CALAMOS CONVERTIBLE & HIGH INCOME FUND
Form N-2/A
January 07, 2016

As filed with the Securities and Exchange Commission on January 7, 2016

1933 Act File No. 333-205640   1940 Act File No. 811-21319

U.S. SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form N-2

(Check appropriate box or boxes)

þ **REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933**

þ **Pre-Effective Amendment No. 1**

¨ **Post-Effective Amendment No.**

and

þ **REGISTRATION STATEMENT UNDER THE INVESTMENT COMPANY ACT OF 1940**

þ **Amendment No. 27**

CALAMOS CONVERTIBLE AND HIGH INCOME FUND

2020 Calamos Court

Naperville, Illinois 60563

(630) 245-7200

Agent for Service

John P. Calamos, Sr.

President

Calamos Convertible and High Income Fund

2020 Calamos Court

Naperville, Illinois 60563

J. Christopher Jackson

Vice President and Secretary

Calamos Convertible and High Income Fund

2020 Calamos Court

Naperville, Illinois 60563

Copies of Communications to:

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Ropes & Gray LLP

1211 Avenue of the Americas

New York, New York 10036

Approximate Date of Proposed Public Offering: From time to time after the effective date of the Registration Statement.

If any of the securities being registered on this form will be offered on a delayed or continuous basis in reliance on Rule 415 under the Securities Act of 1933, other than securities offered in connection with a dividend reinvestment plan, check the following box. þ

It is proposed that this filing will become effective (check appropriate box):

¨ when declared effective pursuant to Section 8(c)

CALCULATION OF REGISTRATION FEE

UNDER THE SECURITIES ACT OF 1933

Title of Securities Being Registered	Amount Being Registered(1)	Proposed Maximum Offering Price(2)	Amount of Registration Fee(3)
Common shares, no par value per share; preferred shares, no par value per share; debt securities		$100,000,000	$11,620.00

(1) There are being registered hereunder a presently indeterminate number of shares of common stock to be offered on an immediate, continuous or delayed basis.

(2) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(o) under the Securities Act of 1933, as amended. In no event will the aggregate initial offering price of all securities offered from time to time pursuant to the prospectus included as a part of this Registration Statement exceed $100,000,000.

(3) All of which has previously been paid.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such dates as the Commission, acting pursuant to said Section 8(a), may determine.

Base Prospectus

The information in this prospectus is not complete and may be changed. We may not sell these securities until the amendment to the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

SUBJECT TO COMPLETION DATED JANUARY 7, 2016

$100,000,000

Calamos Convertible and High Income Fund

Common Shares

Preferred Shares

Debt Securities

Calamos Convertible and High Income Fund (the Fund, we, us, or our) is a diversified, closed-end management investment company that commenced investment operations in May 2003. 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 $100,000,000 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 NASDAQ Global Select Market under the symbol CHY. As of October 31, 2015, the last reported sale price for our common shares was $11.61. As of October 31, 2015, the last reported net asset value for our common shares was $12.39.

Investing in our securities involves certain risks. You could lose some or all of your investment. See Risk Factors beginning on page 31 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 , 2016

This prospectus, together with the current and any other 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 70 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, free of charge, at 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 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.

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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 simila 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. 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.

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).

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 31 of this prospectus.

The Fund

The Fund is a diversified, closed-end management investment company. We commenced operations in May 2003 following our initial public offering. As of October 31, 2015, we had $1.3 billion of total managed assets and $366 million of outstanding borrowings under a Committed Facility Agreement and a Credit Agreement, each as described below, plus additional structural leverage that amounted to approximately $32 million. Structural leverage refers to borrowings under the Credit Agreement in respect of which the Fund s interest payments are reduced or eliminated by the Fund s securities lending activities. 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 October 31, 2015, Calamos managed approximately $23.0 billion in assets of individuals and institutions. Calamos is a wholly-owned subsidiary of Calamos Investments LLC (CILLC) 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. 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). Net assets does not include any assets attributable to any leverage that may be outstanding. 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 $100,000,000 of our securities on terms to be determined at the time of the offering. Our common shares will be offered at prices at or above net asset value (often referred to as NAV) and on terms to be set forth in one or more prospectus supplements to the prospectus. To the extent that the Fund issues common shares and current shareholders do not participate, those current shareholders may experience a dilution of their voting rights as new shares are issued to the public. Depending on the facts, any issuance of new common shares may also have the effect of reducing any premium to per share net asset value at which the shares might trade and the market price at which the shares might trade.

Currently, the Fund has not determined the timing of any preferred shares or debt offering. 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 auction rate 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.

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, 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 these purposes.

Dividends and Distributions on Common Shares

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 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 and, thus, could potentially subject the shareholder to capital gains taxation in connection with a later sale of Fund shares, even if those shares are sold at a price that is lower than the shareholder s original investment price. 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. Distributions are subject to re-characterization for federal income tax purposes after the end of the fiscal year.

The Fund has made regular monthly distributions to its common shareholders of $0.1219 per share from August 2003 through October 2008, and monthly distributions of $0.0850 from November 2008 through March 2014 and $0.10 since April 2014. Additionally, the Fund has made special supplemental distributions, in addition to the regular monthly distributions, of $0.0920, $0.0232, and $0.1052 in 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 sources of these distributions have varied over time and will continue to do so. The sources of these distributions may include net investment income, capital gain and return of capital.

On November 4, 2008, the Commission 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 Investment Company Act of 1940, as amended (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 the Fund complies with the conditions of the order and maintains in effect a distribution policy with respect to the Fund s 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).

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. For more information about the Managed Dividend Policy see Dividends and Distributions on Common Shares.

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 below investment grade (high yield/high risk) non-convertible debt securities. The portion of the Fund s assets invested in convertible securities and below investment grade (high yield/high risk) non-convertible debt 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 20% of its managed assets in convertible securities and at least 20% of its managed assets in below investment grade (high yield/high risk) non-convertible debt securities (so long as, under normal circumstances, the combined total equals at least 80% of the Fund s managed assets). 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. See Investment Objective and Principal Investment Strategies Principal Investment Strategies.

The Fund s derivative activities are principally focused on the following derivatives: interest rate swaps, convertible securities, synthetic convertible securities, options on individual securities, index options and forward currency exchange contracts. However, the Fund reserves the right to invest in other derivative instruments to the extent it is consistent with the Fund s investment objectives and restrictions. See Investment Objective and Principal Investment Strategies Principal Investment Strategies.

Convertible Securities. Investment in convertible securities forms an important part of the Fund s investment strategies. Under normal circumstances, the Fund will invest at least 20% 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. The Fund may invest in convertible securities of any rating. 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 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 the opportunity for stable cash flows with the ability to participate in capital appreciation of the underlying common stock. Traditional convertible securities are exercisable at the option of the holder. Synthetic convertible securities may alter these characteristics by offering enhanced yields in exchange for reduced capital appreciation or additional risk of loss, 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. The Fund s holdings of synthetic convertible securities are considered convertible securities for purposes of the Fund s policy to invest at least 20% of its managed assets in convertible securities and 80% of its managed assets in a diversified portfolio of convertible securities and below investment grade (high yield/high risk) non-convertible debt securities. See Investment Objective and Principal Investment Strategies Principal Investment Strategies Synthetic Convertible Securities.

High Yield Securities. Investment in high yield securities forms an important part of the Fund s investment strategies. The Fund will invest in high yield securities for either current income or capital appreciation or both. Under normal circumstances, the Fund will invest at least 20% of its managed assets in high yield non-convertible debt securities. These securities are rated Ba or lower by Moody s Investors Service, Inc. (Moody s) or BB or lower by Standard & Poor s Financial Services, LLC, a subsidiary of The McGraw-Hill Companies, Inc. (Standard or 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. The Fund may, but currently does not intend to, invest up to 5% of its managed assets in 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. 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 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 managed 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. The Fund may invest up to 15% of its managed assets in securities of foreign issuers in emerging markets. 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 and oversight of the Fund s Board of Trustees, Calamos will determine whether Rule 144A Securities are liquid. 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 equity securities obtainable by the Fund through the exercise of its rights with respect to convertible securities it owns) in the Fund s portfolio and (ii) on broad-based securities indexes (such as the Standard and Poor s 500® Index (S&P 500) or the MSCI EAFE® Index (MSCI EAFE), which is an index of international equity stocks) 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 market indexes. See Investment Objective and Principal Investment Strategies Options Writing.

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 or cash equivalents; or it may hold cash. During such periods, the Fund may not be able to achieve its investment objective. There are no restrictions as to the ratings of debt securities acquired by the Fund or the portion of the Fund s assets that may be invested in debt securities in a particular ratings category. For more information on the types of derivatives that the Fund invests in, see Investment Objective and Principal Investment Strategies Principal Investment Strategies in this prospectus and Investment Objective and Policies in the statement of additional information.

Use of Leverage by the Fund

The Fund currently uses, and may in the future use, financial leverage. The Fund, with the approval of its Board of Trustees, including its independent Trustees, has entered into a financing package that includes a Committed Facility Agreement (the BNP Agreement) with BNP Paribas Prime Brokerage International Ltd. (BNP) that allows the Fund to borrow up to $240 million, and a securities lending agreement (Lending Agreement). In addition, the financing package also includes a Credit Agreement (the SSB Agreement) with State Street Bank and Trust Company (SSB) that allows the Fund to borrow up to $240 million, and a related securities lending authorization agreement (Authorization Agreement) that is used to offset some of the interest rate payments that would otherwise be due in respect of the borrowings under the SSB Agreement. As of October 31, 2015, the Fund had $199 million in borrowings outstanding under the BNP Agreement, representing 15.3% of managed assets as of that date. As of October 31, 2015, the Fund had $167 million in borrowings outstanding under the SSB Agreement, representing 12.9% of managed assets as of that date. Combined borrowings under both agreements as of October 31, 2015 represented $366 million, or 28.2% of managed assets. Pursuant to the Authorization Agreement, the Fund used approximately $32 million of its cash collateral to offset the amounts borrowed under the SSB Agreement as of October 31, 2015, representing 2.5% of managed assets. The Fund will pay, and common shareholders will effectively bear, any costs and expenses relating to any borrowings by the Fund, including the financial leverage described above, as well as any additional financial leverage secured as a result of this offering. 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. See Leverage and Risk Factors Leverage.

The Fund may make further use of financial leverage through the issuance of 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 Fund may not issue debt securities, borrow money or issue preferred shares in an aggregate amount exceeding 38% of the Fund s managed assets measured at the time of issuance of the new securities. 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. See Leverage. The holders of preferred shares or debt, if any, 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. See Description of Securities Preferred Shares and Certain Provisions of the Agreement and Declaration of Trust and By-Laws, Including Antitakeover Provisions.

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 effected through new, additional or increased credit facilities or the issuance of preferred shares would require approval by the Board of Trustees of the Fund. In considering whether to approve the use of additional leverage through those means, 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. For further information about the Fund s financial leverage, see Use of Leverage by the Fund.

For further information about the effects of the Fund s financial leverage and an illustration of the hypothetical effect on the return to a holder of the Fund s common shares of the leverage obtained by borrowing under the Fund s financing package, see Effects of Leverage. For further information about leveraging, see Risk Factors Additional Risks to Common Shareholders Leverage Risk.

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. There can be no assurance that the Fund will use interest rate transactions or that, if used, their use will be beneficial to 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. 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 the Fund does not have an interest. Calamos or its affiliates may have financial incentives to favor certain of these accounts over the Fund. Any of their proprietary accounts or other customer accounts may compete with the Fund 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, the Fund, even though their investment objectives may be the same as, or similar to, the Fund s objective.

Situations may occur when the Fund 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 the Fund or the other accounts, thereby limiting the size of the Fund s position; or (2) the difficulty of liquidating an investment for the Fund 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 tends to increase 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 and changes in interest rates. 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. See Risk Factors Fund Risks Convertible Securities Risk.

Synthetic Convertible Instruments 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 Instruments 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 interest rate risk, and reduce the value of the security. This is known as extension risk; and

- this risk may be particularly acute in the current market environment because market interest rates currently are near historically low levels. See Risk Factors Fund Risks Interest Rate Risk.

Leverage Risk. The Fund has issued indebtedness and may issue preferred shares or borrow money or issue debt securities. As of October 31, 2015, the Fund has leverage in the form of borrowings from SSB and BNP. The borrowing of money or issuance of debt securities and preferred shares represents the leveraging of the Fund s common shares. As a non-fundamental policy, the Fund may not issue debt securities, borrow money or issue preferred shares in an aggregate amount exceeding 38% of the Fund s managed assets measured at the time of issuance of the new securities. 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. See Leverage.

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

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

- fluctuations in the dividend rates on any preferred shares borne by the Fund 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 Securities Preferred Shares and Certain Provisions of the Agreement and Declaration of Trust and By-Laws, Including Antitakeover Provisions. The holders of preferred shares or debt, if any, 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. 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 rating agencies 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. The Board reserves the right to change the amount and type of leverage that the Fund uses, and reserves the right to implement changes to the Fund s borrowings that it believes are in the best interests of the Fund, even if such changes impose a higher interest rate or other costs or impacts over the intermediate, or short-term time period. There is no guarantee that the Fund will maintain leverage at the current rate, and the Board reserves the right to raise, decrease, or eliminate the Fund s leverage exposure. See Prospectus Summary Use of Leverage by the Fund.

Default Risk. Default risk refers to the risk that a company that issues a convertible or 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. As a result, the Fund may incur cost and delays in enforcing its rights against the issuer. See Risk Factors Fund Risks 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 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 may be available about non-U.S. issuers or markets due to less rigorous disclosure or accounting standards or regulatory practices in foreign jurisdictions;

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 rate changes 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 in foreign jurisdictions, 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.

Emerging Markets Risk. Emerging market countries may have relatively unstable governments and economies based on only a few industries, which may cause greater instability. The value of emerging market securities will likely be particularly sensitive to changes in the economies of such countries. These countries are also more likely to experience higher levels of inflation, deflation or currency devaluations, which could adversely affect the value of the Fund s investments and hurt those countries economies and securities markets. See Risk Factors Fund Risks Emerging Markets 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 options on individual securities and securities indices. 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. In addition, a loss on a call option sold may be greater than the premium received. 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 price above the market price. See Risk Factors Fund Risks Risks Associated with Options.

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. 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 utilize significant amounts of leverage, 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. See Risk Factors Fund Risks REIT Risk.

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 federal income tax requirements applicable to regulated investment companies if the tax characterization of the Fund s investments is not clear or if 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, if any, may have voting rights in addition to and separate from the voting rights of common shareholders with respect to certain of these matters. Holders of any preferred shares, voting separately as a single class, have the right to elect at least two Trustees at all times. See Description of Securities Preferred Shares and Certain Provisions of the Agreement and Declaration of Trust and By-Laws, Including Antitakeover Provisions. The holders of preferred shares or debt, if any, on the one hand, and the holders of the common shares, on the other, may have interests that conflict, including conflicts that relate to the fees and expenses of the Fund. For more information on potential conflicts of interest between holders of common shares and holders of preferred shares, see Additional Risks to Common Shareholders Leverage Risk. 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.

Counterparty and Settlement Risk. Trading options, futures contracts, swaps and other derivative financial instruments entails credit risk with respect to the counterparties. Such instruments when traded over the counter do not include the same protections as may apply to trading derivatives on organized exchanges. Substantial losses may arise from the insolvency, bankruptcy or default of a counterparty and risk of settlement default of parties with whom it trades securities. This risk may be heightened during volatile market conditions. Settlement mechanisms in emerging markets are generally less developed and reliable than those in more developed countries thus increasing the risks. In the past, broker-dealers and other financial institutions have experienced extreme financial difficulty, sometimes resulting in bankruptcy of the institution. Although Calamos monitors the creditworthiness of the Fund s counterparties, there can be no assurance that the Fund s counterparties will not experience similar difficulties, possibly resulting in losses to the Fund. If a counterparty becomes bankrupt, or otherwise fails to perform its obligations under a derivative contract due to financial difficulties, the Fund may experience significant delays in obtaining any recovery under the derivative contract in a bankruptcy or other reorganization proceeding. The Fund may obtain only a limited recovery or may obtain no recovery in such circumstances. Material exposure to a single or small group of counterparties increases the Fund s counterparty risk. See Risk Factors Fund Risks Counterparty and Settlement Risk.

Duration Risk. Duration measures the expected life of a fixed-income security, and its sensitivity to changes in interest rates. The longer a fixed income security s duration, the more sensitive that security will be to changes in interest rates. Similarly, the longer the Fund s dollar-weighted average duration, the more sensitive its value will be to interest rate changes than a fund with a shorter dollar-weighted average duration. See Risk Factors Fund Risks Duration Risk.

Maturity Risk. Interest rate risk will generally affect the price of a fixed income security more if the security has a longer maturity. Fixed income securities with longer maturities will therefore be more volatile than other fixed income securities with shorter maturities. Conversely, fixed income securities with shorter maturities will be less volatile but generally provide lower potential returns than fixed income securities with longer maturities. The average maturity of the Fund s investments will affect the volatility of the Fund s share price. See Risk Factors Fund Risks Maturity Risk.

Recent Market Events. Over the last several years, domestic and international markets have experienced acute turmoil. This turmoil resulted in unusual and extreme volatility in the equity and debt markets, in the prices of individual securities and in the world economy. In addition, many governments and quasi-governmental entities throughout the world responded to the turmoil with a variety of significant fiscal and monetary policy changes, including but not limited to, direct capital infusions into companies, new monetary programs and dramatically lower interest rates. An unexpected or quick reversal of these policies could increase volatility in the equity and debt markets. These market conditions and continuing economic risks add significantly to the risk of short-term volatility in the Fund.

Turbulence in the financial markets and reduced liquidity in equity, credit and fixed-income markets may negatively affect issuers worldwide, which could have an adverse effect on the Fund. Following the financial crisis that began in 2007, the Federal Reserve has attempted to stabilize the U.S. economy and support the U.S. economic recovery by keeping the federal funds rate at or near zero percent. The Federal Reserve recently has sought to raise interest rates, if the Federal Reserve continues to do so, there is a risk that interest rates across the U.S. financial system will rise. These policy changes may expose markets to heightened volatility and may reduce liquidity for certain Fund investments, causing the value of the Fund s investments and share price to decline.

The response of the international community through economic sanctions and otherwise to geopolitical and other events around the globe may have long-term effects on the U.S. and worldwide financial markets and may cause further economic uncertainties in the United States and worldwide. It is difficult to predict how long the securities markets may be affected by these events and/or the effects of these events in the future on the U.S. economy and securities markets. See Risk Factors Fund Risks Recent Market Events.

Additional Risks to Common Shareholders

Additional risks of investing in common shares include the following:

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. 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. 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.

Diminished Voting Power and Excess Cash 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:

Generally, an investment in preferred shares (including exchange-listed 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. Rising market interest rates could also reduce the value of preferred shares.

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.

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 shares of preferred stock or debt securities, which may make such securities less liquid in the secondary market, though potentially 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 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 shares 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 any preferred securities or debt securities we may issue in the future.

Secondary Market Risk. The market value of exchange-listed preferred shares that the Fund may issue will be determined by factors such as the relative demand for and supply of the preferred shares in the market, general market conditions and other factors beyond the control of the Fund. Because the Fund has no prior trading history for preferred shares, it is difficult to predict the trading patterns of preferred shares, including the effective costs of trading. There is a risk that the market for preferred shares may be thinly traded and relatively illiquid compared to the market for other types of securities.

Market Discount Risk. The market price of exchange-listed preferred shares that the Fund may issue may also be affected by such factors as the Fund s use of leverage, dividend stability, portfolio credit quality, liquidity, and the Fund s dividends paid (which are, in turn, affected by expenses), call protection for portfolio securities and interest rate movements.

Early Redemption Risk. The Fund may voluntarily redeem preferred shares or may be forced to redeem preferred shares to meet regulatory requirements and the asset coverage requirements of the preferred shares. Such redemptions may be at a time that is unfavorable to holders of the preferred shares.

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 interest payments on borrowed funds, as a percentage of our average net assets as of October 31, 2015, 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 October 31, 2015.

As of October 31, 2015, the Fund had $366 million in borrowings outstanding and additional structural leverage of $32 million, representing 30.7% of managed assets.

Shareholder Transaction Expenses	
Sales Load (as a percentage of offering price)	(1)
Offering Expenses Borne by the Fund (as a percentage of offering price)	(1)
Dividend Reinvestment and Cash Purchase Plan Fees(2)	None

Annual Expenses	**Percentage of Average Net Assets Attributable to Common Shareholders**
Management Fee(3)	1.13
Interest Payments on Borrowed Funds(4)	0.35
Preferred Stock Dividend Payments(5)	
Other Expenses(6)	0.09
Acquired Fees and Expenses	0
Total Annual Expenses	1.57

Example:

The following example illustrates the expenses that common shareholders would pay on a $1,000 investment in common shares, assuming (1) total annual expenses of 1.57% of net assets attributable to common shareholders (2) a 5% annual return; and (3) all distributions are reinvested at net asset value:

	1 Year	**3 Years**	**5 Years**	**10 Years**
Total Expenses Paid by Common Shareholders(7)	$ 16	$ 50	$ 86	$ 188

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 Dividends and Distributions on Common Shares; Automatic Dividend Reinvestment Plan.

(3) The Fund pays Calamos an annual management fee, payable monthly, for its investment management services in an amount 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 shareholders. 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 1.13% of the Fund s average weekly net assets as of October 31, 2015 by dividing the total dollar amount of the management fee by the Fund s average weekly net assets (managed assets less outstanding leverage).

(4) Reflects interest expense paid on $366 million in borrowings under the BNP Agreement and SSB Agreement, plus $32 million in additional structural leverage related to certain securities lending programs, as described above under Prospectus Summary Use of Leverage by the Fund.

(5) The Fund does not currently have any preferred stock issued or outstanding.

(6) Other Expenses are based on actual amounts incurred during the Fund s prior fiscal period.

(7) The example does not include sales load or estimated offering costs, which would cause the expenses shown in the example to increase.

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. The information in this table for the year ended October 31, 2015 and each of the prior years then ended is derived from our financial statements audited by Deloitte & Touche LLP. See Available Information in this prospectus.

Selected data for a share outstanding throughout each period were as follows:

	Year Ended October 31,									
	2015	**2014**	**2013**	**2012**	**2011**	**2010**	**2009**	**2008**	**2007**	**2006**
Net asset value, beginning of period	$ 14.24	$ 13.89	$ 13.08	$ 12.72	$ 13.03	$ 11.92	$ 8.30	$ 15.64	$ 15.44	$ 15.21
Income from investment operations:										
Net investment income (loss)	0.73**	0.79**	0.83**	0.86**	0.91**	0.96**	0.82**	1.05**	1.27**	1.34
Net realized and unrealized gain (loss)	(1.38)	0.69	1.00	0.52	(0.20)	1.17	3.82	(6.63)	0.75	0.75
Distributions to preferred shareholders from:										
Net investment income (common share equivalent basis)							(a)	(0.12)	(0.30)	(0.29)
Net realized gains (common share equivalent basis)								(0.07)	(0.03)	(0.02)
Total from investment operations	(0.65)	1.48	1.83	1.38	0.71	2.13	4.64	(5.77)	1.69	1.78
Less distributions to common shareholders from:										
Net investment income	(0.98)	(1.13)	(1.02)	(1.02)	(0.86)	(1.02)	(1.00)	(1.34)	(1.22)	(1.29)
Net realized gains	(0.22)				(0.16)		(0.02)	(0.23)	(0.27)	(0.26)
Total Distributions	(1.20)	(1.13)	(1.02)	(1.02)	(1.02)	(1.02)	(1.02)	(1.57)	(1.49)	(1.55)
Capital charge resulting from issuance of common and preferred shares and related offering costs			(a)	(a)	(a)	(a)	(a)	(a)		(a)
Premiums from shares sold in at the market					(a)	(a)				

offerings										
Net asset value, end of period	$ 12.39	$ 14.24	$ 13.89	$ 13.08	$ 12.72	$ 13.03	$ 11.92	$ 8.30	$ 15.64	$ 15.44
Market value, end of period	$ 11.61	$ 14.47	$ 12.85	$ 12.43	$ 11.96	$ 13.19	$ 11.01	$ 8.74	$ 14.67	$ 16.98
Total investment return based on(b):										
Net asset value	(4.65)%	11.22%	15.13%	11.66%	5.80%	18.88%	60.83%	(39.96)%	11.31%	12.16%
Market value	(12.08)%	22.16%	12.08%	12.85%	(1.73)%	30.29%	41.07%	(32.59)%	(5.06)%	20.88%
Net assets, end of period (000)	$ 898,695	$ 1,029,902	$ 1,002,318	$ 943,813	$ 917,539	$ 921,278	$ 832,769	$ 563,187	$ 1,054,614	$ 1,030,741
Preferred shares, at redemption value ($25,000 per share liquidation preference) (000 s omitted)	$	$	$	$	$	$	$	$ 80,000	$ 430,000	$ 430,000
Ratios to average net assets applicable to common shareholders:										
Net expenses(c)	1.57%	1.47%	1.50%	1.60%	1.61%	1.73%	3.01%	1.91%	1.18%	1.20%
Gross expenses prior to expense reductions and earnings credits(c)	1.57%	1.47%	1.50%	1.60%	1.64%	1.79%	3.10%	2.04%	1.33%	1.34%
Net expenses, excluding interest expense	1.21%	1.18%	1.17%	1.16%	1.20%	1.20%	2.37%	1.29%	1.18%	1.20%
Net investment income (loss)(c)	5.38%	5.57%	6.18%	6.70%	6.99%	7.75%	8.56%	7.77%	8.20%	8.76%
Preferred share distributions	%	%	%	%	%	%	0.04%	0.87%	1.95%	1.88%
Net investment income (loss), net of preferred share distributions from net investment income	5.38%	5.57%	6.18%	6.70%	6.99%	7.75%	8.52%	6.90%	6.25%	6.88%
Portfolio turnover rate	37%	35%	62%	54%	42%	39%	29%	55%	57%	38%
Average commission rate paid	$ 0.0286	$ 0.0292	$ 0.0288	$ 0.0214	$ 0.0211	$	$	$	$	$
Asset coverage per preferred share, at end of period(d)	$	$	$	$	$	$	$	$ 201,006	$ 86,333	$ 84,945
Asset coverage per $1,000 of loan outstanding(e)	$ 3,258	$ 3,575	$ 3,538	$ 4,006	$ 3,922	$ 4,412	$ 4,084	$ 3,438	$	$

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

(a) Amount equated to less than $0.005 per common share.

(b) 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.

(c) Does not reflect the effect of dividend payments to Preferred Shareholders.

(d) 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.

(e) 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 amount of note payable outstanding, and by multiplying the result by 1,000.

The following table sets forth certain unaudited information regarding the Fund s outstanding bank loans and auction rate preferred shares of beneficial interest (ARPS) as of the end of each of the Fund s last ten fiscal years.

Fiscal Year Ended	Total Amount Outstanding	Asset Coverage(a)	Involuntary Liquidating Preference per Preferred Share(b)	Average Market Value per Preferred Share(c)	Type of Senior Security
October 31 2015	398,000,000	3,258			Loan
October 31 2014	400,000,000	3,575			Loan
October 31 2013	395,000,000	3,538			Loan
October 31 2012	314,000,000	4,006			Loan
October 31 2011	314,000,000	3,922			Loan
October 31 2010	270,000,000	4,412			Loan
October 31 2009	270,000,000	4,084			Loan
October 31 2008	231,000,000	3,438			Loan
October 31 2008	80,000,000	201,006	25,000	N/A	ARPS
October 31 2007	430,000,000	86,333	25,000	N/A	ARPS
October 31 2006	430,000,000	84,945	25,000	N/A	ARPS
October 31 2005	430,000,000	79,708	25,000	N/A	ARPS

(a) Calculated by subtracting the Fund s total liabilities (not including Note payable) from the Fund s total assets and dividing this by the amount of note payable outstanding, and by multiplying the result by 1,000.

(b) Involuntary Liquidating Preference per Preferred Share means the amount to which a holder of preferred shares would be entitled upon the involuntary liquidation of the Fund in preference to common shareholders, expressed as a dollar amount per preferred share.

(c) The preferred shares had no readily ascertainable market value. Auctions for the ARPS failed beginning in February 2008. The preferred shares are no longer outstanding.

MARKET AND NET ASSET VALUE INFORMATION

Our common shares are listed on the NASDAQ Global Select Market (NASDAQ) under the symbol CHY. Our common shares commenced trading on the New York Stock Exchange (NYSE) in May 2003. On July 2, 2012, the common shares ceased trading on the NYSE and commenced trading on the NASDAQ.

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 NASDAQ or NYSE, as applicable, the NAV per share and the premium or discount to

NAV per share at which our common shares were trading. NAV is shown for the last business day of each quarter. See Determination of Net Asset Value for information as to the determination of our NAV.

	Market Price(1)		Net Asset Value at Quarter End(2)	Premium/ (Discount) to Net Asset Value(3)	
Quarter Ended	**High**	**Low**		**High**	**Low**
January 31, 2009	9.41	5.77	8.52	6.81%	(19.75)%
April 30, 2009	9.14	6.37	9.51	(1.40)%	(19.06)%
July 31, 2009	11.09	9.29	11.01	2.50%	(2.42)%
October 31, 2009	11.76	10.46	11.92	(2.65)%	(4.82)%
January 31, 2010	12.19	11.18	12.22	(3.25)%	(6.21)%
April 30, 2010	13.00	11.14	12.83	0.85%	(7.17)%
July 31, 2010	13.05	11.38	12.33	1.56%	(3.07)%
October 31, 2010	13.19	12.33	13.03	1.23%	(0.64)%
January 31, 2011	13.49	12.11	13.21	2.82%	(6.70)%
April 30, 2011	13.82	13.12	13.55	2.60%	0.31%
July 31, 2011	13.79	12.45	13.09	1.77%	(4.89)%
October 31, 2011	12.68	10.66	12.72	(3.06)%	(8.65)%
January 31, 2012	12.52	11.13	12.86	(2.64)%	(8.62)%
April 30, 2012	12.96	12.27	12.94	(1.29)%	(4.22)%
July 31, 2012	12.76	11.68	12.92	(1.24)%	(6.78)%
October 31, 2012	12.87	12.36	13.08	(0.62)%	(5.58)%
January 31, 2013	12.84	11.68	13.41	(4.18)%	(8.68)%
April 30, 2013	12.99	12.36	13.60	(4.49)%	(6.22)%
July 31, 2013	13.48	11.87	13.56	(3.23)%	(7.91)%
October 31, 2013	12.90	12.03	13.89	(7.59)%	(9.75)%
January 31, 2014	13.40	12.69	14.14	(6.29)%	(8.38)%
April 30, 2014	14.12	12.98	14.32	(2.82)%	(7.48)%
July 31, 2014	15.09	13.98	14.27	2.17%	(2.71)%
October 31, 2014	14.88	13.19	14.24	1.50%	(0.75)%
January 30, 2015	14.63	13.44	13.43	4.13%	1.28%
April 30, 2015	14.85	14.01	13.80	6.68%	3.78%
July 31, 2015	14.52	12.11	13.36	3.13%	(9.36)%
October 31, 2015	12.42	10.65	12.39	(6.83)%	(11.76)%

Source: Bloomberg Financial and Fund Accounting Records.

(1) Based on high and low closing market price per share during the respective quarter and does not reflect commissions.

(2) Based on the NAV calculated on the close of business on the last business day of each calendar quarter.

(3) Premium and discount information is shown for the days when the Fund experienced its high and low closing market prices, respectively, per share during the respective quarter.

The last reported sale price, NAV per common share and percentage discount to NAV per common share on October 31, 2015 were $11.61, $12.39 and (6.30)% respectively. As of October 31, 2015, we had 72,537,011 common shares outstanding and managed assets of $1.3 billion.

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 and (ii) 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 and High Income Fund is a diversified, closed-end management investment company which commenced investment operations in May 2003. The Fund was organized as a statutory trust under the laws of the State of Delaware on March 12, 2003, and has registered under the 1940 Act. On May 27, 2003, the Fund issued an aggregate 52,200,000 common shares, no par value, in an initial public offering and commenced its operations. On June 11, 2003 and July 15, 2003, the Fund issued an additional 4,000,000 and 3,800,000 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 $858.2 million after the payment of offering expenses. As of October 31, 2015, the Fund had issued an additional 3,767,833 common shares in connection with a continuous, at-the-market offering that commenced in June 2008. The net proceeds of that offering through October 31, 2015 were $43 million. As of October 31, 2015, the Fund had $366 million in borrowings outstanding under the BNP Agreement and SSB Agreement, plus additional structural leverage that amounted to approximately $32 million, representing 30.7% of managed assets as of that date. Structural leverage refers to borrowings under the Credit Agreement in respect of which the Fund s interest payments are reduced or eliminated by the Fund s securities lending activities. The Fund s common shares are listed on the NASDAQ under the symbol CHY. 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 October 31, 2015:

Title of Class	Amount Authorized	Amount Held by the Fund or for its Account	Amount Outstanding
Common Shares	Unlimited	0	72,537,011

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 written 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 below investment grade (high yield/high risk) non-convertible debt 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 below investment grade (high yield/high risk) non-convertible debt 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 20% of its managed assets in convertible securities and at least 20% of its managed assets in below investment grade (high yield/high risk) non-convertible debt securities (so long as, under normal circumstances, the combined total equals at least 80% of the Fund s managed assets). 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.

The Fund starts from a universe of primarily convertible and high yield non-convertible debt securities, and performs fundamental research to assess credit. The Fund filters out securities of issuers with a high probability of bankruptcy, declining credits, or distressed credits. The Fund also screens issues based on equity characteristics of the security, such as intrinsic/economic business value, cash flow generation, and sufficient access to capital. The Fund then ensures there is sufficient return potential, and assesses relative risk/reward. Finally, the Fund performs top-down portfolio construction by actively managing the security mix, overlay macro/industry themes, and diversity by sector and industry.

The Fund s derivative activities are principally focused on the following derivatives: interest rate swaps, convertible securities, synthetic convertible securities, options on individual securities, index options and forward currency exchange contracts. However, the Fund reserves the right to invest in other derivative instruments to the extent it is consistent with the Fund s investment objective and restrictions.

Convertible Securities. Investment in convertible securities forms an important part of the Fund s investment strategies. Under normal circumstances, the Fund will invest at least 20% 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. 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. The Fund may invest in convertible securities of any rating.

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

l. Evaluating the default risk of the convertible security using traditional credit analysis;

2. Analyzing the convertible s 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 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 remains subject to the credit risk of the issuing investment bank.

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 the opportunity for stable cash flows with the ability to participate in capital appreciation of the underlying common stock. Traditional convertible securities are exercisable at the option of the holder. Synthetic convertible securities may alter these characteristics by offering enhanced yields in exchange for reduced capital appreciation or additional risk of loss, 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 appreciation is capped. Above a certain share price, the conversion ratio will fall as the stock rises, capping the appreciation 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 loss protection and involve a risk of loss comparable to investing directly in equity securities, with lower relative direct bond characteristics and interest rate exposure. As with PERCS, some of the appreciation potential is capped and in return, the investor receives an enhanced potential yield. Unlike PERCS, however, the investor s appreciation potential is not capped. Instead, the investor limits its ability to participate in appreciation within a range of prices.

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 the potential to earn stable cash flows while still participating in the appreciation of an underlying stock.

The Fund s holdings of synthetic convertible securities are considered convertible securities for purposes of the Fund s policy to invest at least 20% of its managed assets in convertible securities and 80% of its managed assets in a diversified portfolio of convertible securities and below investment grade (high yield/high risk) non-convertible debt securities.

High Yield Securities. Investment in high yield non-convertible debt securities forms an important part of the Fund s investment strategies. The Fund will invest in high yield securities for either current income or capital appreciation or both. Under normal circumstances, the Fund wil