

Cost Basis Method Election: Immediate Response Requested

The Emergency Economic Stabilization Act of 2008 requires mandatory cost basis reporting for mutual funds beginning January 1, 2012. Cost basis is defined as the cost of the shares in your account and is used to calculate the gain or loss when you later sell or exchange shares. Shares acquired after January 1, 2012 are generally considered *covered shares*. A sale or exchange of *covered shares* requires Calamos Family of Funds to perform cost basis reporting to <u>you</u> and the <u>Internal Revenue Service (IRS)</u> on Form 1099-B. You may either elect to automatically use the cost basis calculation method selected by Calamos Family of Funds or select one of the other seven methods available. If a cost basis method is not elected, your account(s) will default to the *Average Cost* method.

A Cost Basis Reference Guide is enclosed for your convenience and contains more information regarding each of the available cost basis methods. **Consult your tax advisor to determine which cost basis method best suits your specific situation.**

- (1) Average Cost
- (2) Single Account Average Cost
- (3) First In, First Out
- (4) Last In, First Out
- (5) Low Cost
- (6) High Cost
- (7) Loss/Gain Utilization
- (8) Specific Lot Identification

Shares acquired prior to January 1, 2012 are generally considered *non-covered shares* and cost basis is presently being tracked via the *Average Cost* method for these shares within your account. As a result, you are afforded the option to elect *Single Account Average Cost* as your cost basis method. Upon receipt of the enclosed Cost Basis Method Election Form, should you elect this method, Calamos Family of Funds will designate <u>all</u> shares within your account as *covered shares*, subject to mandatory cost basis reporting, and continue tracking your cost basis using the information presently on file. Cost basis information will automatically be provided to both you and the IRS for all future redemptions or exchanges on IRS Form 1099-B.

As cost basis is presently being tracked for your existing shares, an alternate election of the *Average Cost* method effectively creates an account containing two separate cost basis calculations; one for *non-covered shares* acquired prior to January 1, 2012 and one for *covered shares* acquired after that date. An *Average Cost* method election allows you to continue to receive basis information on Form 1099-B for all shares in your account. However, please be advised that the *non-covered shares* reporting is a courtesy and the IRS will only receive basis information for *covered shares*. It will continue to be your responsibility both to calculate the appropriate gain or loss upon redemption of *non-covered shares* and to accurately report that information to the IRS.

Lastly, an election of the *First In, First Out*; *Last In, First Out*; *Low Cost*; *High Cost*; *Loss/Gain Utilization*; or *Specific Lot Identification* methods negates the cost basis information currently on file for your account's *non-covered shares*. Selection of one of these methods will result in Calamos Family of Funds providing you (and the IRS) with basis information on Form 1099-B for redemptions or exchanges of your *covered shares* only. It will continue to be your responsibility both to calculate the appropriate gain or loss upon redemption of *non-covered shares* and to accurately report that information to the IRS.

If you wish to make an election other than *Average Cost*, please complete the enclosed Cost Basis Method Election Form and return it to us by December 31, 2011. **If you do not wish to elect an option other than the default method, no further action is necessary.** Upon receipt of the enclosed Cost Basis Method Election Form, Calamos Family of Funds will apply the method you elect to your account(s) and designate all shares acquired after January 1, 2012 as *covered shares*, subject to mandatory cost basis reporting.

While we encourage you to consult your tax advisor to determine which cost basis method best suits your specific situation, should you have any additional questions, please contact a CALAMOS® Client Services Representative at 1-800-582-6959, Monday through Friday, 8:00 a.m. to 6:00 p.m. CST.

Sincerely,

Calamos Family of Funds