

CALAMOS CONVERTIBLE OPPORTUNITIES & INCOME FUND

Form 497

April 14, 2009

Prospectus Supplement

(To Prospectus dated April 10, 2009)

**Calamos Convertible Opportunities and Income Fund  
Up to 6,600,000 Common Shares**

Calamos Convertible Opportunities and Income Fund (the Fund, we, or our ) has entered into a sales agreement (the sales agreement ) with JonesTrading Institutional Services LLC ( JonesTrading ) relating to the common shares of beneficial interest ( common shares ) offered by this prospectus supplement and the accompanying prospectus. In accordance with the terms of the sales agreement, we may offer and sell up to 6,600,000 of our common shares, no par value per share, from time to time through JonesTrading as our agent for the offer and sale of the common shares. As of April 2, 2009, the Fund had offered and sold 3,364,393 common shares pursuant to the sales agreement. Under the Investment Company Act of 1940, as amended (the 1940 Act ), the Fund may not sell any common shares at a price below the current net asset value of such common shares, exclusive of any distributing commission or discount. The Fund is a diversified, closed-end management investment company which commenced investment operations in June 2002. Our investment objective is to provide total return through a combination of capital appreciation and current income.

Our common shares are listed on the New York Stock Exchange under the symbol CHI. As of April 2, 2009, the last reported sale price for our common shares on the New York Stock Exchange was \$8.74 per share.

Sales of our common shares, if any, under this prospectus supplement and the accompanying prospectus may be made in negotiated transactions or transactions that are deemed to be at the market as defined in Rule 415 under the Securities Act of 1933, as amended (the 1933 Act ), including sales made directly on the New York Stock Exchange or sales made to or through a market maker other than on an exchange.

JonesTrading will be entitled to compensation of 100 to 250 basis points of the gross sales price per share for any common shares sold under the sales agreement, with the exact amount of such compensation to be mutually agreed upon by the Fund and JonesTrading from time to time. In connection with the sale of the common shares on our behalf, JonesTrading may be deemed to be an underwriter within the meaning of the 1933 Act and the compensation of JonesTrading may be deemed to be underwriting commissions or discounts.

**Investing in our securities involves certain risks. You could lose some or all of your investment. See Risk Factors beginning on page 32 of the accompanying prospectus. You should consider carefully these risks together with all of the other information contained in this prospectus supplement and the accompanying prospectus before making a decision to purchase our securities.**

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.**



This prospectus supplement, together with the accompanying prospectus, sets forth concisely the information that you should know before investing. You should read the prospectus and prospectus supplement, which contain important information, before deciding whether to invest in our securities. You should retain the prospectus and prospectus supplement for future reference. A statement of additional information, dated April 10, 2009, as supplemented from time to time, containing additional information, has been filed with the Securities and Exchange Commission ( Commission ) and is incorporated by reference in its entirety into this prospectus supplement and the accompanying prospectus. This prospectus supplement, the accompanying prospectus and the statement of additional information are part of a shelf registration statement that we filed with the Commission. This prospectus supplement describes the specific details regarding this offering, including the method of distribution. If information in this prospectus supplement is inconsistent with the accompanying prospectus or the statement of additional information, you should rely on this prospectus supplement. You may request a free copy of the statement of additional information, the table of contents of which is on page 66 of the accompanying prospectus, request a free copy of our annual and semi-annual reports, request other information or make shareholder inquiries, by calling toll-free 1-800-582-6959 or by writing to the Fund at 2020 Calamos Court, Naperville, Illinois 60563. The Fund's annual and semi-annual reports also are available on our website at [www.calamos.com](http://www.calamos.com), which also provides a link to the Commission's website, as described below, where the Fund's statement of additional information can be obtained. Information included on our website does not form part of this prospectus supplement or the accompanying prospectus. You can review and copy documents we have filed at the Commission's Public Reference Room in Washington, D.C. Call 1-202-551-8090 for information. The Commission charges a fee for copies. You can get the same information free from the Commission's website (<http://www.sec.gov>). You may also e-mail requests for these documents to [publicinfo@sec.gov](mailto:publicinfo@sec.gov) or make a request in writing to the Commission's Public Reference Section, Washington, D.C. 20549-0102.

Our securities do not represent a deposit or obligation of, and are not guaranteed or endorsed by, any bank or other insured depository institution and are not federally insured by the Federal Deposit Insurance Corporation, the Federal Reserve Board or any other government agency.

---

**TABLE OF CONTENTS**

**Prospectus Supplement**

	<b>Page</b>
Prospectus Supplement Summary	S-1
Capitalization	S-3
Summary of Fund Expenses	S-4
Market and Net Asset Value Information	S-5
Use of Proceeds	S-7
Plan of Distribution	S-8
Legal Matters	S-8
Experts	S-9
Available Information	S-9

**Prospectus**

Prospectus Summary	1
Summary of Fund Expenses	15
Financial Highlights	17
Market And Net Asset Value Information	18
Use of Proceeds	19
The Fund	20
Investment Objective and Principal Investment Strategies	21
Leverage	27
Interest Rate Transactions	30
Risk Factors	32
Management of the Fund	40
Closed-End Fund Structure	43
Certain Federal Income Tax Matters	43
Net Asset Value	49
Dividends and Distributions on Common Shares; Automatic Dividend Reinvestment Plan	50
Description of Securities	54
Rating Agency Guidelines	59
Certain Provisions of the Agreement and Declaration of Trust And Bylaws, Including Antitakeover Provisions	61
Plan of Distribution	62
Custodian, Transfer Agent, Dividend Disbursing Agent And Registrar	65
Legal Matters	65
Experts	65
Available Information	65
Table of Contents of the Statement of Additional Information	66

**You should rely only on the information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus in making your investment decisions. We have not authorized any other person to provide you with different or inconsistent information. If anyone provides you with different or inconsistent information, you should not rely on it. This prospectus supplement and the accompanying prospectus do not constitute an offer to sell or solicitation of an offer to buy any securities in any jurisdiction**

**where the offer or sale is not permitted. The information appearing in this prospectus supplement and in the accompanying prospectus is accurate only as of the dates on their covers. Our business, financial condition and prospects may have changed since such dates. We will advise investors of any material changes to the extent required by applicable law.**

## CAUTIONARY NOTICE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus supplement, the accompanying prospectus and the statement of additional information contain forward-looking statements. Forward-looking statements can be identified by the words may, will, intend, expect, estimate, continue, plan, anticipate, and similar terms and the negative of such terms. Such forward-looking statements may be contained in this prospectus supplement as well as in the accompanying prospectus. By their nature, all forward-looking statements involve risks and uncertainties, and actual results could differ materially from those contemplated by the forward-looking statements. Several factors that could materially affect our actual results are the performance of the portfolio of securities we hold, the price at which our shares will trade in the public markets and other factors discussed in our periodic filings with the Commission.

Although we believe that the expectations expressed in our forward-looking statements are reasonable, actual results could differ materially from those projected or assumed in our forward-looking statements. Our future financial condition and results of operations, as well as any forward-looking statements, are subject to change and are subject to inherent risks and uncertainties, such as those disclosed in the Risk Factors sections of the accompanying prospectus. All forward-looking statements contained or incorporated by reference in this prospectus supplement or the accompanying prospectus are made as of the date of this prospectus supplement or the accompanying prospectus, as the case may be. Except for our ongoing obligations under the federal securities laws, we do not intend, and we undertake no obligation, to update any forward-looking statement. The forward-looking statements contained in this prospectus supplement, the accompanying prospectus and the statement of additional information are excluded from the safe harbor protection provided by section 27A of the 1933 Act.

Currently known risk factors that could cause actual results to differ materially from our expectations include, but are not limited to, the factors described in the Risk Factors sections of the accompanying prospectus. We urge you to review carefully those sections for a more detailed discussion of the risks of an investment in our securities.

## PROSPECTUS SUPPLEMENT SUMMARY

*The following summary contains basic information about us and our securities. It is not complete and may not contain all of the information you may want to consider. You should review the more detailed information contained in this prospectus supplement and in the accompanying prospectus and in the statement of additional information, especially the information set forth under the heading "Risk Factors" beginning on page 32 of the accompanying prospectus.*

### **The Fund**

The Fund is a diversified, closed-end management investment company, with total managed assets (as such term is defined below) of \$613 million as of February 28, 2009. We commenced operations in June 2002 following our initial public offering. Our investment objective is to provide total return through a combination of capital appreciation and current income.

### **Investment Adviser**

Calamos Advisors LLC (the Adviser or Calamos ) serves as our investment adviser. Calamos is responsible on a day-to-day basis for investment of the Fund's portfolio in accordance with its investment objective and policies. Calamos makes all investment decisions for the Fund and places purchase and sale orders for the Fund's portfolio securities. As of February 28, 2009, Calamos managed approximately \$22 billion in assets of individuals and institutions. Calamos is a wholly-owned subsidiary of Calamos Holdings, LLC and an indirect subsidiary of Calamos Asset Management, Inc., a publicly traded holding company.

The Fund pays Calamos an annual fee, payable monthly, for its investment management services equal to 0.80% of the Fund's average weekly managed assets. Calamos has contractually agreed to waive a portion of its management fee at the annual rate of 0.25% of the average weekly managed assets of the Fund for the first five full years of the Fund's operations (through June 30, 2007), and to waive a declining amount for an additional three years through June 30, 2010. Managed assets means the total assets of the Fund (including any assets attributable to any leverage that may be outstanding) minus the sum of liabilities (other than debt representing financial leverage). See Management of the Fund on page 40 of the accompanying prospectus.

The principal business address of the Adviser is 2020 Calamos Court, Naperville, Illinois 60563.

### **The Offering**

The Fund and Calamos entered into a sales agreement with JonesTrading Institutional Services LLC ( JonesTrading ) relating to the common shares offered by this prospectus supplement and the accompanying prospectus. In accordance with the terms of the sales agreement, we may offer and sell up to 6,600,000 of our common shares, no par value per share, from time to time through JonesTrading as our agent for the offer and sale of the common shares. As of April 2, 2009, the Fund had offered and sold 3,364,393 common shares pursuant to the agreement, resulting in proceeds (net of all fees and commissions) of \$33,297,504.

Our common shares are listed on the New York Stock Exchange under the symbol CHI. As of April 2, 2009, the last reported sale price for our common shares was \$8.74.

Sales of our common shares, if any, under this prospectus supplement and the accompanying prospectus may be made in negotiated transactions or transactions that are deemed to be at the market as defined in Rule 415 under the

1933 Act, including sales made directly on the New York Stock Exchange or sales made to or through a market maker other than on an exchange. See Plan of Distribution in this prospectus supplement. Our common shares may not be sold through agents, underwriters or dealers without delivery or deemed delivery of a prospectus and a prospectus supplement describing the method and terms of the offering of our securities. Under the 1940 Act, the Fund may not sell any common shares at a price below the current net asset value of such common shares, exclusive of any distributing commission or discount.

S-1

---

## Use of Proceeds

Unless otherwise specified in this prospectus supplement, we currently intend to use the net proceeds from the sale of our common shares in this offering primarily to invest in accordance with our investment objective and policies (as described under **Investment Objective and Principal Investment Strategies**, beginning on page 21 of the accompanying prospectus) within approximately three months of receipt of such proceeds. We may also use proceeds from the sale of our securities to (i) retire all or a portion of any short-term debt we incur in pursuit of our investment objective and policies, (ii) redeem any outstanding senior securities, including, to the extent any are outstanding, our Auction Market Preferred Shares, and (iii) for working capital purposes, including the payment of interest and operating expenses, although there is currently no intent to issue securities primarily for this purpose. Reduction of the leverage employed by the Fund, including, for example, by redemption of Auction Market Preferred Shares, will reduce our assets available for investment, and may have a negative impact on the Fund. See **Leverage**, beginning on page 27 of the accompanying prospectus, and **Risk Factors – Reduction of Leverage Risk** on page 38 of the accompanying prospectus.

**CAPITALIZATION**

We may offer and sell up to 6,600,000 of our common shares, no par value per share, from time to time through JonesTrading as our agent for the offer and sale of the common shares under this prospectus supplement and the accompanying prospectus. There is no guaranty that there will be any sales of our common shares pursuant to this prospectus supplement and the accompanying prospectus. The table below assumes that we will sell 6,600,000 common shares, at a price of \$8.29 per share (the last reported sale price per share of our common shares on the New York Stock Exchange on March 17, 2009). Actual sales, if any, of our common shares, and the actual application of the proceeds thereof, under this prospectus supplement and the accompanying prospectus may be different than as set forth in the table below. In addition, the price per share of any such sale may be greater or less than \$8.29 depending on the market price of our common shares at the time of any such sale. To the extent that the market price per share of our common shares on any given day is less than the net asset value per share on such day, we will instruct JonesTrading not to make any sales on such day.

The following table sets forth our capitalization at January 31, 2009:

on a historical basis;

on a pro forma as adjusted basis to reflect (1) the assumed sale of 6,600,000 of our common shares at \$8.29 per share (the last reported sale price for our common shares on the New York Stock Exchange on March 17, 2009), in an offering under this prospectus supplement and the accompanying prospectus, and (2) the application of net proceeds assumed from such offering to redeem outstanding Auction Market Preferred Shares, after deducting the assumed commission of \$547,140 (representing an estimated commission paid to JonesTrading of 1% of the gross sales price per share in connection with sales of common shares effected by JonesTrading in this offering) and offering expenses payable by us of \$50,000.

	<b>Actual</b>	<b>As Adjusted</b>
Loan	\$ 89,000,000	\$ 89,000,000
<b>Shareholder s equity</b>		
Preferred shares, no par value per share, \$25,000 stated value per share, at liquidation value; unlimited shares authorized, 4,160 shares outstanding (actual) and 1,996 shares outstanding (as adjusted)	104,000,000	49,900,000
Common shares, no par value per share, unlimited shares authorized, 51,797,202 shares outstanding (actual) and 58,397,202 shares outstanding (as adjusted)	741,246,755	795,367,615
Undistributed net investment income (loss)	(8,570,929)	(8,574,929)
Accumulated net realized gain (loss) on investments, written options, foreign currency transactions, and interest rate swaps	(20,549,577)	(20,549,577)
Net unrealized appreciation (depreciation) on investments, written options, foreign currency transactions, and interest rate swaps	(274,978,049)	(274,978,049)
Net assets applicable to common shareholders	437,148,200	491,265,060
<b>Total Capitalization</b>	<b>\$ 630,148,200</b>	<b>630,165,060</b>



### SUMMARY OF FUND EXPENSES

The following table and example contain information about the costs and expenses that common shareholders will bear directly or indirectly. In accordance with SEC requirements, the table below shows our expenses, including leverage costs, as a percentage of our average net assets as of January 31, 2009, and not as a percentage of gross assets or managed assets. By showing expenses as a percentage of average net assets, expenses are not expressed as a percentage of all of the assets we invest. The table and example are based on our capital structure as of January 31, 2009, including expenses incurred in connection with borrowings under a renewable commercial paper conduit facility. See Prospectus Summary Recent Developments on page 2 of the accompanying prospectus. The table and example reflect interest expense and related expenses associated with such borrowings, the aggregate principal amount of which was \$89 million as of January 31, 2009. The proceeds of such borrowings were utilized entirely to redeem an equal aggregate liquidation amount of Auction Market Preferred Shares in June 2008. As of January 31, 2009, the Fund had outstanding Auction Market Preferred Shares with \$104 million in aggregate liquidation preference and outstanding senior debt under the renewable commercial paper conduit facility with an aggregate principal amount of \$89 million. Together such leverage represented, as of January 31, 2009, approximately 31% of the Fund's managed assets.

#### Shareholder Transaction Expenses

Sales Load (as a percentage of offering price)	1.00%(1)
Dividend Reinvestment and Cash Purchase Plan Fees(2)	None

Annual Expenses	Percentage of Net Assets Attributable to Common Shareholders
Management Fee(3)	1.21
Leverage Costs(4)	2.69
Other Expenses(5)	.16
Acquired Fund Fees and Expenses(6)	.01
Total Annual Expenses	4.07
Less Fee Reductions(7)	(.17)
Net Annual Expenses	3.90

#### Offering Expenses

Offering Expenses Borne by the Fund (as a percentage of offering price)	.09%
---	------

#### Example:

The following example illustrates the expenses that common shareholders would pay on a \$1,000 investment in common shares, assuming (1) net annual expenses of 3.95% of net assets attributable to common shares in year 1 and increasing to 4.03% in year 2, and 4.07% in years 3 through 10; (2) a 5% annual return; and (3) all distributions are reinvested at net asset value:

	<b>1 Year</b>	<b>3 Years</b>	<b>5 Years</b>	<b>10 Years</b>
Total Expenses Paid by Common Shareholders(8)	\$ 49	\$ 131	\$ 215	\$ 431

**The example should not be considered a representation of future expenses. Actual expenses may be greater or less than those assumed. Moreover, our actual rate of return may be greater or less than the hypothetical 5% return shown in the example.**

- (1) Represents the estimated commission with respect to our common shares being sold in this offering, which we will pay to JonesTrading in connection with sales of common shares effected by JonesTrading in this offering. While JonesTrading is entitled to a commission of 1% to 2.5% of the gross sales price for common shares sold, with the exact amount to be agreed upon by the parties, we have assumed, for purposes of this offering, that JonesTrading will receive a commission of 1% of such gross sales price. This is the only sales load to be paid in connection with this offering. There is no guaranty that there will be any sales

of our common shares pursuant to this prospectus supplement and the accompanying prospectus. Actual sales of our common shares under this prospectus supplement and the accompanying prospectus, if any, may be less than as set forth in the table. In addition, the price per share of any such sale may be greater or less than the price set forth in the table, depending on the market price of our common shares at the time of any such sale.

- (2) Shareholders will pay a transaction fee plus brokerage charges if they direct the Plan Agent to sell common shares held in a Plan account. In addition, each participant will pay a pro rata share of brokerage commissions incurred with respect to the Plan Agent's open-market purchases in connection with the reinvestment of dividends or distributions. If a participant elects to have the Plan Agent sell part or all of his or her common shares and remit the proceeds, such participant will be charged his or her pro rata share of brokerage commissions on the shares sold. See "Automatic Dividend Reinvestment Plan" on page 52 of the accompanying prospectus.
- (3) The Fund pays Calamos an annual management fee, payable monthly, for its investment management services equal to 0.80% of the Fund's average weekly managed assets. In accordance with the requirements of the Commission, the table above shows the Fund's management fee as a percentage of average net assets attributable to common shares. By showing the management fee as a percentage of net assets, the management fee is not expressed as a percentage of all of the assets the Fund intends to invest. For purposes of the table, the management fee has been converted to 1.21% of the Fund's average weekly net assets as of January 31, 2009 by dividing the total dollar amount of the management fee by the Fund's average weekly net assets (managed assets less outstanding leverage).
- (4) Leverage Costs in the table reflect (a) the cost of auction agent and rating agency fees on the Auction Market Preferred Shares, expressed as a percentage of net assets, (b) the cost of dividends on the Auction Market Preferred Shares, and (c) interest expense on borrowings under the renewable commercial paper conduit facility we utilized in connection with refinancing certain of the Auction Market Preferred Shares and related costs. The table assumes average outstanding Auction Market Preferred Shares of \$104 million and average indebtedness of \$100 million, which reflects leverage in an amount representing approximately 34% of the Fund's average weekly managed assets.
- (5) Other Expenses are based on estimated amounts for the current fiscal year.
- (6) Acquired Fund Fees and Expenses include certain expenses incurred in connection with the Fund's investment in Calamos Government Money Market Fund, a series of Calamos Investment Trust ( GMMF ). Calamos has voluntarily agreed to waive a portion of its advisory fee charged to the Fund, in an amount equal to the advisory fee payable by GMMF to Calamos that is attributable to the Fund's investment in GMMF, based on daily net assets. On or about May 15, 2009, the Calamos Government Money Market Fund will liquidate, and the Fund will no longer invest in that fund.
- (7) Assumes contractual waiver of fees of 0.11% of average weekly managed assets through June 30, 2009 and 0.04% of average weekly managed assets from July 1, 2009 through June 30, 2010 which may not be recaptured by Calamos. For purposes of the table, this waiver amount has been converted to 0.17% of the Fund's net assets as of January 31, 2009 by dividing the total dollar amount of the waiver by the Fund's net assets (managed assets less outstanding leverage). Amounts waived pursuant to this agreement may not be recouped by Calamos in the future.
- (8) The example includes sales load and estimated offering costs. The example assumes a contractual waiver of advisory fees of 0.11% of average weekly managed assets through June 30, 2009 and 0.04% through June 30, 2010.

The purpose of the table and the example above is to help investors understand the fees and expenses that they, as common shareholders, would bear directly or indirectly. For additional information with respect to our expenses, see Management of the Fund on page 40 of the accompanying prospectus.

#### **MARKET AND NET ASSET VALUE INFORMATION**

Our common shares are listed on the New York Stock Exchange ( NYSE ) under the symbol CHI. Our common shares commenced trading on the NYSE in June 2002.

S-5

---

Our common shares have traded both at a premium and a discount to net asset value or NAV. We cannot predict whether our shares will trade in the future at a premium or discount to NAV. The provisions of the 1940 Act generally require that the public offering price of common shares (less any underwriting commissions and discounts) must equal or exceed the NAV per share of a company's common stock (calculated within 48 hours of pricing). Our issuance of common shares may have an adverse effect on prices in the secondary market for our common shares by increasing the number of common shares available, which may put downward pressure on the market price for our common shares. Shares of common stock of closed-end investment companies frequently trade at a discount from NAV. See **Risk Factors** **Additional Risks to Common Shareholders** **Market Discount Risk** on page 39 of the accompanying prospectus.

The following table sets forth for each of the periods indicated the high and low closing market prices for our common shares on the NYSE, the NAV per share and the premium or discount to NAV per share at which our common shares were trading. NAV is determined on the last business day of each month. See **Net Asset Value** on page 49 of the accompanying prospectus for information as to the determination of our NAV.

Quarter Ended	Market Price(1)		Net Asset Value(2)	Premium/ (Discount) to Net Asset Value(3)	
	High	Low		High	Low
January 31, 2008	16.58	13.66	14.55	2.47%	(10.48)%
April 30, 2008	16.34	12.83	14.55	11.38%	(6.69)%
July 31, 2008	15.92	12.22	13.35	9.87%	(7.07)%
October 31, 2008	13.71	6.34	8.26	3.08%	(27.46)%
January 31, 2009	9.80	6.01	8.44	12.39%	(16.06)%

Source: Bloomberg Financial and Fund Accounting Records.

- (1) Based on high and low closing market price during the respective quarter.
- (2) Based on the NAV calculated on the close of business on the last business day of each calendar quarter.
- (3) Based on the Fund's computations on the day of each of the high and low closing market prices during the respective quarter.

The last reported sale price, NAV per common share and percentage premium to NAV per common share on March 17, 2009, were \$8.29, \$8.13 and 1.97%, respectively. As of March 17, 2009, we had 52,200,292 common shares outstanding and net assets of approximately \$424,478,989.

The following table provides information about our outstanding securities as of March 17, 2009:

Title of Class	Amount Authorized	Amount Held by the Fund or for	Amount Outstanding(1)
----------------	-------------------	--------------------------------	-----------------------

		<b>its</b>	
		<b>Account</b>	
Common Shares	Unlimited	0	52,200,292
Auction Market Preferred Shares	Unlimited	0	4,160
Series M		0	552
Series TU		0	552
Series W		0	553
Series TH		0	553
Series W28		0	650
Series TH7		0	650
Series F7		0	650

(1) In connection with our commercial paper program described in Prospectus Summary Recent Developments on page 2 of the accompanying prospectus, we have redeemed approximately 73%, or \$280 million, of our \$384 million aggregate outstanding Auction Market Preferred Shares. Those redemptions were made on a pro rata basis across all series of Auction Market Preferred Shares outstanding, beginning June 2, 2008.

## USE OF PROCEEDS

Sales of our common shares, if any, under this prospectus supplement and the accompanying prospectus may be made in negotiated transactions or transactions that are deemed to be "at the market" as defined in Rule 415 under the 1933 Act, including sales made directly on the New York Stock Exchange or sales made to or through a market maker other than on an exchange. There is no guaranty that there will be any sales of our common shares pursuant to this prospectus supplement and the accompanying prospectus. Actual sales, if any, of our common shares under this prospectus supplement and the accompanying prospectus may be less than as set forth in this paragraph. In addition, the price per share of any such sale may be greater or less than the price set forth in this paragraph, depending on the market price of our common shares at the time of any such sale. As a result, the actual net proceeds we receive may be more or less than the amount of net proceeds estimated in this prospectus supplement. Assuming the sale of all of our common shares offered under this prospectus supplement and the accompanying prospectus, at the last reported sale price of \$8.29 per share for our common shares on the New York Stock Exchange as of March 17, 2009, we estimate that the net proceeds of this offering will be approximately \$54,116,860 after deducting the estimated JonesTrading commissions and our estimated offering expenses. We currently intend to use the net proceeds from the sale of our common shares in this offering primarily to invest in accordance with our investment objective and policies within approximately three months of receipt of such proceeds. We may also use proceeds from the sale of our securities to (i) retire all or a portion of any short-term debt we incur in pursuit of our investment objective and policies, (ii) redeem any outstanding senior securities, including, to the extent any are outstanding, our Auction Market Preferred Shares, and (iii) for working capital purposes, including the payment of interest and operating expenses, although there is currently no intent to issue securities primarily for this purpose. Pending such use of proceeds, we anticipate that we will invest the proceeds in securities issued by the U.S. government or its agencies or instrumentalities or in high quality, short-term or long-term debt obligations. In June 2008, the Fund redeemed \$280 million aggregate liquidation preference of its outstanding Auction Market Preferred Shares with the proceeds of a renewable commercial paper conduit facility that has a maturity of 364 days.

## **PLAN OF DISTRIBUTION**

Under the sales agreement among the Fund, Calamos and JonesTrading, upon written instructions from the Fund, JonesTrading will use its commercially reasonable efforts consistent with its sales and trading practices, to solicit offers to purchase the common shares under the terms and subject to the conditions set forth in the sales agreement. JonesTrading's solicitation will continue until we instruct JonesTrading to suspend the solicitations and offers. We will instruct JonesTrading as to the amount of common shares to be sold by JonesTrading. We may instruct JonesTrading not to sell common shares if the sales cannot be effected at or above the price designated by the Fund in any instruction. We or JonesTrading may suspend the offering of common shares upon proper notice and subject to other conditions.

JonesTrading will provide written confirmation to the Fund not later than the opening of the trading day on the New York Stock Exchange following the trading day on which common shares are sold under the sales agreement. Each confirmation will include the number of shares sold on the preceding day, the net proceeds to us and the compensation payable by the Fund to JonesTrading in connection with the sales.

We will pay JonesTrading commissions for its services in acting as agent in the sale of common shares. JonesTrading will be entitled to compensation of 100 to 250 basis points of the gross sales price per share of any common shares sold under the sales agreement, with the exact amount of such compensation to be mutually agreed upon by the Fund and JonesTrading from time to time. There is no guaranty that there will be any sales of our common shares pursuant to this prospectus supplement and the accompanying prospectus. Actual sales, if any, of our common shares under this prospectus supplement and the accompanying prospectus may be less than as set forth in this paragraph. In addition, the price per share of any such sale may be greater or less than the price set forth in this paragraph, depending on the market price of our common shares at the time of any such sale. Assuming 6,600,000 of our common shares offered hereby are sold at a market price of \$8.29 per share (the last reported sale price for our common shares on the New York Stock Exchange on March 17, 2009), we estimate that the total expenses for the offering, excluding compensation payable to JonesTrading under the terms of the sales agreement, would be approximately \$50,000.

Settlement for sales of common shares will occur on the third trading day following the date on which such sales are made, or on some other date that is agreed upon by the Fund and JonesTrading in connection with a particular transaction, in return for payment of the net proceeds to the Fund. There is no arrangement for funds to be received in an escrow, trust or similar arrangement.

In connection with the sale of the common shares on our behalf, JonesTrading may, and will with respect to sales effected in an at the market offering, be deemed to be an underwriter within the meaning of the 1933 Act, and the compensation of JonesTrading may be deemed to be underwriting commissions or discounts. We have agreed to provide indemnification and contribution to JonesTrading against certain civil liabilities, including liabilities under the 1933 Act. We have also agreed to reimburse JonesTrading for other specified expenses.

The offering of our common shares pursuant to the sales agreement will terminate upon the earlier of (1) the sale of all common shares subject the sales agreement or (2) termination of the sales agreement. The sales agreement may be terminated by us in our sole discretion at any time by giving notice to JonesTrading. In addition, JonesTrading may terminate the sales agreement under the circumstances specified in the sales agreement and in its sole discretion at any time following a period of 12 months from the date of the sales agreement by giving notice to us.

The principal business address of JonesTrading is 780 Third Avenue, 3<sup>rd</sup> Floor, New York, New York 10017.

## **LEGAL MATTERS**

K&L Gates LLP ( K&L Gates ), Chicago, Illinois, which is serving as counsel to the Fund in connection with the offering, will pass on the legality of the issuance of the common shares offered hereby. K&L Gates

S-8

---

may rely on the opinion of Morris, Nichols, Arsht & Tunnell LLP, Wilmington, Delaware, with respect to certain matters of Delaware law.

### **EXPERTS**

The financial statements and financial highlights in the statement of additional information, which is incorporated by reference in its entirety into this prospectus supplement and the accompanying prospectus, have been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report appearing in our 2008 annual report to shareholders and in the statement of additional information. Such financial statements and financial highlights are included in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

### **AVAILABLE INFORMATION**

We are subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the Exchange Act ) and the 1940 Act and are required to file reports, including annual and semi-annual reports, proxy statements and other information with the Commission. Our most recent shareholder report filed with the Commission is for the year ended October 31, 2008, and our most recent quarterly schedule of portfolio holdings is as of January 31, 2009. These documents are available on the Commission's EDGAR system and can be inspected and copied for a fee at the Commission's public reference room, 100 F Street, N.E., Room 1580, Washington, D.C. 20549. Additional information about the operation of the public reference room facilities may be obtained by calling the Commission at (202) 551-5850.

This prospectus supplement and the accompanying prospectus do not contain all of the information in our registration statement, including amendments, exhibits, and schedules. Statements in this prospectus supplement and the accompanying prospectus about the contents of any contract or other document are not necessarily complete and in each instance reference is made to the copy of the contract or other document filed as an exhibit to the registration statement, each such statement being qualified in all respects by this reference.

Additional information about us can be found in our registration statement (including amendments, exhibits, and schedules) on Form N-2 filed with the Commission. The Commission maintains a web site (<http://www.sec.gov>) that contains our registration statement, other documents incorporated by reference, and other information we have filed electronically with the Commission, including proxy statements and reports filed under the Exchange Act.

Base Prospectus

**\$200,000,000**

**Calamos Convertible Opportunities and Income Fund**  
**Common Shares**  
**Preferred Shares**  
**Debt Securities**

Calamos Convertible Opportunities and Income Fund (the Fund, we or our ) is a diversified, closed-end management investment company which commenced investment operations in June 2002. Our investment objective is to provide total return through a combination of capital appreciation and current income.

We may offer, on an immediate, continuous or delayed basis, up to \$200,000,000 aggregate initial offering price of our common shares (no par value per share), preferred shares (no par value per share) or debt securities, which we refer to in this prospectus collectively as our securities, in one or more offerings. We may offer our common shares, preferred shares and debt securities separately or together, in amounts, at prices and on terms set forth in a prospectus supplement to this prospectus. You should read this prospectus and the related prospectus supplement carefully before you decide to invest in any of our securities.

We may offer our securities directly to one or more purchasers, through agents that we or they designate from time to time, or to or through underwriters or dealers. The prospectus supplement relating to the particular offering will identify any agents or underwriters involved in the sale of our securities, and will set forth any applicable purchase price, fee, commission or discount arrangement between us and such agents or underwriters or among the underwriters or the basis upon which such amount may be calculated. For more information about the manner in which we may offer our securities, see Plan of Distribution. Our securities may not be sold through agents, underwriters or dealers without delivery or deemed delivery of a prospectus supplement and a prospectus.

Our common shares are listed on the New York Stock Exchange under the symbol CHI. As of April 2, 2009, the last reported sale price for our common shares was \$8.74.

**Investing in our securities involves certain risks. You could lose some or all of your investment. See Risk Factors beginning on page 32 of this prospectus. Shares of closed-end investment companies frequently trade at a discount to their net asset value and this may increase the risk of loss of purchasers of our securities. You should consider carefully these risks together with all of the other information contained in this prospectus and any prospectus supplement before making a decision to purchase our securities.**

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.**

Prospectus dated April 10, 2009

---

This prospectus, together with any prospectus supplement, sets forth concisely the information that you should know before investing. You should read the prospectus and prospectus supplement, which contain important information, before deciding whether to invest in our securities. You should retain the prospectus and prospectus supplement for future reference. A statement of additional information, dated the same date as this prospectus, as supplemented from time to time, containing additional information, has been filed with the Securities and Exchange Commission ( Commission ) and is incorporated by reference in its entirety into this prospectus. You may request a free copy of the statement of additional information, the table of contents of which is on page 66 of this prospectus, request a free copy of our annual and semi-annual reports, request other information or make shareholder inquiries, by calling toll-free 1-800-582-6959 or by writing to the Fund at 2020 Calamos Court, Naperville, Illinois 60563. The Fund's annual and semi-annual reports also are available on our website at [www.calamos.com](http://www.calamos.com), which also provides a link to the Commission's website, as described below, where the Fund's statement of additional information can be obtained. Information included on our website does not form part of this prospectus. You can review and copy documents we have filed at the Commission's Public Reference Room in Washington, D.C. Call 1-202-551-8090 for information. The Commission charges a fee for copies. You can get the same information free from the Commission's website (<http://www.sec.gov>). You may also e-mail requests for these documents to [publicinfo@sec.gov](mailto:publicinfo@sec.gov) or make a request in writing to the Commission's Public Reference Section, Washington, D.C. 20549-0102.

Our securities do not represent a deposit or obligation of, and are not guaranteed or endorsed by, any bank or other insured depository institution and is not federally insured by the Federal Deposit Insurance Corporation, the Federal Reserve Board or any other government agency.

---

## TABLE OF CONTENTS

	<b>Page</b>
Prospectus Summary	1
Summary of Fund Expenses	15
Financial Highlights	17
Market And Net Asset Value Information	18
Use of Proceeds	19
The Fund	20
Investment Objective and Principal Investment Strategies	21
Leverage	27
Interest Rate Transactions	30
Risk Factors	32
Management of the Fund	40
Closed-End Fund Structure	43
Certain Federal Income Tax Matters	43
Net Asset Value	49
Dividends and Distributions on Common Shares; Automatic Dividend Reinvestment Plan	50
Description of Securities	54
Rating Agency Guidelines	59
Certain Provisions of the Agreement and Declaration of Trust and By-Laws, Including Antitakeover Provisions	61
Plan of Distribution	62
Custodian, Transfer Agent, Dividend Disbursing Agent and Registrar	65
Legal Matters	65
Experts	65
Available Information	65
Table of Contents of the Statement of Additional Information	66

**You should rely only on the information contained or incorporated by reference in this prospectus and any related prospectus supplement in making your investment decisions. We have not authorized any other person to provide you with different or inconsistent information. If anyone provides you with different or inconsistent information, you should not rely on it. This prospectus and any prospectus supplement do not constitute an offer to sell or solicitation of an offer to buy any securities in any jurisdiction where the offer or sale is not permitted. The information appearing in this prospectus and in any prospectus supplement is accurate only as of the dates on their covers. Our business, financial condition and prospects may have changed since such dates. We will advise investors of any material changes to the extent required by applicable law.**

## CAUTIONARY NOTICE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus, any accompanying prospectus supplement and the statement of additional information contain forward-looking statements. Forward-looking statements can be identified by the words may, will, intend, expect, estimate, continue, plan, anticipate, and similar terms and the negative of such terms. Such forward-looking statements may be contained in this prospectus as well as in any accompanying prospectus supplement. By their nature, all forward-looking statements involve risks and uncertainties, and actual results could differ materially from those contemplated by the forward-looking statements. Several factors that could materially affect our actual results are the performance of the portfolio of securities we hold, the price at which our shares will trade in the public markets and other factors discussed in our periodic filings with the Commission.

Although we believe that the expectations expressed in our forward-looking statements are reasonable, actual results could differ materially from those projected or assumed in our forward-looking statements. Our future financial condition and results of operations, as well as any forward-looking statements, are subject to change and are subject to inherent risks and uncertainties, such as those disclosed in the Risk Factors section of this prospectus. All forward-looking statements contained or incorporated by reference in this prospectus or any accompanying prospectus supplement are made as of the date of this prospectus or the accompanying prospectus supplement, as the case may be. Except for our ongoing obligations under the federal securities laws, we do not intend, and we undertake no obligation, to update any forward-looking statement. The forward-looking statements contained in this prospectus, any accompanying prospectus supplement and the statement of additional information are excluded from the safe harbor protection provided by section 27A of the Securities Act of 1933, as amended (the 1933 Act ).

Currently known risk factors that could cause actual results to differ materially from our expectations include, but are not limited to, the factors described in the Risk Factors section of this prospectus. We urge you to review carefully that section for a more detailed discussion of the risks of an investment in our securities.

## PROSPECTUS SUMMARY

*The following summary contains basic information about us and our securities. It is not complete and may not contain all of the information you may want to consider. You should review the more detailed information contained in this prospectus and in any related prospectus supplement and in the statement of additional information, especially the information set forth under the heading "Risk Factors" beginning on page 32 of this prospectus.*

### **The Fund**

The Fund is a diversified, closed-end management investment company. We commenced operations in June 2002 following our initial public offering. As of April 2, 2009, we have \$104 million of Auction Market Preferred Shares ( Preferred Shares or Auction Market Preferred Shares ) outstanding and \$89 million in aggregate principal amount of senior debt. Our fiscal year ends on October 31. Our investment objective is to provide total return through a combination of capital appreciation and current income.

### **Investment Adviser**

Calamos Advisors LLC (the Adviser or Calamos ) serves as our investment adviser. Calamos is responsible on a day-to-day basis for investment of the Fund's portfolio in accordance with its investment objective and policies. Calamos makes all investment decisions for the Fund and places purchase and sale orders for the Fund's portfolio securities. As of February 28, 2009, Calamos managed approximately \$22 billion in assets of individuals and institutions. Calamos is a wholly-owned subsidiary of Calamos Holdings, LLC ( Holdings ) and an indirect subsidiary of Calamos Asset Management, Inc., a publicly traded holding company.

The Fund pays Calamos an annual fee, payable monthly, for its investment management services equal to 0.80% of the Fund's average weekly managed assets. Calamos has contractually agreed to waive a portion of its management fee at the annual rate of 0.25% of the average weekly managed assets of the Fund for the first five full years of the Fund's operations (through June 30, 2007), and to waive a declining amount for an additional three years through June 30, 2010. Managed assets means the total assets of the Fund (including any assets attributable to any leverage that may be outstanding) minus the sum of liabilities (other than debt representing financial leverage). See Management of the Fund.

The principal business address of the Adviser is 2020 Calamos Court, Naperville, Illinois 60563.

### **The Offering**

We may offer, on an immediate, continuous or delayed basis, up to \$200,000,000 of our securities on terms to be determined at the time of the offering. Our securities will be offered at prices at or above net asset value and on terms to be set forth in one or more prospectus supplements to this prospectus. Preferred shares and debt securities (collectively, senior securities ) may be auction rate securities, in which case the senior securities will not be listed on any exchange or automated quotation system. Rather, investors generally may only buy and sell senior securities through an auction conducted by an auction agent and participating broker-dealers.

We may offer our securities directly to one or more purchasers, through agents that we or they designate from time to time, or to or through underwriters or dealers. The prospectus supplement relating to the offering will identify any agents or underwriters involved in the sale of our securities, and will set forth any applicable purchase price, fee, commission or discount arrangement between us and such agents or underwriters or among underwriters or the basis

upon which such amount may be calculated. See Plan of Distribution. Our securities may not be sold through agents, underwriters or dealers without delivery or deemed delivery of a prospectus and prospectus supplement describing the method and terms of the offering of our securities.

## Recent Developments

On May 14, 2008, the Refinancing Committee of the Fund's Board of Trustees approved the redemption of 11,200 of the 15,360 outstanding Auction Market Preferred Shares of the Fund. Beginning June 2, 2008, those shares were redeemed at a price of \$25,000 per share (which was equal to the per share liquidation preference) plus any accrued and unpaid dividends (an aggregate price of \$280 million).

The Fund has entered into a Revolving Credit and Security Agreement (the "Credit Agreement") with conduit lenders and a bank that allows it to borrow up to an initial limit of \$336.6 million, subject to certain restrictions. Initially, the Fund borrowed \$280 million under the Credit Agreement for the purpose of redeeming an equal amount of Auction Market Preferred Shares, as described above. The Credit Agreement has an initial maturity of May 13, 2009. The Fund may request that the lenders extend the availability of the Credit Agreement for up to two years, in one-year increments. Borrowings under the Credit Agreement are secured by the assets of the Fund. Interest is charged at a rate above the conduits' commercial paper issuance rate and is payable monthly. Under the current terms of the Credit Agreement, the Fund also pays a program fee on its outstanding borrowings to administer the facility and a liquidity fee on the total borrowing limit. Program and liquidity fees for the year ended October 31, 2008 totaled \$1,234,231. For the period beginning May 30, 2008, which was date borrowings under the Credit Agreement commenced, and ending October 31, 2008, the average borrowings under the Credit Agreement and the average interest rate were \$236,222,368 and 2.92%, respectively. As of March 17, 2009, the amount of such outstanding borrowings was \$89 million. The interest rate applicable to the borrowings on March 17, 2009 was 0.79%.

Under the terms of the Credit Agreement, we will have to comply with certain prudential limitations on investment concentration, and give the lender a perfected security interest in our securities holdings, with exceptions made for certain permitted liens. At present, we do not believe that these prudential limitations on investment concentration will affect our investment activities in any material way.

Beginning on September 10, 2008, the Fund began to pay down its indebtedness under the Credit Agreement as necessary to maintain compliance with the Fund's non-fundamental restriction regarding leverage, which acts as a buffer against the asset coverage requirements imposed by the Investment Company Act of 1940 ("1940 Act"), as described below under "Leverage." This required deleveraging occurred in smaller increments in reaction to the value of the Fund's assets moving downward on a day-to-day basis. See "Risk Factors - Reduction of Leverage Risk."

On March 18, 2009, the Board of Trustees approved an alternative form of borrowing that we expect to utilize on or about April 30, 2009 to pay down the remaining outstanding indebtedness under the Credit Agreement, at which time the Credit Agreement will be terminated. The borrowing is in the form of a margin loan. The interest rate on the committed facility will vary, based on LIBOR plus 0.95%.

The borrowing facility has a 180 day rolling margin commitment. The loan will be collateralized with certain securities of the Fund's portfolio held in a segregated account, which may be substituted from time to time. At present, we do not believe the margin requirements, lending parameters or the collateral and asset tests associated with the loan will affect our investment activities in any material way.

Upon completion of the refinancing described above, which the Board of Trustees of the Fund has approved, our leverage ratio is not expected to change materially. The Fund is expected to continue to satisfy the asset coverage requirements imposed by the 1940 Act or the recently granted exemptive order described below, as applicable.

The following table illustrates the hypothetical effect on the return to a holder of the Fund's common shares of the leverage obtained by borrowing under the margin loan program described above and does not include potential effects of costs that may be incurred relating to the termination of the existing facility. The purpose of this table is to assist you in understanding the effects of leverage. As the table shows, leverage generally increases the return to shareholders when portfolio return is positive and greater than the cost of leverage and decreases the return when the portfolio return is negative or less than the cost of leverage. The figures appearing in the table are hypothetical and actual returns may be greater or less than those appearing in the table.

Assumed Portfolio Return (Net of Expenses)	(10)%	(5)%	0%	5%	10%
Corresponding Common Share Return	(15.32)%	(8.12)%	(0.92)%	6.28%	13.48%

On February 10, 2009, the Commission issued an order under Section 6(c) of the 1940 Act exempting the Fund from certain provisions of Section 18(a)(1)(A) and 18(a)(1)(B) of the 1940 Act. See "Use of Leverage by the Fund."

For further information about leveraging, see "Risk Factors - Additional Risks to Common Shareholders - Leverage Risk" on page 37 of this prospectus.

### Use of Proceeds

Unless otherwise specified in a prospectus supplement, we currently intend to use the net proceeds from the sale of our securities primarily to invest in accordance with our investment objective and policies within approximately three months of receipt of such proceeds. We may also use proceeds from the sale of our securities to (i) retire all or a portion of any short-term debt we incur in pursuit of our investment objective and policies, (ii) redeem any outstanding senior securities, including, to the extent any are outstanding, our Auction Market Preferred Shares, and (iii) for working capital purposes, including the payment of interest and operating expenses, although there is currently no intent to issue securities primarily for this purpose.

### Dividends and Distributions on Common Shares

The Fund has made regular monthly distributions to its common shareholders in amounts ranging from \$0.0950 to \$0.1500 per share since August 2002. Additionally, the Fund has made distributions of \$0.0150, \$1.0610, \$0.2940, \$0.2201, and \$0.0336 in January 2003, January 2005, January 2006, January 2007, and January 2008, respectively. The Fund intends to distribute to common shareholders all or a portion of its net investment income monthly and net realized capital gains, if any, at least annually.

The Fund currently intends to make monthly distributions to common shareholders at a level rate established by the Board of Trustees. The rate may be modified by the Board of Trustees from time to time. Monthly distributions may include net investment income, net realized short-term capital gain and, if necessary to maintain a level distribution, return of capital. The Fund may at times in its discretion pay out less than the entire amount of net investment income earned in any particular period and may at times pay out such accumulated undistributed income in addition to net investment income earned in other periods in order to permit the Fund to maintain a more stable level of distributions. As a result, the distributions paid by the Fund to holders of common shares for any particular period may be more or less than the amount of net investment income earned by the Fund during such period. Net realized short-term capital gains distributed to shareholders will be taxed as ordinary income for federal income tax purposes. Generally, there may be at least one additional distribution per calendar year that may include net realized long-term capital gain (if any), which will be taxed for federal income tax purposes at long-term capital gain rates. To date, however, none of the Fund's distributions have included a return of capital as determined on a tax basis during any calendar year. To the

extent the Fund distributes an amount in excess of the Fund's current and accumulated earnings and profits, such excess, if any, will be treated by a shareholder for federal income tax purposes as a tax-free return of capital to the extent of the shareholder's adjusted tax basis in his, her or its shares and thereafter as a gain from the sale or exchange of such shares. Any such distributions made by the Fund will reduce the shareholder's adjusted tax basis in his, her or its shares to the extent that the distribution constitutes a return of capital on a tax basis during any calendar year. To the extent that the Fund's distributions exceed the Fund's

current and accumulated earnings and profits, the distribution payout rate will exceed the yield generated from the Fund's investments. There is no guarantee that the Fund will realize capital gain in any given year. Pursuant to the requirements of the 1940 Act and other applicable laws, a notice would accompany each monthly distribution with respect to the estimated source of the distribution made. Distributions are subject to re-characterization for federal income tax purposes after the end of the fiscal year.

On November 4, 2008, the SEC granted Calamos, on behalf of itself and certain funds that it manages, including the Fund, an order granting an exemption from Section 19(b) of and Rule 19b-1 under the 1940 Act to conditionally permit the Fund to make periodic distributions of long-term capital gains with respect to the Fund's outstanding common stock as frequently as twelve times each year, so long as it complies with the conditions of the order and maintains in effect a distribution policy with respect to its common shares calling for periodic distributions of an amount equal to a fixed amount per share, a fixed percentage of market price per share or a fixed percentage of the Fund's net asset value per share (a Managed Dividend Policy). In connection with any implementation of a Managed Dividend Policy pursuant to the order, the Fund would be required to:

- implement certain compliance review and reporting procedures with respect to the Managed Dividend Policy;

- include in each notice to shareholders that accompanies distributions certain information in addition to the information currently required by Section 19(a) of and Rule 19a-1 under the 1940 Act;

- include disclosure regarding the Managed Dividend Policy on the inside front cover of each annual and semi-annual report to shareholders;

- provide the Fund's total return in relation to changes in NAV in the financial highlights table and in any discussion about the Fund's total return in each prospectus and annual and semi-annual report to shareholders;

- include the information contained in each notice to shareholders that accompanies distributions in:
  - (a) communications regarding the Managed Dividend Policy to shareholders, prospective shareholders and third-party information providers;
  - (b) a press release issued contemporaneously with the issuance of the notice;
  - (c) an exhibit to the Fund's next report filed with the SEC on Form N-CSR; and
  - (d) a statement posted prominently on its website; and

- take certain steps to ensure the delivery of the notices accompanying distributions to beneficial owners whose Fund shares are held through a financial intermediary.

In addition, if the Fund's common shares were to trade at a significant premium to NAV following the implementation of a Managed Dividend Policy, and certain other circumstances were present, the Fund's Board of Trustees would be required to determine whether to approve or disapprove the continuation, or continuation after amendment, of the Managed Dividend Policy. Finally, if the Fund implemented a Managed Dividend Policy pursuant to the order, it would not be permitted to make a public offering of common shares other than:

- a rights offering below NAV to holders of the Fund's common shares;

- an offering in connection with a dividend reinvestment plan, merger, consolidation, acquisition, spin-off or reorganization of the Fund; or

- an offering other than those described above, unless, with respect to such other offering:

the Fund's average annual distribution rate for the six months ending on the last day of the month ended immediately prior to the most recent distribution record date, expressed as a percentage of NAV per share as of such date, is no more than one percentage point greater than the Fund's average annual total return for the five-year period (or the period since the Fund's first public offering, if less than five years) ending on such date; and

the transmittal letter accompanying any registration statement filed with the SEC in connection with such offering discloses that the Fund has received an order under Section 19(b) of the 1940 Act to permit it to make periodic distributions of long-term capital gains with respect to its common stock as frequently as twelve times each year, and as frequently as distributions are specified in accordance with the terms of any outstanding preferred stock that such fund may issue.

The relief described above will expire on the effective date of any amendment to Rule 19b-1 under the 1940 Act that provides relief permitting certain closed-end investment companies to make periodic distributions of long-term capital gains with respect to their outstanding common stock as frequently as twelve times each year. As a result of the granting of the order, the Fund may implement a Managed Dividend Policy, although it has not done so as of the date of this prospectus. Under a Managed Dividend Policy, if, for any distribution, undistributed net investment income and net realized capital gains were less than the amount of the distribution, the difference would be distributed from the Fund's other assets. In addition, in order to make such distributions, the Fund might have to sell a portion of its investment portfolio at a time when independent investment judgment might not dictate such action. Notwithstanding receipt of the exemptive relief, currently the Fund does not intend to implement a Managed Dividend Policy until such time as its implementation is in the best interests of the Fund and our shareholders. In addition, it is not contemplated that we will change the terms of our current level distribution policy, which otherwise meets the requirements of Section 19 of the 1940 Act, in connection with any future implementation of the managed distribution order.

Pursuant to the Fund's Automatic Dividend Reinvestment Plan, unless a shareholder is ineligible or elects otherwise, all dividends and capital gain distributions on common shares are automatically reinvested in additional common shares of the Fund. However, an investor can choose to receive dividends and distributions in cash. Since investors can participate in the automatic dividend reinvestment plan only if their broker or nominee participates in our plan, you should contact your broker or nominee to confirm that you are eligible to participate in the plan. See Dividends and Distributions; Automatic Dividend Reinvestment Plan.

## **Investment Policies**

*Primary Investments.* Under normal circumstances, the Fund invests at least 80% of its managed assets in a diversified portfolio of convertible securities and non-convertible income securities. The portion of the Fund's assets invested in convertible securities and non-convertible income securities will vary from time to time consistent with the Fund's investment objective, changes in equity prices and changes in interest rates and other economic and market factors, although, under normal circumstances, the Fund will invest at least 35% of its managed assets in convertible securities. For this purpose, the liquidation preference on any preferred shares will not constitute a liability. The Fund invests in securities with a broad range of maturities. The average term to maturity of the Fund's securities will typically range from five to ten years. See Investment Objective and Principal Investment Strategies Principal Investment Strategies.

*Convertible Securities.* The Fund is not limited in the percentage of its assets invested in convertible securities and investment in convertible securities forms an important part of the Fund's investment strategies. Under normal circumstances, the Fund will invest at least 35% of its managed assets in convertible securities. A convertible security is a debt security or preferred stock that is exchangeable for an equity security (typically of the same issuer) at a predetermined price (the conversion price). Depending upon the relationship of the conversion price to the market value of the underlying security, a convertible security may trade more like an equity security than a debt instrument. See Investment Objective and Principal Investment Strategies Principal Investment Strategies Convertible Securities.

*Synthetic Convertible Securities.* The Fund may invest in synthetic convertible securities. A synthetic convertible security is a financial instrument that is designed to simulate the characteristics of another instrument (i.e., a

convertible security) through the combined features of a collection of other securities or assets. Calamos may create a synthetic convertible security by combining separate securities that possess the two principal characteristics of a true convertible security, i.e., a fixed-income security ( fixed-income component , which may be a convertible or non-convertible security) and the right to acquire an equity

security ( convertible component ). The fixed-income component is achieved by investing in non-convertible, fixed-income securities such as bonds, preferred stocks and money market instruments. The convertible component is achieved by investing in warrants or options to buy common stock at a certain exercise price, or options on a stock index.

The Fund may also invest in synthetic convertible securities created by third parties, typically investment banks. Synthetic convertible securities created by such parties may be designed to simulate the characteristics of traditional convertible securities or may be designed to alter or emphasize a particular feature. Traditional convertible securities typically offer stable cash flows with the ability to participate in capital appreciation of the underlying common stock. Because traditional convertible securities are exercisable at the option of the holder, the holder is protected against downside risk. Synthetic convertible securities may alter these characteristics by offering enhanced yields in exchange for reduced capital appreciation or less downside protection, or any combination of these features. Synthetic convertible instruments may include structured notes, equity-linked notes, mandatory convertibles and combinations of securities and instruments, such as a debt instrument combined with a forward contract. See Investment Objective and Principal Investment Strategies Principal Investment Strategies Synthetic Convertible Securities.

*Non-Convertible Income Securities.* The Fund will also invest in non-convertible income securities. The Fund's investments in non-convertible income securities may have fixed or variable principal payments and all types of interest rate and dividend payment and reset terms, including fixed rate, adjustable rate, zero coupon, contingent, deferred, payment in kind and auction rate features. See Investment Objective and Principal Investment Strategies Principal Investment Strategies Non-Convertible Income Securities.

*High Yield Securities.* A substantial portion of the Fund's assets may be invested in below investment grade (high yield, high risk) securities for either current income or capital appreciation or both. These securities are rated Ba or lower by Moody's or BB or lower by Standard & Poor's or are unrated securities of comparable quality as determined by Calamos, the Fund's investment adviser. The Fund may invest in high yield securities of any rating. Non-convertible debt securities rated below investment grade are commonly referred to as junk bonds and are considered speculative with respect to the issuer's capacity to pay interest and repay principal. They involve greater risk of loss, are subject to greater price volatility and are less liquid, especially during periods of economic uncertainty or change, than higher rated debt securities. See Investment Objective and Principal Investment Strategies Principal Investment Strategies High Yield Securities.

*Foreign Securities.* Although the Fund primarily invests in securities of U.S. issuers, the Fund may invest up to 25% of its net assets in securities of foreign issuers in developed and emerging markets, including debt and equity securities of corporate issuers and debt securities of government issuers. A foreign issuer is a foreign government or a company organized under the laws of a foreign country. See Investment Objective and Principal Investment Strategies Principal Investment Strategies Foreign Securities.

*Rule 144A Securities.* The Fund may invest without limit in certain securities ( Rule 144A Securities ), such as convertible and debt securities, that are typically purchased in transactions exempt from the registration requirements of the 1933 Act pursuant to Rule 144A under that act. Rule 144A Securities may only be sold to qualified institutional buyers, such as the Fund. Any resale of these securities must generally be effected through a sale that is registered under the 1933 Act or otherwise exempted or excepted from such registration requirements. Under the supervision of the Fund's Board of Trustees, Calamos will determine whether Rule 144A Securities are illiquid. Typically, the Fund purchases Rule 144A Securities only if Calamos has determined them to be liquid. If any Rule 144A Security held by the Fund should become illiquid, the value of the security may be reduced and a sale of the security may be more difficult. See Investment Objective and Principal Investment Strategies Principal Investment Strategies Rule 144A Securities.

*Options Writing.* The Fund may seek to generate income from option premiums by writing (selling) options. The Fund may write (sell) call options (i) on a portion of the equity securities (including securities that are convertible into equity securities) in the Fund's portfolio and (ii) on broad-based securities indexes (such as the S&P 500 or MSCI EAFE) or certain ETFs (exchange traded funds) that trade like common stocks but seek to replicate such market indexes.

In addition, to seek to offset some of the risk of a potential decline in value of certain long positions, the Fund may also purchase put options on individual securities, broad-based securities indexes (such as the S&P 500 or MSCI EAFE), or certain ETFs that trade like common stocks but seek to replicate such market indexes.

*Other Securities.* The Fund may invest in other securities of various types to the extent consistent with its investment objective. Normally, the Fund invests substantially all of its assets to meet its investment objective. For temporary defensive purposes, the Fund may depart from its principal investment strategies and invest part or all of its assets in securities with remaining maturities of less than one year, cash equivalents, or may hold cash. During such periods, the Fund may not be able to achieve its investment objective. See Investment Objective and Principal Investment Strategies Principal Investment Strategies.

### **Use of Leverage by the Fund**

The Fund currently uses, and may in the future use, financial leverage. On September 12, 2002 and November 12, 2003, the Fund issued Auction Market Preferred Shares with an aggregate liquidation preference of \$204 million and \$180 million, respectively. In June 2008, the Fund redeemed \$280 million aggregate liquidation preference of its outstanding Auction Market Preferred Shares with the proceeds of a renewable commercial paper conduit facility that has a maturity of 364 days. As of January 31, 2009, the Fund had outstanding Auction Market Preferred Shares with \$104 million in aggregate liquidation preference and outstanding senior debt under the renewable commercial paper conduit facility with an aggregate principal amount of \$89 million. Together such leverage represented, as of January 31, 2009, approximately 31% of the Fund's managed assets. The Fund may make further use of financial leverage through the issuance of additional preferred shares or may borrow money or issue additional debt securities to the extent permitted under the 1940 Act. As a non-fundamental policy, the aggregate liquidation preference of preferred shares and the aggregate principal amount of debt securities or borrowings may not exceed 38% of the Fund's total assets. However, subject to the following paragraph, the Board of Trustees reserves the right to issue preferred shares or debt securities or borrow to the extent permitted by the 1940 Act. See Prospectus Summary Recent Developments.

On February 10, 2009, the Commission issued an order under Section 6(c) of the 1940 Act exempting the Fund from certain provisions of Sections 18(a)(1)(A) and 18(a)(1)(B) of the 1940 Act (the Order). Under the terms of the Order, the Fund may issue or incur debt subject to asset coverage of not less than 200% that would be used to finance the redemption of the Fund's Auction Market Preferred Shares issued prior to February 1, 2008 that were outstanding at the time the Order was issued. In addition, the Order permits the Fund to declare dividends or any other distributions on, or purchase, capital stock during the term of the Order, subject to maintaining at least 200% asset coverage. The relief granted by the Order with respect to any borrowing in reliance upon the Order is conditioned, among other things, on the Fund's Board of Trustees (including a majority of the Trustees who are not deemed to be interested persons under the 1940 Act) determining that such borrowings are in the best interest of the Fund, the Fund's common shareholders, and the Fund's Auction Market Preferred shareholders. There is no guarantee that the Fund's Board of Trustees will make this finding, such that the Fund can borrow in reliance upon the Order. In addition, any borrowings in reliance upon the Order could increase the risk that the Fund will have less assets available to cover its outstanding liabilities, including any claims of its common shareholders. Assuming that the Fund is able to meet the conditions of the Order, it may rely upon this exemptive relief until October 31, 2010. If the Fund is unable to refinance the borrowings made pursuant to the Order with an alternative form of equity-based senior security before that date, or if the Fund's Board of Trustees determines prior to that date that the borrowing made in reliance upon the Order is no longer in the best interests of the Fund's common shareholders, the Fund would be required to reduce its leverage until its borrowings have an asset coverage of no less than 300%. See Leverage.

The Fund may not be leveraged at all times and the amount of leverage, if any, may vary depending upon a variety of factors, including Calamos' outlook for the market and the costs that the Fund would incur as a result of such leverage.

The Fund will pay (and common shareholders will bear) any costs and expenses relating to any borrowings and to the issuance and ongoing maintenance of preferred shares or debt securities

(for example, the higher management fee resulting from the use of any such leverage, and interest and/or dividend expense and ongoing maintenance). The Fund's leveraging strategy may not be successful. By leveraging its investment portfolio, the Fund creates an opportunity for increased net income or capital appreciation. However, the use of leverage also involves risks to common shareholders, which can be significant. These risks include the possibility that the value of the assets acquired with the proceeds of leverage decreases although the Fund's liability to holders of preferred shares or other types of leverage is fixed, greater volatility in the Fund's net asset value and the market price of the Fund's common shares, and higher expenses. In addition, the rights of lenders, the holders of preferred shares and the holders of debt securities issued by the Fund will be senior to the rights of the holders of common shares with respect to the payment of dividends or to the payment of the Fund's assets upon liquidation. Holders of preferred shares have, and holders of debt securities may have, voting rights in addition to, and separate from, the voting rights of common shareholders. See Description of Securities Preferred Shares and Certain Provisions of the Agreement and Declaration of Trust and By-Laws. The holders of preferred shares or debt, on the one hand, and the holders of the common shares, on the other, may have interests that conflict with each other in certain situations.

Because Calamos' management fee is based upon a percentage of the Fund's managed assets, which include assets attributable to any outstanding leverage, Calamos' fee is higher when the Fund is leveraged and Calamos will have an incentive to leverage the Fund. See Leverage and Risk Factors Leverage.

### **Interest Rate Transactions**

In order to seek to reduce the interest rate risk inherent in the Fund's underlying investments and capital structure, the Fund, if Calamos deems market conditions favorable, may enter into over-the-counter interest rate swap or cap transactions to attempt to protect itself from increasing dividend or interest expenses on its leverage. The use of interest rate swaps and caps is a highly specialized activity that involves investment techniques and risks different from those associated with ordinary portfolio security transactions.

In an interest rate swap, the Fund would agree to pay to the other party to the interest rate swap (which is known as the counterparty) a fixed rate payment in exchange for the counterparty agreeing to pay to the Fund a payment at a variable rate that is expected to approximate the rate on any variable rate payment obligation on the Fund's leverage. The payment obligations would be based on the notional amount of the swap.

In an interest rate cap, the Fund would pay a premium to the counterparty to the interest rate cap and, to the extent that a specified variable rate index exceeds a predetermined fixed rate, would receive from the counterparty payments of the difference based on the notional amount of such cap. Depending on the state of interest rates in general, the Fund's use of interest rate swap or cap transactions could enhance or harm the overall performance of the common shares. See Interest Rate Transactions.

### **Conflicts of Interest**

Conflicts of interest may arise from the fact that Calamos and its affiliates carry on substantial investment activities for other clients, in which we have no interest. Calamos or its affiliates may have financial incentives to favor certain of these accounts over us. Any of their proprietary accounts or other customer accounts may compete with us for specific trades. Calamos or its affiliates may give advice and recommend securities to, or buy or sell securities for, other accounts and customers, which advice or securities recommended may differ from advice given to, or securities recommended or bought or sold for, us, even though their investment objectives may be the same as, or similar to, our objective.

Situations may occur when we could be disadvantaged because of the investment activities conducted by Calamos and its affiliates for their other accounts. Such situations may be based on, among other things, the following: (1) legal or internal restrictions on the combined size of positions that may be taken for us or the other accounts, thereby limiting the size of our position; or (2) the difficulty of liquidating an investment for

us or the other accounts where the market cannot absorb the sale of the combined position. See *Investment Objective and Principal Investment Strategies* *Conflicts of Interest*.

## **Fund Risks**

*Convertible Securities Risk.* The value of a convertible security is influenced by both the yield of non-convertible securities of comparable issuers and by the value of the underlying common stock. The value of a convertible security viewed without regard to its conversion feature (i.e., strictly on the basis of its yield) is sometimes referred to as its investment value. A convertible security's investment value tends to decline as prevailing interest rate levels increase. Conversely, a convertible security's investment value increases as prevailing interest rate levels decline.

However, the convertible's market value tends to reflect the market price of the common stock of the issuing company when that stock price is greater than the convertible's conversion price. The conversion price is defined as the predetermined price at which the convertible could be exchanged for the associated stock. As the market price of the underlying common stock declines, the price of the convertible security tends to be influenced more by the yield of the convertible security. Thus, the convertible security may not decline in price to the same extent as the underlying common stock. In the event of a liquidation of the issuing company, holders of convertible securities would be paid before the company's common stockholders. Consequently, the issuer's convertible securities generally entail less risk than its common stock. See *Risk Factors* *Fund Risks* *Convertible Securities Risk*.

*Synthetic Convertible Securities Risk.* The value of a synthetic convertible security may respond differently to market fluctuations than a convertible security because a synthetic convertible is composed of two or more separate securities or instruments, each with its own market value. In addition, if the value of the underlying common stock or the level of the index involved in the convertible component falls below the exercise price of the warrant or option, the warrant or option may lose all value. See *Risk Factors* *Fund Risks* *Synthetic Convertible Securities Risk*.

*High Yield Securities Risk.* Investment in high yield securities involves substantial risk of loss. Below investment grade non-convertible debt securities or comparable unrated securities are commonly referred to as "junk bonds" and are considered predominantly speculative with respect to the issuer's ability to pay interest and principal and are susceptible to default or decline in market value due to adverse economic and business developments. The market values for high yield securities tend to be very volatile, and these securities are less liquid than investment grade debt securities. For these reasons, your investment in the Fund is subject to the following specific risks:

increased price sensitivity to changing interest rates and to a deteriorating economic environment;

greater risk of loss due to default or declining credit quality;

adverse company specific events are more likely to render the issuer unable to make interest and/or principal payments; and

if a negative perception of the high yield market develops, the price and liquidity of high yield securities may be depressed. This negative perception could last for a significant period of time.

Adverse changes in economic conditions are more likely to lead to a weakened capacity of a high yield issuer to make principal payments and interest payments than an investment grade issuer. The principal amount of high yield securities outstanding has proliferated in the past decade as an increasing number of issuers have used high yield securities for corporate financing. An economic downturn could severely affect the ability of highly leveraged issuers to service their debt obligations or to repay their obligations upon maturity.

The secondary market for high yield securities may not be as liquid as the secondary market for more highly rated securities, a factor which may have an adverse effect on the Fund's ability to dispose of a particular security. There are fewer dealers in the market for high yield securities than for investment grade obligations. The prices quoted by different dealers may vary significantly and the spread between the bid and

asked price is generally much larger than for higher quality instruments. Under adverse market or economic conditions, the secondary market for high yield securities could contract further, independent of any specific adverse changes in the condition of a particular issuer, and these instruments may become illiquid. As a result, the Fund could find it more difficult to sell these securities or may be able to sell the securities only at prices lower than if such securities were widely traded. Prices realized upon the sale of such lower rated or unrated securities, under these circumstances, may be less than the prices used in calculating the Fund's net asset value. See Risk Factors Fund Risks High Yield Securities Risk.

*Interest Rate Risk.* In addition to the risks discussed above, debt securities are subject to certain risks, including:

if interest rates go up, the value of debt securities in the Fund's portfolio generally will decline;

during periods of declining interest rates, the issuer of a security may exercise its option to prepay principal earlier than scheduled, forcing the Fund to reinvest in lower yielding securities. This is known as call or prepayment risk. Debt securities frequently have call features that allow the issuer to repurchase the security prior to its stated maturity. An issuer may redeem an obligation if the issuer can refinance the debt at a lower cost due to declining interest rates or an improvement in the credit standing of the issuer;

during periods of rising interest rates, the average life of certain types of securities may be extended because of slower than expected principal payments. This may lock in a below market interest rate, increase the security's duration (the estimated period until the security is paid in full) and reduce the value of the security. This is known as extension risk; and

market interest rates currently are near historically low levels. See Risk Factors Fund Risks Interest Rate Risk.

*Liquidity Risk.* Illiquid securities may be difficult to dispose of at a fair price at the times when the Fund believes it is desirable to do so. Investment of the Fund's assets in illiquid securities may restrict the Fund's ability to take advantage of market opportunities. The risks associated with illiquid securities may be particularly acute in situations in which the Fund's operations require cash and could result in the Fund borrowing to meet its short-term needs or incurring losses on the sale of illiquid securities. See Risk Factors Fund Risks Liquidity Risk.

*Foreign Securities Risk.* Investments in non-U.S. issuers may involve unique risks compared to investing in securities of U.S. issuers. These risks are more pronounced to the extent that the Fund invests a significant portion of its non-U.S. investments in one region or in the securities of emerging market issuers. These risks may include:

less information about non-U.S. issuers or markets may be available due to less rigorous disclosure or accounting standards or regulatory practices;

many non-U.S. markets are smaller, less liquid and more volatile. In a changing market, Calamos may not be able to sell the Fund's portfolio securities at times, in amounts and at prices it considers reasonable;

an adverse effect of currency exchange rates or controls on the value of the Fund's investments;

the economies of non-U.S. countries may grow at slower rates than expected or may experience a downturn or recession;

economic, political and social developments may adversely affect the securities markets, including expropriation and nationalization;

the difficulty in obtaining or enforcing a court judgment in non-U.S. countries;

restrictions on foreign investments in non-U.S. jurisdictions;

difficulties in effecting the repatriation of capital invested in non-U.S. countries; and

withholding and other non-U.S. taxes may decrease the Fund's return. See Risk Factors Fund Risks Foreign Securities Risk.

*Risks Associated with Options.* There are several risks associated with transactions in options. For example, there are significant differences between the securities markets and options markets that could result in an imperfect correlation among these markets, causing a given transaction not to achieve its objectives. A decision as to whether, when and how to use options involves the exercise of skill and judgment, and even a well-conceived transaction may be unsuccessful to some degree because of market behavior or unexpected events. The Fund's ability to utilize options successfully will depend on Calamos' ability to predict pertinent market movements, which cannot be assured.

The Fund may sell call options on individual securities and securities indices. All calls sold by the Fund must be covered. Even though the Fund will receive the option premium to help protect it against loss, a call option sold by the Fund exposes the Fund during the term of the option to possible loss of opportunity to realize appreciation in the market price of the underlying security or instrument and may require the Fund to hold a security or instrument that it might otherwise have sold. The Fund may purchase and sell put options on individual securities and securities indices. In selling put options, there is a risk that the Fund may be required to buy the underlying security at a disadvantageous price above the market price. See Risk Factors Fund Risks Risks Associated with Options.

*Management Risk.* Calamos' judgment about the attractiveness, relative value or potential appreciation of a particular sector, security or investment strategy may prove to be incorrect. See Risk Factors Fund Risks Management Risk.

*Tax Risk.* The Fund may invest in certain securities, such as certain convertible securities, for which the federal income tax treatment may not be clear or may be subject to re-characterization by the Internal Revenue Service. It could be more difficult for the Fund to comply with the tax requirements applicable to regulated investment companies if the tax characterization of the Fund's investments or the tax treatment of the income from such investments were successfully challenged by the Internal Revenue Service. See Certain Federal Income Tax Matters.

*Antitakeover Provisions.* The Fund's Agreement and Declaration of Trust and By-laws include provisions that could limit the ability of other entities or persons to acquire control of the Fund or to change the composition of its Board of Trustees. Such provisions could limit the ability of shareholders to sell their shares at a premium over prevailing market prices by discouraging a third party from seeking to obtain control of the Fund. These provisions include staggered terms of office for the Trustees, advance notice requirements for shareholder proposals, and super-majority voting requirements for certain transactions with affiliates, converting the Fund to an open-end investment company or a merger, asset sale or similar transaction. Holders of preferred shares will have voting rights in addition to and separate from the voting rights of common shareholders with respect to certain of these matters. See Description of Shares Preferred Shares and Certain Provisions of the Agreement and Declaration of Trust and By-Laws. The holders of preferred shares, on the one hand, and the holders of the common shares, on the other, may have interests that conflict in these situations. See Risk Factors Fund Risks Antitakeover Provisions.

*Market Disruption Risk.* Certain events have a disruptive effect on the securities markets, such as terrorist attacks, war and other geopolitical events, earthquakes, storms and other disasters. The Fund cannot predict the effects of similar events in the future on the U.S. economy or any foreign economy. See Risk Factors Fund Risks Market Disruption Risk.

*Recent Market Events.* Recently, domestic and international markets have experienced a period of acute stress starting in the financial sector and then moving to other sectors of the world economy. This stress has resulted in unusual and extreme volatility in the equity markets and in the prices of individual stocks. In some cases, the prices of stocks of individual companies have declined sharply even though a corresponding degradation in the financial conditions or prospects of that company is not apparent. These market conditions add significantly to the risk of short-term volatility of the Fund.

In addition, debt markets are experiencing a period of high volatility which has negatively impacted market liquidity conditions and prices. Initially, the concerns on the part of market participants were focused on the subprime segment of the mortgage-backed securities market. These concerns have since expanded to

include derivatives, securitized assets and a broad range of other debt securities, including those rated investment grade, the U.S. and international credit and interbank money markets generally, and a wide range of financial institutions and markets, asset classes, and sectors. As a result, debt instruments are experiencing liquidity issues, increased price volatility, credit downgrades, and increased likelihood of default. In addition, many investors have been forced to liquidate positions they might not otherwise sell to satisfy margin calls, putting further pressure on asset prices. These market conditions may have an adverse effect on the Fund's investments and hamper the Fund's ability to sell the debt securities in which it invests or to find and purchase suitable debt instruments. In addition, illiquidity and volatility in the credit markets may directly and adversely affect the setting of dividend rates on the common shares.

The recent market conditions have also caused domestic and international issuers to seek capital infusions to strengthen their financial positions or to remain financially viable. These capital infusions have taken a variety of forms, including the public or private issuance of additional debt securities, equity securities or both, which have been purchased by, among others, public and private investors, government agencies, and sovereign wealth funds. If the Fund owns shares of an issuer that sells additional equity securities and the Fund cannot or chooses not to purchase shares in the offering, the Fund's interest in the issuing company will be diluted.

### **Additional Risks to Common Shareholders**

#### *Additional risks of investing in common shares include the following:*

*Leverage Risk.* The Fund has issued preferred shares and indebtedness and may issue additional preferred shares or borrow money or issue debt securities. The borrowing of money or issuance of debt securities and preferred shares, including the outstanding Auction Market Preferred Shares and indebtedness, represents the leveraging of the Fund's common shares. As a non-fundamental policy, the aggregate liquidation preference of preferred shares and the aggregate principal amount of debt securities or borrowings may not exceed 38% of the Fund's total assets. However, the Board of Trustees reserves the right to issue preferred shares or debt securities or borrow to the extent permitted by the 1940 Act or under any order issued by the Commission. See *Leverage*. Leverage creates risks which may adversely affect the return for the holders of common shares, including:

the likelihood of greater volatility of net asset value and market price of the Fund's common shares;

fluctuations in the dividend rates on any preferred shares or in interest rates on borrowings and short-term debt;

increased operating costs, which are effectively borne by common shareholders, may reduce the Fund's total return; and

the potential for a decline in the value of an investment acquired with borrowed funds, while the Fund's obligations under such borrowing or preferred shares remain fixed.

In addition, the rights of lenders and the holders of preferred shares and debt securities issued by the Fund will be senior to the rights of the holders of common shares with respect to the payment of dividends or to the payment of assets upon liquidation. Holders of preferred shares have voting rights in addition to and separate from the voting rights of common shareholders. See *Description of Shares Preferred Shares* and *Certain Provisions of the Agreement and Declaration of Trust and By-Laws*. The holders of preferred shares, on the one hand, and the holders of the common shares, on the other, may have interests that conflict in certain situations.

Leverage is a speculative technique that could adversely affect the returns to common shareholders. Leverage can cause the Fund to lose money and can magnify the effect of any losses. To the extent the income or capital

appreciation derived from securities purchased with funds received from leverage exceeds the cost of leverage, the Fund's return will be greater than if leverage had not been used. Conversely, if the income or capital appreciation from the securities purchased with such funds is not sufficient to cover the cost of leverage or if the Fund incurs capital losses, the return of the Fund will be less than if leverage had not been used, and

therefore the amount available for distribution to common shareholders as dividends and other distributions will be reduced or potentially eliminated.

The Fund will pay, and common shareholders will effectively bear, any costs and expenses relating to any borrowings and to the issuance and ongoing maintenance of preferred shares or debt securities. Such costs and expenses include the higher management fee resulting from the use of any such leverage, offering and/or issuance costs, and interest and/or dividend expense and ongoing maintenance. In addition, the markets for auction rate securities have continued to face widening spreads, reduced demand and, more recently, an increased number of failed auctions. These conditions may, directly or indirectly, result in higher leverage costs to common shareholders.

Certain types of borrowings may result in the Fund being subject to covenants in credit agreements, including those relating to asset coverage, borrowing base and portfolio composition requirements and additional covenants that may affect the Fund's ability to pay dividends and distributions on common shares in certain instances. The Fund may also be required to pledge its assets to the lenders in connection with certain types of borrowings. The Fund may be subject to certain restrictions on investments imposed by guidelines of one or more NRSROs which may issue ratings for the preferred shares or short-term debt instruments issued by the Fund. These guidelines may impose asset coverage or portfolio composition requirements that are more stringent than those imposed by the 1940 Act. See Prospectus Summary Recent Developments.

*Interest Rate Transactions Risk.* The Fund may enter into an interest rate swap or cap transaction to attempt to protect itself from increasing dividend or interest expenses on its leverage resulting from increasing short-term interest rates. A decline in interest rates may result in a decline in the value of the swap or cap, which may result in a decline in the net asset value of the Fund. See Risk Factors Interest Rate Transactions Risk.

*Reduction of Leverage Risk.* We have previously taken, and may in the future take, action to reduce the amount of leverage employed by the Fund. See Prospectus Summary Recent Developments. In addition, subject to then current market conditions and portfolio management assessment, we may use the proceeds of any offering under this prospectus and related prospectus supplement to redeem preferred shares, including the Auction Market Preferred Shares, to the extent that any such securities are outstanding. Reduction of the leverage employed by the Fund, including by redemption of preferred shares, will in turn reduce the amount of assets available for investment in portfolio securities. This reduction in leverage may negatively impact our financial performance, including our ability to sustain current levels of distributions on common shares.

*Market Impact Risk.* The sale of our common shares (or the perception that such sales may occur) may have an adverse effect on prices in the secondary market for our common shares by increasing the number of shares available, which may put downward pressure on the market price for our common shares. These sales also might make it more difficult for us to sell additional equity securities in the future at a time and price we deem appropriate.

*Dilution Risk.* The voting power of current shareholders will be diluted to the extent that such shareholders do not purchase shares in any future common share offerings or do not purchase sufficient shares to maintain their percentage interest. In addition, if we are unable to invest the proceeds of such offering as intended, our per share distribution may decrease (or may consist of return of capital) and we may not participate in market advances to the same extent as if such proceeds were fully invested as planned.

*Market Discount Risk.* The Fund's common shares have traded both at a premium and at a discount relative to net asset value. Common shares of closed-end investment companies frequently trade at prices lower than their net asset value. Depending on the premium of the Fund's common shares, the Fund's net asset value may be reduced immediately following an offering of the Fund's common shares by the offering expenses paid by the Fund. See Use of Proceeds.

In addition to net asset value, the market price of the Fund's common shares may be affected by such factors as the Fund's use of leverage, dividend stability, portfolio credit quality, liquidity, market supply and demand of the common shares and the Fund's dividends paid (which are, in turn, affected by expenses), call protection for portfolio securities and interest rate movements. See [Leverage](#), [Risk Factors](#) and

Description of Securities. The Fund's common shares are designed primarily for long-term investors, and you should not purchase common shares if you intend to sell them shortly after purchase.

See Risk Factors Additional Risks to Common Shareholders for a more detailed discussion of these risks.

### **Additional Risks to Senior Security Holders**

#### *Additional risks of investing in senior securities include the following:*

*Interest Rate Risk.* Rising market interest rates could impact negatively the value of our investment portfolio, reducing the amount of assets serving as asset coverage for the senior securities.

*Senior Leverage Risk.* Our preferred shares will be junior in liquidation and with respect to distribution rights to our debt securities and any other borrowings. Senior securities representing indebtedness may constitute a substantial lien and burden on preferred shares by reason of their prior claim against our income and against our net assets in liquidation. We may not be permitted to declare dividends or other distributions with respect to any series of our preferred shares unless at such time we meet applicable asset coverage requirements and the payment of principal or interest is not in default with respect to any borrowings.

*Ratings and Asset Coverage Risk.* To the extent that senior securities are rated, a rating does not eliminate or necessarily mitigate the risks of investing in our senior securities, and a rating may not fully or accurately reflect all of the credit and market risks associated with that senior security. A rating agency could downgrade the rating of our preferred shares or debt securities, which may make such securities less liquid in the secondary market, though probably with higher resulting interest rates. If a rating agency downgrades the rating assigned to a senior security, we may alter our portfolio or redeem the senior security. We may voluntarily redeem senior securities under certain circumstances.

*Inflation Risk.* Inflation is the reduction in the purchasing power of money resulting from an increase in the price of goods and services. Inflation risk is the risk that the inflation adjusted or real value of an investment in preferred shares or debt securities or the income from that investment will be worth less in the future. As inflation occurs, the real value of the preferred shares or debt securities and the dividend payable to holders of preferred shares or interest payable on debt securities declines.

*Decline in Net Asset Value Risk.* A material decline in our net asset value ( NAV ) may impair our ability to maintain required levels of asset coverage for our preferred shares or debt securities.

See Risk Factors Additional Risks to Senior Security Holders for a more detailed discussion of these risks.

## SUMMARY OF FUND EXPENSES

The following table and example contain information about the costs and expenses that common shareholders will bear directly or indirectly. In accordance with Commission requirements, the table below shows our expenses, including leverage costs, as a percentage of our average net assets as of January 31, 2009, and not as a percentage of gross assets or managed assets. By showing expenses as a percentage of average net assets, expenses are not expressed as a percentage of all of the assets we invest. The table and example are based on our capital structure as of January 31, 2009, including expenses incurred in connection with borrowings under a renewable commercial paper conduit facility. See Prospectus Summary Recent Developments. The table and example reflect interest expense and related expenses associated with such borrowings, the aggregate principal amount of which was \$89 million as of January 31, 2009. The proceeds of such borrowings were utilized entirely to redeem an equal aggregate liquidation amount of Auction Market Preferred Shares in June 2008. As of January 31, 2009, the Fund had outstanding Auction Market Preferred Shares with \$104 million in aggregate liquidation preference and outstanding senior debt under the renewable commercial paper conduit facility with an aggregate principal amount of \$89 million. Together such leverage represented, as of January 31, 2009, approximately 31% of the Fund's managed assets.

### Shareholder Transaction Expenses

Sales Load (as a percentage of offering price)	(1)
Dividend Reinvestment and Cash Purchase Plan Fees(2)	None

Annual Expenses	Percentage of Net Assets Attributable to Common Shareholders
Management Fee(3)	1.21
Leverage Costs(4)	2.69
Other Expenses(5)	.16
Acquired Fund Fees and Expenses(6)	.01
Total Annual Expenses	4.07
Less Fee Reductions(7)	(.17)
Net Annual Expenses	3.90

### **Offering Expenses**

Offering Expenses Borne by the Fund (as a percentage of offering price)	(1)
---	-----

### **Example:**

The following example illustrates the expenses that common shareholders would pay on a \$1,000 investment in common shares, assuming (1) net annual expenses of 3.95% of net assets attributable to common shares in year 1 and increasing to 4.03% in year 2, and 4.07% in years 3 through 10; (2) a 5% annual return; and (3) all distributions are reinvested at net asset value:

	<b>1 Year</b>	<b>3 Years</b>	<b>5 Years</b>	<b>10 Years</b>
Total Expenses Paid by Common Shareholders(8)	\$ 40	\$ 122	\$ 207	\$ 425

**The example should not be considered a representation of future expenses. Actual expenses may be greater or less than those assumed. Moreover, our actual rate of return may be greater or less than the hypothetical 5% return shown in the example.**

- (1) If the securities to which this prospectus relates are sold to or through underwriters, the prospectus supplement will set forth any applicable sales load and the estimated offering expenses borne by us.
- (2) Shareholders will pay a transaction fee plus brokerage charges if they direct the Plan Agent to sell common shares held in a Plan account. In addition, each participant will pay a pro rata share of brokerage commissions incurred with respect to the Plan Agent's open-market purchases in connection with the

reinvestment of dividends or distributions. If a participant elects to have the Plan Agent sell part or all of his or her common shares and remit the proceeds, such participant will be charged his or her pro rata share of brokerage commissions on the shares sold. See Automatic Dividend Reinvestment Plan.

- (3) The Fund pays Calamos an annual management fee, payable monthly, for its investment management services equal to 0.80% of the Fund's average weekly managed assets. In accordance with the requirements of the Commission, the table above shows the Fund's management fee as a percentage of average net assets attributable to common shares. By showing the management fee as a percentage of net assets, the management fee is not expressed as a percentage of all of the assets the Fund intends to invest. For purposes of the table, the management fee has been converted to 1.21% of the Fund's average weekly net assets as of January 31, 2009 by dividing the total dollar amount of the management fee by the Fund's average weekly net assets (managed assets less outstanding leverage).
- (4) Leverage Costs in the table reflect (a) the cost of auction agent and rating agency fees on the Auction Market Preferred Shares, expressed as a percentage of net assets, (b) the cost of dividends on the Auction Market Preferred Shares, and (c) interest expense on borrowings under the renewable commercial paper conduit facility we utilized in connection with refinancing certain of the Auction Market Preferred Shares and related costs. The table assumes average outstanding Auction Market Preferred Shares of \$104 million and average indebtedness of \$100 million, which reflects leverage in an amount representing approximately 34% of the Fund's average weekly managed assets.
- (5) Other Expenses are based on estimated amounts for the current fiscal year.
- (6) Acquired Fund Fees and Expenses include certain expenses incurred in connection with the Fund's investment in Calamos Government Money Market Fund, a series of Calamos Investment Trust ( GMMF ). Calamos has voluntarily agreed to waive a portion of its advisory fee charged to the Fund, in an amount equal to the advisory fee payable by GMMF to Calamos that is attributable to the Fund's investment in GMMF, based on daily net assets. On or about May 15, 2009, the Calamos Government Money Market Fund will liquidate, and the Fund will no longer invest in that fund.
- (7) Assumes contractual waiver of fees of 0.11% of average weekly managed assets through June 30, 2009 and 0.04% of average weekly managed assets from July 1, 2009 through June 30, 2010 which may not be recaptured by Calamos. For purposes of the table, this waiver amount has been converted to 0.17% of the Fund's net assets as of January 31, 2009 by dividing the total dollar amount of the waiver by the Fund's net assets (managed assets less outstanding leverage). Amounts waived pursuant to this agreement may not be recouped by Calamos in the future.
- (8) The example does not include sales load or estimated offering costs, which would cause the expenses shown in the example to increase. The example assumes a contractual waiver of advisory fees of 0.11% of average weekly managed assets through June 30, 2009 and 0.04% through June 30, 2010.

The purpose of the table and the example above is to help investors understand the fees and expenses that they, as common shareholders, would bear directly or indirectly. For additional information with respect to our expenses, see Management of the Fund.

**FINANCIAL HIGHLIGHTS**

The information in the following table shows selected data for a common share outstanding throughout each period listed below. Deloitte & Touche LLP, an independent registered public accounting firm, has audited the information for the fiscal years ended October 31, 2008, October 31, 2007, October 31, 2006, October 31, 2005, October 31, 2004 and October 31, 2003. The report of Deloitte & Touche LLP is contained in our 2008 Annual Report and included in the statement of additional information, both of which are available from us. Information for the period ended October 31, 2002 was audited by another independent registered public accounting firm.

**For the Year Ended October 31,**

	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>June 26, 2002* October 31, 2002</b>
Net asset value, beginning of period	\$ 16.38	\$ 16.42	\$ 16.59	\$ 18.03	\$ 18.01	\$ 13.56	\$ 14.32(a)
Income from investment operations:							
Net investment income (loss)	1.16**	1.44**	1.50	1.65	1.91	1.77(b)	0.39(c)
Net realized and unrealized gain (loss) from investments, written options, foreign currency and interest rate swaps	(7.31)	0.97	0.81	0.03	0.52	4.38(b)	(0.77)
Distributions to preferred shareholders from:							
Net investment income (common share equivalent basis)	(0.13)	(0.41)	(0.36)	(0.19)	(0.11)	(0.06)	(0.01)
Capital gains (common share equivalent basis)	(0.12)	(0.02)	(0.03)	(0.06)	***		
Total from investment operations	(6.40)	1.98	1.92	1.43	2.32	6.09	(0.39)
Less distributions to common							

Edgar Filing: CALAMOS CONVERTIBLE OPPORTUNITIES & INCOME FUND - Form 497

shareholders from:

Net investment income	(1.41)	(1.55)	(1.61)	(1.65)	(1.80)	(1.64)	(0.29)
Capital gains	(0.31)	(0.47)	(0.48)	(1.22)	(0.45)		
Capital charge resulting from issuance of common and preferred shares	***				(0.05)	***	(0.08)
Net asset value, end of period	\$ 8.26	\$ 16.38	\$ 16.42	\$ 16.59	\$ 18.03	\$ 18.01	\$ 13.56
Market value, end of period	\$ 9.10	\$ 16.90	\$ 19.73	\$ 19.52	\$ 20.50	\$ 19.60	\$ 14.20
Total investment return based on(d):							
Net asset value	(42.58)%	11.51%	10.47%	6.69%	12.65%	46.48%	(3.33)%
Market value	(38.69)%	(4.25)%	12.81%	10.40%	17.69%	52.22%	(3.33)%
Ratios and supplemental data:							
Net assets applicable to common shareholders, end of period (000 s omitted)	\$ 409,035	\$ 784,997	\$ 771,994	\$ 764,502	\$ 808,278	\$ 790,764	\$ 586,893
Preferred shares, at redemption value (\$25,000 per share liquidation preference) (000 s omitted)	\$ 104,000	\$ 384,000	\$ 384,000	\$ 384,000	\$ 384,000	\$ 204,000	\$ 204,000
Ratios to average net assets applicable to common shareholders:							
Net expenses(e)(f)	1.92%	1.08%	1.04%	1.06%	1.00%	0.86%	0.79%
Gross expenses prior to expense reductions and earnings credits(e)(f)	2.16%	1.43%	1.42%	1.43%	1.37%	1.18%	1.06%
Net investment income (loss)(e)(f)	8.38%	8.83%	9.17%	9.59%	10.56%	10.89%(b)	8.21%
Preferred share distributions from net investment income	0.92%	2.51%	2.18%	1.11%	0.65%	0.39%	0.23%
Net investment income (loss), net of preferred share	7.46%	6.32%	6.99%	8.48%	9.91%	10.50%(b)	7.98%

distributions from net investment income							
Portfolio turnover rate	53%	52%	48%	76%	54%	42%	2%
Asset coverage per preferred share, at end of period(g)	\$ 123,350	\$ 76,142	\$ 75,291	\$ 74,795	\$ 77,624	\$ 121,907	\$ 96,934
Asset coverage per \$1,000 of loan outstanding(h)	3,745						

\* Commencement of operations.

\*\* Net investment income allocated based on average shares method.

\*\*\* Amount equated to less than \$0.005 per common share.

- (a) Net of sales load of \$0.675 on initial shares issued and beginning net asset value of \$14.325.
- (b) Interest rate swap payment reclassified from net investment income (loss) to net realized and unrealized gain (loss) on investments, foreign currency and interest rate swaps.
- (c) Based on average shares method.
- (d) Total investment return is calculated assuming a purchase of common stock on the opening of the first day and a sale on the closing of the last day of the period reported. Dividends and distributions are assumed, for purposes of this calculation, to be reinvested at prices obtained under the Fund's dividend reinvestment plan. Total return is not annualized for periods less than one year. Brokerage commissions are not reflected. NAV per share is determined by dividing the value of the Fund's portfolio securities, cash and other assets, less all liabilities, by the total number of common shares outstanding. The common share market price is the price the market is willing to pay for shares of the Fund at a given time. Common share market price is influenced by a range of factors, including supply and demand and market conditions.
- (e) Annualized for periods less than one year.
- (f) Does not reflect the effect of dividend payments to Preferred Shareholders.
- (g) Calculated by subtracting the Fund's total liabilities (not including Preferred Shares) from the Fund's total assets and dividing this by the number of Preferred Shares outstanding.
- (h) Calculated by subtracting the Fund's total liabilities (not including note payable) and preferred shares from the Fund's total assets and dividing this by the Note payable outstanding.

### **MARKET AND NET ASSET VALUE INFORMATION**

Our common shares are listed on the New York Stock Exchange ( NYSE ) under the symbol CHI. Our common shares commenced trading on the NYSE in June 2002.

Our common shares have traded both at a premium and a discount to NAV. We cannot predict whether our shares will trade in the future at a premium or discount to NAV. The provisions of the 1940 Act generally require that the public offering price of common shares (less any underwriting commissions and discounts) must equal or exceed the NAV per share of a company's common stock (calculated within 48 hours of pricing). Our issuance of common shares may have an adverse effect on prices in the secondary market for our common shares by increasing the number of common shares available, which may put downward pressure on the market price for our common shares. Shares of common stock of closed-end investment companies frequently trade at a discount from NAV. See Risk Factors Additional Risks to Common Shareholders Market Discount Risk.

The following table sets forth for each of the periods indicated the high and low closing market prices for our common shares on the NYSE, the NAV per share and the premium or discount to NAV per share at which

our common shares were trading. NAV is determined on the last business day of each month. See Determination of Net Asset Value for information as to the determination of our NAV.

Quarter Ended	Market Price(1)		Net Asset Value(2)	Premium/ (Discount) to Net Asset Value(3)	
	High	Low		High	Low
July 31, 2002	15.05	15.00	13.97	5.17%	7.37%
October 31, 2002	15.23	13.24	13.56	6.95%	3.12%
January 31, 2003	16.80	14.14	15.25	10.24%	3.51%
April 30, 2003	16.89	15.74	16.95	5.17%	0.51%
July 31, 2003	19.12	16.89	17.43	8.02%	(0.35)%
October 31, 2003	19.70	17.75	18.01	9.57%	3.20%
January 31, 2004	21.65	19.32	18.29	16.96%	7.63%
April 30, 2004	21.24	18.11	17.92	16.58%	(0.11)%
July 31, 2004	19.95	16.55	17.44	13.29%	(4.56)%
October 31, 2004	20.86	19.51	18.03	16.02%	12.84%
January 31, 2005	21.90	20.26	17.41	17.36%	16.64%
April 30, 2005	21.15	17.59	16.23	20.58%	8.18%
July 31, 2005	20.37	18.38	17.20	18.43%	15.82%
October 31, 2005	20.70	18.80	16.59	20.35%	15.27%
January 31, 2006	20.56	19.72	16.87	23.19%	19.08%
April 30, 2006	20.91	19.92	16.79	24.69%	20.07%
July 31, 2006	20.32	18.70	16.08	19.53%	18.43%
October 31, 2006	20.41	19.23	16.42	26.38%	17.90%
January 31, 2007	20.42	19.38	16.55	21.55%	17.81%
April 30, 2007	20.40	19.81	16.83	22.97%	22.13%
July 31, 2007	20.49	16.64	15.44	21.31%	5.05%
October 31, 2007	17.49	15.15	16.38	13.94%	1.41%
January 31, 2008	16.58	13.66	14.55	2.47%	(10.48)%
April 30, 2008	16.34	12.83	14.55	11.38%	(6.69)%
July 31, 2008	15.92	12.22	13.35	9.87%	(7.07)%
October 31, 2008	13.71	6.34	8.26	3.08%	(27.46)%
January 31, 2009	9.80	6.01	8.44	12.39%	(16.06)%

Source: Bloomberg Financial and Fund Accounting Records.

- (1) Based on high and low closing market price during the respective quarter.
- (2) Based on the NAV calculated on the close of business on the last business day of each calendar quarter.
- (3) Based on the Fund's computations on the day of each of the high and low closing market prices during the respective quarter.

The last reported sale price, NAV per common share and percentage premium to NAV per common share on March 17, 2009, were \$8.29, \$8.13 and 1.97%, respectively. As of March 17, 2009, we had 52,200,292 common shares outstanding and net assets of approximately \$424,478,989.

### **USE OF PROCEEDS**

Subject to the remainder of this section, and unless otherwise specified in a prospectus supplement, we currently intend to invest the net proceeds of any sales of our securities pursuant to this prospectus in accordance with our investment objective and policies as described under **Investment Objective and Principal Investment Strategies** within approximately three months of receipt of such proceeds. Such investments may be delayed if suitable investments are unavailable at the time or for other reasons. Pending such investment, we anticipate that we will invest the proceeds in securities issued by the U.S. government or its agencies or instrumentalities or in high quality, short-term or long-term debt obligations. We may also use proceeds from the sale of our securities to (i) retire all or a portion of any short-term debt we incur in pursuit of our investment objective and policies, (ii) redeem any outstanding senior securities, including, to the extent any

are outstanding, our Auction Market Preferred Shares, and (iii) for working capital purposes, including the payment of interest and operating expenses, although there is currently no intent to issue securities primarily for this purpose. A delay in the anticipated use of proceeds could lower returns, reduce our distribution to common shareholders and reduce the amount of cash available to make dividend and interest payments on preferred shares and debt securities, respectively.

### THE FUND

Calamos Convertible Opportunities and Income Fund is a diversified, closed-end management investment company which commenced investment operations in June 2002. The Fund was organized under the laws of the State of Delaware on April 17, 2002, and has registered under the 1940 Act. On June 28, 2002, the Fund issued an aggregate of 40,000,000 common shares, no par value, in an initial public offering and commenced its operations. On July 12, 2002 and August 13, 2002, the Fund issued an additional 3,000,000 and 225,000 common shares, respectively, in connection with exercises by the underwriters of their over-allotment option. The net proceeds of the initial public offering and subsequent exercises of the over-allotment option were approximately \$619,298,400 after the payment of offering expenses. As of March 17, 2009, the Fund had issued an additional 3,364,393 common shares in connection with a continuous, at-the-market offering that commenced in June 2008. The net proceeds of that offering through March 17, 2009, were approximately \$33,297,504 after the payment of offering expenses. On September 12, 2002 and November 12, 2003, the Fund issued Auction Market Preferred Shares, liquidation preference \$25,000 per share (\$204,000,000 and \$180,000,000 in the aggregate, respectively). In June 2008, the Fund redeemed \$280 million aggregate liquidation preference of its outstanding Auction Market Preferred Shares with the proceeds of a renewable commercial paper conduit facility that has a maturity of 364 days. As of March 17, 2009, the Fund had outstanding Auction Market Preferred Shares with \$104 million in aggregate liquidation preference and outstanding senior debt under the renewable commercial paper conduit facility with an aggregate principal amount of \$89 million. Together such leverage represented, as of March 17, 2009, approximately 31% of the Fund's managed assets. The Fund's common shares are listed on the NYSE under the symbol CHI. The Fund's principal office is located at 2020 Calamos Court, Naperville, Illinois 60563, and its telephone number is 1-800-582-6959.

The following table provides information about our outstanding securities as of March 17, 2009:

<b>Title of Class</b>	<b>Amount Authorized</b>	<b>Amount Held by the Fund or for its Account</b>	<b>Amount Outstanding</b>
Common Shares	Unlimited	0	52,200,292
Auction Market Preferred Shares	Unlimited	0	4,160
Series M		0	552
Series TU		0	552
Series W		0	553
Series TH		0	553
Series W28		0	650
Series TH7		0	650
Series F7		0	650



The following sets forth information about the Fund's outstanding Auction Market Preferred Shares as of the dates indicated below:

<b>Fiscal Year Ended</b>	<b>Total Liquidation Preference Outstanding</b>	<b>Asset Coverage per Share (\$25,000 Liquidation Preference)</b>	<b>Average Fair Value per \$25,000 Denomination or per Share Amount(a)(b)</b>
October 31, 2008	\$ 104,000,000	\$ 123,350	\$ 25,000
October 31, 2007	\$ 384,000,000	\$ 76,142	\$ 25,000
October 31, 2006	\$ 384,000,000	\$ 75,291	\$ 25,000
October 31, 2005	\$ 384,000,000	\$ 74,795	\$ 25,000
October 31, 2004	\$ 384,000,000	\$ 77,624	\$ 25,000
October 31, 2003	\$ 204,000,000	\$ 121,907	\$ 25,000
October 31, 2002	\$ 204,000,000	\$ 96,934	\$ 25,000

- (a) Fair value of the Auction Market Preferred Shares approximates the liquidation preference because dividend rates payable on the Auction Market Preferred Shares are determined at auctions and fluctuate with changes in current market interest rates.
- (b) In June 2008, the Fund redeemed \$280 million aggregate liquidation preference of its outstanding Auction Market Preferred Shares with the proceeds of the renewable commercial paper conduit facility. See Prospectus Summary Recent Developments.

## INVESTMENT OBJECTIVE AND PRINCIPAL INVESTMENT STRATEGIES

### Investment Objective

The Fund's investment objective is to provide total return through a combination of capital appreciation and current income. The Fund's investment objective may be changed by the Board of Trustees without a shareholder vote, although the Fund will give shareholders at least 60 days' notice of any change to the Fund's investment objective. The Fund makes no assurance that it will realize its objective. An investment in the Fund may be speculative in that it involves a high degree of risk and should not constitute a complete investment program. See Risk Factors.

### Principal Investment Strategies

Under normal circumstances, the Fund will invest at least 80% of its managed assets in a diversified portfolio of convertible securities and non-convertible income securities. This is a non-fundamental policy and may be changed by the Board of Trustees of the Fund provided that shareholders are provided with at least 60 days' prior written notice of any change as required by the rules under the 1940 Act. The portion of the Fund's assets invested in convertible securities and non-convertible income securities will vary from time to time consistent with the Fund's investment objective, changes in equity prices and changes in interest rates and other economic and market factors, although, under normal circumstances, the Fund will invest at least 35% of its managed assets in convertible securities. The Fund invests in securities with a broad range of maturities. The average term to maturity of the Fund's securities typically will range from five to ten years.

*Convertible Securities.* The Fund is not limited in the percentage of its assets invested in convertible securities, and investment in convertible securities forms an important part of the Fund's investment strategies. A convertible security is a debt security or preferred stock that is exchangeable for an equity security (typically of the same issuer) at a predetermined price. Depending upon the relationship of the conversion price to the market value of the underlying security, a convertible security may trade more like an equity security than a debt instrument.

Calamos typically applies a four-step approach when buying and selling convertible securities for the Fund, which includes:

1. Evaluating the default risk of the convertible security using traditional credit analysis;
2. Analyzing the convertible securities underlying common stock to determine its capital appreciation potential;
3. Assessing the risk/return potential of the convertible security; and
4. Evaluating the convertible security's impact on the overall composition of the Fund and its diversification strategy.

In analyzing the appreciation potential of the underlying common stock and the default risk of the convertible security, Calamos generally considers the issuer's:

financial soundness;

ability to make interest and dividend payments;

earnings and cash-flow forecast; and

quality of management.

*Synthetic Convertible Securities.* The Fund may invest in synthetic convertible securities. A synthetic convertible security is a financial instrument that is designed to simulate the characteristics of another instrument (i.e., a convertible security) through the combined features of a collection of other securities or assets. Calamos may create a synthetic convertible security by combining separate securities that possess the two principal characteristics of a true convertible security, i.e., a fixed-income security (fixed-income component), which may be a convertible or non-convertible security) and the right to acquire an equity security (convertible component). The fixed-income component is achieved by investing in non-convertible, fixed-income securities such as bonds, preferred stocks and money market instruments. The convertible component is achieved by investing in warrants or options to buy common stock at a certain exercise price, or options on a stock index. The Fund may also purchase synthetic convertible securities created by other parties, typically investment banks, including convertible structured notes. Convertible structured notes are fixed income debentures linked to equity. Convertible structured notes have the attributes of a convertible security, however, the investment bank that issued the convertible note assumes the credit risk associated with the investment, rather than the issuer of the underlying common stock into which the note is convertible. Different companies may issue the fixed-income and convertible components, which may be purchased separately and at different times.

The Fund may also invest in synthetic convertible securities created by third parties, typically investment banks. Synthetic convertible securities created by such parties may be designed to simulate the characteristics of traditional convertible securities or may be designed to alter or emphasize a particular feature. Traditional convertible securities typically offer stable cash flows with the ability to participate in capital appreciation of the underlying common stock. Because traditional convertible securities are exercisable at the option of the holder, the holder is protected against downside risk. Synthetic convertible securities may alter these characteristics by offering enhanced yields in exchange for reduced capital appreciation or less downside protection, or any combination of these features. Synthetic convertible instruments may include structured notes, equity-linked notes, mandatory convertibles and combinations of securities and instruments, such as a debt instrument combined with a forward contract.

Some examples of these securities include:

Preferred equity redeemable cumulative stock ( PERCS ) are shares that automatically convert into one ordinary share upon maturity. They are usually issued at the prevailing share price, convertible into one ordinary share, with an enhanced dividend yield. PERCS pay a higher dividend than common shares, but the equity upside is capped. Above a certain share price, the conversion ratio will fall as the stock

risers, capping the upside at that level. Below this level, the conversion ratio remains one-for-one, giving the same downside exposure as the ordinary shares, excluding the income difference.

Dividend enhanced convertible stock ( DECS ) are either preference shares or subordinated bonds. These, like PERCS, mandatorily convert into ordinary shares at maturity, if not already converted. DECS give no significant downside protection and are very equity sensitive with minimal direct bond characteristics and interest rate exposure. As with PERCS, some of the upside performance is given away and in return, the investor receives an enhanced yield over the ordinary shares. Unlike PERCS, however, the investor's upside is not capped. Instead, the investor trades a zone of flat exposure to the share price for the enhanced income.

Preferred Redeemable Increased Dividend Equity Security ( PRIDES ) are synthetic securities consisting of a forward contract to purchase the issuer's underlying security and an interest bearing deposit. Interest payments are made at regular intervals, and conversion into the underlying security is mandatory at maturity. Similar to convertible securities, PRIDES allow investors to earn stable cash flows while still participating in the capital gains of an underlying stock. This is possible because these products are valued along the same lines as the underlying security.

*Non-Convertible Income Securities.* The Fund will also invest in non-convertible income securities. The Fund's investments in non-convertible income securities may have fixed or variable principal payments and all types of interest rate and dividend payment and reset terms, including fixed rate, adjustable rate, zero coupon, contingent, deferred, payment in kind and auction rate features.

*High Yield Securities.* A substantial portion of the Fund's assets may be invested in below investment grade (high yield, high risk) securities for either current income or capital appreciation or both. The high yield securities in which the Fund invests are rated Ba or lower by Moody's or BB or lower by Standard & Poor's or are unrated but determined by Calamos to be of comparable quality. The Fund may, but currently does not intend to, purchase distressed securities that are in default or the issuers of which are in bankruptcy. Non-convertible debt securities rated below investment grade are commonly referred to as "junk bonds" and are considered speculative with respect to the issuer's capacity to pay interest and repay principal. Below investment grade non-convertible debt securities involve greater risk of loss, are subject to greater price volatility and are less liquid, especially during periods of economic uncertainty or change, than higher rated debt securities.

*Foreign Securities.* Although the Fund primarily invests in securities of U.S. issuers, the Fund may invest up to 25% of its net assets in securities of foreign issuers in developed and emerging markets, including debt and equity securities of corporate issuers and debt securities of government issuers. A foreign issuer is a foreign government or a company organized under the laws of a foreign country.

*Options Writing.* The Fund may seek to generate income from option premiums by writing (selling) options. The Fund may write (sell) call options (i) on a portion of the equity securities (including securities that are convertible into equity securities) in the Fund's portfolio and (ii) on broad-based securities indexes (such as the S&P 500 or MSCI EAFE) or certain ETFs (exchange traded funds) that trade like common stocks but seek to replicate such market indexes.

In addition, to seek to offset some of the risk of a potential decline in value of certain long positions, the Fund may also purchase put options on individual securities, broad-based securities indexes (such as the S&P 500 or MSCI EAFE), or certain ETFs that trade like common stocks but seek to replicate such market indexes.

*Rule 144A Securities.* The Fund may invest without limit in Rule 144A Securities, such as convertible and debt securities, that are typically purchased in transactions exempt from the registration requirements of the 1933 Act pursuant to Rule 144A under that act. Rule 144A Securities may only be sold to qualified institutional buyers, such as

the Fund. Any resale of these securities must generally be effected through a sale that is registered under the 1933 Act or otherwise exempted or excepted from such registration requirements. Under the supervision of the Fund's Board of Trustees, Calamos will determine whether Rule 144A Securities are illiquid. Typically, the Fund purchases Rule 144A Securities only if Calamos has determined them to be

liquid. If any Rule 144A Security held by the Fund should become illiquid, the value of the security may be reduced and a sale of the security may be more difficult.

*Preferred Shares.* The Fund may invest in preferred stock. The preferred stock in which the Fund typically will invest will be convertible securities. Preferred shares are equity securities, but they have many characteristics of fixed income securities, such as a fixed dividend payment rate and/or a liquidity preference over the issuer's common shares. However, because preferred stocks are equity securities, they may be more susceptible to risks traditionally associated with equity investments than the Fund's fixed income securities.

*REITs.* The Fund may invest in real estate investment trusts ( REITs ). REITs primarily invest in income producing real estate or real estate related loans or interests. REITs are generally classified as equity REITs, mortgage REITs or a combination of equity and mortgage REITs. Equity REITs invest the majority of their assets directly in real property and derive income primarily from the collection of rents. Equity REITs can also realize capital gains by selling properties that have appreciated in value. Mortgage REITs invest the majority of their assets in real estate mortgages and derive income from the collection of interest payments. REITs are not taxed on income distributed to shareholders provided they comply with the applicable requirements of the Internal Revenue Code of 1986, as amended (the Code ). The Fund will indirectly bear its proportionate share of any management and other expenses paid by REITs in which it invests in addition to the expenses paid by the Fund. Debt securities issued by REITs are, for the most part, general and unsecured obligations and are subject to risks associated with REITs.

*U.S. Government Securities.* U.S. government securities in which the Fund invests include debt obligations of varying maturities issued by the U.S. Treasury or issued or guaranteed by an agency or instrumentality of the U.S. government, including the Federal Housing Administration, Federal Financing Bank, Farmers Home Administration, Export-Import Bank of the United States, Small Business Administration, Government National Mortgage Association ( GNMA ), General Services Administration, Central Bank for Cooperatives, Federal Farm Credit Banks, Federal Home Loan Banks, Federal Home Loan Mortgage Corporation ( FHLMC ), Federal National Mortgage Association ( FNMA ), Maritime Administration, Tennessee Valley Authority, District of Columbia Armory Board, Student Loan Marketing Association, Resolution Fund Corporation and various institutions that previously were or currently are part of the Farm Credit System (which has been undergoing reorganization since 1987). Some U.S. government securities, such as U.S. Treasury bills, Treasury notes and Treasury bonds, which differ only in their interest rates, maturities and times of issuance, are supported by the full faith and credit of the United States. Others are supported by: (i) the right of the issuer to borrow from the U.S. Treasury, such as securities of the Federal Home Loan Banks; (ii) the discretionary authority of the U.S. government to purchase the agency's obligations, such as securities of the FNMA; or (iii) only the credit of the issuer. No assurance can be given that the U.S. government will provide financial support in the future to U.S. government agencies, authorities or instrumentalities that are not supported by the full faith and credit of the United States. Securities guaranteed as to principal and interest by the U.S. government, its agencies, authorities or instrumentalities include: (i) securities for which the payment of principal and interest is backed by an irrevocable letter of credit issued by the U.S. government or any of its agencies, authorities or instrumentalities; and (ii) participations in loans made to non-U.S. governments or other entities that are so guaranteed. The secondary market for certain of these participations is limited and, therefore, may be regarded as illiquid.

*Zero Coupon Securities.* The securities in which the Fund invests may include zero coupon securities, which are debt obligations that are issued or purchased at a significant discount from face value. The discount approximates the total amount of interest the security will accrue and compound over the period until maturity or the particular interest payment date at a rate of interest reflecting the market rate of the security at the time of issuance. Zero coupon securities do not require the periodic payment of interest. These investments benefit the issuer by mitigating its need for cash to meet debt service, but generally require a higher rate of return to attract investors who are willing to defer receipt of cash. These investments may experience greater volatility in market value than U.S. government securities

that make regular payments of interest. The Fund accrues income on these investments for tax and accounting purposes, which is distributable to shareholders and which, because no cash is received at the time of accrual, may require the liquidation of other portfolio securities to satisfy the Fund's distribution obligations, in which case the Fund will forgo the purchase of

additional income producing assets with these funds. Zero coupon U.S. government securities include STRIPS and CUBES, which are issued by the U.S. Treasury as component parts of U.S. Treasury bonds and represent scheduled interest and principal payments on the bonds.

*Equity Securities.* Consistent with its objective, the Fund may invest in equity securities, including common and preferred stocks, warrants, rights and depository receipts. Equity securities, such as common stock, generally represent an ownership interest in a company. Although equity securities have historically generated higher average returns than fixed income securities, equity securities have also experienced significantly more volatility in those returns. An adverse event, such as an unfavorable earnings report, may depress the value of a particular equity security held by the Fund. Also, the price of equity securities, particularly common stocks, are sensitive to general movements in the stock market. A drop in the stock market may depress the price of equity securities held by the Fund.

*Other Investment Companies.* The Fund may invest in the securities of other investment companies to the extent that such investments are consistent with the Fund's investment objective and are policies and permissible under the 1940 Act. Under the 1940 Act, the Fund may not acquire the securities of other domestic or non-U.S. investment companies if, as a result, (1) more than 10% of the Fund's total assets would be invested in securities of other investment companies, (2) such purchase would result in more than 3% of the total outstanding voting securities of any one investment company being held by the Fund, or (3) more than 5% of the Fund's total assets would be invested in any one investment company. These limitations do not apply to the purchase of shares of money market funds or of any investment company in connection with a merger, consolidation, reorganization or acquisition of substantially all the assets of another investment company.

The Fund, as a holder of the securities of other investment companies, will bear its pro rata portion of the other investment companies' expenses, including advisory fees. These expenses are in addition to the direct expenses of the Fund's own operations.

*Defensive and Temporary Investments.* Under unusual market or economic conditions or for temporary defensive purposes, the Fund may invest up to 100% of its managed assets in securities issued or guaranteed by the U.S. government or its instrumentalities or agencies, certificates of deposit, bankers' acceptances and other bank obligations, commercial paper rated in the highest category by a nationally recognized statistical rating organization or other fixed income securities deemed by Calamos to be consistent with a defensive posture, or may hold cash. The yield on such securities may be lower than the yield on lower rated fixed income securities. During such periods, the Fund may not be able to achieve its investment objective.

*Repurchase Agreements.* The Fund may enter into repurchase agreements with broker-dealers, member banks of the Federal Reserve System and other financial institutions. Repurchase agreements are arrangements under which the Fund purchases securities and the seller agrees to repurchase the securities within a specific time and at a specific price. The repurchase price is generally higher than the Fund's purchase price, with the difference being income to the Fund. The counterparty's obligations under the repurchase agreement are collateralized with U.S. Treasury and/or agency obligations with a market value of not less than 100% of the obligations, valued daily. Collateral is held by the Fund's custodian in a segregated, safekeeping account for the benefit of the Fund. Repurchase agreements afford the Fund an opportunity to earn income on temporarily available cash at low risk. In the event of commencement of bankruptcy or insolvency proceedings with respect to the seller of the security before repurchase of the security under a repurchase agreement, the Fund may encounter delay and incur costs before being able to sell the security. Such a delay may involve loss of interest or a decline in price of the security. If the court characterizes the transaction as a loan and the Fund has not perfected a security interest in the security, the Fund may be required to return the security to the seller's estate and be treated as an unsecured creditor of the seller. As an unsecured creditor, the Fund would be at risk of losing some or all of the principal and interest involved in the transaction.

*Lending of Portfolio Securities.* The Fund may lend portfolio securities to registered broker-dealers or other institutional investors deemed by Calamos to be of good standing under agreements which require that the loans be secured continuously by collateral in cash, cash equivalents or U.S. Treasury bills maintained on a current basis at an amount at least equal to the market value of the securities loaned. The Fund continues to

receive the equivalent of the interest or dividends paid by the issuer on the securities loaned as well as the benefit of an increase and the detriment of any decrease in the market value of the securities loaned and would also receive compensation based on investment of the collateral. The Fund would not, however, have the right to vote any securities having voting rights during the existence of the loan, but could call the loan in anticipation of an important vote to be taken among holders of the securities or of the giving or withholding of consent on a material matter affecting the investment.

As with other extensions of credit, there are risks of delay in recovery or even loss of rights in the collateral should the borrower of the securities fail financially. At no time would the value of the securities loaned exceed 33 1/3% of the value of the Fund's managed assets.

*Portfolio Turnover.* It is the policy of the Fund not to engage in trading for short-term profits although portfolio turnover rate is not considered a limiting factor in the execution of investment decisions for the Fund.

### **Conflicts of Interest**

Conflicts of interest may arise from the fact that Calamos and its affiliates carry on substantial investment activities for other clients, in which we have no interest, some of which may have similar investment strategies as us. Calamos or its affiliates may have financial incentives to favor certain of such accounts over us. Any of their proprietary accounts and other customer accounts may compete with us for specific trades. Calamos or its affiliates may give advice and recommend securities to, or buy or sell securities for, us which advice or securities may differ from advice given to, or securities recommended or bought or sold for, other accounts and customers, even though their investment objectives may be the same as, or similar to, our objectives. When two or more clients advised by Calamos or its affiliates seek to purchase or sell the same publicly traded securities, the securities actually purchased or sold will be allocated among the clients on a good faith equitable basis by Calamos in its discretion and in accordance with the client's various investment objectives and Calamos' procedures. In some cases, this system may adversely affect the price or size of the position we may obtain or sell. In other cases, our ability to participate in volume transactions may produce better execution for us.

Calamos will evaluate a variety of factors in determining whether a particular investment opportunity or strategy is appropriate and feasible for the relevant account at a particular time, including, but not limited to, the following: (1) the nature of the investment opportunity taken in the context of the other investments at the time; (2) the liquidity of the investment relative to the needs of the particular entity or account; (3) the availability of the opportunity (i.e., size of obtainable position); (4) the transaction costs involved; and (5) the investment or regulatory limitations applicable to the particular entity or account. Because these considerations may differ when applied to us and relevant accounts under management in the context of any particular investment opportunity, our investment activities, on the one hand, and other managed accounts, on the other hand, may differ considerably from time to time. In addition, our fees and expenses will differ from those of the other managed accounts. Accordingly, investors should be aware that our future performance and future performance of other accounts of Calamos may vary.

Situations may occur when we could be disadvantaged because of the investment activities conducted by Calamos and its affiliates for its other funds or accounts. Such situations may be based on, among other things, the following: (1) legal or internal restrictions on the combined size of positions that may be taken for us or the other accounts, thereby limiting the size of our position; (2) the difficulty of liquidating an investment for us or the other accounts where the market cannot absorb the sale of the combined position; or (3) limits on co-investing in negotiated transactions under the 1940 Act, as discussed further below.

Calamos and its principals, officers, employees, and affiliates may buy and sell securities or other investments for their own accounts and may have actual or potential conflicts of interest with respect to investments made on our

behalf. As a result of differing trading and investment strategies or constraints, positions may be taken by principals, officers, employees, and affiliates of Calamos that are the same as, different from, or made at a different time than positions taken for us.

## LEVERAGE

The Fund may issue preferred shares or debt securities or borrow to increase its assets available for investment. On September 12, 2002 and November 12, 2003, the Fund issued Auction Market Preferred Shares with an aggregate liquidation preference of \$204 million and \$180 million, respectively. In June 2008, the Fund redeemed \$280 million aggregate liquidation preference of its outstanding Auction Market Preferred Shares with the proceeds of a renewable commercial paper conduit facility that has a maturity of 364 days. As of March 17, 2009, the Fund had outstanding Auction Market Preferred Shares with \$104 million in aggregate liquidation preference and outstanding senior debt under the renewable commercial paper conduit facility with an aggregate principal amount of \$89 million. Together such leverage represented, as of March 17, 2009, approximately 31% of the Fund's managed assets. As a non-fundamental policy, the aggregate liquidation of preferred shares and the aggregate principal amount of debt securities or borrowings may not exceed 38% of the Fund's total assets. However, the Board of Trustees reserves the right to issue preferred shares or debt securities or borrow to the extent permitted by the 1940 Act or under any order issued by the Commission. The Fund generally will not issue preferred shares or debt securities or borrow unless Calamos expects that the Fund will achieve a greater return on such leverage than the additional costs the Fund incurs as a result of such leverage. The Fund also may borrow money as a temporary measure for extraordinary or emergency purposes, including the payment of dividends and the settlement of securities transactions, which otherwise might require untimely dispositions of the Fund's holdings. When the Fund leverages its assets, the fees paid to Calamos for investment management services will be higher than if the Fund did not leverage because Calamos fees are calculated based on the Fund's managed assets, which include the proceeds of the issuance of preferred shares or debt securities or any outstanding borrowings. Consequently, the Fund and Calamos may have differing interests in determining whether to leverage the Fund's assets. The Fund's Board of Trustees monitors any such potential conflicts of interest on an ongoing basis.

The Fund's use of leverage is premised upon the expectation that the Fund's leverage costs will be lower than the return the Fund achieves on its investments with the leverage proceeds. Such difference in return may result from the Fund's higher credit rating or the short-term nature of its borrowing compared to the long-term nature of its investments. Because Calamos seeks to invest the Fund's managed assets (including the assets obtained from leverage) in the higher yielding portfolio investments or portfolio investments with the potential for capital appreciation, the holders of common shares will be the beneficiaries of any incremental return. Should the differential between the underlying assets and cost of leverage narrow, the incremental return pick up will be reduced. Furthermore, if long-term interest rates rise without a corresponding increase in the yield on the Fund's portfolio investments or the Fund otherwise incurs losses on its investments, the Fund's net asset value attributable to its common shares will reflect the decline in the value of portfolio holdings resulting therefrom.

Leverage creates risks which may adversely affect the return for the holders of common shares, including:

the likelihood of greater volatility of net asset value and market price of common shares;

fluctuations in the dividend rates on any preferred shares or in interest rates on borrowings and short-term debt;

increased operating costs, which are effectively borne by common shareholders, may reduce the Fund's total return; and

the potential for a decline in the value of an investment acquired with borrowed funds, while the Fund's obligations under such borrowing remains fixed.

Leverage is a speculative technique that could adversely affect the returns to common shareholders. Leverage can cause the Fund to lose money and can magnify the effect of any losses. To the extent the income or capital appreciation derived from securities purchased with funds received from leverage exceeds the cost of leverage, the Fund's return will be greater than if leverage had not been used. Conversely, if the income or capital appreciation from the securities purchased with such funds is not sufficient to cover the cost of leverage or if the Fund incurs capital losses, the return of the Fund will be less than if leverage had not been used, and

therefore the amount available for distribution to common shareholders as dividends and other distributions will be reduced or potentially eliminated (or, in the case of distributions, will consist of return of capital).

Calamos may determine to maintain the Fund's leveraged position if it expects that the long-term benefits to the Fund's common shareholders of maintaining the leveraged position will outweigh the current reduced return. Capital raised through the issuance of preferred shares or debt securities or borrowing will be subject to dividend payments or interest costs that may or may not exceed the income and appreciation on the assets purchased. The issuance of additional classes of preferred shares involves offering expenses and other costs and may limit the Fund's freedom to pay dividends on common shares or to engage in other activities. The Fund also may be required to maintain minimum average balances in connection with borrowings or to pay a commitment or other fee to maintain a line of credit; either of these requirements would increase the cost of borrowing over the stated interest rate. The Fund will pay (and common shareholders will bear) any costs and expenses relating to any borrowings and to the issuance and ongoing maintenance of preferred shares or debt securities (for example, the higher management fee resulting from the use of any such leverage, and interest and/or dividend expense and ongoing maintenance). Net asset value will be reduced immediately following any additional offering of preferred shares or debt securities by the costs of that offering paid by the Fund.

Under the 1940 Act, the Fund is not permitted to issue preferred shares unless immediately after such issuance the Fund has an asset coverage of at least 200% of the liquidation value of the aggregate amount of outstanding preferred shares (i.e., such liquidation value may not exceed 50% of the value of the Fund's total assets). Under the 1940 Act, the Fund may only issue one class of senior securities representing equity. So long as preferred shares are outstanding (including our Auction Market Preferred Shares), additional senior equity securities must rank on a parity with the preferred shares. In addition, the Fund is not permitted to declare any cash dividend or other distribution on its common shares unless, at the time of such declaration, the net asset value of the Fund's portfolio (determined after deducting the amount of such dividend or distribution) is at least 200% of such liquidation value. Under the 1940 Act, the Fund is not permitted to incur indebtedness unless immediately after such borrowing the Fund has an asset coverage of at least 300% of the aggregate outstanding principal balance of indebtedness (i.e., such indebtedness may not exceed 33 1/3% of the value of the Fund's total assets). Under the 1940 Act, the Fund may only issue one class of senior securities representing indebtedness. Additionally, under the 1940 Act, the Fund may not declare any dividend or other distribution upon any class of its shares, or purchase any such shares, unless the aggregate indebtedness of the Fund has, at the time of the declaration of any such dividend or distribution or at the time of any such purchase, an asset coverage of at least 300% after deducting the amount of such dividend, distribution, or purchase price, as the case may be. The Fund may declare dividends on preferred shares as long as there is asset coverage of 200% after deducting the amount of the dividend.

On February 10, 2009, the Commission issued an order under Section 6(c) of the 1940 Act exempting the Fund from certain provisions of Sections 18(a)(1)(A) and 18(a)(1)(B) of the 1940 Act (the Order). Under the terms of the Order, the Fund may issue or incur debt subject to asset coverage of not less than 200% that would be used to finance the redemption of the Fund's Auction Market Preferred Shares issued prior to February 1, 2008 that were outstanding at the time the Order was issued. In addition, the Order permits the Fund to declare dividends or any other distributions on, or purchase, capital stock during the term of the Order, subject to maintaining at least 200% asset coverage. The relief granted by the Order with respect to any borrowing in reliance upon the Order is conditioned, among other things, on the Fund's Board of Trustees (including a majority of the Trustees who are not deemed to be interested persons under the 1940 Act) determining that such borrowings are in the best interest of the Fund, the Fund's common shareholders, and the Fund's Auction Market Preferred shareholders. There is no guarantee that the Fund's Board of Trustees will make this finding, such that the Fund can borrow in reliance upon the Order. In addition, any borrowings in reliance upon the Order could increase the risk that the Fund will have less assets available to cover its outstanding liabilities, including any claims of its common shareholders. Assuming that the Fund is able to meet the conditions of the Order, it may rely upon this exemptive relief until October 31, 2010. If the Fund is unable to refinance the

borrowings made pursuant to the Order with an alternative form of equity-based senior security before that date, or if the Fund's Board of Trustees determines prior to that date that the borrowing made in reliance upon the Order is no longer in the best interests of the Fund's common shareholders, the

Fund would be required to reduce its leverage until its borrowings have an asset coverage of no less than 300%.

The Fund is subject to certain restrictions on investments imposed by guidelines of Moody's Investors Services, Inc. (Moody's) and Fitch Ratings, Inc. (Fitch), which have issued ratings for the Auction Market Preferred Shares and may do so for any debt securities or preferred shares issued by the Fund in the future. These guidelines impose asset coverage and portfolio composition requirements that are more stringent than those imposed by the 1940 Act. Certain types of borrowings may result in the Fund being subject to covenants in credit agreements, including those relating to asset coverage, borrowing base and portfolio composition requirements and additional covenants that may affect the Fund's ability to pay dividends and distributions on common shares in certain instances. The Fund also may be required to pledge its assets to the lenders in connection with certain types of borrowings. Calamos does not anticipate that these covenants or restrictions will adversely affect its ability to manage the Fund's portfolio in accordance with the Fund's investment objective and policies. Due to these covenants or restrictions, the Fund may be forced to liquidate investments at times and at prices that are not favorable to the Fund, or the Fund may be forced to forgo investments that Calamos otherwise views as favorable.

The extent to which the Fund employs leverage will depend on many factors, the most important of which are investment outlook, market conditions and interest rates. Successful use of a leveraging strategy depends on Calamos ability to predict correctly interest rates and market movements. There is no assurance that a leveraging strategy will be successful during any period in which it is employed.

### Effects of Leverage

On September 12, 2002 and November 12, 2003, the Fund issued Auction Market Preferred Shares with an aggregate liquidation preference of \$204 million and \$180 million, respectively. The aggregate liquidation preference of the Auction Market Preferred Shares represented approximately 35% of the Fund's managed assets as of May 31, 2008. Asset coverage with respect to the Auction Market Preferred Shares was approximately 283% as of that date. The dividend rate payable by the Fund on the Auction Market Preferred Shares varies based on auctions normally held every 7 days. As of May 31, 2008, a dividend rate of 3.35%, 3.32%, 3.05%, 3.31%, 3.22%, 3.08% and 3.20% per year was in effect for Series M, TU, W, TH, W28, TH7 and F7, respectively. Subsequent to that date, in June 2008, the Fund borrowed under a renewable commercial paper conduit facility in an aggregate principal amount of \$280 million and consequently redeemed \$280 million aggregate liquidation preference of outstanding Auction Market Preferred Shares. As of January 31, 2009, borrowings under that facility in an aggregate principal amount of \$89 million remained outstanding. Asset coverage as of January 31, 2009, was approximately 327%.

To cover the annual dividend payments on the Auction Market Preferred Shares and the interest payments on borrowings under the renewable commercial paper conduit facility, based on rates in effect on January 31, 2009, the Fund's portfolio would need to experience an annual return of 1.40%.

The following table illustrates the hypothetical effect on the return to a holder of the Fund's common shares of the leverage obtained by (1) borrowing under the renewable commercial paper conduit facility and (2) paying dividends on the remaining \$104 million of Auction Market Preferred Shares outstanding. The purpose of this table is to assist you in understanding the effects of leverage. As the table shows, leverage generally increases the return to shareholders when portfolio return is positive and greater than the cost of leverage and decreases the return when the portfolio return is negative or less than the cost of leverage. The figures appearing in the table are hypothetical and actual returns may be greater or less than those appearing in the table.

Assumed Portfolio Return (Net of Expenses)	(10)%	(5)%	0%	5%	10%
Corresponding Common Share Return(1)(2)	(16.41)%	(9.21)%	(2.01)%	5.19%	12.39%

- (1) Includes interest expense on the borrowings outstanding under the renewable commercial paper conduit facility, accrued at the interest rate in effect on January 31, 2009 of 1.39%.
- (2) Includes dividends on the \$104 million of Auction Market Preferred Shares outstanding, accrued at the following annual rates in effect on January 31, 2009: 0.42%, 0.39%, 0.26%, 0.38%, 0.44%, 0.41% and 0.26% per year was in effect for Series M, TU, W, TH, W28, TH7 and F7.

For further information about leveraging, see Risk Factors Additional Risks to Common Shareholders Leverage.

### INTEREST RATE TRANSACTIONS

In order to reduce the interest rate risk inherent in the Fund's underlying investments and capital structure, the Fund, if Calamos deems market conditions favorable, may enter into over-the-counter interest rate swap or cap transactions to attempt to protect itself from increasing dividend or interest expenses on its leverage and to hedge portfolio securities from interest rate changes. Interest rate swaps involve the Fund's agreement with the swap counterparty to pay a fixed rate payment in exchange for the counterparty agreeing to pay the Fund a payment at a variable rate that is expected to approximate the rate of any variable rate payment obligation on the Fund's leverage. The payment obligations would be based on the notional amount of the swap.

The Fund may use an interest rate cap, which would require it to pay a premium to the counterparty and would entitle it, to the extent that a specified variable rate index exceeds a predetermined fixed rate, to receive from the counterparty payment of the difference based on the notional amount of such cap. The Fund would use interest rate swaps or caps only with the intent to reduce or eliminate the risk that an increase in short-term interest rates could have on common share net earnings as a result of leverage.

The Fund will usually enter into swaps or caps on a net basis; that is, the two payment streams will be netted out in a cash settlement on the payment date or dates specified in the instrument, with the Fund receiving or paying, as the case may be, only the net amount of the two payments. The Fund intends to segregate with its custodian cash or liquid securities having a value at least equal to the Fund's net payment obligations under any swap transaction, marked-to-market daily.

The use of interest rate swaps and caps is a highly specialized activity that involves investment techniques and risks different from those associated with ordinary portfolio security transactions. Depending on the state of interest rates in general, the Fund's use of interest rate swaps or caps could enhance or harm the overall performance of the Fund's common shares. To the extent that there is a decline in interest rates for maturities equal to the remaining maturity on the Fund's fixed rate payment obligation under the interest rate swap or equal to the remaining term of the interest rate cap, the value of the swap or cap (which initially has a value of zero) could decline, and could result in a decline in the net asset value of the common shares. If, on the other hand, such rates were to increase, the value of the swap or cap could increase, and thereby increase the net asset value of the common shares. As interest rate swaps or caps approach their maturity, their positive or negative value due to interest rate changes will approach zero.

In addition, if the short-term interest rates effectively received by the Fund during the term of an interest rate swap are lower than the Fund's fixed rate of payment on the swap, the swap will increase the Fund's operating expenses and reduce common share net earnings. For example, if the Fund were to (A) issue preferred shares representing 33% of the Fund's total assets and (B) enter into one or more interest rate swaps in a notional amount equal to 75% of its outstanding preferred shares under which the Fund would receive a short-term swap rate of 5.12% and pay a fixed swap rate of 5.35% over the term of the swap, the swap would effectively increase Fund expenses and reduce Fund common share net earnings by approximately 0.09% as a percentage of net assets attributable to common shares and approximately 0.06% as a percentage of managed assets. If, on the other hand, the short-term interest rates effectively received by the Fund are higher than the Fund's fixed rate of payment on the interest rate swap, the swap would enhance common share net earnings. In either case, the swap would have the effect of reducing fluctuations in the Fund's cost of leverage due to changes in short-term interest rates during the term of the swap. The example above is purely for illustrative purposes and is not predictive of the actual percentage of the Fund's leverage that will be hedged by a swap, the actual fixed rates that the Fund will pay under the swap (which will depend on market interest rates for the applicable maturities at the time the Fund enters into swaps) or the actual short-term rates that the Fund will

receive on any swaps (which fluctuate frequently during the term of the swap, and may change significantly from initial levels), or the actual impact such swaps will have on the Fund's expenses and common share net earnings.

Buying interest rate caps could enhance the performance of the Fund's common shares by providing a maximum leverage expense. Buying interest rate caps could also increase the operating expenses of the Fund and decrease the net earnings of the common shares in the event that the premium paid by the Fund to the counterparty exceeds the additional amount the Fund would have been required to pay on its preferred shares due to increases in short-term interest rates during the term of the cap had it not entered into the cap agreement. The Fund has no current intention of selling an interest rate swap or cap. The Fund will monitor any interest rate swaps or caps with a view to ensuring that it remains in compliance with the federal income tax requirements for qualification as a regulated investment company.

Interest rate swaps and caps do not involve the delivery of securities or other underlying assets or principal. Accordingly, the risk of loss with respect to interest rate swaps and caps is limited to the net amount of interest payments that the Fund is contractually obligated to make. If the counterparty defaults, the Fund would not be able to use the anticipated net receipts under the swap or cap to offset the dividend or interest payments on the Fund's leverage. Depending on whether the Fund would be entitled to receive net payments from the counterparty on the swap or cap, which in turn would depend on the general state of short-term interest rates at that point in time, such a default could negatively impact the performance of the common shares.

The Fund will not enter into an interest rate swap or cap transaction with any counterparty that Calamos believes does not have the financial resources to honor its obligation under the interest rate swap or cap transaction. Further, Calamos will continually monitor the financial stability of a counterparty to an interest rate swap or cap transaction in an effort to proactively protect the Fund's investments.

In addition, at the time the interest rate swap or cap transaction reaches its scheduled termination date, there is a risk that the Fund will not be able to obtain a replacement transaction or that the terms of the replacement will not be as favorable as on the expiring transaction. If this occurs, it could have a negative impact on the performance of the Fund's common shares.

The Fund may choose or be required to redeem some or all preferred shares or prepay any borrowings. This redemption or prepayment would likely result in the Fund seeking to terminate early all or a portion of any swap or cap transaction. Such early termination of a swap could result in a termination payment by or to the Fund. An early termination of a cap could result in a termination payment to the Fund.

## RISK FACTORS

*Investing in any of our securities involves risk, including the risk that you may receive little or no return on your investment or even that you may lose part or all of your investment. Therefore, before investing in any of our securities you should consider carefully the following risks, as well as any risk factors included in the applicable prospectus supplement.*

### Fund Risks

*General.* The Fund is a diversified, closed-end management investment company designed primarily as a long-term investment and not as a trading tool. The Fund invests in a diversified portfolio of convertible securities and non-convertible income securities. An investment in the Fund's common shares may be speculative and it involves a high degree of risk. The Fund should not constitute a complete investment program. Due to the uncertainty in all investments, there can be no assurance that the Fund will achieve its investment objective.

*Convertible Securities Risk* The Fund is not limited in the percentage of its assets invested in convertible securities, and investment in convertible securities form an important part of the Fund's investment strategies. The value of a convertible security is influenced by both the yield of non-convertible securities of comparable issuers and by the value of the underlying common stock. The value of a convertible security viewed without regard to its conversion feature (i.e., strictly on the basis of its yield) is sometimes referred to as its investment value. A convertible security's investment value tends to decline as prevailing interest rate levels increase. Conversely, a convertible security's investment value increases as prevailing interest rate levels decline.

However, a convertible security's market value will also be influenced by its conversion price, which is the market value of the underlying common stock that would be obtained if the convertible security were converted. A convertible security's conversion price tends to increase as the price of the underlying common stock increases, and decrease as the price of the underlying common stock decreases. As the market price of the underlying common stock declines such that the conversion price is substantially below the investment value of the convertible security, the price of the convertible security tends to be influenced more by the yield of the convertible security. Thus, the convertible security may not decline in price to the same extent as the underlying common stock. If the market price of the underlying common stock increases to a point where the conversion value approximates or exceeds the investment value, the price of the convertible security tends to be influenced more by the market price of the underlying common stock. In the event of a liquidation of the issuing company, holders of convertible securities would be paid before the company's common stockholders. Consequently, an issuer's convertible securities generally entail less risk than its common stock.

*Synthetic Convertible Securities Risk.* The value of a synthetic convertible security may respond differently to market fluctuations than a convertible security because a synthetic convertible is composed of two or more separate securities, each with its own market value. In addition, if the value of the underlying common stock or the level of the index involved in the convertible component falls below the exercise price of the warrant or option, the warrant or option may lose all value.

*High Yield Securities Risk.* Investment in high yield securities involves substantial risk of loss. Below investment grade non-convertible debt securities or comparable unrated securities are commonly referred to as "junk bonds" and are considered predominantly speculative with respect to the issuer's ability to pay interest and principal and are susceptible to default or decline in market value due to adverse economic and business developments. The market values for high yield securities tend to be very volatile, and these securities are less liquid than investment grade debt

securities. For these reasons, your investment in the Fund is subject to the following specific risks:

increased price sensitivity to changing interest rates and to a deteriorating economic environment;

greater risk of loss due to default or declining credit quality;

adverse company specific events are more likely to render the issuer unable to make interest and/or principal payments; and

if a negative perception of the high yield market develops, the price and liquidity of high yield securities may be depressed. This negative perception could last for a significant period of time.

Debt securities rated below investment grade are speculative with respect to the capacity of the issuer to pay interest and repay principal in accordance with the terms of such securities. A rating of C from Moody's means that the issue so rated can be regarded as having extremely poor prospects of ever attaining any real investment standing. Standard & Poor's assigns a rating of C to issues that are currently highly vulnerable to nonpayment, and the C rating may be used to cover a situation where a bankruptcy petition has been filed or similar action taken, but payments on the obligation are being continued (a C rating is also assigned to a preferred stock issue in arrears on dividends or sinking fund payments, but that is currently paying). See the statement of additional information for a description of Moody's and Standard & Poor's ratings.

Adverse changes in economic conditions are more likely to lead to a weakened capacity of a high yield issuer to make principal payments and interest payments than an investment grade issuer. The principal amount of high yield securities outstanding has proliferated in the past decade as an increasing number of issuers have used high yield securities for corporate financing. An economic downturn could severely affect the ability of highly leveraged issuers to service their debt obligations or to repay their obligations upon maturity. Similarly, down-turns in profitability in specific industries could adversely affect the ability of high yield issuers in those industries to meet their obligations. The market values of lower quality debt securities tend to reflect individual developments of the issuer to a greater extent than do higher quality securities, which react primarily to fluctuations in the general level of interest rates. Factors having an adverse impact on the market value of lower quality securities may have an adverse effect on the Fund's net asset value and the market value of its common shares. In addition, the Fund may incur additional expenses to the extent it is required to seek recovery upon a default in payment of principal or interest on its portfolio holdings. In certain circumstances, the Fund may be required to foreclose on an issuer's assets and take possession of its property or operations. In such circumstances, the Fund would incur additional costs in disposing of such assets and potential liabilities from operating any business acquired.

The secondary market for high yield securities may not be as liquid as the secondary market for more highly rated securities, a factor which may have an adverse effect on the Fund's ability to dispose of a particular security when necessary to meet its liquidity needs. There are fewer dealers in the market for high yield securities than for investment grade obligations. The prices quoted by different dealers may vary significantly and the spread between the bid and asked price is generally much larger than for higher quality instruments. Under adverse market or economic conditions, the secondary market for high yield securities could contract further, independent of any specific adverse changes in the condition of a particular issuer, and these instruments may become illiquid. As a result, the Fund could find it more difficult to sell these securities or may be able to sell the securities only at prices lower than if such securities were widely traded. Prices realized upon the sale of such lower rated or unrated securities, under these circumstances, may be less than the prices used in calculating the Fund's net asset value.

Because investors generally perceive that there are greater risks associated with lower quality debt securities of the type in which the Fund may invest a portion of its assets, the yields and prices of such securities may tend to fluctuate more than those for higher rated securities. In the lower quality segments of the debt securities market, changes in perceptions of issuers' creditworthiness tend to occur more frequently and in a more pronounced manner than do changes in higher quality segments of the debt securities market, resulting in greater yield and price volatility.

If the Fund invests in high yield securities that are rated C or below, the Fund will incur significant risk in addition to the risks associated with investments in high yield securities and corporate loans. Distressed securities frequently do not produce income while they are outstanding. The Fund may purchase distressed securities that are in default or the issuers of which are in bankruptcy. The Fund may be required to bear certain extraordinary expenses in order to protect and recover its investment.

*Interest Rate Risk.* Fixed income securities, including high yield securities, are subject to certain common risks, including:

if interest rates go up, the value of debt securities in the Fund's portfolio generally will decline;

during periods of declining interest rates, the issuer of a security may exercise its option to prepay principal earlier than scheduled, forcing the Fund to reinvest in lower yielding securities. This is known as call or prepayment risk. Debt securities frequently have call features that allow the issuer to repurchase the security prior to its stated maturity. An issuer may redeem an obligation if the issuer can refinance the debt at a lower cost due to declining interest rates or an improvement in the credit standing of the issuer;

during periods of rising interest rates, the average life of certain types of securities may be extended because of slower than expected principal payments. This may lock in a below market interest rate, increase the security's duration (the estimated period until the security is paid in full) and reduce the value of the security. This is known as extension risk; and

market interest rates currently are near historically low levels.

*Default Risk.* Default risk refers to the risk that a company that issues a debt security will be unable to fulfill its obligations to repay principal and interest. The lower a debt security is rated, the greater its default risk.

*Liquidity Risk.* Illiquid securities may be difficult to dispose of at a fair price at the times when the Fund believes it is desirable to do so. Investment of the Fund's assets in illiquid securities may restrict the Fund's ability to take advantage of market opportunities. The market price of illiquid securities generally is more volatile than that of more liquid securities, which may adversely affect the price that the Fund pays for or recovers upon the sale of illiquid securities. Illiquid securities are also more difficult to value and Calamos' judgment may play a greater role in the valuation process. The risks associated with illiquid securities may be particularly acute in situations in which the Fund's operations require cash and could result in the Fund borrowing to meet its short-term needs or incurring losses on the sale of illiquid securities.

*Foreign Securities Risk.* Investments in non-U.S. issuers may involve unique risks compared to investing in securities of U.S. issuers. These risks are more pronounced to the extent that the Fund invests a significant portion of its non-U.S. investments in one region or in the securities of emerging market issuers. These risks may include:

less information about non-U.S. issuers or markets may be available due to less rigorous disclosure or accounting standards or regulatory practices;

many non-U.S. markets are smaller, less liquid and more volatile. In a changing market, Calamos may not be able to sell the Fund's portfolio securities at times, in amounts and at prices it considers reasonable;

adverse effect of currency exchange rates or controls on the value of the Fund's investments;

the economies of non-U.S. countries may grow at slower rates than expected or may experience a downturn or recession;

economic, political and social developments may adversely affect the securities markets, including expropriation and nationalization;

the difficulty in obtaining or enforcing a court judgment in non-U.S. countries;

restrictions on foreign investments in non-U.S. jurisdictions;

difficulties in effecting the repatriation of capital invested in non-U.S. countries; and

withholding and other non-U.S. taxes may decrease the Fund's return.

There may be less publicly available information about non-U.S. markets and issuers than is available with respect to U.S. securities and issuers. Non-U.S. companies generally are not subject to accounting, auditing and financial reporting standards, practices and requirements comparable to those applicable to U.S. companies. The trading markets for most non-U.S. securities are generally less liquid and subject to greater price volatility than the markets for comparable securities in the United States. The markets for securities in certain emerging markets are in the earliest stages of their development. Even the markets for relatively widely traded securities in certain non-U.S. markets, including emerging market countries, may not be able to absorb, without price disruptions, a significant increase in trading volume or trades of a size customarily undertaken by institutional investors in the United States. Additionally, market making and arbitrage activities are generally less extensive in such markets, which may contribute to increased volatility and reduced liquidity.

Economies and social and political conditions in individual countries may differ unfavorably from those in the United States. Non-U.S. economies may have less favorable rates of growth of gross domestic product, rates of inflation, currency valuation, capital reinvestment, resource self-sufficiency and balance of payments positions. Many countries have experienced substantial, and in some cases extremely high, rates of inflation for many years. Inflation and rapid fluctuations in inflation rates have had, and may continue to have, very negative effects on the economies and securities markets of certain emerging countries. Unanticipated political or social developments may also affect the values of the Fund's investments and the availability to the Fund of additional investments in such countries.

*Risks Associated with Options.* There are several risks associated with transactions in options. For example, there are significant differences between the securities markets and options markets that could result in an imperfect correlation among these markets, causing a given transaction not to achieve its objectives. A decision as to whether, when and how to use options involves the exercise of skill and judgment, and even a well-conceived transaction may be unsuccessful to some degree because of market behavior or unexpected events. The ability of the Fund to utilize options successfully will depend on Calamos' ability to predict pertinent market movements, which cannot be assured.

The Fund may sell options on individual securities and securities indices. All calls sold by the Fund must be covered. Even though the Fund will receive the option premium to help protect it against loss, a call option sold by the Fund exposes the Fund during the term of the option to possible loss of opportunity to realize appreciation in the market price of the underlying security or instrument and may require the Fund to hold a security or instrument that it might otherwise have sold. The Fund may purchase and sell put options on individual securities and securities indices. In selling put options, there is a risk that the Fund may be required to buy the underlying security at a disadvantageous price above the market price.

*REIT Risk.* Investing in REITs involves certain unique risks in addition to those risks associated with investing in the real estate industry in general. An equity REIT may be affected by changes in the value of the underlying properties owned by the REIT. A mortgage REIT may be affected by changes in interest rates and the ability of the issuers of its portfolio mortgages to repay their obligations. REITs are dependent upon the skills of their managers and are not diversified. REITs are generally dependent upon maintaining cash flows to repay borrowings and to make distributions to shareholders and are subject to the risk of default by lessees or borrowers. REITs whose underlying assets are concentrated in properties used by a particular industry, such as health care, are also subject to risks associated with such industry.

REITs (especially mortgage REITs) are also subject to interest rate risks. When interest rates decline, the value of a REIT's investment in fixed rate obligations can be expected to rise. Conversely, when interest rates rise, the value of a REIT's investment in fixed rate obligations can be expected to decline. If the REIT invests in adjustable rate mortgage loans the interest rates on which are reset periodically, yields on a REIT's investments in such loans will gradually align themselves to reflect changes in market interest rates. This causes the value of such investments to fluctuate less

dramatically in response to interest rate fluctuations than would investments in fixed rate obligations.

REITs may have limited financial resources, may trade less frequently and in a limited volume and may be subject to more abrupt or erratic price movements than larger company securities. Historically, REITs have

been more volatile in price than the larger capitalization stocks included in Standard & Poor's 500 Stock Index.

*Management Risk.* Calamos's judgment about the attractiveness, relative value or potential appreciation of a particular sector, security or investment strategy may prove to be incorrect.

*Tax Risk.* The Fund may invest in certain securities, such as certain convertible securities, for which the federal income tax treatment may not be clear or may be subject to re-characterization by the Internal Revenue Service. It could be more difficult for the Fund to comply with the federal income tax requirements applicable to regulated investment companies if the tax characterization of the Fund's investments or the tax treatment of the income from such investments were successfully challenged by the Internal Revenue Service. See Certain Federal Income Tax Matters.

*Antitakeover Provisions.* The Fund's Agreement and Declaration of Trust and By-laws include provisions that could limit the ability of other entities or persons to acquire control of the Fund or to change the composition of its Board of Trustees. Such provisions could limit the ability of shareholders to sell their shares at a premium over prevailing market prices by discouraging a third party from seeking to obtain control of the Fund. These provisions include staggered terms of office for the Trustees, advance notice requirements for shareholder proposals, and super-majority voting requirements for certain transactions with affiliates, converting the Fund to an open-end investment company or a merger, asset sale or similar transaction. Holders of preferred shares, including any outstanding Auction Market Preferred Shares, have voting rights in addition to and separate from the voting rights of common shareholders with respect to certain of these matters. See Description of Shares Preferred Shares and Certain Provisions of the Agreement and Declaration of Trust and By-Laws. The holders of preferred shares, on the one hand, and the holders of the common shares, on the other, may have interests that conflict in these situations.

*Market Disruption Risk.* Certain events have a disruptive effect on the securities markets, such as terrorist attacks, war and other geopolitical events, earthquakes, storms and other disasters. The Fund cannot predict the effects of similar events in the future on the U.S. economy or any foreign economy.

*Recent Market Events.* Recently, domestic and international markets have experienced a period of acute stress starting in the financial sector and then moving to other sectors of the world economy. This stress has resulted in unusual and extreme volatility in the equity markets and in the prices of individual stocks. In some cases, the prices of stocks of individual companies have declined sharply even though a corresponding degradation in the financial conditions or prospects of that company is not apparent. These market conditions add significantly to the risk of short-term volatility of the Fund.

In addition, debt markets are experiencing a period of high volatility which has negatively impacted market liquidity conditions and prices. Initially, the concerns on the part of market participants were focused on the subprime segment of the mortgage-backed securities market. These concerns have since expanded to include derivatives, securitized assets and a broad range of other debt securities, including those rated investment grade, the U.S. and international credit and interbank money markets generally, and a wide range of financial institutions and markets, asset classes, and sectors. As a result, debt instruments are experiencing liquidity issues, increased price volatility, credit downgrades, and increased likelihood of default. In addition, many investors have been forced to liquidate positions they might not otherwise sell to satisfy margin calls, putting further pressure on asset prices. These market conditions may have an adverse effect on the Fund's investments and hamper the Fund's ability to sell the debt securities in which it invests or to find and purchase suitable debt instruments. In addition, illiquidity and volatility in the credit markets may directly and adversely affect the setting of dividend rates on the common shares.

The recent market conditions have also caused domestic and international issuers to seek capital infusions to strengthen their financial positions or to remain financially viable. These capital infusions have taken a variety of

forms, including the public or private issuance of additional debt securities, equity securities or both, which have been purchased by, among others, public and private investors, government agencies, and sovereign wealth funds. If the Fund owns shares of an issuer that sells additional equity securities and the Fund cannot or chooses not to purchase shares in the offering, the Fund's interest in the issuing company will be diluted.

## **Additional Risks to Common Shareholders**

*Generally, an investment in common shares is subject to the following risks:*

*Leverage Risk.* The Fund has issued preferred shares (Auction Market Preferred Shares) and may issue additional preferred shares or borrow money or issue debt securities as permitted by the 1940 Act. The Fund's use of leverage creates risk. As a non-fundamental policy, such preferred shares, borrowing or debt securities may not exceed 38% of the Fund's total assets. However, the Board of Trustees reserves the right to issue preferred shares or borrow to the extent permitted by the 1940 Act or under any order issued by the Commission. See Prospectus Summary Recent Developments and Leverage.

Leverage creates risks which may adversely affect the return for the holders of common shares, including:

the likelihood of greater volatility of net asset value and market price of common shares;

fluctuations in the dividend rates on any preferred shares or in interest rates on borrowings and short-term debt;

increased operating costs, which are effectively borne by common shareholders, may reduce the Fund's total return; and

the potential for a decline in the value of an investment acquired with borrowed funds, while the Fund's obligations under such borrowing remain fixed.

The Fund's use of leverage is premised upon the expectation that the Fund's preferred share dividends or borrowing cost will be lower than the return the Fund achieves on its investments with the proceeds of the issuance of preferred shares or debt securities or borrowing. Such difference in return may result from the Fund's higher credit rating or the short-term nature of its borrowing compared to the long-term nature of its investments. Because Calamos seeks to invest the Fund's managed assets (including the assets obtained from leverage) in the higher yielding portfolio investments or portfolio investments with the potential for capital appreciation, the holders of common shares will be the beneficiaries of the incremental return. Should the differential between the underlying assets and cost of leverage narrow, the incremental return pick up will be reduced. Furthermore, if long-term interest rates rise without a corresponding increase in the yield on the Fund's portfolio investments or the Fund otherwise incurs losses on its investments, the Fund's net asset value attributable to its common shares will reflect the decline in the value of portfolio holdings resulting therefrom.

Leverage is a speculative technique that could adversely affect the returns to common shareholders. Leverage can cause the Fund to lose money and can magnify the effect of any losses. To the extent the income or capital appreciation derived from securities purchased with funds received from leverage exceeds the cost of leverage, the Fund's return will be greater than if leverage had not been used. Conversely, if the income or capital appreciation from the securities purchased with such funds is not sufficient to cover the cost of leverage or if the Fund incurs capital losses, the return of the Fund will be less than if leverage had not been used, and therefore the amount available for distribution to common shareholders as dividends and other distributions will be reduced or potentially eliminated.

The Fund will pay, and common shareholders will effectively bear, any costs and expenses relating to any borrowings and to the issuance and ongoing maintenance of preferred shares or debt securities. Such costs and expenses include the higher management fee resulting from the use of any such leverage, offering and/or issuance costs, and interest and/or dividend expense and ongoing maintenance.

Certain types of borrowings may result in the Fund being subject to covenants in credit agreements, including those relating to asset coverage, borrowing base and portfolio composition requirements and additional covenants that may affect the Fund's ability to pay dividends and distributions on common shares in certain instances. The Fund may also be required to pledge its assets to the lenders in connection with certain types of borrowings. The Fund is subject to certain restrictions on investments imposed by guidelines of Moody's and Fitch, which have issued ratings for the Auction Market Preferred Shares and may do so for

short-term debt instruments issued by the Fund. These guidelines may impose asset coverage or portfolio composition requirements that are more stringent than those imposed by the 1940 Act.

If the Fund's ability to make dividends and distributions on its common shares is limited, such limitation could, under certain circumstances, impair the ability of the Fund to maintain its qualification for taxation as a regulated investment company, which would have adverse tax consequences for common shareholders. To the extent that the Fund is required, in connection with maintaining 1940 Act asset coverage requirements or otherwise, or elects to redeem any preferred shares or debt securities or prepay any borrowings, the Fund may need to liquidate investments to fund such redemptions or prepayments. Liquidation at times of adverse economic conditions may result in capital loss and reduce returns to common shareholders.

Because Calamos' investment management fee is a percentage of the Fund's managed assets, Calamos' fee will be higher if the Fund is leveraged and Calamos will have an incentive to be more aggressive and leverage the Fund. Consequently, the Fund and Calamos may have differing interests in determining whether to leverage the Fund's assets. Any additional use of leverage by the Fund would require approval by the Board of Trustees of the Fund. In considering whether to approve the use of additional leverage, the Board would be presented with all relevant information necessary to make a determination whether or not additional leverage would be in the best interests of the Fund, including information regarding any potential conflicts of interest.

*Reduction of Leverage Risk.* We have previously taken, and may in the future take, action to reduce the amount of leverage employed by the Fund. See Prospectus Summary Recent Developments. In addition, subject to then current market conditions and portfolio management assessment, we may use the proceeds of any offering under this prospectus and related prospectus supplement to redeem preferred shares, including the Auction Market Preferred Shares, to the extent that any such securities are outstanding. Reduction of the leverage employed by the Fund, including by redemption of preferred shares, will in turn reduce the amount of assets available for investment in portfolio securities. This reduction in leverage may negatively impact our financial performance, including our ability to sustain current levels of distributions on common shares.

*Interest Rate Transactions Risk.* The Fund may enter into an interest rate swap or cap transaction to attempt to protect itself from increasing dividend or interest expenses on its leverage resulting from increasing short-term interest rates and to hedge its portfolio securities. A decline in interest rates may result in a decline in the value of the swap or cap, which may result in a decline in the net asset value of the Fund.

Depending on the state of interest rates in general, the Fund's use of interest rate swap or cap transactions could enhance or harm the overall performance of the common shares. To the extent there is a decline in interest rates, the value of the interest rate swap or cap could decline, and could result in a decline in the net asset value of the common shares. In addition, if the counterparty to an interest rate swap or cap defaults, the Fund would not be able to use the anticipated net receipts under the swap or cap to offset the dividend or interest payments on the Fund's leverage.

Depending on whether the Fund would be entitled to receive net payments from the counterparty on the swap or cap, which in turn would depend on the general state of short-term interest rates at that point in time, such a default could negatively impact the performance of the common shares. In addition, at the time an interest rate swap or cap transaction reaches its scheduled termination date, there is a risk that the Fund would not be able to obtain a replacement transaction or that the terms of the replacement would not be as favorable as on the expiring transaction. If either of these events occurs, it could have a negative impact on the performance of the common shares.

If the Fund fails to maintain a required 200% asset coverage of the liquidation value of the outstanding Auction Market Preferred Shares or if the Fund loses its rating on its Auction Market Preferred Shares or fails to maintain other covenants with respect to the Auction Market Preferred Shares, the Fund may be required to redeem some or all

of the Auction Market Preferred Shares. Similarly, the Fund could be required to prepay the principal amount of any debt securities or other borrowings. Such redemption or prepayment would likely result in the Fund seeking to terminate early all or a portion of any swap or cap transaction. Early termination of a swap could result in a termination payment by or to the Fund. Early termination of a cap could result in a termination payment to the Fund. The Fund intends to segregate with its custodian cash or liquid securities

having a value at least equal to the Fund's net payment obligations under any swap transaction, marked-to-market daily.

*Market Impact Risk.* The sale of our common shares (or the perception that such sales may occur) may have an adverse effect on prices in the secondary market for our common shares. An increase in the number of common shares available may put downward pressure on the market price for our common shares. These sales also might make it more difficult for us to sell additional equity securities in the future at a time and price we deem appropriate.

*Dilution Risk.* The voting power of current shareholders will be diluted to the extent that current shareholders do not purchase shares in any future common share offerings or do not purchase sufficient shares to maintain their percentage interest. In addition, if we are unable to invest the proceeds of such offering as intended, our per share distribution may decrease and we may not participate in market advances to the same extent as if such proceeds were fully invested as planned.

*Market Discount Risk.* The Fund's common shares have traded both at a premium and at a discount in relation to net asset value. Shares of closed-end investment companies frequently trade at a discount from net asset value, but in some cases trade above net asset value. The risk of the common shares trading at a discount is a risk separate from the risk of a decline in the Fund's net asset value as a result of investment activities. The Fund's net asset value may be reduced immediately following this offering by the offering costs for common shares, which will be borne entirely by all common shareholders.

Whether shareholders will realize a gain or loss upon the sale of the Fund's common shares depends upon whether the market value of the shares at the time of sale is above or below the price the shareholder paid, taking into account transaction costs for the shares, and is not directly dependent upon the Fund's net asset value. Because the market value of the Fund's common shares will be determined by factors such as the relative demand for and supply of the shares in the market, general market conditions and other factors beyond the control of the Fund, the Fund cannot predict whether its common shares will trade at, below or above net asset value, or below or above the public offering price for the common shares.

### **Additional Risks to Senior Security Holders**

Generally, an investment in preferred shares or debt securities (collectively, "senior securities") is subject to the following risks:

*Interest Rate Risk.* Rising market interest rates could impact negatively the value of our investment portfolio, reducing the amount of assets serving as asset coverage for the senior securities.

*Senior Leverage Risk.* Preferred shares will be junior in liquidation and with respect to distribution rights to debt securities and any other borrowings. Senior securities representing indebtedness may constitute a substantial lien and burden on preferred shares by reason of their prior claim against our income and against our net assets in liquidation. We may not be permitted to declare dividends or other distributions with respect to any series of preferred shares unless at such time we meet applicable asset coverage requirements and the payment of principal or interest is not in default with respect to any borrowings. See Prospectus Summary Recent Developments.

*Ratings and Asset Coverage Risk.* To the extent that senior securities are rated, a rating does not eliminate or necessarily mitigate the risks of investing in our senior securities, and a rating may not fully or accurately reflect all of the credit and market risks associated with a security. A rating agency could downgrade the rating of our shares of preferred stock or debt securities, which may make such securities less liquid in the secondary market, though probably with higher resulting interest rates. If a rating agency downgrades the rating assigned to a senior security, we

may alter our portfolio or redeem the senior security. We may voluntarily redeem a senior security under certain circumstances.

*Inflation Risk.* Inflation is the reduction in the purchasing power of money resulting from an increase in the price of goods and services. Inflation risk is the risk that the inflation adjusted or real value of an investment in preferred stock or debt securities or the income from that investment will be

worth less in the future. As inflation occurs, the real value of the preferred stock or debt securities and the dividend payable to holders of preferred stock or interest payable to holders of debt securities declines.

*Decline in Net Asset Value Risk.* A material decline in our NAV may impair our ability to maintain required levels of asset coverage for our Auction Market Preferred Shares or any other preferred securities or debt securities we may issue in the future.

## MANAGEMENT OF THE FUND

### Trustees and Officers

The Fund's Board of Trustees provides broad supervision over the affairs of the Fund. The officers of the Fund are responsible for the Fund's operations. Currently, there are seven Trustees of the Fund, one of whom is an interested person of the Fund (as defined in the 1940 Act) and six of whom are not interested persons. The names and business addresses of the trustees and officers of the Fund and their principal occupations and other affiliations during the past five years are set forth under Management of the Fund in the statement of additional information.

### Investment Adviser

The Fund's investments are managed by Calamos, 2020 Calamos Court, Naperville, Illinois. On February 28, 2009, Calamos managed approximately \$22 billion in assets of individuals and institutions. Calamos is a wholly-owned subsidiary of Holdings and indirect subsidiary of Calamos Asset Management, Inc., a publicly traded holding company whose shares are listed on the NASDAQ exchange under the ticker symbol CLMS.

### Investment Management Agreement

Subject to the overall authority of the Board of Trustees, Calamos regularly provides the Fund with investment research, advice and supervision and furnishes continuously an investment program for the Fund. In addition, Calamos furnishes for use of the Fund such office space and facilities as the Fund may require for its reasonable needs, supervises the Fund's business and affairs and provides the following other services on behalf of the Fund and not provided by persons not a party to the investment management agreement: (a) preparing or assisting in the preparation of reports to and meeting materials for the Trustees; (b) supervising, negotiating contractual arrangements with, to the extent appropriate, and monitoring the performance of, accounting agents, custodians, depositories, transfer agents and pricing agents, accountants, attorneys, printers, underwriters, brokers and dealers, insurers and other persons in any capacity deemed to be necessary or desirable to Fund operations; (c) assisting in the preparation and making of filings with the Commission and other regulatory and self-regulatory organizations, including, but not limited to, preliminary and definitive proxy materials, registration statements on Form N-2 and amendments thereto, and reports on Form N-SAR and Form N-CSR; (d) overseeing the tabulation of proxies by the Fund's transfer agent; (e) assisting in the preparation and filing of the Fund's federal, state and local tax returns; (f) assisting in the preparation and filing of the Fund's federal excise tax return pursuant to Section 4982 of the Code; (g) providing assistance with investor and public relations matters; (h) monitoring the valuation of portfolio securities and the calculation of net asset value; (i) monitoring the registration of shares of beneficial interest of the Fund under applicable federal and state securities laws; (j) maintaining or causing to be maintained for the Fund all books, records and reports and any other information required under the 1940 Act, to the extent that such books, records and reports and other information are not maintained by the Fund's custodian or other agents of the Fund; (k) assisting in establishing the accounting policies of the Fund; (l) assisting in the resolution of accounting issues that may arise with respect to the Fund's operations and consulting with the Fund's independent accountants, legal counsel and the Fund's other agents as necessary in connection therewith; (m) reviewing the Fund's bills; (n) assisting the Fund in determining the amount of dividends and distributions available to be paid by the Fund to its shareholders, preparing and arranging

for the printing of dividend

notices to shareholders, and providing the transfer and dividend paying agent, the custodian, and the accounting agent with such information as is required for such parties to effect the payment of dividends and distributions; and (o) otherwise assisting the Fund as it may reasonably request in the conduct of the Fund's business, subject to the direction and control of the Trustees.

Under the investment management agreement, the Fund pays to Calamos a fee based on the average weekly managed assets that is computed weekly and paid on a monthly basis. The fee paid by the Fund is at the annual rate of 0.80% of average weekly managed assets. Because the fees paid to Calamos are determined on the basis of the Fund's managed assets, the amount of management fees paid to Calamos when the Fund uses leverage will be higher than if the Fund did not use leverage. Therefore, Calamos has a financial incentive to use leverage, which creates a conflict of interest between Calamos and the Fund's common shareholders.

Under the terms of its investment management agreement, except for the services and facilities provided by Calamos as set forth therein, the Fund shall assume and pay all expenses for all other Fund operations and activities and shall reimburse Calamos for any such expenses incurred by Calamos. The expenses borne by the Fund shall include, without limitation: (a) organization expenses of the Fund (including out-of-pocket expenses, but not including Calamos' overhead or employee costs); (b) fees payable to Calamos; (c) legal expenses; (d) auditing and accounting expenses; (e) maintenance of books and records that are required to be maintained by the Fund's custodian or other agents of the Fund; (f) telephone, telex, facsimile, postage and other communications expenses; (g) taxes and governmental fees; (h) fees, dues and expenses incurred by the Fund in connection with membership in investment company trade organizations and the expense of attendance at professional meetings of such organizations; (i) fees and expenses of accounting agents, custodians, subcustodians, transfer agents, dividend disbursing agents and registrars; (j) payment for portfolio pricing or valuation services to pricing agents, accountants, bankers and other specialists, if any; (k) expenses of preparing share certificates; (l) expenses in connection with the issuance, offering, distribution, sale, redemption or repurchase of securities issued by the Fund; (m) expenses relating to investor and public relations provided by parties other than Calamos; (n) expenses and fees of registering or qualifying shares of beneficial interest of the Fund for sale; (o) interest charges, bond premiums and other insurance expenses; (p) freight, insurance and other charges in connection with the shipment of the Fund's portfolio securities; (q) the compensation and all expenses (specifically including travel expenses relating to Fund business) of Trustees, officers and employees of the Fund who are not affiliated persons of Calamos; (r) brokerage commissions or other costs of acquiring or disposing of any portfolio securities of the Fund; (s) expenses of printing and distributing reports, notices and dividends to shareholders; (t) expenses of preparing and setting in type, printing and mailing prospectuses and statements of additional information of the Fund and supplements thereto; (u) costs of stationery; (v) any litigation expenses; (w) indemnification of Trustees and officers of the Fund; (x) costs of shareholders' and other meetings; (y) interest on borrowed money, if any; and (z) the fees and other expenses of listing the Fund's shares on the NYSE or any other national stock exchange.

Calamos has contractually agreed to waive a portion of its management fee at the annual rate, and for the time periods, set forth below:

<b>Period Ending June 30,</b>	<b>Fee Waived (As a Percentage of Average Weekly Managed Assets)</b>
2009	0.11%
2010	0.04%

**Portfolio Manager**

Calamos employs a team approach to portfolio management, with teams led by the Co-Chief Investment Officers (the Co-CIOs ) and comprised generally of the Co-CIOs, senior strategy analysts, intermediate analysts and junior analysts. The Co-CIOs and senior strategy analysts are supported by and lead a team of investment professionals whose valuable contributions create a synergy of expertise that can be applied across many different investment strategies.

Portfolio holdings are reviewed and trading activity is discussed on a regular basis by team members. Team members generally may make trading decisions guided by each respective Fund's investment objective and strategy.

While day-to-day management of each portfolio is a team effort, the Co-CIOs, along with certain of the senior strategy analysts, have joint primary and supervisory responsibility for the Fund and work with all team members in developing and executing each respective portfolio's investment program. The Fund's portfolio investment program includes implementation of distinct strategies. All team leaders are further identified below.

John P. Calamos, Sr., Co-CIO of Calamos, generally focuses on the top-down approach of diversification by industry sector and macro-level investment themes. Nick P. Calamos, Co-CIO of Calamos, also focuses on the top-down approach of diversification by industry sector and macro-level investment themes and, in addition, focuses on the bottom-up approach and corresponding research and analysis. John P. Calamos, Jr., John Hillenbrand, Steve Klouda, Jeff Scudieri and Jon Vacko are each senior strategy analysts.

John P. Calamos, Sr. is President and Trustee of the Fund and founder, chairman, CEO and Co-CIO of Calamos and its predecessor company. Nick P. Calamos is Vice President of the Fund and Senior Executive Vice President and Co-CIO of Calamos and its predecessor company. John P. Calamos, Jr., Executive Vice President of Calamos, joined the firm in 1985 and has held various senior investment positions since that time. John Hillenbrand joined Calamos in 2002 and has been a senior strategy analyst since August 2002. Steve Klouda joined Calamos in 1994 and has been a senior strategy analyst since July 2002. Jeff Scudieri joined Calamos in 1997 and has been a senior strategy analyst since September 2002. Jon Vacko joined Calamos in 2000 and has been a senior strategy analyst since July 2002.

For over 20 years, the Calamos portfolio management team has managed money for their clients in convertible, high yield and global strategies. Furthermore, Calamos has extensive experience investing in foreign markets through its convertible securities and high yield securities strategies. Such experience has included investments in established as well as emerging foreign markets. The Fund's statement of additional information provides additional information about the team leaders, including other accounts they manage, their ownership in the Calamos Family of Funds and their compensation.

### **Fund Accounting**

Under the arrangements with State Street to provide fund accounting services, State Street provides certain administrative and accounting services to the Fund and such other funds advised by Calamos that may be part of those arrangements (the Fund and such other funds are collectively referred to as the Calamos Funds) as described more fully in the statement of additional information. For the services rendered to the Calamos Funds, State Street receives fees based on the combined managed assets of the Calamos Funds (Combined Assets). Each fund of the Calamos Funds pays its pro-rata share of the fees payable to State Street described below based on relative managed assets of each fund. State Street receives a fee at the annual rate of .009% for the first \$5.0 billion of Combined Assets, .0075% for the next \$5.0 billion of Combined Assets, .005% for the next \$5.0 billion of Combined Assets and .0035% for the Combined Assets in excess of \$15.0 billion. Because the fees payable to State Street are based on the managed assets of the Calamos Funds, the fees increase as the Calamos Funds increase their leverage.

In addition, Calamos provides certain other financial accounting services to the Calamos Funds described more fully in the statement of additional information. For providing those services, Calamos receives a fee at the annual rate of 0.0175% on the first \$1 billion of Combined Assets; 0.0150% on the next \$1 billion of Combined Assets; and 0.0110% on Combined Assets above \$2 billion (financial accounting service fee). Each fund of the Calamos Funds will pay its pro rata share of the financial accounting service fee to Calamos based on the fund's portion of the Combined Assets.



## **CLOSED-END FUND STRUCTURE**

The Fund is a diversified, closed-end management investment company (commonly referred to as a closed-end fund) which commenced investment operations in June 2002. Closed-end funds differ from open-end management investment companies (which are generally referred to as mutual funds) in that closed-end funds generally list their shares for trading on a stock exchange and do not redeem their shares at the request of the shareholder. This means that if you wish to sell your shares of a closed-end fund you must trade them on the market like any other stock at the prevailing market price at that time. In a mutual fund, if the shareholder wishes to sell shares of the fund, the mutual fund will redeem or buy back the shares at net asset value. Also, mutual funds generally offer new shares on a continuous basis to new investors, and closed-end funds generally do not. The continuous inflows and outflows of assets in a mutual fund can make it difficult to manage the fund's investments. By comparison, closed-end funds are generally able to stay more fully invested in securities that are consistent with their investment objectives and also have greater flexibility to make certain types of investments and to use certain investment strategies, such as financial leverage and investments in illiquid securities.

Shares of closed-end funds frequently trade at a discount to their net asset value. To the extent the common shares do trade at a discount, the Fund's Board of Trustees may from time to time engage in open-market repurchases or tender offers for shares after balancing the benefit to shareholders of the increase in the net asset value per share resulting from such purchases against the decrease in the assets of the Fund and potential increase in the expense ratio of expenses to assets of the Fund. The Board of Trustees believes that in addition to the beneficial effects described above, any such purchases or tender offers may result in the temporary narrowing of any discount but will not have any long-term effect on the level of any discount. We cannot guarantee or assure, however, that the Fund's Board of Trustees will decide to engage in any of these actions. Nor is there any guarantee or assurance that such actions, if undertaken, would result in the shares trading at a price equal or close to net asset value per share. The Board of Trustees might also consider converting the Fund to an open-end mutual fund, which would also require a vote of the shareholders of the Fund. Conversion of the Fund to an open-end mutual fund would require an amendment to the Fund's Declaration of Trust. Such an amendment would require the favorable vote of the holders of at least 75% of the Fund's outstanding shares (including any preferred shares) entitled to be voted on the matter, voting as a single class (or a majority of such shares if the amendment were previously approved, adopted or authorized by 75% of the total number of Trustees fixed in accordance with the Bylaws), and, assuming preferred shares are issued, the affirmative vote of a majority of outstanding preferred shares, voting as a separate class.

## **CERTAIN FEDERAL INCOME TAX MATTERS**

The following is a general summary of certain federal income tax considerations affecting us and our security holders. This discussion does not purport to be complete or to deal with all aspects of federal income taxation that may be relevant to shareholders in light of their particular circumstances or those who are subject to special rules, such as banks, thrift institutions and certain other financial institutions, REITs, regulated investment companies, insurance companies, brokers and dealers in securities or currencies, certain securities traders, tax-exempt investors, individual retirement accounts, certain tax-deferred accounts, and foreign investors. Tax matters are very complicated, and the tax consequences of an investment in and holding of our securities will depend on the particular facts of each investor's situation. Investors are advised to consult their own tax advisors with respect to the application to their own circumstances of the general federal income taxation rules described below and with respect to other federal, state, local or foreign tax consequences to them before making an investment in our securities. Unless otherwise noted, this discussion assumes that investors are U.S. persons and hold our securities as capital assets. More detailed information regarding the federal income tax consequences of investing in our securities is in the statement of additional information.

**Federal Income Taxation of the Fund**

The Fund has elected to be treated, and intends to qualify each year, as a regulated investment company under Subchapter M of the Internal Revenue Code of 1986, as amended (the Code ), so that it will not pay

U.S. federal income tax on income and capital gains timely distributed to shareholders. If the Fund qualifies as a regulated investment company and distributes to its shareholders at least 90% of the sum of (i) its investment company taxable income as that term is defined in the Code (which includes, among other things, dividends, taxable interest, the excess of any net short-term capital gains over net long-term capital losses and certain net foreign exchange gains, less certain deductible expenses) without regard to the deduction for dividends paid, and (ii) the excess of its gross tax-exempt interest, if any, over certain disallowed deductions, the Fund will be relieved of U.S. federal income tax on any income of the Fund, including long-term capital gains, distributed to shareholders. However, if the Fund retains any investment company taxable income or net capital gain (i.e., the excess of net long-term capital gain over net short-term capital loss), it will be subject to U.S. federal income tax at regular corporate federal income tax rates (currently at a maximum rate of 35%) on the amount retained. The Fund intends to distribute at least annually all or substantially all of its investment company taxable income, net tax-exempt interest, and net capital gain. Under the Code, the Fund will generally be subject to a nondeductible 4% federal excise tax on its undistributed ordinary income and capital gains if it fails to meet certain distribution requirements with respect to each calendar year. The Fund intends to make distributions in a timely manner in amounts necessary to avoid the excise tax and accordingly does not expect to be subject to this tax.

If, for any taxable year, the Fund does not qualify as a regulated investment company for U.S. federal income tax purposes, it would be treated in the same manner as a regular corporation subject to U.S. federal income tax and distributions to its shareholders would not be deducted by the Fund in computing its taxable income. In such event, the Fund's distributions, to the extent derived from the Fund's current or accumulated earnings and profits, would generally constitute ordinary dividends, which would generally be eligible for the dividends received deduction available to corporate shareholders, and non-corporate shareholders would generally be able to treat such distributions as qualified dividend income eligible for reduced rates of U.S. federal income taxation in taxable years beginning on or before December 31, 2010.

Certain of the Fund's investment practices are subject to special and complex federal income tax provisions that may, among other things, (i) disallow, suspend or otherwise limit the allowance of certain losses or deductions, (ii) convert tax-advantaged, long-term capital gains and qualified dividend income into higher taxed short-term capital gain or ordinary income, (iii) convert an ordinary loss or a deduction into a capital loss (the deductibility of which is more limited), (iv) cause the Fund to recognize income or gain without a corresponding receipt of cash, (v) adversely affect the timing as to when a purchase or sale of stock or securities is deemed to occur, and (vi) adversely alter the characterization of certain complex financial transactions. The Fund will monitor its transactions and may make certain tax elections where applicable in order to mitigate the effect of these provisions, if possible.

Dividends, interest and some capital gains received by the Fund on foreign securities may be subject to foreign tax withholdings or other foreign taxes. If it meets certain requirements, the Fund may make an election under the Code to pass through such taxes to shareholders of the Fund. If such an election is not made, any foreign taxes paid or accrued by the Fund will represent an expense of the Fund. If an election is made, shareholders will generally be able to claim a credit or deduction on their federal income tax return for, and will be required to treat as part of the amounts distributed to them, their pro rata portion of the income taxes paid by the Fund to foreign countries (which taxes relate primarily to investment income). If the Fund makes such an election, it will provide relevant information to its shareholders.

### **Federal Income Taxation of Common and Preferred Shares**

*Federal Income Tax Treatment of Common Share Distributions.* Unless a shareholder is ineligible to participate or elects otherwise, all distributions will be automatically reinvested in additional shares of common stock of the Fund pursuant to the Fund's Automatic Dividend Reinvestment Plan (the Plan). For taxpayers subject to U.S. federal income tax, all dividends will generally be taxable regardless of whether a shareholder takes them in cash or they are

reinvested pursuant to the Plan in additional shares of the Fund. Distributions of the Fund's investment company taxable income (determined without regard to the deduction for dividends paid) will generally be taxable at ordinary federal income tax rates to the extent of the Fund's current and accumulated earnings and profits. However, a portion of such distributions derived from certain

corporate dividends, if any, may qualify for either the dividends received deduction available to corporate shareholders under Section 243 of the Code or the reduced rates of U.S. federal income taxation for qualified dividend income currently available to noncorporate shareholders under Section 1(h)(11) of the Code, provided certain holding period and other requirements are met at both the Fund and shareholder levels. The provisions of the Code applicable to qualified dividend income are currently effective for taxable years beginning on or before December 31, 2010. Distributions of net capital gain, if any, are generally taxable as long-term capital gains for U.S. federal income tax purposes without regard to the length of time a shareholder has held shares of the Fund. A distribution of an amount in excess of the Fund's current and accumulated earnings and profits, if any, will be treated by a shareholder as a tax-free return of capital, which is applied against and reduces the shareholder's basis in his, her or its shares. To the extent that the amount of any such distribution exceeds the shareholder's basis in his, her or its shares, the excess will be treated by the shareholder as gain from the sale or exchange of shares. The U.S. federal income tax status of all dividends and distributions will be designated by the Fund and reported to the shareholders annually.

If the Fund retains any net capital gain, the Fund may designate the retained amount as undistributed capital gains in a notice to shareholders who, if subject to U.S. federal income tax on long-term capital gains, (i) will be required to include in income as long-term capital gain their proportionate share of such undistributed amount, and (ii) will be entitled to credit their proportionate share of the federal income tax paid by the Fund on the undistributed amount against their U.S. federal income tax liabilities, if any, and to claim refunds to the extent the credit exceeds such liabilities. If such an event occurs, the tax basis of shares owned by a shareholder of the Fund will, for U.S. federal income tax purposes, generally be increased by the difference between the amount of undistributed net capital gain included in the shareholder's gross income and the federal income tax deemed paid by the shareholders.

If a shareholder's distributions are automatically reinvested pursuant to the Plan and the plan agent invests the distribution in shares acquired on behalf of the shareholder in open-market purchases, for U.S. federal income tax purposes, the shareholder will be treated as having received a taxable distribution in the amount of the cash dividend that the shareholder would have received if the shareholder had elected to receive cash. If a shareholder's distributions are automatically reinvested pursuant to the Plan and the plan agent invests the distribution in newly issued shares of the Fund, the shareholder will be treated as receiving a taxable distribution equal to the fair market value of the stock the shareholder receives.

Dividends declared by the Fund in October, November or December with a record date in such month that are paid during the following January will be treated for federal income tax purposes as paid by the Fund and received by the shareholders on December 31 of the calendar year in which they were declared.

*Federal Income Tax Treatment of Preferred Share Distributions.* Under present law, we are of the opinion that our preferred shares will constitute equity, and thus distributions with respect to preferred shares (other than distributions in redemption of preferred shares subject to Section 302(b) of the Code) will generally constitute dividends to the extent of the Fund's current or accumulated earnings and profits, as calculated for federal income tax purposes. Except in the case of distributions of net capital gain, such dividends generally will be taxable to holders at ordinary federal income tax rates but may qualify for the dividends received deduction available to corporate shareholders under Section 243 of the Code or the reduced rates of U.S. federal income taxation under Section 1(h)(11) of the Code that apply to qualified dividend income received by noncorporate shareholders. Distributions designated by the Fund as net capital gain distributions will be taxable as long-term capital gain regardless of the length of time a shareholder has held shares of the Fund. Please see the discussion above on qualified dividend income, dividends received deductions and net capital gain.

The Internal Revenue Service ( IRS ) currently requires that a regulated investment company that has two or more classes of stock allocate to each such class proportionate amounts of each type of its income (such as ordinary income and capital gains). Accordingly, the Fund intends to designate distributions made with respect to preferred shares as

ordinary income, capital gain distributions, dividends qualifying for the dividends received deduction, if any, and qualified dividend income, if any, in proportion to the preferred

shares share of total dividends paid during the year. See Certain Federal Income Tax Matters in the statement of additional information.

Earnings and profits are generally treated, for federal income tax purposes, as first being used to pay distributions on the preferred shares, and then to the extent remaining, if any, to pay distributions on the common shares. Distributions in excess of the Fund's earnings and profits, if any, will first reduce a shareholder's adjusted tax basis in his or her preferred shares and, after the adjusted tax basis is reduced to zero, will constitute capital gains to a shareholder who holds such shares as a capital asset.

Dividends declared by the Fund in October, November or December with a record date in such month that are paid during the following January will be treated for federal income tax purposes as paid by the Fund and received by the shareholders on December 31 of the calendar year in which they were declared.

*Sale of Shares.* Sales and other dispositions of the Fund's shares generally are taxable events for shareholders that are subject to U.S. federal income tax. Shareholders should consult their own tax advisors with reference to their individual circumstances to determine whether any particular transaction in the Fund's shares is properly treated as a sale or exchange for federal income tax purposes, as the following discussion assumes, and the tax treatment of any gains or losses recognized in such transactions. Gain or loss will generally be equal to the difference between the amount of cash and the fair market value of other property received and the shareholder's adjusted tax basis in the shares sold or exchanged. Such gain or loss will generally be characterized as capital gain or loss and will be long-term or short-term depending on the shareholder's holding period in the shares disposed. However, any loss realized by a shareholder upon the sale or other disposition of shares with a federal income tax holding period of six months or less will be treated as a long-term capital loss to the extent of any amounts treated as distributions of long-term capital gain with respect to such shares. The ability to deduct capital losses may be limited.

Gain or loss will generally be long-term capital gain or loss if the shares disposed of were held for more than one year and will be short-term capital gain or loss if the shares disposed of were held for one year or less. Net long-term capital gain recognized by a noncorporate U.S. shareholder generally will be subject to federal income tax at a lower rate (currently a maximum rate of 15%, although this rate will increase to 20% for taxable years beginning after December 31, 2010) than net short-term capital gain or ordinary income (currently a maximum rate of 35%). For corporate shareholders, capital gain is generally taxed for federal income tax purposes at the same rate as ordinary income, that is, currently at a maximum rate of 35%. In addition, losses on sales or other dispositions of shares may be disallowed under the wash sale rules in the event that substantially identical stock or securities are acquired (including those made pursuant to reinvestment of dividends) within a period of 61 days beginning 30 days before and ending 30 days after a sale or other disposition of shares. In such a case, the disallowed portion of any loss generally would be included in the U.S. federal tax basis of the shares acquired.

*Backup Withholding.* The Fund is required in certain circumstances to withhold federal income tax ( backup withholding ) at a current rate of 28% on reportable payments including dividends, capital gain distributions, and proceeds of sales or other dispositions of the Fund's shares paid to certain holders of the Fund's shares who do not furnish the Fund with their correct social security number or other taxpayer identification number and certain other certifications, or who are otherwise subject to backup withholding. Backup withholding is not an additional tax. Any amounts withheld from payments made to a shareholder may be refunded or credited against such shareholder's U.S. federal income tax liability, if any, provided that the required information is furnished to the IRS.

## **Federal Income Taxation of Debt Securities**

*Federal Income Tax Treatment of Holders of Debt Securities.* Under present law, we are of the opinion that the debt securities will constitute indebtedness of the Fund for federal income tax purposes, which the discussion below

assumes. We intend to treat all payments made with respect to the debt securities consistent with this characterization.

*Taxation of Interest.* Payments or accruals of interest on debt securities generally will be taxable to holders as ordinary interest income at the time such interest is received (actually or constructively) or accrued, in accordance with their regular method of accounting for federal income tax purposes.

*Purchase, Sale and Redemption of Debt Securities.* Initially, the tax basis in debt securities acquired generally will be equal to the cost to acquire such debt securities. This basis will increase by the amounts, if any, that a holder includes in income under the rules governing market discount, and will decrease by the amount of any amortized premium on such debt securities, as discussed below. When a holder sells or exchanges any of their debt securities, or if any debt securities are redeemed, the holder of the debt securities generally will recognize gain or loss equal to the difference between the amount realized on the transaction (less any accrued and unpaid interest, which will be subject to federal income tax as interest in the manner described above) and the tax basis in the debt securities relinquished.

Except as discussed below with respect to market discount, the gain or loss recognized on the sale, exchange or redemption of any debt securities generally will be capital gain or loss. Such gain or loss will generally be long-term capital gain or loss if the disposed debt securities were held for more than one year and will be short-term capital gain or loss if the disposed debt securities were held for one year or less. Net long-term capital gain recognized by a noncorporate U.S. holder generally will be subject to federal income tax at a lower rate (currently a maximum rate of 15%, although this rate will increase to 20% for taxable years beginning after December 31, 2010) than net short-term capital gain or ordinary income (currently a maximum rate of 35%). For corporate holders, capital gain is generally taxed for federal income tax purposes at the same rate as ordinary income, that is, currently at a maximum rate of 35%. A holder's ability to deduct capital losses may be limited.

*Amortizable Premium.* If a holder purchases debt securities at a cost greater than their stated principal amount, plus accrued interest, the holder will be considered to have purchased the debt securities at a premium, and generally may elect to amortize this premium as an offset to interest income, using a constant yield method, over the remaining term of the debt securities. If the holder makes the election to amortize the premium, it generally will apply to all debt instruments held at the beginning of the first taxable year to which the election applies, as well as any debt instruments subsequently acquired. In addition, the holder may not revoke the election without the consent of the IRS. If the holder elects to amortize the premium, the holder will be required to reduce its tax basis in the debt securities by the amount of the premium amortized during its holding period. If the holder does not elect to amortize premium, the amount of premium will be included in its tax basis in the debt securities. Therefore, if the holder does not elect to amortize the premium and holds the debt securities to maturity, the holder generally will be required to treat the premium as a capital loss when the debt securities are redeemed.

*Market Discount.* If the holder purchases debt securities at a price that reflects a market discount, any principal payments on, or any gain realized on the disposition of the debt securities generally will be treated as ordinary interest income to the extent of the market discount that accrued on the debt securities during the time the holder held such debt securities. Market discount is defined under the Code as, in general, the excess of the stated redemption price at maturity over the purchase price of the debt security, except that if the market discount is less than 0.25% of the stated redemption price at maturity multiplied by the number of complete years to maturity, the market discount is considered to be zero. In addition, the holder may be required to defer the deduction of all or a portion of any interest paid on any indebtedness incurred or continued to purchase or carry the debt securities that were acquired at a market discount. In general, market discount will be treated as accruing ratably over the term of the debt securities, or, at the holder's election, under a constant yield method.

The holder may elect to include market discount in gross income currently as it accrues (on either a ratable or constant yield basis), in lieu of treating a portion of any gain realized on a sale of the debt securities as ordinary income. If the holder elects to include market discount on a current basis, the interest deduction deferral rule described above will not apply and the holder will increase its basis in the debt security by the amount of market discount it includes in

gross income. If the holder does make such an election, it will apply to all market discount debt instruments that the holder acquires on or after the first day of the first taxable year to which the election applies. This election may not be revoked without the consent of the IRS.

*Information Reporting and Backup Withholding.* In general, information reporting requirements will apply to payments of principal, interest, and premium, if any, paid on debt securities and to the proceeds of

the sale of debt securities paid to U.S. holders other than certain exempt recipients (such as certain corporations). Information reporting generally will apply to payments of interest on the debt securities to non-U.S. Holders (as defined below) and the amount of tax, if any, withheld with respect to such payments. Copies of the information returns reporting such interest payments and any withholding may also be made available to the tax authorities in the country in which the non-U.S. Holder resides under the provisions of an applicable income tax treaty. In addition, for non-U.S. Holders, information reporting will apply to the proceeds of the sale of debt securities within the United States or conducted through United States-related financial intermediaries unless the certification requirements described below have been complied with and the statement described below in *Taxation of Non-U.S. Holders* has been received (and the payor does not have actual knowledge or reason to know that the holder is a United States person) or the holder otherwise establishes an exemption.

We may be required to withhold, for U.S. federal income tax purposes, a portion of all payments (including redemption proceeds) payable to holders of debt securities who fail to provide us with their correct taxpayer identification number, who fail to make required certifications or who have been notified by the IRS that they are subject to backup withholding (or if we have been so notified). Certain corporate and other shareholders specified in the Code and the regulations thereunder are exempt from backup withholding. Backup withholding is not an additional tax. Any amounts withheld may be credited against the holder's U.S. federal income tax liability provided the appropriate information is furnished to the IRS. A holder who is a non-U.S. Holder may have to comply with certification procedures to establish its non-U.S. status in order to avoid backup withholding tax requirements. The certification procedures required to claim the exemption from withholding tax on interest income described below will satisfy these requirements.

*Taxation of Non-U.S. Holders.* If a holder is a non-resident alien individual or a foreign corporation (a non-U.S. Holder), the payment of interest on the debt securities generally will be considered portfolio interest and thus generally will be exempt from U.S. federal withholding tax. This exemption will apply provided that (1) interest paid on the debt securities is not effectively connected with the holder's conduct of a trade or business in the United States, (2) the holder is not a bank whose receipt of interest on the debt securities is described in Section 881(c)(3)(A) of the Code, (3) the holder does not actually or constructively own 10 percent or more of the combined voting power of all classes of the Fund's stock entitled to vote, (4) the holder is not a controlled foreign corporation that is related, directly or indirectly, to the Fund through stock ownership, and (5) the holder satisfies the certification requirements described below.

To satisfy the certification requirements, either (1) the holder of any debt securities must certify, under penalties of perjury, that such holder is a non-U.S. person and must provide such owner's name, address and taxpayer identification number, if any, on IRS Form W-8BEN, or (2) a securities clearing organization, bank or other financial institution that holds customer securities in the ordinary course of its trade or business and holds the debt securities on behalf of the holder thereof must certify, under penalties of perjury, that it has received a valid and properly executed IRS Form W-8BEN from the beneficial holder and comply with certain other requirements. Special certification rules apply for debt securities held by a foreign partnership and other intermediaries.

Interest on debt securities received by a non-U.S. Holder that is not excluded from U.S. federal withholding tax under the portfolio interest exemption as described above generally will be subject to withholding at a 30% rate, except where (1) the interest is effectively connected with the conduct of a U.S. trade or business, in which case the interest will generally be subject to U.S. income tax on a net basis as applicable to U.S. holders generally or (2) a non-U.S. Holder can claim the benefits of an applicable income tax treaty to reduce or eliminate such withholding tax. To claim the benefit of an income tax treaty or to claim an exemption from withholding because the interest is effectively connected with a U.S. trade or business, a non-U.S. Holder must timely provide the appropriate, properly executed IRS forms. These forms may be required to be periodically updated. Also, a non-U.S. Holder who is claiming the benefits of an income tax treaty may be required to obtain a U.S. taxpayer identification number and to

provide certain documentary evidence issued by foreign governmental authorities to prove residence in the foreign country.

Any capital gain that a non-U.S. Holder realizes on a sale, exchange or other disposition of debt securities generally will be exempt from United States federal income tax, including withholding tax. This exemption will not apply to a holder whose gain is effectively connected with their conduct of a trade or business in the U.S. or who is an individual holder and is present in the U.S. for a period or periods aggregating 183 days or more in the taxable year of the disposition and either its gain is attributable to an office or other fixed place of business that it maintains in the U.S. or it has a tax home in the United States.

### **Alternative Minimum Tax**

Investors may be subject to the federal alternative minimum tax on their income (including taxable income from the fund), depending on their individual circumstances.

### **NET ASSET VALUE**

Net asset value per share is determined no less frequently than the close of regular session trading on the NYSE (usually 4:00 p.m., Eastern time), on the last business day in each week, or such other time as the Fund may determine. Net asset value is calculated by dividing the value of all of the securities and other assets of the Fund, less its liabilities (including accrued expenses and indebtedness) and the aggregate liquidation value of any outstanding preferred shares, by the total number of common shares outstanding. Currently, the net asset values of shares of publicly traded closed-end investment companies investing in debt securities are published in *Barron's*, the Monday edition of *The Wall Street Journal* and the Monday and Saturday editions of *The New York Times*.

The values of the securities in the Fund are based on market prices from the primary market in which they are traded. As a general rule, equity securities listed on a U.S. securities exchange are valued at the last current reported sale price as of the time of valuation. Securities quoted on the NASDAQ National Market System are valued at the Nasdaq Official Closing Price ( NOCP ), as determined by Nasdaq, or lacking an NOCP, at the last current reported sale price as of the time of valuation. Bonds and other fixed-income securities that are traded over the counter and on an exchange will be valued according to the broadest and most representative market, and it is expected this will ordinarily be the over-the-counter market. The foreign securities held by the Fund are traded on exchanges throughout the world. Trading on these foreign securities exchanges is completed at various times throughout the day and often does not coincide with the close of trading on the NYSE. The value of foreign securities is generally determined at the close of trading of the exchange on which the securities are traded or at the close of trading on the NYSE, whichever is earlier.

If market prices are not readily available or the Fund's valuation methods do not produce a value reflective of the fair value of the security, securities and other assets are priced at a fair value determined in accordance with procedures adopted by the Board of Trustees, which may include a systematic fair valuation model provided by an independent service provider.

The Fund also may use fair value pricing if the value of a security it holds has been affected by events occurring before the Fund's pricing time, but after the close of the primary markets or exchanges on which the security is traded. When fair value pricing is employed, the prices of portfolio securities used to calculate the Fund's net asset value may differ from market quotations or official closing prices for the same securities. This means that the Fund may value those securities higher or lower than another fund that uses market quotations or official closing prices.

The fair value pricing procedures recognize that volatility in the U.S. markets may cause prices of foreign securities determined at the close of the foreign market or exchange on which the securities are traded to no longer be reliable when the Fund's net asset value is determined. As a result, at least some of the Fund's foreign securities may be valued at their fair value in accordance with the fair value pricing procedures on any day the Fund calculates its net asset

value.

Values of foreign securities are translated from local currencies into U.S. dollars using current exchange rates. Trading in securities in foreign markets takes place on some days (including some weekend days and U.S. holidays) when the NYSE is not open, and does not take place on some days when the NYSE is open.

So, the value of the Fund's portfolio may be affected on days when the Fund does not calculate its net asset value.

**DIVIDENDS AND DISTRIBUTIONS ON COMMON SHARES;  
AUTOMATIC DIVIDEND REINVESTMENT PLAN**

**Dividends and Distributions on Common Shares**

The Fund has made regular monthly distributions to its common shareholders in an amount ranging from \$0.0950 to \$0.1500 per share since August 2002. Additionally, the Fund has made distributions of \$0.015, \$1.0610, \$0.294, \$0.2201, and \$0.0336 in January 2003, January 2005, January 2006, January 2007, and January 2008, respectively.

The Fund currently intends to make monthly distributions to common shareholders at a level rate established by the Board of Trustees. The rate may be modified by the Board of Trustees from time to time. Monthly distributions may include net investment income, net realized short-term capital gain and, if necessary, return of capital. Net realized short-term capital gains distributed to common shareholders will be taxed as ordinary income. Generally, there may be at least one additional distribution per calendar year that may include net realized long-term capital gains. There is no guarantee that the Fund will realize capital gains in any given year. Pursuant to the requirements of the 1940 Act and other applicable laws, a notice would accompany each monthly distribution with respect to the estimated source of the distribution made. Distributions are subject to re-characterization for federal income tax purposes after the end of the fiscal year. The Fund may at times in its discretion pay out less than the entire amount of net investment income earned in any particular period and may at times pay out such accumulated undistributed income in addition to net investment income earned in other periods in order to permit the Fund to maintain its level distribution policy. As a result, the distribution paid by the Fund to holders of common shares for any particular period may be more or less than the amount of net investment income earned by the Fund during such period. In addition, in order to make such distributions, the Fund might have to sell a portion of its investment portfolio at a time when independent investment judgment might not dictate such action.

For U.S. federal income tax purposes, the Fund is required to distribute substantially all of its net investment income and net realized capital gains each year to both reduce its federal income tax liability and to avoid a potential excise tax. Accordingly, the Fund intends to distribute all or substantially all of its net investment income and all net realized capital gains, if any. Therefore, the Fund's final distribution with respect to each calendar year would include any remaining net investment income and net realized capital gains, if any, undistributed during the year.

If, for any calendar year, the Fund's total distributions exceeded net investment income and net realized capital gains (the Excess), the Excess, distributed from the Fund's assets, would generally be treated as dividend income to the extent of the Fund's current and accumulated earnings and profits. Thereafter, such Excess would be treated as a tax-free return of capital up to the amount of the common shareholder's tax basis in his, her or its common shares, with any amounts exceeding such basis treated as gain from the sale of common shares. See Certain Federal Income Tax Matters.

In the event the Fund distributed the Excess, such distribution would decrease the Fund's managed assets and, therefore, have the likely effect of increasing the Fund's expense ratio. There is a risk that the Fund would not eventually realize capital gains in an amount corresponding to a distribution of the Excess.

On November 4, 2008, the SEC granted Calamos, on behalf of itself and certain funds that it manages, including the Fund, an order granting an exemption from Section 19(b) of and Rule 19b-1 under the 1940 Act to conditionally permit the Fund to make periodic distributions of long-term capital gains with respect to the Fund's outstanding common stock as frequently as twelve times each year, so long as it complies with the conditions of the order and maintains in effect a distribution policy with respect to its common shares calling for periodic distributions of an

amount equal to a fixed amount per share, a fixed percentage of market price per share or a fixed percentage of the Fund's net asset value per share (a Managed Dividend Policy). In

connection with any implementation of a Managed Dividend Policy pursuant to the order, the Fund would be required to:

implement certain compliance review and reporting procedures with respect to the Managed Dividend Policy;

include in each notice to shareholders that accompanies distributions certain information in addition to the information currently required by Section 19(a) of and Rule 19a-1 under the 1940 Act;

include disclosure regarding the Managed Dividend Policy on the inside front cover of each annual and semi-annual report to shareholders;

provide the Fund's total return in relation to changes in NAV in the financial highlights table and in any discussion about the Fund's total return in each prospectus and annual and semi-annual report to shareholders;

include the information contained in each notice to shareholders that accompanies distributions in:  
(a) communications regarding the Managed Dividend Policy to shareholders, prospective shareholders and third-party information providers; (b) a press release issued contemporaneously with the issuance of the notice; (c) an exhibit to the Fund's next report filed with the SEC on Form N-CSR; and (d) a statement posted prominently on its website; and

take certain steps to ensure the delivery of the notices accompanying distributions to beneficial owners whose Fund shares are held through a financial intermediary.

In addition, if the Fund's common shares were to trade at a significant premium to NAV following the implementation of a Managed Dividend Policy, and certain other circumstances were present, the Fund's Board of Trustees would be required to determine whether to approve or disapprove the continuation, or continuation after amendment, of the Managed Dividend Policy. Finally, if the Fund implemented a Managed Dividend Policy pursuant to the order, it would not be permitted to make a public offering of common shares other than:

a rights offering below NAV to holders of the Fund's common shares;

an offering in connection with a dividend reinvestment plan, merger, consolidation, acquisition, spin-off or reorganization of the Fund; or

an offering other than those described above, unless, with respect to such other offering:

the Fund's average annual distribution rate for the six months ending on the last day of the month ended immediately prior to the most recent distribution record date, expressed as a percentage of NAV per share as of such date, is no more than one percentage point greater than the Fund's average annual total return for the five-year period (or the period since the Fund's first public offering, if less than five years) ending on such date; and

the transmittal letter accompanying any registration statement filed with the SEC in connection with such offering discloses that the Fund has received an order under Section 19(b) of the 1940 Act to permit it to make periodic distributions of long-term capital gains with respect to its common stock as frequently as twelve times each year, and as frequently as distributions are specified in accordance with the terms of any outstanding preferred stock that such fund may issue.

The relief described above will expire on the effective date of any amendment to Rule 19b-1 under the 1940 Act that provides relief permitting certain closed-end investment companies to make periodic distributions of long-term capital gains with respect to their outstanding common stock as frequently as twelve times each year. As a result of the granting of the order, the Fund may implement a Managed Dividend Policy, although it has not done so as of the date of this prospectus. Under a Managed Dividend Policy, if, for any distribution, undistributed net investment income and net realized capital gains were less than the amount of the distribution, the difference would be distributed from the Fund's other assets. In addition, in order to make

such distributions, the Fund might have to sell a portion of its investment portfolio at a time when independent investment judgment might not dictate such action. Notwithstanding receipt of the exemptive relief, currently the Fund does not intend to implement a Managed Dividend Policy until such time as its implementation is in the best interests of the Fund and our shareholders. In addition, it is not contemplated that we will change the terms of our current level distribution policy, which otherwise meets the requirements of Section 19 of the 1940 Act, in connection with any future implementation of the managed distribution order.

Under the 1940 Act, the Fund is not permitted to incur indebtedness unless immediately after such incurrence the Fund has an asset coverage of at least 300% of the aggregate outstanding principal balance of indebtedness. Additionally, under the 1940 Act, the Fund may not declare any dividend or other distribution upon any class of its capital shares, or purchase any such capital shares, unless the aggregate indebtedness of the Fund has, at the time of the declaration of any such dividend or distribution or at the time of any such purchase, an asset coverage of at least 300% after deducting the amount of such dividend, distribution, or purchase price, as the case may be.

While any preferred shares are outstanding, the Fund may not declare any dividend or other distribution on its common shares, unless at the time of such declaration, (1) all accumulated preferred dividends have been paid and (2) the net asset value of the Fund's portfolio (determined after deducting the amount of such dividend or other distribution) is at least 200% of the liquidation value of the outstanding preferred shares (expected to be equal to the original purchase price per share plus any accumulated and unpaid dividends thereon).

In addition to the limitations imposed by the 1940 Act described above, certain lenders may impose additional restrictions on the payment of dividends or distributions on common shares in the event of a default on the Fund's borrowings. If the Fund's ability to make distributions on its common shares is limited, such limitation could, under certain circumstances, impair the ability of the Fund to maintain its qualification for federal income taxation as a regulated investment company, which would have adverse tax consequences for shareholders. See [Leverage](#) and [Certain Federal Income Tax Matters](#).

See [Automatic Dividend Reinvestment Plan](#) for information concerning the manner in which dividends and distributions to common shareholders may be automatically reinvested in common shares. Dividends and distributions are taxable to shareholders for federal income tax purposes whether they are reinvested in shares of the Fund or received in cash.

The yield on the Fund's common shares will vary from period to period depending on factors including, but not limited to, market conditions, the timing of the Fund's investment in portfolio securities, the securities comprising the Fund's portfolio, changes in interest rates including changes in the relationship between short-term rates and long-term rates, the amount and timing of the use of borrowings and other leverage by the Fund, the effects of leverage on the common shares discussed above under [Leverage](#), the timing of the investment of leverage proceeds in portfolio securities, the Fund's net assets and its operating expenses. Consequently, the Fund cannot guarantee any particular yield on its common shares and the yield for any given period is not an indication or representation of future yields on the Fund's common shares.

### **Automatic Dividend Reinvestment Plan**

Pursuant to the Plan, unless a shareholder is ineligible or elects otherwise, all dividend and capital gains on common shares distributions are automatically reinvested by BNY Mellon Asset Servicing, as agent for shareholders in administering the Plan ( [Plan Agent](#) ), in additional common shares of the Fund. Shareholders who elect not to participate in the Plan will receive all dividends and distributions payable in cash paid by check mailed directly to the shareholder of record (or, if the shares are held in street or other nominee name, then to such nominee) by [Plan Agent](#), as dividend paying agent. Such shareholders may elect not to participate in the Plan and to receive all dividends and

distributions in cash by sending written instructions to Plan Agent, as dividend paying agent, at the address set forth below. Participation in the Plan is completely voluntary and may be terminated or resumed at any time without penalty by giving notice in writing to the Plan Agent; such termination will be effective with respect to a particular dividend or distribution if notice is received prior to the record date for the applicable distribution.

Whenever the Fund declares a dividend or distribution payable either in shares or in cash, non-participants in the Plan will receive cash, and participants in the Plan will receive the equivalent in shares of common shares. The shares are acquired by the Plan Agent for the participant's account, depending upon the circumstances described below, either (i) through receipt of additional common shares from the Fund (newly issued shares) or (ii) by purchase of outstanding common shares on the open market (open-market purchases) on the NYSE or elsewhere. If, on the payment date, the net asset value per share of the common shares is equal to or less than the market price per common share plus estimated brokerage commissions (such condition being referred to herein as market premium), the Plan Agent will receive newly issued shares from the Fund for each participant's account. The number of newly issued common shares to be credited to the participant's account will be determined by dividing the dollar amount of the dividend or distribution by the greater of (i) the net asset value per common share on the payment date, or (ii) 95% of the market price per common share on the payment date.

If, on the payment date, the net asset value per common share exceeds the market price plus estimated brokerage commissions (such condition being referred to herein as market discount), the Plan Agent has until the last business day before the next date on which the shares trade on an ex-dividend basis or in no event more than 30 days after the payment date (last purchase date) to invest the dividend or distribution amount in shares acquired in open-market purchases. It is contemplated that the Fund will pay monthly income dividends. Therefore, the period during which open-market purchases can be made will exist only from the payment date on the dividend through the date before the next ex-dividend date, which typically will be approximately ten days. The weighted average price (including brokerage commissions) of all common shares purchased by the Plan Agent as Plan Agent will be the price per common share allocable to each participant. If, before the Plan Agent has completed its open-market purchases, the market price of a common share exceeds the net asset value per share, the average per share purchase price paid by the Plan Agent may exceed the net asset value of the Fund's shares, resulting in the acquisition of fewer shares than if the dividend had been paid in newly issued shares on the payment date. Because of the foregoing difficulty with respect to open-market purchases, the Plan provides that if the Plan Agent is unable to invest the full dividend amount in open-market purchases during the purchase period or if the market discount shifts to a market premium during the purchase period, the Plan Agent will cease making open-market purchases and will invest the uninvested portion of the dividend or distribution amount in newly issued shares at the close of business on the last purchase date.

The Plan Agent maintains all shareholders' accounts in the Plan and furnishes written confirmation of each acquisition made for the participant's account as soon as practicable, but in no event later than 60 days after the date thereof. Shares in the account of each Plan participant will be held by the Plan Agent in non-certificated form in the Plan Agent's name or that of its nominee, and each shareholder's proxy will include those shares purchased or received pursuant to the Plan. The Plan Agent will forward all proxy solicitation materials to participants and vote proxies for shares held pursuant to the Plan first in accordance with the instructions of the participants then with respect to any proxies not returned by such participant, in the same proportion as the Plan Agent votes the proxies returned by the participants.