Calamos Asset Management, Inc. /DE/
Form 10-Q
May 06, 2010

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

þ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED:**
March 31, 2010
or

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.**
Commission File Number: 000-51003

CALAMOS ASSET MANAGEMENT, INC.
(Exact Name of Registrant as Specified in its Charter)

Delaware (State or Other Jurisdiction of Incorporation or Organization)	**32-0122554** (I.R.S. Employer Identification No.)
2020 Calamos Court, Naperville, Illinois (Address of Principal Executive Offices)	**60563** (Zip Code)

(630) 245-7200
(Registrant s telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. þ Yes o No
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). o Yes o No
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer o	Accelerated filer þ	Non-accelerated filer o (do not check if a smaller reporting company)	Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). o Yes þ No
At April 28, 2010, the company had 19,893,630 shares of Class A common stock and 100 shares of Class B common stock outstanding.

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PART I FINANCIAL INFORMATION

Item 1. Financial Statements

CALAMOS ASSET MANAGEMENT, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
(in thousands, except share data)

	March 31, 2010 (unaudited)	December 31, 2009
ASSETS		
Current assets:		
Cash and cash equivalents	$ 115,002	$ 145,431
Receivables:		
Affiliates and affiliated funds	18,419	17,174
Customers	9,898	9,315
Investment securities	241,168	207,886
Derivative assets	1,276	1,720
Partnership investments	38,313	37,549
Prepaid expenses	3,641	2,741
Deferred tax assets, net	9,816	9,610
Other current assets	1,589	2,133
Total current assets	439,122	433,559
Non-current assets:		
Deferred tax assets, net	74,695	76,646
Deferred sales commissions	11,941	12,705
Property and equipment, net of accumulated depreciation ($42,524 at March 31, 2010 and $40,174 at December 31, 2009)	30,747	32,912
Other non-current assets	1,174	1,256
Total non-current assets	118,557	123,519
Total assets	$ 557,679	$ 557,078
LIABILITIES		
Current liabilities:		
Payables to brokers	$ 16,960	$ 16,102
Accrued compensation and benefits	6,628	15,768
Interest payable	1,968	3,026
Derivative liabilities	2,682	3,450
Accrued expenses and other current liabilities	3,337	3,711
Total current liabilities	31,575	42,057
Long-term liabilities:		
Long-term debt	125,000	125,000

Deferred rent		9,452		9,419
Other long-term liabilities		576		776
Total long-term liabilities		135,028		135,195
Total liabilities		166,603		177,252
STOCKHOLDERS EQUITY				
Class A Common Stock, $0.01 par value; authorized 600,000,000 shares; 23,893,630 shares issued and 19,893,630 shares outstanding at March 31, 2010; 23,668,583 shares issued and 19,668,583 shares outstanding at December 31, 2009		239		237
Class B Common Stock, $0.01 par value; authorized 1,000 shares; 100 shares issued and outstanding at March 31, 2010 and December 31, 2009		0		0
Additional paid-in capital		210,687		209,895
Retained earnings		49,334		46,035
Accumulated other comprehensive income		4,411		4,362
Treasury stock at cost; 4,000,000 shares at March 31, 2010 and December 31, 2009		(95,215)		(95,215)
Calamos Asset Management, Inc. stockholders equity		169,456		165,314
Non-controlling interest in Calamos Holdings LLC		219,988		212,887
Non-controlling interest in partnership investments		1,632		1,625
Total non-controlling interest		221,620		214,512
Total stockholders equity		391,076		379,826
Total liabilities and stockholders equity	$	557,679	$	557,078

See accompanying notes to consolidated financial statements.

CALAMOS ASSET MANAGEMENT, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
Three Months Ended March 31, 2010 and 2009
(in thousands, except share data)
(unaudited)

	2010	2009
REVENUES		
Investment management fees	$ 58,570	$ 42,001
Distribution and underwriting fees	21,835	17,028
Other	725	540
Total revenues	81,130	59,569
EXPENSES		
Employee compensation and benefits	20,132	18,091
Distribution expenses	16,790	12,478
Amortization of deferred sales commissions	2,566	4,654
Marketing and sales promotion	2,732	2,522
General and administrative	8,392	8,634
Total operating expenses	50,612	46,379
Operating income	30,518	13,190
NON-OPERATING INCOME		
Net interest expense	(1,844)	(1,786)
Investment and other income	8,753	14,071
Total non-operating income	6,909	12,285
Income before income tax provision	37,427	25,475
Income tax provision	3,222	2,417
Net income	34,205	23,058
Net income attributable to non-controlling interest in Calamos Holdings LLC	(29,387)	(19,675)
Net income attributable to non-controlling interest in partnership investments	(7)	(31)
Net income attributable to Calamos Asset Management, Inc.	$ 4,811	$ 3,352
Earnings per share:		
Basic	$ 0.24	$ 0.17
Diluted	$ 0.24	$ 0.17
Weighted average shares outstanding:		

Basic	19,820,744	19,606,936
Diluted	20,122,940	19,751,288
Cash dividends per share	$ 0.075	$ 0.055

See accompanying notes to consolidated financial statements.

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CALAMOS ASSET MANAGEMENT, INC.
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS EQUITY
Three Months Ended March 31, 2010
(in thousands)
(unaudited)

	CALAMOS ASSET MANAGEMENT, INC. STOCKHOLDERS							
	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Treasury Stock	Non-controlling interest in partnership investments	Non-controlling interest in Calamos Holdings LLC	Total
Balance at Dec. 31, 2009	$ 237	$ 209,895	$ 46,035	$ 4,362	$ (95,215)	$ 1,625	$ 212,887	$ 379,826
Net income			4,811			7	29,387	34,205
Changes in unrealized gains on available-for- sale securities, net of income taxes				717			4,156	4,873
Reclassification adjustment for realized gains on available-for-sale securities included in income, net of income tax				(732)			(7,164)	(7,896)
Total comprehensive income								31,182
Issuance of common stock (225,047 Class A common shares)	2	(2)						
Cumulative impact of changes in ownership of Calamos Holdings LLC		279	(3)	64			(1,413)	(1,073)
Compensation expense recognized under stock incentive plans		515					1,866	2,381

Dividend equivalent accrued under stock incentive plans.			(28)				(98)	(126)
Distribution to non-controlling interests							(19,633)	(19,633)
Dividends declared			(1,481)					(1,481)
Balance at March 31, 2010	$ 239	$ 210,687	$ 49,334	$ 4,411	$ (95,215)	$ 1,632	$ 219,988	$ 391,076

See accompanying notes to consolidated financial statements.

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CALAMOS ASSET MANAGEMENT, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
Three Months Ended March 31, 2010 and 2009
(in thousands)
(unaudited)

	2010	2009
Cash and cash equivalents at beginning of period	$ 145,431	$ 59,425
Cash flows from operating activities:		
Net income	34,205	23,058
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization of deferred sales commissions	2,566	4,654
Other depreciation and amortization	2,457	2,468
Change in unrealized depreciation (appreciation) on trading securities, derivative assets, derivative liabilities and partnership investments, net	(601)	7,789
Net realized gain on sale of investment securities, derivative assets and derivative liabilities	(7,104)	(20,788)
Deferred taxes	1,995	2,426
Stock based compensation	2,381	1,959
Employee taxes paid on vesting under stock incentive plans	(1,017)	(175)
(Increase) decrease in assets:		
Receivables:		
Affiliates and affiliated funds, net	(1,245)	255
Customers	(583)	24
Deferred sales commissions	(1,802)	(1,333)
Other assets	(687)	7,999
Increase (decrease) in liabilities:		
Payables to brokers	858	(609)
Accrued compensation and benefits	(9,140)	(4,972)
Accrued expenses and other liabilities	(1,400)	(1,058)
Net cash provided by operating activities	20,883	21,697
Cash flows provided by (used in) investing activities:		
Net additions to property and equipment	(261)	(136)
Purchase of investment securities	(119,657)	(768)
Proceeds from sale of investment securities	93,855	
Net (purchases) sales of derivatives	(4,097)	22,741
Net changes in partnership investments	(95)	(118)
Net cash provided by (used in) investing activities	(30,255)	21,719
Cash flows used in financing activities:		
Deferred tax benefit on vesting under stock incentive plans	57	136
Distributions paid to non-controlling interests	(19,633)	(4,081)

Dividends paid to common stockholders	(1,481)	(1,078)
Net cash used in financing activities	(21,057)	(5,023)
Net increase (decrease) in cash	(30,429)	38,393
Cash and cash equivalents at end of period	$ 115,002	$ 97,818

See accompanying notes to consolidated financial statements.

CALAMOS ASSET MANAGEMENT, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

(1) Organization and Description of Business

Calamos Asset Management, Inc. (CAM), together with its subsidiaries (the Company), primarily provides investment advisory services to individuals and institutional investors through open-end funds, closed-end funds, separate accounts, offshore funds and partnerships. CAM operates and controls all of the business and affairs of Calamos Holdings LLC (Holdings) and, as a result of this control, consolidates the financial results of Holdings with its own financial results.

(2) Basis of Presentation

The consolidated financial statements as of March 31, 2010 and for the three months ended March 31, 2010 and 2009 have not been audited by the Company s independent registered public accounting firm. In the opinion of management, these statements contain all adjustments, including those of a normal recurring nature, necessary for fair presentation of the financial condition and results of operations. The results for the interim periods ended March 31 are not necessarily indicative of the results to be obtained for a full fiscal year. Certain amounts for the prior year have been reclassified to conform to the current year s presentation. This Form 10-Q filing should be read in conjunction with the Company s Annual Report on Form 10-K for the year ended December 31, 2009.

Calamos Family Partners, Inc. s (CFP) and John P. Calamos, Sr. s (collectively, the Calamos Interests) combined 78.3% and 78.6% interest in Holdings at March 31, 2010 and 2009, respectively, is represented as non-controlling interest in Calamos Holdings LLC in the Company s financial statements. Non-controlling interest in Calamos Holdings LLC is derived by multiplying the historical equity of Holdings by the Calamos Interests aggregate ownership percentage for the periods presented. Issuances and repurchases of CAM s common stock may result in changes to CAM s ownership percentage and to the non-controlling interests ownership percentage of Holdings. The Company s corresponding changes to stockholders equity are reflected in the consolidated statement of changes in stockholders equity. Income is allocated to non-controlling interests based on the average ownership interest during the period in which the income is earned.

Calamos Partners LLC, a subsidiary of Holdings, is the general partner of Calamos Market Neutral Opportunities Fund LP (the Partnership) a private investment partnership that is primarily comprised of highly liquid marketable securities. Substantially all the activities of the Partnership are conducted on behalf of the Company and its related parties; therefore, the Company consolidates the financial results of the Partnership into its results.

The assets and liabilities of the Partnership are presented on a net basis as partnership investments in the consolidated statements of financial condition, the net income is included in investment and other income in the consolidated statements of operations, and the change in partnership investments is included in the net changes in partnership investments in the consolidated statements of cash flows.

The Partnership is presented on a net basis in order to provide more clarity to the financial position and results of the core operations of the Company. The underlying assets and liabilities that are being consolidated are described in Note 5. The non-controlling interests of the Partnership are presented as non-controlling interests in partnership investments in the respective financial statements.

Management of the Company has made a number of estimates and assumptions relating to the reporting of assets, liabilities, revenues and expenses and the disclosure of contingent assets and liabilities to prepare these consolidated financial statements in conformity with accounting principles generally accepted in the United States of America. Actual results could differ from these estimates.

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CALAMOS ASSET MANAGEMENT, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(3) Investment Securities

The following table provides a summary of investment securities owned as of March 31, 2010 and December 31, 2009. As a registered broker-dealer, Calamos Financial Services LLC is required to carry all investment securities it owns (CFS Securities) at fair value and record all changes in fair value in current earnings. As such, unrealized gains and losses on CFS Securities are included in investment and other income together with realized gains and losses on all investment securities in the consolidated statements of operations.

	March 31, 2010		
(in thousands)	**Available-for-Sale**	**CFS Securities**	**Total Investment Securities**
Mutual Funds			
Equity	$ 96,831	$ 28,513	$ 125,344
Fixed income	85,001		85,001
Defensive equity	29,426		29,426
Other	1,285		1,285
Total mutual funds	212,543	28,513	241,056
Common stock		112	112
	$ 212,543	$ 28,625	$ 241,168

	December 31, 2009		
(in thousands)	**Available-for-Sale**	**CFS Securities**	**Total Investment Securities**
Mutual Funds			
Equity	$ 67,981	$ 27,938	$ 95,919
Fixed income	81,908		81,908
Defensive equity	28,736		28,736
Other	1,218		1,218
Total mutual funds	179,843	27,938	207,781
Common stock		105	105
	$ 179,843	$ 28,043	$ 207,886

Of the $241.1 million and $207.8 million investments in mutual funds at March 31, 2010 and December 31, 2009, respectively, $200.3 million and $169.5 million was invested in affiliated mutual funds.

The table below summarizes information on available-for-sale securities as well as unrealized gains (losses) on CFS Securities for the three months ended March 31, 2010 and 2009. No losses were realized on available-for-sale securities for the three months ended March 31, 2010.

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CALAMOS ASSET MANAGEMENT, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

	Three Months Ended March 31,	
(in thousands)	**2010**	**2009**
Available-for-sale securities:		
Proceeds from sale	$ 93,855	$
Gross realized gains on sales	10,229	
Unrealized gains (losses)	5,308	(2,109)
Net gains reclassified out of accumulated other comprehensive income to earnings	8,638	
CFS securities:		
Unrealized gains (losses)	581	(1,640)

The cumulative net unrealized gains (losses) on available-for-sale securities consisted of the following as of March 31, 2010 and December 31, 2009:

(in thousands)	**March 31, 2010**	**December 31, 2009**
Total cumulative unrealized gains on available-for-sale securities with net gains:		
Equity	$ 21,942	$ 21,965
Defensive equity	8,353	7,669
Fixed income	2,561	6,581
Other	43	32
Total gains	32,899	36,247
Total cumulative unrealized losses on available-for-sale securities with net losses:		
Equity	(39)	(26)
Defensive equity	(19)	(24)
Fixed income	(26)	(16)
Other	(265)	(300)
Total losses	(349)	(366)
Total cumulative net unrealized gains on available-for-sale securities	$ 32,550	$ 35,881

The aggregate fair value of available-for-sale investment securities that were in an unrealized loss position at March 31, 2010 and December 31, 2009 was $16.6 million and $1.5 million, respectively. The cumulative losses on securities that had been in a continuous loss position for 12 months or longer were immaterial as of the end of each reporting period.

The Company periodically evaluates its available-for-sale investments for other-than-temporary declines in value. Other-than-temporary declines in value may exist when the fair value of an investment security has been below the carrying value for an extended period of time. If an other-than-temporary decline in value is determined to exist, the unrealized investment loss, net of tax is recognized as a charge to net income in the period in which the other-than-temporary decline in value occurs, as well as an accompanying permanent adjustment to accumulated other comprehensive income. At March 31, 2010, the Company believes all unrealized losses to be only temporary and has the intent and ability to hold these securities for a period of time sufficient to allow for recovery in market value.

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CALAMOS ASSET MANAGEMENT, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(4) Derivative Assets and Liabilities

In order to reduce the volatility in fair value of the Calamos corporate investment portfolio, the Company uses exchange traded equity option contracts as an economic hedge against price changes in its investment securities portfolio. The Company s investment securities, totaling $241.2 million at March 31, 2010, consists primarily of positions in several Calamos equity, fixed income and defensive equity mutual funds. The equity price risk in the investment portfolio is hedged using exchange-traded put and call option contracts on several major equity market indices that correlate most closely with the change in value of the portfolio being hedged. The use of both purchased put and sold call options is part of a single strategy to minimize downside risk in the hedged portfolio, while participating in a portion of the upside of a market rally. The Company may adjust its hedge position in response to movement and volatility in prices and changes in the composition of the hedged portfolio, but generally is not actively buying and selling contracts.

The fair value of purchased puts and sold call contracts are reported in derivative assets and derivative liabilities, respectively, in the consolidated statements of financial condition. Net gains and losses on these contracts are reported in investment and other income in the consolidated statements of operations with net losses of $3.8 million and net gains of $14.5 million for the three months ended March 31, 2010 and 2009, respectively. The Company is using these derivatives for risk management purposes but has not designated the contracts as hedges for accounting purposes.

(5) Partnership Investments

Presented below are the underlying assets and liabilities of the partnerships that the Company reports on a net basis and the investments accounted for under the equity method. These investments are presented as partnership investments in its consolidated statements of financial condition as of March 31, 2010 and December 31, 2009.

(in thousands)	March 31, 2010	December 31, 2009
Calamos Market Neutral Opportunities Fund LP:		
Securities owned	$ 21,139	$ 21,976
Securities sold but not yet purchased	(10,675)	(10,934)
Accrued expenses and other current liabilities	(76)	(112)
Other current assets	8,897	8,222
Calamos Market Neutral Opportunities Fund LP, net	19,285	19,152
Investment in other partnerships	19,028	18,397
Partnership investments	$ 38,313	$ 37,549

As of March 31, 2010 and December 31, 2009, the Company held a controlling net interest of $17.7 million (91.5%) and $17.5 million (91.5%), respectively, in Calamos Market Neutral Opportunities Fund LP. The non-controlling interests totaled 8.5% of Calamos Market Neutral Opportunities Fund LP at March 31, 2010 and December 31, 2009, and are presented in the consolidated statements of financial condition as non-controlling interest in partnership investments.

As of March 31, 2010 and December 31, 2009, the Company held a non-controlling interest in certain other partnership investments and accounted for these investments using the equity method. These investments are presented collectively as investments in other partnerships in the table above.

(6) Fair Value Measurements

The Company utilizes a three-tier fair value hierarchy which prioritizes the inputs used in measuring fair value as follows: Level 1 observable inputs such as quoted prices in active markets; Level 2 inputs, other than the quoted prices in active markets, that are observable either directly or indirectly (including quoted prices of similar securities, interest rates, credit

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CALAMOS ASSET MANAGEMENT, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

risk, etc.); and Level 3 unobservable inputs in which there is little or no market data, and require the reporting entity to develop its own assumptions. For each period presented, the Company did not have any positions in Level 3 securities.

The following tables provide the hierarchy of inputs used to derive the fair value of the Company s investment securities, derivative assets and liabilities, securities and derivatives owned and securities sold but not yet purchased by the Partnership and derivative liabilities of the Partnership as of March 31, 2010 and December 31, 2009, respectively. Foreign currency contracts are presented on a net basis where the right of offset exists, and no impact of these positions exists for either period presented.

(in thousands)		Fair Value Measurements Using	
		Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs
Description	**March 31, 2010**	**(Level 1)**	**(Level 2)**
Investment securities (Note 3)			
Mutual funds	$ 241,056	$ 241,056	$
Common stocks	112	112	
	241,168	241,168	
Derivative assets (Note 4)			
Exchange-traded put option contracts	1,276	1,276	
Derivative liabilities (Note 4)			
Exchange-traded call option contracts	(2,682)	(2,682)	
Securities and derivatives owned by the Partnership (Note 5)			
Common stocks	530	530	
Convertible preferred stocks	1,111	635	476
Purchased options	138	138	
Convertible bonds	18,664		18,664
Corporate bonds	696		696
	21,139	1,303	19,836
Securities sold but not yet purchased by the Partnership and derivative liabilities (Note 5)			
Common stocks	(10,668)	(10,668)	
Exchange-traded call option contracts	(7)	(7)	
	(10,675)	(10,675)	

Total	$ 250,226	$ 230,390	$ 19,836

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CALAMOS ASSET MANAGEMENT, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(in thousands)		Fair Value Measurements Using	
Description	December 31, 2009	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Investment securities (Note 3)			
Mutual funds	$ 207,781	$ 207,781	$
Common stocks	105	105	
	207,886	207,886	
Derivative assets (Note 4)			
Exchange-traded put option contracts	1,720	1,720	
Derivative liabilities (Note 4)			
Exchange-traded call option contracts	(3,450)	(3,450)	
Securities and derivatives owned by the Partnership (Note 5)			
Common stocks	532	532	
Convertible preferred stocks	1,767	660	1,107
Purchased options	179	179	
Convertible bonds	18,798		18,798
Corporate bonds	700		700
	21,976	1,371	20,605
Securities sold but not yet purchased by the Partnership and derivative liabilities (Note 5)			
Common stocks	(10,893)	(10,893)	
Exchange-traded call option contracts	(41)	(41)	
	(10,934)	(10,934)	
Total	$ 217,198	$ 196,593	$ 20,605

(7) Fair Value of Financial Instruments

The fair value of long-term debt, which has a carrying value of $125 million, was approximately $137.2 million at March 31, 2010. Fair value estimates are calculated using discounted cash flows based on the Company s incremental borrowing rates for the debt and market prices for similar bonds at the measurement date. This method of assessing fair value may differ from the actual amount realized.

The carrying value of all other financial instruments approximates fair value due to the short maturities of these financial instruments.

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CALAMOS ASSET MANAGEMENT, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(8) Earnings Per Share

The following table reflects the calculation of basic and diluted earnings per share:

	Three Months Ended March 31,	
(in thousands, except per share data)	**2010**	**2009**
Earnings per share basic		
Earnings available to common shareholders	$ 4,811	$ 3,352
Weighted average shares outstanding	19,821	19,607
Earnings per share basic	$ 0.24	$ 0.17
Earnings per share diluted		
Earnings available to common shareholders	$ 4,811	$ 3,352
Weighted average shares outstanding	19,821	19,607
Dilutive impact of restricted stock units	302	144
Weighted average diluted shares outstanding	20,123	19,751
Earnings per share diluted	$ 0.24	$ 0.17

Diluted earnings per share is calculated (a) assuming the Calamos Interests exchanged all of their ownership interest in Holdings and their CAM Class B common stock for shares of CAM s Class A common stock (collectively, the Exchange) and (b) including the effect of outstanding dilutive equity incentive compensation awards.

Effective March 1, 2009, the Company amended its certificate of incorporation requiring that the Exchange be based on a fair value approach (details of the amendment are set forth in the Company s Schedule 14C filed with the Securities and Exchange Commission on January 12, 2009). The amendment results in the same or fewer shares of Class A common stock being issued at the time of the Exchange. The effects of the Exchange are anti-dilutive and are therefore excluded from the calculation of diluted earnings per share for the three months ended March 31, 2010 and 2009.

The Company uses the treasury stock method to reflect the dilutive effect of unvested restricted stock units (RSUs) and unexercised stock options on diluted earnings per share. Under the treasury stock method, if the average market price of common stock increases above the option s exercise price, the proceeds that would be assumed to be realized from the exercise of the option would be used to acquire outstanding shares of common stock. However, the awards may be anti-dilutive even when the market price of the underlying stock exceeds the option s exercise price. This result is possible because compensation cost attributed to future services and not yet recognized is included as a component of the assumed proceeds upon exercise. The dilutive effect of such options and RSUs would increase the weighted average number of shares used in the calculation of diluted earnings per share.

The following table shows the number of shares which were excluded from the computation of diluted earnings per share as they were anti-dilutive:

	Three Months Ended March 31,	
	2010	**2009**
Exchange of Calamos Interests ownership interest in Holdings for shares of Class A common stock	52,506,228	20,005,231

Restricted stock units	44,083	1,051,049
Stock options	2,452,653	2,580,625
Total	55,002,964	23,636,905

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CALAMOS ASSET MANAGEMENT, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Assuming an Exchange at March 31, 2010, 52.5 million shares would be issued to the Calamos Interests. The formula for exchanging ownership interest in Holdings for shares of CAM s Class A common stock is set forth in the Company s Second Amended and Restated Certificate of Incorporation (filed as Exhibit 3(i) to the 2008 Annual Report on Form 10-K). For illustrative purposes the Exchange is based in part on the NASDAQ Global Select Market closing price of CAM s Class A common stock on March 31, 2010 and on management s estimation of the fair market value of CAM s net assets other than its ownership interest in Holdings. In the event of an actual Exchange, the majority of the Company s independent directors may determine the fair market value of a share of CAM s Class A common stock to be other than the closing price and will determine the fair market value of CAM s net assets other than its ownership in Holdings.

(9) Stock Based Compensation

Under the Company s incentive compensation plan, certain employees of the Company receive stock based compensation comprised of stock options and RSUs. Historically, RSUs have been settled with newly issued shares so that no cash was used by the Company to settle awards; however, the Company may also use treasury shares or issue new shares upon the exercise of stock options and upon conversion of RSUs. The Company s Annual Report on Form 10-K for the year ended December 31, 2009 provides details of this plan and its provisions.

During the three months ended March 31, 2010, the Company granted 523,826 RSUs. There were forfeitures of 17,628 stock options and 11,760 RSUs during the quarter.

During the three months ended March 31, 2010, 309,263 RSUs vested with 84,216 units withheld for taxes and 225,047 RSUs converted into an equal number of shares of CAM s Class A common stock. The total intrinsic value and the fair value of the converted shares was $2.7 million. The total tax benefit realized in connection with the vesting of the RSUs during the three months ended March 31, 2010 was $325,000, as the Company receives tax benefits based upon the portion of Holdings income that it recognizes.

During the three months ended March 31, 2010, compensation expense recorded in connection with the RSUs and stock options was $2.4 million of which $515,000, after giving effect to the non-controlling interests, was credited as additional paid-in capital. During the three months ended March 31, 2009, expense recorded in connection with the RSUs and stock options was $2.0 million of which $419,000, after giving effect to the non-controlling interests, was credited as additional paid-in capital. The amount of deferred tax asset created was $191,000 and $155,000 during the three months ended March 31, 2010 and 2009, respectively. At March 31, 2010, approximately $22.6 million of total unrecognized compensation expense related to nonvested stock option and RSU awards is expected to be recognized over a weighted-average period of 3.7 years.

(10) Income Taxes

Holdings is subject to certain income-based state taxes; therefore, income taxes reflect not only the portion attributed to CAM stockholders but also a portion of income taxes attributable to non-controlling interests. CAM s effective income tax rate for the three months ended March 31, 2010 and March 31, 2009 was approximately 37.6% and 38.5%, respectively.

CALAMOS ASSET MANAGEMENT, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(11) Non-operating Income, Net of Non-controlling Interest in Partnership Investments

Non-operating income, net of non-controlling interest in partnership investments, was comprised of the following components for the three months ended March 31, 2010 and 2009:

	Three Months Ended March 31,	
(in thousands)	**2010**	**2009**
Interest income	$ 106	$ 164
Interest expense	(1,950)	(1,950)
Net interest expense	(1,844)	(1,786)
Investment income	8,602	13,880
Miscellaneous other income	151	191
Investment and other income	8,753	14,071
Non-operating income	6,909	12,285
Net income attributable to non-controlling interest in partnership investments	(7)	(31)
Non-operating income, net of non- controlling interest in partnership investments	$ 6,902	$ 12,254

(12) Capital Stock Activities

During the first quarter 2010, Holdings made tax and equity distributions to CAM and the Calamos Interests in the following amounts:

(in thousands)	
Calamos Interests	$ 19,633
Calamos Asset Management, Inc.	5,521
Total	$ 25,154

The distribution to the Calamos Interests is reflected in the consolidated statement of changes in stockholders equity as a distribution to non-controlling interests. Distributions to CAM are eliminated in consolidation and are not reflected in the consolidated statement of changes in stockholders equity.

Subsequent to the quarter ended March 31, 2010, Holdings made a special equity distribution to the owners in proportion to its respective ownership percentages in the following amounts:

(in thousands)	
Calamos Interests	$ 15,692
Calamos Asset Management, Inc.	4,340
Total	$ 20,032

(13) Recently Issued Accounting Pronouncements

In June 2009, the Financial Accounting Standards Board (FASB) issued a new statement which modifies the analysis required to determine whether a company s variable interest(s) give it a controlling financial interest in a variable interest entity (VIE). This analysis identifies the primary beneficiary of a VIE as the enterprise that has both the power to direct the

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CALAMOS ASSET MANAGEMENT, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

activities of a VIE and the obligation to absorb significant losses or the right to receive significant benefits of the VIE. This statement was subsequently codified in December 2009 under Accounting Standards Update (ASU) No. 2009-17 and is effective for fiscal years beginning after November 15, 2009. In February 2010, the FASB issued ASU No. 2010-10, *Consolidation, Amendments for Certain Investment Funds,* that defers the implementation of ASU 2009-17 for a reporting entity s interest in an entity (1) that has all the attributes of an investment company or (2) for which it is industry practice to apply measurement principles for financial reporting purposes that are consistent with those followed by investment companies. The Company analyzed the entities in which it holds an investment interest and determined that the entities meet the criteria for deferral under ASU No. 2010-10. As such, the Company opted to defer ASU No. 2009-17 and adopted ASU No. 2010-10 during the first quarter 2010, which had no impact on the Company s financial statements.

In February 2010, the FASB issued ASU No. 2010-09, *Subsequent Events, Amendments to Certain Recognition and Disclosure Requirements,* which allows Securities and Exchange Commission (SEC) filers to evaluate events that occur after the balance sheet date through the date the financial statements are issued, however, SEC filers are no longer required to disclose the date through which subsequent events have been evaluated. The update was effective upon issuance and, accordingly, the Company adopted the update during the first quarter 2010.

In February 2010, the FASB issued ASU No. 2010-08, *Technical Corrections to Various Topics,* which eliminate the various inconsistencies and outdated provisions within Generally Accepted Accounting Principles. The update is primarily effective for the first reporting period (including interim periods) beginning after the issuance of the update. The Company adopted the update, which had no impact on the Company s financial statements.

In January 2010, the FASB issued ASU No. 2010-06, *Fair Value Measurements and Disclosures,* which requires additional disclosures related to (1) transfers in and out of Levels 1 and 2 and the reasons for the transfers, and (2) the Level 3 reconciliation, specifically separately presenting purchases, sales, issuances and settlements. The update is effective for interim and annual reporting periods beginning after December 15, 2009, except for the disclosures about purchases, sales, issuances, and settlements in the roll forward of activity in Level 3 fair value measurements. Those disclosures are effective for fiscal years beginning after December 15, 2010. Early adoption is permitted. The Company adopted the update, which had no impact on the Company s disclosures within the financial statements.

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Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations

We are a firm of 326 full-time associates that provides investment advisory services to institutions and individuals, managing $33.0 billion in assets at March 31, 2010. Our operating results fluctuate primarily due to changes in the total value and composition of our assets under management. The value and composition of our assets under management are, and will continue to be, influenced by a variety of factors, including purchases and redemptions of shares of mutual funds and additional funding and withdrawals from separate accounts that we manage, fluctuations in the financial markets around the world that result in appreciation or depreciation of assets under management and the number and types of our investment strategies and products.

We market our investment strategies to our clients through a variety of products designed to suit their investment needs. We currently manage four types of mutual fund and separate account investment products. The following table details our assets under management at March 31, 2010 and 2009.

	March 31,	
(in millions)	**2010**	**2009**
Mutual Funds		
Open-end funds	$ 19,959	$ 13,330
Closed-end funds	5,081	3,759
Total mutual funds	25,040	17,089
Separate Accounts		
Institutional accounts	5,047	3,573
Managed accounts	2,876	2,807
Total separate accounts	7,923	6,380
Total Assets Under Management	$ 32,963	$ 23,469

Our revenues are substantially comprised of investment management fees earned under contracts with the mutual funds and separate accounts that we manage. Our revenues are also comprised of distribution and underwriting fees, including asset-based distributions and/or service fees received pursuant to Rule 12b-1 plans. Investment management fees and distribution and underwriting fees may fluctuate based on a number of factors, including the total value and composition of our assets under management, market appreciation or depreciation and the level of net purchases and redemptions, which represent the sum of new client investments, additional funding from existing clients, withdrawals of assets from and termination of client accounts, and purchases and redemptions of mutual fund shares. The mix of assets under management among our investment products also has an impact on our revenues as our fee schedules vary by product.

Our largest operating expenses are typically related to the distribution of mutual funds, including Rule 12b-1 payments, employee compensation and benefits expense, which includes salaries, incentive compensation and related benefits costs, marketing and sales promotion expenses and the amortization of deferred sales commissions for open-end mutual funds. Operating expenses may fluctuate due to a number of factors, including changes in distribution expense as a result of fluctuations in mutual fund net sales and market appreciation or depreciation, variations in staffing and compensation, and marketing-related expenses that include supplemental distribution payments.

Operating Results

Three Months Ended March 31, 2010 Compared to Three Months Ended March 31, 2009

Assets Under Management

Assets under management increased by $9.5 billion, or 40%, to $33.0 billion at March 31, 2010 from $23.5 billion at March 31, 2009. Our assets under management consisted of 73% mutual funds and 27% separate accounts at March 31, 2010 and 2009.

	Three Months Ended March 31,		Change	
(in millions)	**2010**	**2009**	**Amount**	**Percent**
Total Mutual Funds				
Beginning assets under management	$ 24,480	$ 17,498	$ 6,982	40%
Net redemptions	(32)	(190)	158	83
Market appreciation (depreciation)	592	(219)	811	*
Ending assets under management	25,040	17,089	7,951	47
Average assets under management	24,347	16,810	7,537	45
Institutional				
Beginning assets under management	4,619	3,498	1,121	32%
Net purchases	259	38	221	582
Market appreciation	169	37	132	357
Ending assets under management	5,047	3,573	1,474	41
Average assets under management	4,722	3,434	1,288	38
Managed Accounts				
Beginning assets under management	3,615	3,044	571	19%
Net redemptions	(774)	(279)	(495)	(177)
Market appreciation	35	42	(7)	(17)
Ending assets under management	2,876	2,807	69	2
Average assets under management	3,279	2,861	418	15
Total Assets Under Management				
Beginning assets under management	**32,714**	**24,040**	**8,674**	36%
Net redemptions	**(547)**	**(431)**	**(116)**	27
Market appreciation (depreciation)	**796**	**(140)**	**936**	*
Ending assets under management	**32,963**	**23,469**	**9,494**	40
Average assets under management	**$ 32,348**	**$ 23,105**	**$ 9,243**	40

* Not meaningful.

During the first quarter of 2010, net redemptions in our mutual funds were $32 million and represent a favorable change of $158 million from net redemptions of $190 million in the first quarter of 2009. The improvement in net flows was primarily due to increased net purchases within our defensive equity, alternative and global mutual funds. Also during the most recent quarter, we generated positive net flows in ten of our mutual funds, including our International Growth Fund, which recently reached its five-year anniversary. These improved net flows were tempered by net outflows in our large-cap equity funds that remain largely out of favor. Mutual funds were positively impacted by market appreciation of $592 million during the three months ended March 31, 2010 compared to market depreciation of $219 million during the three months ended March 31, 2009.

Separate accounts, which represent institutional and managed accounts, had net redemptions of $515 million during the first quarter of 2010 compared to net redemptions of $241 million for the comparable prior-year period mainly due to outflows in our managed accounts of $774 million for the first quarter 2010 versus $279 million of outflows in the comparable prior-year period. The net outflows for the quarter were the result of our decision to increase the account minimums for our convertible-based strategies on separately-managed account platforms. In our view, new trading and market dynamics in the convertible securities markets have changed in a way that limits our ability to effectively manage lower-dollar convertible managed accounts in a manner consistent with our investment philosophy and process. As a result, we made the decision to raise the account minimums for these accounts. This decision to increase the investment minimums resulted in the closure or transfer of approximately $785 million convertible-based managed accounts during the first quarter of 2010 with the remaining affected accounts closing or transferring early in the second quarter 2010. The managed account outflows were partially offset by net inflows of $259 million within our institutional accounts for the three months ended March 31, 2010 compared to $38 million in the comparable prior-year period. Separate accounts were positively impacted by market appreciation of $204 million during the three months ended March 31, 2010 compared to market appreciation of $79 million during the three months ended March 31, 2009.

Financial Overview

	Three Months Ended March 31,		Change	
(in thousands, except margin)	**2010**	**2009**	**Amount**	**Percent**
Operating income	$ 30,518	$ 13,190	$ 17,328	131%
Operating margin	37.6%	22.1%	15.5%	70%
Net income attributable to Calamos Asset Management, Inc.	$ 4,811	$ 3,352	$ 1,459	44%

Our first quarter operating results were strong and reflect the continued improvement in security valuations from the end of the first quarter 2009. The growth in our average assets under management was 40% from first quarter 2009 to 2010 contributing to higher operating income, operating margin and net income. The significant improvement in our operating margin also reflects our continued efforts to contain costs and make our cost structure more variable.

In order to gather assets under management, we engage in distribution and underwriting activities, principally with respect to our family of open-end mutual funds. Generally accepted accounting principles require that we present distribution fees earned by us as revenues and distribution fees paid to selling firms and the amortization of our deferred sales commissions as expenses in the consolidated statements of operations. However, when analyzing our business, we consider the result of these distribution activities as a net amount of revenue as they are typically a result of a single open-end mutual fund share purchase. Hence, the result of presenting this information in accordance with generally accepted accounting principles is a reduction to our overall operating margin, as the margin on distribution activities is generally lower than the margins on the remainder of our business. The following table summarizes the net distribution fee margin for the three months ended March 31, 2010 and 2009:

	Three Months Ended March 31,	
(in thousands)	**2010**	**2009**
Distribution and underwriting fees	$ 21,835	$ 17,028
Distribution expenses	(16,790)	(12,478)
Amortization of deferred sales commissions	(2,566)	(4,654)
Net distribution fees	$ 2,479	$ (104)
Net distribution fee margin	11%	(1)%

Net distribution fee margin varies by share class because each share class has different distribution and underwriting activities, which are described in our 2009 Annual Report on Form 10-K. Distribution fee revenues and expenses vary with our average assets under management while deferred sales commissions are typically amortized on a straight-line basis with adjustments made upon redemption of existing assets. As a result, in periods of declining assets under management, our distribution margin will be more severely impacted by amortization expense.

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Non-operating income, net of non-controlling interests in partnership investments increased income by $6.9 million for the first quarter 2010 and by $12.3 million for the first quarter of 2009. The change in non-operating income is mostly attributable to a decrease in investment income generated by our corporate investment portfolio.

Revenues

Total revenues increased by $21.6 million, or 36%, to $81.1 million for the three months ended March 31, 2010 from $59.6 million for the comparable prior-year period. The increase was primarily due to higher investment management fees and distribution and underwriting fees.

	Three Months Ended March 31,		Change	
(in thousands)	**2010**	**2009**	**Amount**	**Percent**
Investment management fees	$ 58,570	$ 42,001	$ 16,569	39%
Distribution and underwriting fees	21,835	17,028	4,807	28
Other	725	540	185	34
Total revenues	$ 81,130	$ 59,569	$ 21,561	36%

Investment management fees increased 39% in the first quarter of 2010 primarily due to a $9.2 billion, or 40%, increase in average assets under management across all products for the first quarter 2010 versus 2009. Investment management fees from open-end funds increased to $36.5 million for the three months ended March 31, 2010 from $25.0 million for the prior-year period, a result of a $6.4 billion increase in open-end fund average assets under management. Investment management fees from our closed-end funds increased to $11.0 million for the first quarter of 2010 from $8.3 million for the prior-year quarter, due to a $1.2 billion increase in closed-end fund average assets under management. Investment management fees from our separately managed accounts increased to $10.8 million for the three months ended March 31, 2010 from $8.6 million in the prior year again due to a $1.7 billion increase in average assets under management. Investment management fees as a percentage of average assets under management was 0.73% and 0.74% for the three months ended March 31, 2010 and 2009, respectively.

Distribution and underwriting fees increased by $4.8 million, or 28%, to $21.8 million for the three months ended March 31, 2010 from $17.0 million for the first quarter 2009. The increase was primarily due to a $5.1 million increase in distribution fees as a result of a 49% increase in open-end fund average assets under management.

Operating Expenses

Operating expenses increased by $4.2 million, to $50.6 million, for the three months ended March 31, 2010 from $46.4 million in the prior-year period reflecting increased employee compensation and distribution expenses and reduced amortization of deferred sales commissions.

	Three Months Ended March 31,		Change	
(in thousands)	**2010**	**2009**	**Amount**	**Percent**
Employee compensation and benefits	$ 20,132	$ 18,091	$ 2,041	11%
Distribution expenses	16,790	12,478	4,312	35
Amortization of deferred sales commissions	2,566	4,654	(2,088)	(45)
Marketing and sales promotion	2,732	2,522	210	8
General and administrative	8,392	8,634	(242)	(3)
Total operating expenses	$ 50,612	$ 46,379	$ 4,233	9%

Employee compensation and benefits expense increased by $2.0 million, or 11%, to $20.1 million for first quarter 2010 when compared to the same period a year ago. Performance-related incentive compensation accruals were the primary cause to the increase in expenses which were partially offset by a reduction in severance related expenses.
Distribution expenses increased by $4.3 million, or 35%, for the first quarter of 2010 when compared to the prior-year period due to an increase in Rule 12b-1 expenses, which are directly related to changes in average open-end fund assets under management and to the proportion of Class C share assets less than one year old. Although the Rule 12b-1 fee rates we paid to broker-dealers and other intermediaries in the three months ended March 31, 2010 did not change from the rates paid in the prior year, we expect distribution expense to vary with the change in open-end mutual funds assets under management and to increase with the age of the Class C share assets.
Amortization of deferred sales commissions decreased $2.1 million for the three months ended March 31, 2010, when compared to the first quarter of 2009 mainly due to our decision to discontinue Class B share mutual fund sales. As a result of our decision to discontinue the sales of Class B mutual fund shares during the second quarter of 2009, the deferred sales commission assets will no longer be replenished by new sales, and as a result, we re-evaluated the estimated remaining useful life of the Class B deferred sales commission assets. Based on this analysis, we increased the lives of these assets thus extending the period over which the remaining amortization expense will be recorded and reducing the periodic amortization expense recognized prospectively.
Marketing and sales promotion increased $0.2 million for the three months ended March 31, 2010 when compared to the prior-year period primarily due to increased supplemental distribution payments to intermediaries of $0.9 million mostly offset by decreases in discretionary spending. Intermediary fees are directly influenced by changes in assets under management and average assets under management are significantly greater for the current quarter when compared to 2009.
Non-operating Activities, Net of Non-controlling Interest in Partnership Investments
The following table summarizes our non-operating activities, net of non-controlling interest in partnership investments for the three months ended March 31, 2010 and 2009:

	Three Months Ended March 31,		
(in thousands)	**2010**	**2009**	**Change**
Interest income	$ 106	$ 164	$ (58)
Interest expense	(1,950)	(1,950)	
Net interest expense	(1,844)	(1,786)	(58)
Investment income	8,602	13,880	(5,278)
Miscellaneous other income	151	191	(40)
Investment and other income	8,753	14,071	(5,318)
Non-operating income	6,909	12,285	(5,376)
Net income attributable to non-controlling interest in partnership investments	(7)	(31)	24
Non-operating income, net of non- controlling interest in partnerships	$ 6,902	$ 12,254	$ (5,352)

Non-operating activities increased income by $6.9 million for the three months ended March 31, 2010 and by $12.3 million for the prior-year quarter. Interest expense remained flat year over year as our debt level remained constant. Investment and other income for the period ending March 31, 2010 was $8.8 million compared to $14.1 for the prior-year quarter. Investment income for the three months ended March 31, 2010 was mostly comprised of

$10.2 million in realized gains from the sale of securities from our corporate investment portfolio while investment income for the prior year s quarter was mostly comprised of net gains of $14.5 million from equity option contracts. The following table provides a summary of the total returns generated on our investment portfolio by combining investment income, a portion of our non-operating income, with the changes in fair value of certain investment securities that are recorded in accumulated other comprehensive income, a component of stockholders equity, for the three months ended March 31, 2010:

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	Three Months Ended March 31, 2010		
(in thousands)	**Non-Operating Income**	**Change in Accumulated Other Comprehensive Income**	**Total**
Mutual funds and common stock	$ 11,612	$ (3,330)	$ 8,282
Partnership investments	764		764
Equity option contracts	(3,774)		(3,774)
Investment income	8,602	(3,330)	5,272
Non-controlling interest in partnership investments	(7)		(7)
Investment portfolio results.	$ 8,595		$ 5,265
Less: Non-controlling interest in Calamos Holdings LLC		3,008	
Deferred income taxes		307	
Change in accumulated other comprehensive income		$ (15)	

Our investment portfolio returned $5.3 million, or 2.0%, in the first quarter of 2010. These results primarily reflect realized gains in the investment portfolio, partially offset by net realized and unrealized gains and losses on equity option contracts used to hedge market value fluctuations in the corporate investment portfolio. During the most recent quarter, we implemented a long-term trading effort to harvest capital gains to ensure realization of certain deferred tax assets.

Income Taxes

Holdings is subject to certain income-based state taxes; therefore, income taxes reflect not only the portion attributed to us but also income taxes attributable to non-controlling interests. Our effective income tax rate for the three month period ended March 31, 2010 was approximately 37.6% compared to 38.5% a year ago.

Net Income

Net income attributable to Calamos Asset Management, Inc. was $4.8 million for the three months ended March 31, 2010, compared to $3.4 million for the same period in the prior year.

Liquidity and Capital Resource

We manage our liquidity position to ensure adequate resources are available to fund ongoing operations of the business, provide seed money for new funds and invest in other corporate strategic initiatives. Our principal sources of liquidity are cash flows from operating activities and our corporate investment portfolio, which is comprised of cash and cash equivalents, investment securities, derivatives and partnership investments. Investment securities are principally comprised of Company-sponsored mutual funds. In addition, the individual securities held within our partnership investments are typically highly liquid.

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Our working capital requirements historically have been met through cash generated by operations. We believe cash generated from operations will be sufficient over the foreseeable future to meet our working capital requirements with respect to the foregoing activities and to support future growth. The following table summarizes our principal sources of liquidity as of March 31, 2010 and December 31, 2009:

(in thousands)	**March 31, 2010**	**December 31, 2009**	**Increase (Decrease)**
Cash and cash equivalents	$ 115,002	$ 145,431	$ (30,429)
Investment securities	241,168	207,886	33,282
Derivatives, net	(1,406)	(1,730)	324
Partnership investments, net of non-controlling interests	36,681	35,924	757
Total corporate investment portfolio	$ 391,445	$ 387,511	$ 3,934

The total corporate investment portfolio increased $3.9 million during the three month period of 2010. The following table summarizes the primary components of the change in our liquidity position during the three months ending March 31, 2010:

(in thousands)	**Increase (Decrease)**
Net realized and unrealized gains (losses) on investment securities:	
Mutual funds	$ 7,481
Partnership investments	661
Equity option contracts	(3,774)
Other net cash generated by business activities	(434)
	$ 3,934

To mitigate the impact of further declines in the valuation of our investment portfolio, we continue to execute a hedge strategy, specifically an equity option collar that is comprised primarily of selling index-based call options and purchasing index-based put options. This hedge continued to provide the stability to our portfolio value as intended. We expect to continue to use hedge strategies to protect our portfolio value as we believe appropriate.

Calamos Holdings LLC is the borrower of our $125 million in long-term debt. The following is a summary of our covenant compliance as of March 31, 2010 with the defined terms and covenants having the same meanings set forth under our amended note purchase agreements:

Covenant		**Results as of March 31, 2010**
EBITDA/interest expense	not less than 3.0	17.22
Debt/EBITDA	not more than 3.0	0.93
Investment coverage ratio	not less than 1.175	2.4
Net worth	not less than $160 million	$281 million

The following tables summarize key statements of financial condition data relating to our liquidity and capital resources:

(in thousands)	March 31, 2010	December 31, 2009
Statements of financial condition data:		
Cash and cash equivalents	$ 115,002	$ 145,431
Receivables	28,317	26,489
Investment securities and derivatives, net	239,762	206,156
Partnership investments, net	36,681	35,924
Deferred tax assets, net	84,511	85,256
Deferred sales commissions	11,941	12,705
Long-term debt	125,000	125,000

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Cash flows for the three months ended March 31, 2010 and 2009 are shown below:

	March 31,	
(in thousands)	**2010**	**2009**
Cash flow data:		
Net cash provided by operating activities	$ 20,883	$ 21,697
Net cash provided by (used in) investing activities	(30,255)	21,719
Net cash used in financing activities	(21,057)	(5,023)

Net cash provided by operating activities totaled $20.9 million for the three months ended March 31, 2010. These net cash flows are primarily attributable to investment management and distribution and underwriting fees generated by core business activities, partially offset by staff, distribution and other operating expenses.

Investing activities for the three months ended March 31, 2010 used cash totaling $30.3 million. The net outflow was comprised of additional investments in Company-sponsored mutual funds of $25 million coupled with purchases of derivatives of $4.1 million. Net cash used in financing activities totaled $21.1 million for the first three months of 2010, largely due to distributions paid to non-controlling interests and to dividends paid to common shareholders. We expect our cash and liquidity requirements will be met with cash on hand and through cash generated by operations.

Recently Issued Accounting Pronouncements

In June 2009, the FASB issued a new statement which modifies the analysis required to determine whether a company s variable interest(s) give it a controlling financial interest in a variable interest entity (VIE). This analysis identifies the primary beneficiary of a VIE as the enterprise that has both the power to direct the activities of a VIE and the obligation to absorb losses or the right to receive benefits of the VIE. This statement was subsequently codified in December 2009 under Accounting Standards Update (ASU) No. 2009-17 and is effective for fiscal years beginning after November 15, 2009. In February 2010, the FASB issued ASU No. 2010-10, *Consolidation, Amendments for Certain Investment Funds,* that defers the implementation of ASU 2009-17 for a reporting entity s interest in an entity (1) that has all the attributes of an investment company or (2) for which it is industry practice to apply measurement principles for financial reporting purposes that are consistent with those followed by investment companies. The Company analyzed the entities in which it holds an investment interest and determined that the entities meet the criteria for deferral under ASU No. 2010-10. As such, the Company opted to defer ASU No. 2009-17 and adopted ASU No. 2010-10 during the first quarter 2010, which had no impact on the Company s financial statements.

Critical Accounting Policies

Our significant accounting policies are summarized in note 2 of the Notes to the Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended December 31, 2009. A discussion of critical accounting policies is included in Management s Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K for the year ended December 31, 2009. There were no significant changes in our significant accounting policies or critical accounting policies during the three months ended March 31, 2010.

Other Information

Our fully consolidated market capitalization is estimated to be $1.3 billion as of March 31, 2010. This estimate assumes that the closing price of our stock of $14.34 did not recognize any value associated with CAM s wholly-owned assets. Refer to Item 5 of our 2009 Annual Report on Form 10-K for a comprehensive discussion of the details and assumptions used in estimating our market capitalization.

Forward-Looking Information

From time to time, information or statements provided by us or on our behalf, including those within this Quarterly Report, may contain certain forward-looking statements relating to future events and financial performance, strategies, expectations and competitive environment, and regulations. These forward-looking statements may include, without limitation: statements regarding proposed new products; results of operations or liquidity; projections, predictions, expectations, estimates or forecasts of our business; financial and operating results and future economic performance;

market capitalization; management s goals and objectives; and other similar expressions concerning matters that are not historical facts.

Words such as anticipate, assume, believe, continue, could, estimate, expect, future, intend, may, potential, predict, seek, should, trend, will, would, and similar expressions, as well as statements in future identify forward-looking statements.

Forward-looking statements should not be read as a guarantee of future performance or results, and will not necessarily be accurate indications of the times at, or by, which such performance or results will be achieved. Forward-looking statements are based on information available at the time those statements are made and/or management s good faith belief as of that time with respect to future events, and are subject to risks and uncertainties that could cause actual performance or results to differ materially from those expressed in or suggested by the forward-looking statements.

Important factors that could cause such differences include, but are not limited to: changes in applicable laws or regulations; downward fee pressures and increased industry competition; risks inherent to the investment management business; the loss of revenues due to contract terminations and redemptions; unsatisfactory service levels by third party vendors; the inability to maintain compliance with financial covenants; the performance of our investment portfolio; our ownership and organizational structure; general and prolonged declines in the prices of securities; significant changes in market conditions and the economy that require a modification to our business plan; catastrophic or unpredictable events; the loss of key executives; the unavailability, consolidation and elimination of third-party retail distribution channels; increased costs of and timing of payments related to distribution; failure to recruit and retain qualified personnel; a loss of assets, and thus revenues; fluctuation in the level of our expenses; fluctuation in foreign currency exchange rates with respect to our global operations and business; changes in accounting estimates; poor performance of our largest funds; damage to our reputation; and the extent and timing of any share repurchases.

Further, the value and composition of our assets under management are, and will continue to be, influenced by a variety of factors including, among other things: purchases and redemptions of shares of the open-end funds and other investment products; fluctuation in both the underlying value and liquidity of the financial markets around the world that result in appreciation or depreciation of assets under management; mutual fund capital gain distributions; our ability to access capital markets; our introduction of new investment strategies, products and programs; our ability to educate our clients about our investment philosophy and provide them with best-in-class service; the relative investment performance of our products as compared to competing offerings and market indices; competitive conditions in the mutual fund, asset management and broader financial services sectors; investor sentiment and confidence; our decision to open or close products and strategies; and our ability to execute on our strategic plan to expand the business. Item 1A of our most recently filed Annual Report on Form 10-K discusses some of these and other important factors in detail under the caption *Risk Factors*.

Forward-looking statements speak only as of the date the statements are made. Readers should not place undue reliance on any forward-looking statements. We assume no obligation to update forward-looking statements to reflect actual results, changes in assumptions or changes in other factors affecting forward-looking information, except to the extent required by applicable securities laws.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

An analysis of our market risk was included in our Annual Report on Form 10-K for the year ended December 31, 2009. There were no material changes to the Company s market risk during the three months ended March 31, 2010.

Item 4. Controls and Procedures

Our management, including our principal executive and principal financial officers, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934) as of March 31, 2010, and has concluded that such disclosure controls and procedures are effective to ensure that information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the SEC s rules and forms. There were no changes in the Company s internal control over financial reporting that occurred during our first quarter that have materially affected, or are reasonably likely to materially affect, the Company s internal control over financial reporting.

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PART II OTHER INFORMATION

Item 1. Legal Proceedings

In the normal course of business, we may be subject to various legal proceedings from time to time. Currently, there are no material legal proceedings pending against us.

Item 6. Exhibits

3(i) Second Amended and Restated Certificate of Incorporation of the Registrant (incorporated by reference to Exhibit 3.1 to the Registrant s Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 13, 2009).

3(ii) Second Amended and Restated By-Laws of the Registrant (incorporated by reference to Exhibit 3.2 to the Registrant s Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 13, 2009).

4.1 Stockholders Agreement among John P. Calamos, Sr., Nick P. Calamos and John P. Calamos, Jr., certain trusts controlled by them, Calamos Family Partners, Inc. and the Registrant (incorporated by reference to Exhibit 4.1 to the Registrant s Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on December 3, 2004).

4.2 Registration Rights Agreement between Calamos Family Partners, Inc., John P. Calamos, Sr. and the Registrant (incorporated by reference to Exhibit 4.2 to the Registrant s Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on December 3, 2004).

10.1 Calamos Asset Management, Inc. Incentive Compensation Plan, as amended effective May 22, 2009 (incorporated by reference to Exhibit 10.1 to the Registrant s Current Report on Form 8-K filed with the Securities and Exchange Commission on May 27, 2009).

31.1 Certification pursuant to Rules 13a-14(a) and 15d-14(a) of the Exchange Act.

31.2 Certification pursuant to Rules 13a-14(a) and 15d-14(a) of the Exchange Act.

32.1 Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

32.2 Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CALAMOS ASSET MANAGEMENT, INC.
(Registrant)

Date: May 6, 2010

By: /s/ Cristina Wasiak
Cristina Wasiak
Chief Financial Officer

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