment securities, income and expense at the rate of exchange prevailing on the respective dates of such transactions.

3. Income taxes

The Fund qualifies to be taxed as a "mutual fund corporation" under relevant income tax legislation and income taxes reflected on the statement of income and expense have been computed on the required basis for such a corporation.

During fiscal 1980 the Fund realized capital gains for tax purposes, net of capital losses, of \$260,000 but no tax is payable with respect thereto due to the application of capital losses carried forward from prior years. A total of \$2,104,000 of such prior year's capital losses carried forward remain available to reduce the amount of capital gains otherwise subject to tax that may be realized by the Fund in future years. The Fund also has unrealized capital gains for tax purposes, net of unrealized capital losses, aggregating approximately \$292,000 at January 31, 1980.

4. Share capital

The issue price of each mutual fund share of the Fund is an amount equal to the aggregate of the net asset value of each share outstanding at the date of issue (received by the Fund) and the distributor's commission (retained by the distributor). The mutual fund shares of the Fund are redeemable at the option of the holder at their net asset value. The changes in share capital during the periods covered by these financial statements are shown in the statement of changes in net assets.

5. Management fees

In the 1976 to 1978 fiscal years, management fees payable to the Manager, United Funds Management Corporation (UFMC) were computed on the basis of 1% per annum of average daily net assets until April 30, 1976, and thereafter to February 1, 1978 on the basis of 1.1% per annum of average daily net assets.

Effective February 1, 1978 to May 31, 1979, management fees have been computed on the basis of 1 1/4% per annum on the first \$3,000,000 of daily net assets, plus 1 1/2% per annum of the excess over \$3,000,000 up to \$5,000,000, plus 1 1/4% per annum of the excess over \$5,000,000 up to \$10,000,000, plus 1% per annum of the excess over \$10,000,000 up to \$100,000,000, plus .75 of 1% per annum of the excess over \$100,000,000 of net asset value.

Effective June 1, 1979, management fees have been computed on the basis of 1 1/4% per annum of the first \$40,000,000 of daily net assets, plus 1 1/2% per annum of the excess over \$40,000,000 up to \$80,000,000, plus 1 1/4% per annum of the excess over \$80,000,000 up to \$120,000,000, plus 1% per annum of the excess over \$120,000,000 of net asset value.

For these fees the Manager supervises, manages and directs the investment of the assets of the Fund, and recommends the securities to be purchased and 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 any claims or actions against the Fund, brokerage commissions on the purchase and on the sale of securities and taxes of all kinds to which the Fund is or might be subject. For the fiscal years 1979 and 1980, total charges to the Fund as a per cent of average net assets was 1.756% and 1.744%, respectively.

Continued

UNITED AMERICAN FUND LTD.
NOTES TO FINANCIAL STATEMENTS
January 31, 1980

Continued

6. Brokerage commission

The total amount of brokerage paid by the Fund for the year ended January 31, 1980 was \$21,890 (1979 — \$23,637; 1978 — \$17,624; 1977 — \$25,532; 1976 — \$18,658).

7. Reduction of capital

By Supplementary Letters Patent dated April 11, 1973 the Fund reduced its contributed capital (paid-in surplus)(see also note 1) by an amount of \$1,696,560. Pursuant to shareholder resolution, this reduction was applied to the extent of \$1,517,601 to eliminate the accumulated deficit of the Fund as of January 31, 1973 (which consisted of an accumulated realized loss on sale of investments to that date of \$1,623,290, less undistributed net income of \$105,689); and as to the balance (\$178,959), to eliminate the net amount of the unrealized depreciation of investments as at January 31, 1973. Of the latter adjustment of \$178,959, a total of \$206,265 relates to securities on hand at January 31, 1973 which were sold during the year ended January 31, 1974; \$3,900 to such securities sold during the year ended January 31, 1975; \$5,850 to such securities sold during the year ended January 31, 1976; and \$17,556 to such securities sold during the year ended January 31, 1977.

The above adjustments were given retroactive effect, as of January 31, 1973, in the financial statements of the Fund. Accordingly, the book value of investments held as of January 31, 1973 was adjusted to market value as at January 31, 1973 and subsequent additions have been reflected at cost. Gains and losses on sale of investments since January 31, 1973 have been computed on the basis of the average book value of investments as so adjusted.

In addition, the balances of undistributed net income, accumulated realized gain (loss) on sale of investments and unrealized appreciation (depreciation) of investments as at January 31, 1976, 1977, 1978, 1979 and 1980 reflect, as a result of the application of the capital reduction, only the balances accumulated in such accounts since January 31, 1973.

AUDITORS' REPORT

To the Directors of

UNITED AMERICAN FUND LTD.:

We have examined the following financial statements of United American Fund Ltd.:

AT JANUARY 31, 1980 —

Assets and liabilities
Share capital and surplus
Investment portfolio

FOR THE FIVE YEARS ENDED JANUARY 31, 1980 —

Changes in net assets
Income and expense
Undistributed net income
Accumulated realized gain (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 January 31, 1980 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
February 14, 1980.

CLARKSON GORDON
Chartered Accountants

CERTIFICATE OF THE FUND

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part XIV of The Securities Act, 1978 (Ontario) and the regulations thereunder and by Part VII of The Securities Act (British Columbia) and the regulations thereunder.

Dated May 28, 1980.

(Signed) **JOHN H. COLEMAN**
Chief Executive Officer

(Signed) **ENGELBERT J. DESSAILLY**
Chief Financial Officer

On behalf of the Board of Directors

(Signed) **W. JAMES CLARKE**
Director

(Signed) **JAMES B. PRENDERGAST**
Director

CERTIFICATE OF THE DISTRIBUTOR

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 XIV of The Securities Act, 1978 (Ontario) and the regulations thereunder and by Part VII of the Securities Act (British Columbia) and the regulations thereunder.

Dated May 28, 1980.

(Principal Distributor)
UNITED INVESTMENT SERVICES LTD.

by (Signed) **STANLEY R. ANDERSON**
Secretary

THE FUND

United American Fund Ltd.

INVESTMENT MANAGER

United Funds Management Corporation

PRINCIPAL DISTRIBUTOR

United Investment Services Ltd.

145 King Street West, Toronto, Ontario

(Head Office

1201 Place du Canada

1010 de la Gauchetière Street West, Montreal, Quebec)

REGISTRAR AND TRANSFER AGENT

Continental Trust Company

145 King Street West, Toronto, Ontario

Telephone: 366-9161

P.O. Box 10280, Pacific Centre

701 West Georgia Street, Vancouver, British Columbia

Telephone: 684-7548

AUDITORS

Clarkson Gordon

Toronto, Ontario

CUSTODIAN OF PORTFOLIO SECURITIES

A Canadian Chartered Bank

44 King Street West

Toronto, Ontario

United American Fund Ltd.

PROSPECTUS

May 28, 1980

A MUTUAL FUND

INVESTING IN SHARES OF

COMPANIES IN THE

UNITED STATES