

CALAMOS CONVERTIBLE & HIGH INCOME FUND  
Form 486BPOS  
February 28, 2012

As filed with the Securities and Exchange Commission on February 27, 2012

1933 Act File No. 333-175076 1940 Act File No. 811-21319

## U.S. SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

### Form N-2

(Check appropriate box or boxes)

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

Pre-Effective Amendment No.

Post-Effective Amendment No. 2

and

REGISTRATION STATEMENT UNDER THE INVESTMENT COMPANY ACT OF 1940

Amendment No. 24

**CALAMOS CONVERTIBLE AND HIGH INCOME FUND**

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**Naperville, Illinois 60563**

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**Copies of Communications to:**

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**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 are 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.

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

- when declared effective pursuant to section 8(c)
- On February 29, 2012 pursuant to Rule 486(b) as applied by no-action relief granted to Registrant on February 14, 2011.

Base Prospectus

**\$250,000,000**

## **Calamos Convertible and High Income Fund**

**Common Shares**

**Preferred Shares**

**Debt Securities**

Calamos Convertible and High Income Fund (the Fund, we 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 \$250,000,000 aggregate initial offering price of our common shares (no par value per share), preferred shares (no par value per share) or debt securities, which we refer to in this prospectus collectively as our securities, in one or more offerings. We may offer our common shares, preferred shares and debt securities separately or together, in amounts, at prices and on terms set forth in a prospectus supplement to this prospectus. You should read this prospectus and the related prospectus supplement carefully before you decide to invest in any of our securities.

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

Our common shares are listed on the New York Stock Exchange under the symbol CHY. As of December 31, 2011, the last reported sale price for our common shares was \$11.56.

**Investing in our securities involves certain risks. You could lose some or all of your investment. See Risk Factors beginning on page 30 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.**

**The Securities and Exchange Commission has not 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 February 29, 2012

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 65 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](http://www.calamos.com), which also provides a link to the Commission's website, as described below, where the Fund's statement of additional information can be obtained. Information included on our website does not form part of this prospectus. You can review and copy documents we have filed at the Commission's Public Reference Room in Washington, D.C. Call 1-202-551-8090 for information. The Commission charges a fee for copies. You can get the same information free from the Commission's website (<http://www.sec.gov>). You may also e-mail requests for these documents to [publicinfo@sec.gov](mailto:publicinfo@sec.gov) or make a request in writing to the Commission's Public Reference Section, Washington, D.C. 20549-0102.

Our securities do not represent a deposit or obligation of, and are not guaranteed or endorsed by, any bank or other insured depository institution and 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 similar terms, and the negative of such terms. Such forward-looking statements may be contained in this prospectus as well as in any accompanying prospectus supplement. By their nature, all forward-looking statements involve risks and uncertainties, and actual results could differ materially from those contemplated by the forward-looking statements. Several factors that could materially affect our actual results are the performance of the portfolio of securities we hold, the price at which our shares will trade in the public markets and other factors discussed in our periodic filings with the Commission. 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 30 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 December 31, 2011, we had \$1,206,955,505 of total managed assets and \$314,000,000 of outstanding borrowings under a Committed Facility Agreement, as described below. 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, or other debt representing financial leverage. 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 December 31, 2011, Calamos managed approximately \$32.8 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. 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 \$250,000,000 of our securities on terms to be determined at the time of the offering. The Fund may engage in an offering of its common shares. The terms of any such offering would be disclosed in an appropriate prospectus supplement that would accompany the Fund's base prospectus. Common shareholders would bear any costs relating to any such offering. Any offering of common shares by the Fund would involve sales at a price equal to or above net asset value plus any underwriting discounts or sales commissions paid by the Fund to execute such sales. 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.

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. Investors generally may only buy and sell auction rate securities through an auction conducted by an auction agent and participating broker-dealers. In addition, senior securities, including auction rate securities, may not be listed on any exchange or automated quotation system.

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 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 since November 2008. 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 Fund currently intends to make monthly distributions to common shareholders at a level rate established by the Board of Trustees. The rate may be modified by the Board of Trustees from time to time. Monthly distributions may include net investment income, net realized short-term capital gain and, if necessary to maintain a level distribution, return of capital. The Fund may at times in its discretion pay out less than the entire amount of net investment income earned in any particular period and may at times pay out such accumulated undistributed income in addition to net investment income earned in other periods in order to permit the Fund to maintain a more stable level of distributions. As a result, the distributions paid by the Fund to holders of common shares for any particular period may be more or less than the amount of net investment income earned by the Fund during such period. Net realized short-term capital gains distributed to shareholders will be taxed as ordinary income for federal income tax purposes. Generally, there may be at least one additional distribution per calendar year that may include net realized long-term capital gain (if any), which will be taxed for federal income tax purposes at long-term capital gain rates. To date, however, none of the Fund's distributions on an annual basis have included a return of capital as determined on a tax basis during any calendar year. To the extent the Fund distributes an amount in excess of the Fund's current and accumulated earnings and profits, such excess, if any, will be treated by a shareholder for federal income tax purposes as a return of capital to the extent of the shareholder's adjusted tax basis in his, her or its shares and thereafter as a gain from the sale or exchange of such shares. Any such distributions made by the Fund will reduce the shareholder's adjusted tax basis in his, her or its shares to the extent that the distribution constitutes a return of capital on a tax basis during any calendar year. To the extent that the Fund's distributions exceed the Fund's current and accumulated earnings and profits, the distribution payout rate will exceed the yield generated from the Fund's investments. There is no guarantee that the Fund will realize capital gain in any given year. Pursuant to the requirements of the Investment Company Act of 1940, as amended (the 1940 Act) and other applicable laws, a notice would accompany each monthly distribution with respect to the estimated source of the distribution made. Distributions are subject to re-characterization for federal income tax purposes after the end of the fiscal year.

On November 4, 2008, the 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 1940 Act to conditionally permit the Fund to make periodic distributions of long-term capital gains with respect to the Fund's outstanding common stock as frequently as twelve times each year, so long as it complies with the conditions of the order and maintains in effect a distribution policy with respect to its common shares calling for periodic distributions of an amount equal to a fixed amount per share, a fixed percentage of market price per

share or a fixed percentage of the Fund's net asset value per share (a Managed Dividend Policy). In connection with any implementation of a Managed Dividend Policy pursuant to the order, the Fund would be required to:

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

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

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

provide the Fund's total return in relation to changes in net asset value (often referred to as NAV) in the financial highlights table and in any discussion about the Fund's total return in each prospectus and annual and semi-annual report to shareholders;

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

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

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

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

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

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

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

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

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

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

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

## Investment Policies

*Primary Investments.* Under normal circumstances, the Fund 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. 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 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 non-convertible, fixed-income securities such as bonds, preferred stocks and money market instruments. The convertible component is achieved by investing in warrants or options to buy common stock at a certain exercise price, or options on a stock index.

The Fund may also invest in synthetic convertible securities created by third parties, typically investment banks. Synthetic convertible securities created by such parties may be designed to simulate the characteristics of traditional convertible securities or may be designed to alter or emphasize a particular feature. Traditional

convertible securities typically offer stable cash flows with the ability to participate in capital appreciation of the underlying common stock. Because traditional convertible securities are exercisable at the option of the holder, the holder is protected against downside risk. Synthetic convertible securities may alter these characteristics by offering enhanced yields in exchange for reduced capital appreciation or less downside protection, or any combination of these features. Synthetic convertible instruments may include structured notes, equity-linked notes, mandatory convertibles and combinations of securities and instruments, such as a debt instrument combined with a forward contract. 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 net assets in securities of foreign issuers in developed and emerging markets, including debt and equity securities of corporate issuers and debt securities of government issuers. 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 securities that are convertible into equity securities) 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 such market indexes.

*Other Securities.* The Fund may invest in other securities of various types to the extent consistent with its investment objective. Normally, the Fund invests substantially all of its assets to meet its investment objective. For temporary defensive purposes, the Fund may depart from its principal investment strategies and invest part or all of its assets in securities with remaining maturities of less than one year 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" and "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 "Agreement") with BNP Paribas Prime Brokerage, Inc. (as successor to Bank of America N.A.) ("BNP") that allows the Fund to borrow up to an initial limit of \$400,000,000, and a Lending Agreement, as defined below. As of December 31, 2011, the Fund had \$314,000,000 in borrowings outstanding under the agreement, representing 26.0% of managed assets as of that date. Borrowings under the Agreement are secured by assets of the Fund that are held with the Fund's custodian in a separate account (the "pledged collateral"). Interest is charged at the quarterly LIBOR (London Inter-bank Offered Rate) plus .65% on the amount borrowed and .55% on the undrawn balance. For the period November 1, 2010 to October 31, 2011, and for the period November 1, 2011 to December 31, 2011, the average borrowings under the Agreement and the average interest rate were \$291,378,082 and 1.07%, and \$314,000,000 and 1.20%, respectively. The interest rate applicable to the borrowings on December 31, 2011 was 1.23%.

The Lending Agreement is a separate side-agreement between the Fund and BNP pursuant to which BNP may borrow a portion of the pledged collateral (the "Lent Securities") in an amount not to exceed the outstanding borrowings owed by the Fund to BNP under the Agreement. The Lending Agreement is intended to permit the Fund to significantly reduce the cost of its borrowings under the Agreement. BNP may re-register the Lent Securities in its own name or in another name other than the Fund, and may pledge, re-pledge, sell, lend or otherwise transfer or use the Lent Securities with all attendant rights of ownership. The Fund may designate any security within the pledged collateral as ineligible to be a Lent Security, provided there are eligible securities within the pledged collateral in an amount equal to the outstanding borrowing owed by the Fund. During the period in which the Lent Securities are outstanding, BNP must remit payment to the Fund equal to the amount of all dividends, interest or other distributions earned or made by the Lent Securities. BNP will pay to the Fund a fee for borrowing the securities that is calculated as a percentage of the difference between a fair market rate and a reference rate, with a guaranteed minimum annualized rate.

Under the terms of the Lending Agreement, the Lent Securities are marked to market daily, and if the value of the Lent Securities exceeds the value of the then-outstanding borrowings owed by the Fund to BNP under the Agreement (the "Current Borrowings"), BNP must, on that day, either (1) return Lent Securities to the Fund's custodian in an amount sufficient to cause the value of the outstanding Lent Securities to equal the Current Borrowings; or (2) post cash collateral with the Fund's custodian equal to the difference between the value of the Lent Securities and the value of the Current Borrowings. If BNP fails to perform either of these actions as required, the Fund will recall securities, as discussed below, in an amount sufficient to cause the value of the outstanding Lent Securities to equal the Current Borrowings. The Fund can recall any of the Lent Securities and BNP shall, to the extent commercially possible, return such security or equivalent security to the Fund's custodian no later than three business days after such request. If the Fund recalls a Lent Security pursuant to the Lending Agreement, and BNP fails to return the Lent Securities or equivalent securities in a timely fashion, BNP shall remain liable to the Fund's custodian for the ultimate delivery of such Lent Securities, or equivalent securities, and for any buy-in costs that the executing broker for the sales transaction may impose with respect to the failure to deliver. The Fund also has the right to apply and set-off an amount equal to one hundred percent (100%) of the then-current fair market value of such Lent Securities against the Current Borrowings. In addition, the Fund is a beneficiary of an irrevocable guaranty issued by BNP's parent, BNP Paribas, a French banking

institution that meets the definition of eligible foreign custodian under rule 17f-5 of the 1940 Act. Under the terms of the guaranty, BNP Paribas has agreed to guarantee the obligation of BNP to pay to the Fund any cash or securities owed under the terms of the Lending Agreement. The guaranty does not create any rights or grant any remedies to any person other than the Fund and other persons who are defined as beneficiaries under the guaranty. The Fund will exercise its set-off rights, or will exercise its rights under the guaranty, when in accordance with its business discretion, it believes that doing so is in the best interests of the Fund and its shareholders. The Fund's Board of Trustees, including its Independent Trustees, has determined that the financing package is in the best interest of the Fund. The Fund reserves the right to utilize sources of borrowings in addition to, or in lieu of, the Agreement and the Lending Agreement.

See [Effects of Leverage](#) for 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 Agreement.

For further information about leveraging, see [Risk Factors](#) [Additional Risks to Common Shareholders](#) [Leverage Risk](#).

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 preferred shares or borrow money and issue debt securities with an aggregate liquidation preference and aggregate principal amount exceeding 38% of the Fund's total assets measured immediately after the issuance of the preferred shares or debt. 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 Fund may not be leveraged at all times and the amount of leverage, if any, may vary depending upon a variety of factors, including Calamos outlook for the market and the costs that the Fund would incur as a result of such leverage. The Fund will pay (and common shareholders will bear) any costs and expenses relating to any borrowings and to the issuance and ongoing maintenance of preferred shares or debt securities (for example, the higher management fee resulting from the use of any such leverage, and interest and/or dividend expense and ongoing maintenance). The Fund's leveraging strategy may not be successful. By leveraging its investment portfolio, the Fund creates an opportunity for increased net income or capital appreciation. However, the use of leverage also involves risks to common shareholders, which can be significant. These risks include the possibility that the value of the assets acquired with the proceeds of leverage decreases although the Fund's liability to holders of preferred shares or other types of leverage is fixed, greater volatility in the Fund's net asset value and the market price of the Fund's common shares, and higher expenses. In addition, the rights of lenders, the holders of preferred shares and the holders of debt securities issued by the Fund will be senior to the rights of the holders of common shares with respect to the payment of dividends or to the payment of the Fund's assets upon liquidation. Holders of preferred shares and debt securities may have voting rights in addition to, and separate from, the voting rights of common shareholders. See [Description of Securities](#) [Preferred Shares](#) and [Certain Provisions of the Agreement and Declaration of Trust and By-Laws](#). The holders of preferred shares or debt, on the one hand, and the holders of the common shares, on the other, may have interests that conflict with each other in certain situations.

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

### **Interest Rate Transactions**

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

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

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

### **Conflicts of Interest**

Conflicts of interest may arise from the fact that Calamos and its affiliates carry on substantial investment activities for other clients, in which 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 increases as prevailing interest rate levels decline.

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

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

*High Yield Securities Risk.* Investment in high yield securities involves substantial risk of loss. Below investment grade non-convertible debt securities or comparable unrated securities are commonly referred to as

junk bonds and are considered predominantly speculative with respect to the issuer's ability to pay interest and principal and are susceptible to default or decline in market value due to adverse economic and business developments. The market values for high yield securities tend to be very volatile, and these securities are less liquid than investment grade debt securities. For these reasons, your investment in the Fund is subject to the following specific risks:

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

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

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

if a negative perception of the high yield market develops, the price and liquidity of high yield securities may be depressed.

This negative perception could last for a significant period of time.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Fund may sell options on individual securities and securities indices. All calls sold by the Fund must be covered. Even though the Fund will receive the option premium to help protect it against loss, a call option sold by the Fund exposes the Fund during the term of the option to possible loss of opportunity to realize appreciation in the market price of the underlying security or instrument and may require the Fund to hold a security or instrument that it might otherwise would have sold. The Fund may purchase and sell put options on individual securities and securities indices. In selling put options, there is a risk that the Fund may be required to buy the underlying security at a disadvantageous price above the market price. A put option written by the Fund requires the Fund to segregate cash or liquid assets equal to the exercise 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 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 or the tax treatment of the income from such investments were successfully challenged by the Internal Revenue Service. See Certain Federal Income Tax Matters.

*Antitakeover Provisions.* The Fund's Agreement and Declaration of Trust and By-laws include provisions that could limit the ability of other entities or persons to acquire control of the Fund or to change the composition of its Board of Trustees. Such provisions could limit the ability of shareholders to sell their shares at a premium over prevailing market prices by discouraging a third party from seeking to obtain control of the Fund. These provisions include staggered terms of office for the Trustees, advance notice requirements for shareholder proposals, and super-majority voting requirements for certain transactions with affiliates, converting the Fund to an open-end investment company or a merger, asset sale or similar transaction. Holders of preferred shares 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 Shares Preferred Shares and Certain Provisions of the Agreement and Declaration of Trust and By-Laws. The holders of preferred shares, on the one hand, and the holders of the common shares, on the other, may have interests that conflict, 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 also 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 on the counterparties. Such instruments are not afforded 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.

*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 the Fund 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 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.* In the recent past, domestic and international markets have experienced acute turmoil, due to a variety of factors, including economic unrest in Italy, Greece, Spain, Ireland, Portugal and other European Union countries. 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 or quasi-governmental organizations 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 the volatility in the equity and debt markets. In addition, global economies and financial markets are becoming increasingly interconnected, which increases the possibilities that conditions in one country or region might adversely impact issuers in a different country or region. Because the situation is widespread and largely unprecedented, it may be unusually difficult to identify both risks and opportunities using past models of the interplay of market forces, or to predict the duration of these market conditions. These market conditions and continuing economic risks could have a significant effect on the domestic and international economies, and could add significantly to the risk of short-term volatility in the Fund.

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

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

*Leverage Risk.* The Fund has issued indebtedness and may issue preferred shares or borrow money or issue debt securities. 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 preferred shares or borrow money and issue debt securities with an aggregate liquidation preference and aggregate principal amount exceeding 38% of the Fund's total assets as measured immediately after the issuance of the preferred shares or debt. 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 of net asset value and market price of the Fund's common shares;

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

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

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

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

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

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

Certain types of borrowings may result in the Fund being subject to covenants in credit agreements, including those relating to asset coverage, borrowing base and portfolio composition requirements and additional covenants that may affect the Fund's ability to pay dividends and distributions on common shares in certain instances. The Fund may also be required to pledge its assets to the lenders in connection with certain types of borrowings. The Fund may be subject to certain restrictions on investments imposed by guidelines of one or more 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. Currently, there are no portfolio composition requirements under the existing Agreement and related Lending Agreement. However, there are limits on which securities can be treated as pledged collateral for purposes of those agreements. Calamos does not anticipate that these covenants or restrictions will adversely affect its ability to manage the Fund's portfolio in accordance with the Fund's investment objective and policies. Due to these covenants or restrictions, the Fund may be forced to liquidate investments at times and at prices that are not favorable to the Fund, or the Fund may be forced to forgo investments that Calamos otherwise views as favorable. See Prospectus Summary Use of Leverage by the Fund.

*Interest Rate Transactions Risk.* The Fund may enter into an interest rate swap or cap transaction to attempt to protect itself from increasing dividends 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.

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

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

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

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

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

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

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

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

*Senior Leverage Risk.* 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 preferred shares or debt securities, which may make such securities less liquid in the secondary market, though probably with higher resulting interest rates. If a rating agency downgrades the rating assigned to a senior security, we may alter our portfolio or redeem the senior security. We may voluntarily redeem senior securities under certain circumstances.

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

*Decline in Net Asset Value Risk.* A material decline in our NAV may impair our ability to maintain required levels of asset coverage for any preferred shares 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 leverage costs, as a percentage of our average net assets as of October 31, 2011, 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, 2011.

As of October 31, 2011, and as of December 31, 2011, the Fund had \$314,000,000 in borrowings outstanding, representing 25.5%, and 26.0% of managed assets, respectively.

**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

	Percentage of Average Net Assets Attributable to Common Shareholders
<b>Annual Expenses</b>	
Management Fee(3)	1.05
Leverage Costs(4)	0.51
Other Expenses(5)	0.07
Acquired Fees and Expenses	0.01
<b>Total Annual Expenses</b>	<b>1.64</b>

**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 1.64% of net assets attributable to common shares (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(6)	\$ 17	\$ 52	\$ 89	\$ 194

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

- (1) If the securities to which this prospectus relates are sold to or through underwriters, the prospectus supplement will set forth any applicable sales load and the estimated offering expenses borne by us.
- (2) Shareholders will pay a transaction fee plus brokerage charges if they direct the Plan Agent to sell common shares held in a Plan account. In addition, each participant will pay a pro rata share of brokerage commissions incurred with respect to the Plan Agent's open-market purchases in connection with the reinvestment of dividends or distributions. If a participant elects to have the Plan Agent sell part or all of his or her common shares and remit the proceeds, such participant will be charged his or her pro rata share of brokerage commissions on the shares sold. See Automatic Dividend Reinvestment Plan.

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- (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 shares. By showing the management fee as a percentage of net assets, the management fee is not expressed as a percentage of all of the assets the Fund intends to invest. For purposes of the table, the management fee has been converted to 1.05% of the Fund's average weekly net assets as of December 31, 2011 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 estimated interest expense on \$314,000,000 in borrowings under the Agreement described above under Prospectus Summary Use of Leverage by the Fund.

(5) Other Expenses are based on estimated amounts for the current fiscal year.

(6) 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, 2011 and each of the prior years then ended is derived from our financial statements audited by Deloitte & Touche LLP, whose report on such financial statements is contained in our 2011 Annual Report and is included in the statement of additional information, both of which are available from us. See Available Information in this prospectus.

	Year Ended October 31,								May 28, 2003 through October 31, 2003
	2011	2010	2009	2008	2007	2006	2005	2004	
Net asset value, beginning of period	\$ 13.03	\$ 11.92	\$ 8.30	\$ 15.64	\$ 15.44	\$ 15.21	\$ 15.47	\$ 14.80	\$ 14.32(f)
Income from investment operations:									
Net investment income (loss)	0.91**	0.96**	0.82**	1.05**	1.27**	1.34	1.49	1.60	0.44
Net realized and unrealized gain (loss)	(0.20)	1.17	3.82	(6.63)	0.75	0.75	(0.09)	0.63	0.46
Distributions to preferred shareholders from:									
Net investment income (common share equivalent basis)			(a)	(0.12)	(0.30)	(0.29)	(0.20)	(0.10)	(0.02)
Net realized gains (common share equivalent basis)				(0.07)	(0.03)	(0.02)			
Total from investment operations	0.71	2.13	4.64	(5.77)	1.69	1.78	1.20	2.13	0.88
Less distributions to common shareholders from:									
Net investment income	(0.86)	(1.02)	(1.00)	(1.34)	(1.22)	(1.29)	(1.34)	(1.46)	(0.37)
Net realized gains			(0.02)	(0.23)	(0.27)	(0.26)	(0.12)		
Return of Capital	(0.16)								
Total Distributions	(1.02)	(1.02)	(1.02)	(1.57)	(1.49)	(1.55)	(1.46)	(1.46)	(0.37)
Capital charge resulting from issuance of common and preferred shares and related offering costs	(a)	(a)	(a)	(a)		(a)			(0.03)
Premiums from shares sold in at the market offerings	(a)	(a)							
Net asset value, end of period	\$ 12.72	\$ 13.03	\$ 11.92	\$ 8.30	\$ 15.64	\$ 15.44	\$ 15.21	\$ 15.47	\$ 14.80
Market value, end of period	\$ 11.96	\$ 13.19	\$ 11.01	\$ 8.74	\$ 14.67	\$ 16.98	\$ 15.52	\$ 16.74	\$ 16.00
Total investment return based on(b):									
Net asset value	5.80%	18.88%	60.83%	(39.96)%	11.31%	12.16%	7.99%	14.91%	5.92%
Market value	(1.73)%	30.29%	41.07%	(32.59)%	(5.06)%	20.88%	1.83%	15.02%	9.36%
Net assets, end of period (000)	\$ 917,539	\$ 921,278	\$ 832,769	\$ 563,187	\$ 1,054,614	\$ 1,030,741	\$ 940,736	\$ 945,037	\$ 891,152
Preferred shares, at redemption value (\$25,000 per share liquidation preference) (000 s omitted)	\$	\$	\$	\$ 80,000	\$ 430,000	\$ 430,000	\$ 430,000	\$ 430,000	\$ 430,000
Ratios to average net assets applicable to common shareholders:									
Net expenses(c)(g)	1.61%	1.73%	3.01%	1.91%	1.18%	1.20%	1.23%	1.25%	1.11%

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Gross expenses prior to expense reductions and earnings credits(c)(g)	1.64%	1.79%	3.10%	2.04%	1.33%	1.34%	1.38%	1.40%	1.24%
Net expenses, excluding interest expense	1.20%	1.20%	2.37%	1.29%	1.18%	1.20%			
Net investment income (loss)(c)(g)	6.99%	7.75%	8.56%	7.77%	8.20%	8.76%	9.55%	10.56%	7.85%
Preferred share distributions(g)	%	%	0.04%	0.87%	1.95%	1.88%	1.30%	0.65%	0.34%
Net investment income (loss), net of preferred share distributions from net investment income	6.99%	7.75%	8.52%	6.90%	6.25%	6.88%	8.25%	9.91%	7.51%
Portfolio turnover rate	42%	39%	29%	55%	57%	38%	55%	27%	20%
Average commission rate paid	\$ 0.0211	\$	\$	\$	\$	\$	\$	\$	\$
Asset coverage per preferred share, at end of period(d)	\$	\$	\$	\$ 201,006	\$ 86,333	\$ 84,945	\$ 79,708	\$ 79,952	\$ 76,811