



NOTICE TO PERSONS WHO ARE U.S. PERSONS FOR U.S. INCOME TAX PURPOSES

PASSIVE FOREIGN INVESTMENT CORPORATIONS – CANADIAN MUTUAL FUNDS

U.S. legislation requires U.S. persons who are shareholders of a Passive Foreign Investment Corporation (“PFIC”) to file an annual report containing information required by the U.S. Treasury and the Internal Revenue Service (“IRS”). Canadian mutual funds, including pooled funds forming part of the “Cardinal Pooled Funds” family of pooled funds, may be PFICs as the IRS classifies Canadian mutual funds as corporations for U.S. tax purposes. PFIC income is subject to a punitive U.S. taxation regime.

This may impact clients who are U.S. persons for U.S. income tax purposes who are unit holders in Canadian mutual funds, including pooled funds forming part of the “Cardinal Pooled Funds” family of pooled funds.

The IRS began an open-ended OVDP in January 2012 but may end the 2012 program at any time in the future. The 2012 OVDP has a higher penalty rate than the previous programs, but offers clear benefits to encourage taxpayers to disclose foreign accounts now rather than risk detection by the IRS and possible criminal prosecution; this is directed towards those taxpayer who’s delinquent returns were not file willfully. This program is also referred to as 2014 OVDP as changes to it took effect July 1, 2014.

For those who did not file in the U.S. or have not filed simply because they did not know they had to or what was required of them (i.e. non-willful conduct), they can file delinquent returns using the IRS Streamlined Foreign Offshore Procedures, which qualifies them for penalty waivers relating to the delinquent returns. IRS delinquency penalties are generally around the \$10,000 range or more per form, per year.

It is therefore important that U.S. persons for U.S. income tax purposes who are unit holders in Canadian mutual funds, including pooled funds forming part of the “Cardinal Pooled Funds” family of pooled funds, seek the expertise of independent professionals, such as tax, legal, and accounting experts, regarding the applicability of the U.S. PFIC rules to them.

The information provided in this Notice should not be construed as legal or tax advice, and is not intended to be used, and cannot be used, for the purpose of avoiding U.S. tax or U.S. tax penalties. This Notice is provided for general information purposes only. Cardinal Capital Management, Inc. does not guarantee the accuracy or completeness of the information in this Notice, nor does Cardinal assume any liability for any loss that may result from the reliance by any person on the information contained in this Notice.