ELLSWORTH GROWTH & INCOME FUND LTD
Form N-2/A
August 22, 2017
Table of Contents

As filed with the Securities and Exchange Commission on August 22, 2017

Securities Act File No. 333-219322

Investment Company Act File No. 811-04656

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

Form N-2

(Check Appropriate Box or Boxes)

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933
Pre-Effective Amendment No. 1
Post-Effective Amendment No.
and/or

REGISTRATION STATEMENT

UNDER

THE INVESTMENT COMPANY ACT OF 1940
Amendment No. 12

ELLSWORTH GROWTH AND INCOME FUND LTD.

(Exact name of Registrant as specified in Charter)

One Corporate Center, Rye, New York 10580-1422

(Address of Principal Executive Offices)

Registrant s Telephone Number, including Area Code: (914) 921-5100

James A. Dinsmore

Ellsworth Growth and Income Fund Ltd.

One Corporate Center

Rye, New York 10580-1422

(914) 921-5100

(Name and Address of Agent for Service)

Copies to:

Richard Prins, Esq.
Skadden, Arps, Slate, Meagher & Flom LLP

4 Times Square
New York, New York 10036
(212) 735-3000

Thomas A. DeCapo, Esq.
Skadden, Arps, Slate, Meagher & Flom LLP

500 Boylston Street
Boston, Massachusetts 02116
(617) 573-4800

Andrea R. Mango, Esq.

Gabelli Funds, LLC
One Corporate Center
Rye, New York 10580-1422
(914) 921-5100

Approximate date of proposed public offering: From time to time after the effective date of this Registration Statement.

If any 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, as amended, 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)

If appropriate, check the following box:

This [post-effective] amendment designates a new effective date for a previously filed [post-effective amendment] [registration statement].

This form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act and the Securities Act registration number of the earlier effective registration statement for the same offering is __________.

CALCULATION OF REGISTRATION FEE UNDER THE SECURITIES ACT OF 1933

Title of Securities Being Registered	**Proposed Maximum Aggregate Offering Price (1)**	**Amount of Registration Fee (1)**
Common Shares of Beneficial Interest (2)		
Preferred Shares of Beneficial Interest (2)		
Notes (2)		
Subscription Rights for Common Shares (2)		
Subscription Rights for Preferred Shares (2)		
Subscription Rights for Common Shares and Preferred Shares (2)		
Total	$100,000,000	$11,590.00(3)

(1) Estimated pursuant to Rule 457(o) solely for the purpose of determining the registration fee. The proposed maximum offering price per security will be determined, from time to time, by the Registrant in connection with the sale by the Registrant of the securities registered under this registration statement.

(2) There is being registered hereunder an indeterminate principal amount of common or preferred shares, notes, or subscription rights to purchase common shares, preferred shares or common and preferred shares as may be sold, from time to time. In no event will the aggregate offering price of all securities issued from time to time pursuant to this registration statement exceed $100,000,000.

(3) Previously 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 DATE AS THE SECURITIES AND EXCHANGE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(a), MAY DETERMINE.

Table of Contents

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

Subject to Completion

Preliminary Prospectus dated August 22, 2017

BASE PROSPECTUS

dated , 2017

[GRAPHIC OMITTED]

$100,000,000

Ellsworth Growth and Income Fund Ltd.

Common Shares

Preferred Shares

Notes

Subscription Rights to Purchase Common Shares

Subscription Rights to Purchase Preferred Shares

Subscription Rights to Purchase Common and Preferred Shares

Investment Objectives. Ellsworth Growth and Income Fund Ltd. (the Fund) is a diversified, closed-end management investment company, organized as a Delaware statutory trust, registered under the Investment Company Act of 1940, as amended (the 1940 Act). Gabelli Funds, LLC (the Investment Adviser) serves as investment adviser to the Fund. Previously, Dinsmore Capital Management Co. (Dinsmore Capital) served as the Fund s investment adviser. Gabelli Funds, LLC became the Fund s investment adviser in connection with a strategic alliance agreement pursuant to which former personnel of Dinsmore Capital joined the newly established Dinsmore Group of Gabelli Funds, LLC. The Fund invests primarily in convertible securities with the objectives of providing income and the potential for capital appreciation (which objectives the Fund considers to be relatively equal, over the long term, due to the nature of the securities in which it invests). Under normal market conditions, the Fund will invest at least 65% of its total assets in convertible securities (that is, bonds, debentures, corporate notes or preferred stock that are convertible into common stock) and common stock received upon conversion or exchange of securities and retained in the Fund s portfolio to permit orderly disposition or to establish long-term holding periods for U.S. federal income tax purposes. The Fund may invest in convertible securities rated below investment grade by the established rating services (Ba or lower by

Moody s Investors Service, Inc. (Moody s) or BB or lower by Standard & Poor s Ratings Services (Standard & Poor S&P)) or in unrated securities which are in the judgment of the Fund s investment adviser of equivalent quality. Securities rated below investment grade, commonly referred to as junk bonds or high yield securities, are predominantly speculative, involve major risk exposure to adverse conditions and include securities of issuers in default, which are likely to have the lowest rating. The Fund is not required to sell securities for the purpose of assuring that 65% of its total assets are invested in convertible securities. Under normal market conditions, the remainder of the Fund s total assets may be invested in other securities, including non-convertible equity and debt securities, options, warrants, U.S. Government or agency obligations, or repurchase agreements or they may be held as cash or cash equivalents. The Fund may invest in non-convertible equity securities of any market capitalization. The Fund does not intend to participate in derivative transactions other than options transactions as described in this Prospectus. An investment in the Fund is not appropriate for all investors. We cannot assure you that the Fund will achieve its investment objectives.

We may offer, from time to time, in one or more offerings, our common and/or fixed rate preferred shares, each with a par value $0.01 per share (together, shares), our promissory notes (notes), and/or our subscription rights to purchase our common and/or fixed rate preferred shares, which we refer to collectively as the securities. Securities may be offered at prices and on terms to be set forth in one or more supplements to this Prospectus (each, a Prospectus Supplement). You should read this Prospectus and the applicable Prospectus Supplement carefully before you invest in our securities.

Our securities may be offered directly to one or more purchasers, through agents designated from time to time by us, 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 our agents or underwriters, or among our underwriters, or the basis upon which such amount may be calculated. The Prospectus Supplement relating to any sale of preferred shares will set forth the liquidation preference and information about the dividend period, dividend rate, any call protection or non-call period and other matters. The Prospectus Supplement relating to any sale of notes will set forth the principal amount, interest rate, interest payment dates, maturities, prepayment protection (if any) and other matters. The Prospectus Supplement relating to any offering of subscription rights will set forth the number of common and/or preferred shares issuable upon the exercise of each right and the other terms of such rights offering. We may offer subscription rights for common shares, preferred shares or common and preferred shares. We may not sell any of our securities through agents, underwriters or dealers without delivery of a Prospectus Supplement describing the method and terms of the particular offering of our securities.

Our common shares are listed on the NYSE American LLC (the NYSE American) under the symbol ECF. On August 21, 2017, the last reported sale price of our common shares was $8.90. The net asset value of the Fund s common shares at the close of business on August 21, 2017, was $9.91 per share.

Shares of closed-end funds often trade at a discount from net asset value. This creates a risk of loss for an investor purchasing shares in a public offering.

Table of Contents

Investing in the Fund s securities involves risks. See Risk Factors and Special Considerations beginning on page 36, Risk Factors and Special Considerations Special Risks to Holders of Common Shares beginning on page 55, and Risk Factors and Special Considerations Special Risks of Notes to Holders of Preferred Shares beginning on page 58, for factors that should be considered before investing in securities of the Fund, including risks related to a leveraged capital structure.

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

This Prospectus may not be used to consummate sales of securities by us through agents, underwriters or dealers unless accompanied by a Prospectus Supplement.

This Prospectus, together with an applicable Prospectus Supplement, sets forth concisely the information about the Fund that a prospective investor should know before investing. You should read this Prospectus, together with an applicable Prospectus Supplement, which contains important information about the Fund, before deciding whether to invest in the securities, and retain it for future reference. A Statement of Additional Information, dated , 2017, containing additional information about the Fund, has been filed with the Securities and Exchange Commission and is incorporated by reference in its entirety into this Prospectus. You may request a free copy of our annual and semiannual reports, request a free copy of the Statement of Additional Information, the table of contents of which is on page 87 of this Prospectus, request other information about us and make shareholder inquiries by calling (800) GABELLI (422-3554) or by writing to the Fund, or obtain a copy (and other information regarding the Fund) from the Securities and Exchange Commission s web site (http://www.sec.gov). That Statement of Additional Information is only updated in connection with an offering and is therefore not available on the Fund s website.

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.

You should rely only on the information contained or incorporated by reference in this Prospectus and any applicable Prospectus Supplement. The Fund has not authorized anyone to provide you with different information. The Fund is not making an offer to sell these securities in any state where the offer or sale is not permitted. You should not assume that the information contained in this Prospectus and any applicable Prospectus Supplement is accurate as of any date other than the date of this Prospectus or the date of the applicable Prospectus Supplement.

Table of Contents

TABLE OF CONTENTS

Table of Contents

PROSPECTUS SUMMARY

This is only a summary. This summary may not contain all of the information that you should consider before investing in our securities. You should review the more detailed information contained in this prospectus (this Prospectus), including the section titled Risk Factors and Special Considerations beginning on page 36, the applicable Prospectus Supplement and the Statement of Additional Information, dated , 2017 (the SAI).

The Fund

Ellsworth Growth and Income Fund Ltd. is a diversified, closed-end management investment company that commenced investment operations in July 1986 and reorganized as a Delaware statutory trust on October 17, 2005. Throughout this Prospectus, we refer to Ellsworth Growth and Income Fund Ltd. as the Fund or as we. See The Fund.

The Fund s outstanding common shares, par value $0.01 per share, are listed on the NYSE American LLC (the NYSE American) under the symbol ECF. On August 21, 2017, the last reported sale price of our common shares was $8.90. The net asset value of the Fund s common shares at the close of business on August 21, 2017 was $9.91 per share. As of July 31, 2017, the Fund had outstanding 12,871,281 common shares.

The Offering

We may offer, from time to time, in one or more offerings, our common and/or fixed rate preferred shares, $0.01 par value per share, our notes, or our subscription rights to purchase our common or fixed rate preferred shares or both, which we refer to collectively as the securities. The securities may be offered at prices and on terms to be set forth in one or more supplements to this Prospectus (each a Prospectus Supplement). The offering price per common share of the Fund will not be less than the net asset value per common share at the time we make the offering, exclusive of any underwriting commissions or discounts; however, transferable rights offerings that meet certain conditions may be offered at a price below the then current net asset value per common share of the Fund. You should read this Prospectus and the applicable Prospectus Supplement carefully before you invest in our securities. Our securities may be offered directly to one or more purchasers, through agents designated from time to time by us, or through underwriters or dealers. The Prospectus Supplement relating to the offering will identify any agents, underwriters or dealers involved in the sale of our securities, and will set forth any applicable purchase price, fee, commission or discount arrangement between us and our agents or underwriters, or among our underwriters, or the basis upon which such amount may be calculated. The Prospectus Supplement relating to any sale of preferred shares will set forth the liquidation preference and information about the dividend period, dividend rate, any call protection or non-call period and other matters. The Prospectus Supplement relating to any sale of notes will set forth the principal amount, interest rate, interest payment dates, maturities, prepayment protection (if any), and other matters. The Prospectus Supplement relating to any offering of subscription rights will set forth the number of common and/or preferred shares issuable upon the exercise of each right and the other terms of such rights offering.

While the aggregate number and amount of securities we may issue pursuant to this registration statement is limited to $100,000,000 of securities, our Board of Trustees (each member, a Trustee, and collectively, the Board) may, without any action by the shareholders, amend our Amended and Restated Agreement and Declaration of Trust from time to time to increase or decrease the aggregate number of shares or the number of shares of any class or series that we have authority to issue. We may not sell any of our securities through agents, underwriters or dealers without delivery of a Prospectus Supplement describing the method and terms of the particular offering.

1

Investment Objectives and Policies

The Fund invests primarily in convertible securities with the objectives of providing income and the potential for capital appreciation (which objectives the Fund considers to be relatively equal, over the long term, due to the nature of the securities in which it invests). These investment objectives may be modified in the future by the Board without the approval of a majority, as defined in the 1940 Act, of the outstanding voting securities of the Fund. The Fund will provide stockholders with at least 60 days written notice prior to implementation of any changes to these investment objectives. There can be no assurance that the Fund will achieve its investment objectives.

As a fundamental investment policy, the Fund will invest, under normal market conditions, at least 65% of its total assets in convertible securities (that is, bonds, debentures, corporate notes or preferred stock that are convertible into common stock) and common stock received upon conversion or exchange of securities and retained in the Fund s portfolio to permit orderly disposition or to establish long-term holding periods for U.S. federal income tax purposes. Since this policy is fundamental, it may not be changed without the approval of a majority of the outstanding voting securities (voting together as a single class) of the Fund (which for this purpose and under the 1940 Act means the lesser of (i) 67% of the shares represented at a meeting at which more than 50% of the outstanding shares are represented or (ii) more than 50% of the outstanding shares). If the Fund issues and has outstanding preferred shares, the affirmative vote of the holders of a majority, as defined in the 1940 Act, of the outstanding preferred shares of the Fund voting as a separate class (which for this purpose and under the 1940 Act means the lesser of (i) 67% of the preferred shares, as a single class, represented at a meeting at which more than 50% of the Fund s outstanding preferred shares are represented or (ii) more than 50% of the outstanding preferred shares) would also be required to change a fundamental policy. Unless specifically stated as such, no other investment policy of the Fund is fundamental and each investment policy may be changed by the Board without shareholder approval, and the Fund will provide notice to shareholders of material changes.

The Fund is not required to sell securities for the purpose of assuring that 65% of its total assets are invested in convertible securities.

Convertible securities include debt securities and preferred stocks which are convertible into, or carry the right to purchase, common stock. The debt security or preferred stock may itself be convertible into or exchangeable for common stock, or the conversion privilege may be evidenced by warrants attached to the security or acquired as part of a unit with the security. A convertible security may also be structured so that it is convertible at the option of the holder or of the issuer, or subject to mandatory conversion.

The Fund may invest in convertible securities rated below investment grade by the established rating services (Ba or lower by Moody s Investors Service, Inc. (Moody s) or BB or lower by Standard & Poor s Ratings Services (Standard & Poor s or S&P)) or in unrated securities which are in the judgment of the Fund s investment adviser of equivalent quality. Securities rated below investment grade, commonly referred to as junk bonds, or high yield bonds, are predominantly speculative in nature, involve major risk exposure to adverse conditions and include securities of issuers in default, which are likely to have the lowest rating. The average maturity and average duration of the Fund s investments in debt securities is expected to vary and the Fund does not target any particular average maturity or average duration.

Under normal market conditions, the remaining 35% or less of the Fund s total assets may be invested in other securities, including non-convertible equity and debt securities, options, warrants, U.S. Government or agency obligations, or repurchase agreements or they may be held as cash or cash equivalents. The Fund may invest in non-convertible equity securities of any market capitalization. The Fund does not intend to participate in derivative transactions other than options transactions as described herein. See Investment Objective and Policies Certain Investment Practices Options.

The Fund may invest up to 10% of its total assets, taken at market value, in securities of foreign issuers, including issuers located in emerging markets. Securities convertible or exchangeable for common stock of U.S. companies, and U.S. dollar-denominated securities convertible or exchangeable for American Depositary Receipts that at the time of purchase (i) are listed on the New York Stock Exchange (NYSE), NYSE American or the NASDAQ National Market, or (ii) the underlying issuers of which meet the then prevailing earnings requirement for listing on the NYSE and also file Form 20-F (or comparable form) with the U.S. Securities and Exchange Commission (the SEC) are not subject to this limitation.

The Fund may invest up to 20% of its net assets in securities that are illiquid. An illiquid investment is a security or other investment that cannot be disposed of within seven days in the ordinary course of business at approximately the value at which the Fund has valued the investment.

While the Fund does not, as a matter of investment policy, seek to gain exposure to any particular sectors, it has recently had significant exposure to the healthcare, information technology and financial services sectors.

The Fund may lend securities representing up to 10% of its total assets, taken at market value, to securities firms and financial institutions such as banks and trust companies and receive therefor collateral in cash or securities issued or guaranteed by the United States Government (Government Securities) which are maintained at all times in an amount equal to at least 100% of the current market value of the loaned securities. The Fund may lend its portfolio securities in accordance with its investment policies and restrictions.

The percentage restrictions on investments stated herein apply only at the time an investment is made. Thus, a later increase or decrease in percentage resulting from a change in values of portfolio securities or amount of total assets will not be considered a violation of any of the foregoing restrictions.

See Investment Objectives and Policies.

The Fund is intended for investors seeking long term growth of capital. It is not intended for those who wish to play short term swings in the stock market.

Investment Adviser

Gabelli Funds, LLC (the Investment Adviser) serves as investment adviser to the Fund. Shareholders approved an investment advisory agreement between the Fund and Gabelli Funds, LLC on October 19, 2015. Effective November 1, 2015, the Fund entered into this investment advisory agreement with Gabelli Funds, LLC. Previously, Dinsmore Capital Management Co. (Dinsmore Capital) served as the Fund s investment manager. The Fund and Gabelli Funds, LLC entered into this investment advisory agreement in connection with a strategic alliance agreement pursuant to which former personnel of Dinsmore Capital joined the newly established Dinsmore Group of Gabelli Funds, LLC.

Preferred Shares

At the Fund s 2017 Annual Meeting (the Annual Meeting), Shareholders approved the Fund s proposal to revise the Fund s fundamental investment restriction regarding borrowing money or issuing senior securities to permit the Fund to issue preferred shares to the maximum extent permitted by the 1940 Act.

The terms of each series of preferred shares may be fixed by the Board and may materially limit and/or qualify the rights of holders of the Fund s common shares. If the Fund s Board determines that it may be advantageous to the holders of the Fund s common shares for the Fund to utilize leverage, the Fund may issue series of fixed rate preferred shares (Fixed Rate Preferred Shares). Any Fixed Rate Preferred Shares issued by the Fund will pay distributions at a fixed rate. Leverage creates a greater risk of loss as well as a potential for more gains for the common shares than if leverage were not used. See Risk Factors and

3

Table of Contents

Special Considerations Special Risk Factors to Holders of Common Shares Leverage Risk.   The Fund may also determine in the future to issue other forms of senior securities, such as securities representing debt, subject to the limitations of the 1940 Act. The Fund may also engage in investment management techniques which will not be considered senior securities if the Fund establishes a segregated account with cash or other liquid assets or sets aside assets on the accounting records equal to the Fund s obligations in respect of such techniques; however, the Fund does not intend to participate in derivative transactions other than options transactions as described herein. See Investment Objective and Policies Certain Investment Practices Options.   The Fund may also borrow money, to the extent permitted by the 1940 Act.

Dividends and Distributions

Preferred Shares Distributions. In accordance with the Fund s Governing Documents (as defined below) and as required by the 1940 Act, all preferred shares of the Fund must have the same seniority with respect to distributions. Accordingly, no complete distribution due for a particular dividend period will be declared or paid on any series of preferred shares of the Fund for any dividend period, or part thereof, unless full cumulative dividends and distributions due through the most recent dividend payment dates for all series of outstanding preferred shares of the Fund are declared and paid. If full cumulative distributions due have not been declared and made on all outstanding preferred shares of the Fund, any distributions on such preferred shares will be made as nearly pro rata as possible in proportion to the respective amounts of distributions accumulated but unmade on each such series of preferred shares on the relevant dividend payment date. As used herein, Governing Documents means the Fund s Amended and Restated Agreement and Declaration of Trust and Amended and Restated By-Laws, together with any amendments or supplements thereto, including any Statement of Preferences establishing a series of preferred shares.

The Fund s annualized distributions on its preferred shares may contain a return of capital. Preferred shareholders who receive the payment of a distribution consisting of a return of capital may be under the impression that they are receiving net profits when they are not. Shareholders should not assume that the source of a distribution from the Fund is net profit. In addition, any amount treated as a tax free return of capital will reduce a shareholder s adjusted tax basis in its shares, thereby increasing the shareholder s potential taxable gain or reducing the potential taxable loss on the sale of the shares.

Distributions on Fixed Rate Preferred Shares, at the applicable annual rate of the per share liquidation preference, are cumulative from the original issue date and are payable, when, as and if declared by the Board, out of funds legally available therefor.

The Fund had no outstanding preferred shares during the fiscal year ended September 30, 2016.

Common Shares Distributions. In order to allow its common shareholders to realize a predictable, but not assured, level of cash flow and some liquidity periodically on their investment without having to sell shares, the Fund has adopted a managed distribution policy of paying, on a quarterly basis, a minimum distribution at an annual rate equal to 5% of the Fund s trailing twelve month average month end market price. If the Fund does not generate sufficient earnings (dividends and interest income and realized net capital gain) equal to or in excess of the aggregate distributions paid by the Fund in a given year, then the amount distributed in excess of the Fund s earnings would be deemed a return of capital. Since this would be considered a return of a portion of a shareholder s original investment, it is generally not taxable and is treated as a reduction in the shareholder s cost basis. Under U.S. federal tax regulations, some or all of the return of capital distributed by the Fund may be taxable as ordinary income in certain circumstances. This may occur when the Fund has a capital loss carry forward, net capital gains are realized in a fiscal year, and distributions are made in excess of investment company taxable income.

Table of Contents

The Fund s distribution policy, including its policy to pay quarterly distributions and the annualized amount that the Fund seeks to distribute, may be modified from time to time by the Board as it deems appropriate, including in light of market and economic conditions and the Fund s current, expected and historical earnings and investment performance. Common shareholders are expected to be notified of any such modifications by press release or in the Fund s periodic shareholder reports.

Under the Fund s distribution policy, the Fund declares and pays quarterly distributions from net investment income, capital gains, and paid-in capital. The actual source of the distribution is determined after the end of the year. In the event that for any taxable year the total distributions on the Fund s shares exceed the Fund s current and accumulated earnings and profits, the excess distributions will generally be treated as a tax-free return of capital to the extent of the shareholder s tax basis in the shares (reducing the basis accordingly) and as capital gains thereafter. In determining the extent to which a distribution will be treated as being made from the Fund s earnings and profits, earnings and profits will be allocated on a pro rata basis first to distributions with respect to preferred shares, and then to the Fund s common shares. ***The Fund s annualized distributions may contain a return of capital and should not be considered as the dividend yield or the total return of an investment in the Fund. Common shareholders who receive the payment of a distribution consisting of a return of capital may be under the impression that they are receiving net profits when they are not. Shareholders should not assume that the source of a distribution from the Fund is net profit.*** In addition, the amount treated as a tax-free return of capital will reduce a shareholder s adjusted tax basis in its shares, thereby increasing the shareholder s potential taxable gain or reducing the potential taxable loss on the sale of the shares.

For the fiscal year ended September 30, 2016, the Fund made distributions of $0.797 per common share, none of which constituted a return of capital. The composition of each distribution is estimated based on earnings as of the record date for the distribution. The actual composition of each distribution may change based on the Fund s investment activity through the end of the calendar year. To the extent the Fund makes distributions consisting of returns of capital, such distributions will further decrease the Fund s total assets and therefore have the likely effect of increasing the Fund s expense ratio as the Fund s fixed expenses will become a larger percentage of the Fund s average net assets. In addition, in order to make such distributions, the Fund may have to sell a portion of its investment portfolio at a time when independent investment judgment may not dictate such action. These effects could have a negative impact on the prices investors receive when they sell shares of the Fund.

Indebtedness

At the Fund s Annual Meeting, Shareholders recently approved the Fund s proposal to revise the Fund s fundamental investment restriction regarding borrowing money or issuing senior securities to permit the Fund to borrow money and issue debt securities to the maximum extent permitted by the 1940 Act.

Under applicable state law and our Amended and Restated Agreement and Declaration of Trust, we may borrow money without prior approval of holders of common and preferred shares. We also may issue debt securities, including notes, or other evidence of indebtedness and may secure any such notes or borrowings by mortgaging, pledging or otherwise subjecting as security our assets to the extent permitted by the 1940 Act or rating agency guidelines. Any borrowings, including without limitation any notes, will rank senior to the preferred shares and the common shares. The Prospectus Supplement will describe the interest payment provisions relating to notes. Interest on notes will be payable when due as described in the related Prospectus Supplement. If we do not pay interest when due, it will trigger an event of default and we will be restricted from declaring dividends and making other distributions with respect to our common shares and preferred shares.

Table of Contents

Use of Proceeds

The Fund will use the net proceeds from the offering to purchase portfolio securities in accordance with its Investment Objectives and Policies. The Investment Adviser anticipates that the investment of the proceeds will be made as appropriate investment opportunities are identified, which is expected to substantially be completed within three months. Depending on market conditions and operations, a portion of the proceeds to be identified in any relevant Prospectus Supplement may be used to pay distributions. See Use of Proceeds in the Prospectus.

Exchange Listing

The Fund s common shares are listed on the NYSE American under the trading or ticker symbol ECF. See Description of the Securities. The Fund s common shares have historically traded at a discount to the Fund s net asset value. Over the past ten years, the Fund s common shares have traded at a discount to net asset value as high as 26.8% and as low as 7.6%. Any series of Fixed Rate Preferred Shares or subscription rights issued by the Fund would also likely be listed on the NYSE American.

Risk Factors and Special Considerations

Risk is inherent in all investing. Therefore, before investing in the Fund s securities, you should consider the risks carefully.

A summary of certain risks associated with an investment in the Fund is set forth below. It is not complete and you should read and consider carefully the more detailed list of risks described in Risk Factors and Special Considerations.

Convertible Securities Risk. Investment in convertible securities forms an important part of the Fund s investment strategies. Convertible debt securities and preferred stocks may depreciate in value if the market value of the underlying equity security declines or if rates of interest increase. In addition, although debt securities are liabilities of a corporation which the corporation is generally obligated to repay at a specified time, debt securities, particularly convertible debt securities, are often subordinated to the claims of some or all of the other creditors of the corporation.

Mandatory conversion securities (securities that automatically convert into equity securities at a future date) may limit the potential for capital appreciation and, in some instances, are subject to complete loss of invested capital. Other innovative convertibles include equity-linked securities, which are securities or derivatives that may have fixed, variable, or no interest payments prior to maturity, may convert (at the option of the holder or on a mandatory basis) into cash or a combination of cash and common stock, and may be structured to limit the potential for capital appreciation. Equity-linked securities may be illiquid and difficult to value and may be subject to greater credit risk than that of other convertibles. Moreover, mandatory conversion securities and equity-linked securities have increased the sensitivity of the convertible securities market to the volatility of the equity markets and to the special risks of those innovations, which may include risks different from, and possibly greater than, those associated with traditional convertible securities. See Risk Factors and Special Considerations General Risks Convertible Securities Risk.

Credit Risk. Credit risk is the risk that an issuer will fail to pay interest or dividends and principal in a timely manner. Companies that issue convertible securities may be small to medium-size, and they often have low credit ratings. In addition, the credit rating of a company s convertible securities is generally lower than that of its conventional debt securities. Convertible securities are normally considered junior

6

securities that is, the company usually must pay interest on its conventional debt before it can make payments on its convertible securities. Credit risk could be high for the Fund, because it could invest in securities with low credit quality. 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 and Special Considerations General Risks Convertible Securities Risk Credit Risk.

Market Risk. Although convertible securities do derive part of their value from that of the securities into which they are convertible, they are not considered derivative financial instruments. However, the Fund s mandatory convertible securities include features which render them more sensitive to price changes of their underlying securities. Thus they expose the Fund to greater downside risk than traditional convertible securities, but generally less than that of the underlying common stock. See Risk Factors and Special Considerations General Risks Convertible Securities Risk Market Ris.

Interest Rate Risk for Convertible Securities. Market interest rates are currently significantly below historical average rates, and the Federal Reserve has begun to raise the Federal Funds rate, each of which results in more pronounced interest rate risk in the current market environment. These factors increase the risk that the market interest rates will rise or continue to rise in the future, with a corresponding decline in the value of convertible securities held by the Fund. Convertible securities are particularly sensitive to interest rate changes when their predetermined conversion price is much higher than the issuing company s common stock. See Risk Factors and Special Considerations General Risks Convertible Securities Risk Interest Rate Risk for Convertible Securities, and Risk Factors and Special Considerations General Risks Fixed Income Securities Risk Duration and Maturity Risk,

Sector risk. Sector risk is the risk that returns from the economic sectors in which convertible securities are concentrated will trail returns from other economic sectors. As a group, sectors tend to go through cycles of doing better-or-worse-than the convertible securities market in general. These periods have, in the past, lasted for as long as several years. Moreover, the sectors that dominate this market change over time.

Equity Risk. A principal risk of investing in the Fund is equity risk, which is the risk that the securities held by the Fund will fall in market value due to adverse market and economic conditions, perceptions regarding the industries in which the issuers of securities held by the Fund participate and the particular circumstances and performance of particular companies whose securities the Fund holds. An investment in the Fund represents an indirect investment in the securities owned by the Fund, which are for the most part traded on securities exchanges or in the over-the-counter markets. The market value of these securities, like other market investments, may move up or down, sometimes rapidly and unpredictably. The net asset value of the Fund may at any point in time be worth less than the amount at the time the shareholder invested in the Fund, even after taking into account any reinvestment of distributions. See Risk Factors and Special Considerations General Risks Equity Risk.

Fixed Income Securities Risks. Fixed income securities in which the Fund may invest are generally subject to the following risks:

Interest Rate Risk. The market value of bonds and other fixed-income or dividend-paying securities changes in response to interest rate changes and other factors. Interest rate risk is the risk that prices of bonds and other income- or dividend-paying securities will increase as interest rates fall and decrease as interest rates rise. The Fund may be subject to a greater risk of rising interest rates due to the current period of historically low interest rates and the Federal Reserve s recent increases in the Federal Funds rate, more of which are expected in the near future. Further, while longer term fixed rate securities may pay higher interest rates than shorter term securities, longer term fixed rate securities, like fixed rate securities, also tend to be more sensitive to interest rate changes and, accordingly, tend to experience larger changes in value as a result of interest rate changes. An increase in market interest rates will also generally result in a decrease in the price of any of the Fund s outstanding preferred shares.

Issuer Risk. Issuer risk is the risk that the value of an income- or dividend-paying security may decline for a number of reasons which directly relate to the issuer, such as management performance, financial leverage, reduced demand for the issuer s goods and services, historical and prospective earnings of the issuer and the value of the assets of the issuer.

Credit Risk. Credit risk is the risk that one or more income- or dividend-paying securities in the Fund s portfolio will decline in price or fail to pay interest/distributions or principal when due because the issuer of the security experiences a decline in its financial status. Credit risk is increased when a portfolio security is downgraded or the perceived creditworthiness of the issuer deteriorates.

Prepayment Risk. Prepayment risk is the risk that during periods of declining interest rates, borrowers may exercise their option to prepay principal earlier than scheduled. For income- or dividend-paying securities, such payments often occur during periods of declining interest rates, forcing the Fund to reinvest in lower yielding securities, resulting in a possible decline in the Fund s income and distributions to shareholders.

Reinvestment Risk. Reinvestment risk is the risk that income from the Fund s portfolio will decline if the Fund invests the proceeds from matured, traded or called fixed income securities at market interest rates that are below the Fund portfolio s current earnings rate.

Duration and Maturity Risk. The Fund may incur costs in seeking to adjust the portfolio average duration or maturity. In comparison to maturity (which is the date on which the issuer of a debt instrument is obligated to repay the principal amount), duration is a measure of the price volatility of a debt instrument as a result in changes in market rates of interest, based on the weighted average timing of the instrument s expected principal and interest payments. Specifically, duration measures the anticipated percentage change in Net Asset Value (NAV) that is expected for every percentage point change in interest rates. The two have an inverse relationship. Duration can be a useful tool to estimate anticipated price changes to a fixed pool of income securities associated with changes in interest rates. Duration differs from maturity in that it takes into account a security s yield, coupon payments and its principal payments in addition to the amount of time until the security matures. As the value of a security changes over time, so will its duration. There can be no assurance that the Investment Adviser s assessment of current and projected market conditions will be correct or that any strategy to adjust duration or maturity will be successful at any given time.

See Risk Factors and Special Considerations General Risks Fixed Income Securities Risk.

Table of Contents

Non-Investment Grade Securities. The Fund may invest in securities rated below investment grade by recognized statistical rating agencies or unrated securities of comparable quality. The prices of these lower grade securities are more sensitive to negative developments, such as a decline in the issuer s revenues or a general economic downturn, than are the prices of higher grade securities. Securities of below investment grade quality those securities rated below Baa by Moody s or below BBB by S&P are predominantly speculative with respect to the issuer s capacity to pay interest and repay principal when due and therefore involve a greater risk of default. Securities rated below investment grade commonly are referred to as junk bonds or high yield securities.

As part of its investments in non-investment grade securities, the Fund may invest in securities of issuers in default. The Fund will make an investment in securities of issuers in default only when the Investment Adviser believes that such issuers will honor their obligations or emerge from bankruptcy protection and the value of these securities will appreciate. By investing in securities of issuers in default, the Fund bears the risk that these issuers will not continue to honor their obligations or emerge from bankruptcy protection or that the value of the securities will not otherwise appreciate.

See Risk Factors and Special Considerations General Risks Non-Investment Grade Securities.

U.S. Government Securities and Credit Rating Downgrade Risk. The Fund may invest in direct obligations of the government of the United States or its agencies. Obligations issued or guaranteed by the U.S. government, its agencies, authorities and instrumentalities and backed by the full faith and credit of the U.S. guarantee only that principal and interest will be timely paid to holders of the securities. These entities do not guarantee that the value such obligations will increase, and, in fact, the market values of such obligations may fluctuate. In addition, not all U.S. government securities are backed by the full faith and credit of the United States; some are the obligation solely of the entity through which they are issued. There is no guarantee that the U.S. government would provide financial support to its agencies and instrumentalities if not required to do so by law.

The events surrounding negotiations regarding the U.S. federal government debt ceiling and deficit reduction could adversely affect the Fund s ability to achieve its investment objective. In 2011, S&P lowered its long term sovereign credit rating on the U.S. to AA+ from AAA. The downgrade by S&P increased volatility in both stock and bond markets, resulting in higher interest rates and higher Treasury yields, and increased the costs of all kinds of debt. Repeat occurrences of similar events could have significant adverse effects on the U.S. economy generally and could result in significant adverse impacts on issuers of securities held by the Fund itself. The Investment Adviser cannot predict the effects of similar events in the future on the U.S. economy and securities markets or on the Fund s portfolio. The Investment Adviser monitors developments and seeks to manage the Fund s portfolio in a manner consistent with achieving the Fund s investment objective, but there can be no assurance that it will be successful in doing so and the Investment Adviser may not timely anticipate or manage existing, new or additional risks, contingencies or developments. See Risk Factors and Special Considerations General Risks U.S. Government Securities and Credit Rating Downgrade Risk.

Foreign Securities Risk. Investing in securities of foreign companies (or foreign governments), which are generally denominated in foreign currencies, may involve certain risks and opportunities not typically associated with investing in domestic companies. Foreign companies generally are not subject to the same accounting, auditing and financial standards and requirements as those applicable to U.S. companies.

Table of Contents

Investing in securities of companies in emerging markets may entail special risks relating to potential political and economic instability and the risks of expropriation, nationalization, confiscation or the imposition of restrictions on foreign investment, the lack of hedging instruments and restrictions on repatriation of capital invested. Emerging securities markets are substantially smaller, less developed, less liquid and more volatile than the major securities markets. The limited size of emerging securities markets and limited trading volume compared to the volume of trading in U.S. securities could cause prices to be erratic for reasons apart from factors that affect the quality of the securities. For example, limited market size may cause prices to be unduly influenced by traders who control large positions. Adverse publicity and investors perceptions, whether or not based on fundamental analysis, may decrease the value and liquidity of portfolio securities, especially in these markets. Many emerging market countries have experienced substantial, and in some periods extremely high, rates of inflation for many years. Inflation and rapid fluctuations in inflation rates and corresponding currency devaluations have had and may continue to have negative effects on the economies and securities markets of certain emerging market countries.

The Fund may invest in companies whose securities are denominated or quoted in currencies other than U.S. dollars or have significant operations or markets outside of the United States. In such instances, the Fund will be exposed to currency risk, including the risk of fluctuations in the exchange rate between U.S. dollars (in which the Fund s shares are denominated) and such foreign currencies, the risk of currency devaluations and the risks of non-exchangeability and blockage. As non-U.S. securities may be purchased with and payable in currencies of countries other than the U.S. dollar, the value of these assets measured in U.S. dollars may be affected favorably or unfavorably by changes in currency rates and exchange control regulations. Fluctuations in currency rates may adversely affect the ability of the Investment Adviser to acquire such securities at advantageous prices and may also adversely affect the performance of such assets.

For more details on certain pronounced risks with foreign investing, see Risk Factors and Special Considerations General Risks Foreign Securities Risk.

Industry Concentration Risk. The Fund may invest up to 25% of its total assets in securities of a single industry. Should the Fund choose to do so, the net asset value of the Fund will be more susceptible to factors affecting those particular types of companies, which, depending on the particular industry, may include, among others: governmental regulation; inflation; cost increases in raw materials, fuel and other operating expenses; technological innovations that may render existing products and equipment obsolete; and increasing interest rates resulting in high interest costs on borrowings needed for capital investment, including costs associated with compliance with environmental and other regulations. In such circumstances, the Fund s investments may be subject to greater risk and market fluctuation than a fund that had securities representing a broader range of industries. See Risk Factors and Special Considerations Industry Concentration Risk.

Healthcare Sector Risk. The Fund has in the past invested, and may in the future invest, a significant portion of its total assets in securities issued by companies in the healthcare sector. The profitability of companies in the healthcare sector may be affected by legislative activities and extensive government regulations, restrictions on government reimbursement for medical expenses, rising costs of medical products and services, pricing pressure, an increased emphasis on outpatient services, limited number of products, industry innovation,

Table of Contents

changes in technologies and other market developments. Many healthcare companies are heavily dependent on patent protection. The expiration of a company s patents may adversely affect that company s profitability. Many healthcare companies are subject to extensive civil litigation based on product liability and similar claims. Healthcare companies are subject to competitive forces that may make it difficult to raise prices and, in fact, may result in price discounting. Many new products in the healthcare sector may be subject to regulatory approvals. The process of obtaining such approvals may be long and costly, and such efforts ultimately may be unsuccessful. Companies in the healthcare sector may be thinly capitalized and may be susceptible to product obsolescence. See Risk Factors and Special Considerations Healthcare Sector Risk.

Information Technology Sector Risk. The Fund has in the past invested, and may in the future invest, a significant portion of its total assets in securities issued by information technology companies. Information technology companies face intense competition, both domestically and internationally, which may have an adverse effect on profit margins. These companies are heavily dependent on patent protection and the expiration of or infringement on patents may adversely affect the profitability of such companies.

The securities of information technology companies tend to exhibit a greater degree of market risk and sharp price fluctuations than other types of securities. These securities may fall in and out of favor with investors rapidly, which may cause sudden selling and dramatically lower market prices. Technology securities also may be affected adversely by changes in technology, consumer and business purchasing patterns, government regulation, product and/or service obsolescence, unpredictable changes in growth rates and competition for the services of qualified personnel. In addition, a rising interest rate environment tends to negatively affect information technology companies. These companies having high market valuations may appear less attractive to investors, which may cause sharp decreases in their market prices. Further, those information technology companies seeking to finance expansion would have increased borrowing costs, which may negatively impact earnings. See Risk Factors and Special Considerations General Risks Information Technology Sector Risk.

Financial Services Company Risk. The Fund has in the past invested, and may in the future invest, a significant portion of its total assets in securities issued by financial services companies. Financial services companies can be significantly affected by changing economic conditions, demand for consumer loans, refinancing activity and intense competition. Profitability can be largely dependent on the availability and cost of capital and the rate of consumer debt defaults, and can fluctuate significantly when interest rates change. Profitability can in particular be adversely impacted during periods of rising interest rates. Financial difficulties of borrowers can negatively affect financial services companies. Financial services companies are subject to extensive government regulation, which can change frequently and may adversely affect the scope of their activities, the prices they can charge and the amount of capital they must maintain, or may affect them in other ways that are unforeseeable. In the recent past, financial services companies in general experienced considerable financial distress, which led to the implementation of government programs designed to ease that distress. See Risk Factors and Special Considerations General Risks Financial Services Company Risk.

Restricted and Illiquid Securities. Unregistered securities are securities that cannot be sold publicly in the United States without registration under the Securities Act of 1933 (the Securities Act). An illiquid investment is a security or other investment that cannot be disposed of within seven days in the ordinary course of business at approximately the value at which the Fund has valued the investment. Unregistered securities often can be resold only in privately negotiated transactions with a limited number of purchasers or in a public offering registered under the Securities Act. Considerable delay could be encountered in either event and, unless otherwise contractually provided for, the Fund s proceeds upon sale may be reduced by the costs of registration or underwriting discounts. The difficulties and delays associated with such transactions could result in the Fund s inability to realize a favorable price upon disposition of unregistered securities, and at times might make disposition of such securities impossible. The Fund may be unable to sell illiquid investments when it desires to do so, resulting in the Fund obtaining a lower price or being required to retain the investment. Illiquid investments generally must be valued at fair value, which is inherently less precise than utilizing market values for liquid investments, and may lead to differences between the price a security is valued for determining the Fund s net asset value and the price the Fund actually receives upon sale. See Risk Factors and Special Considerations General Risks Restricted and Illiquid Securities.

Leverage Risk. The Fund may use financial leverage for investment purposes by issuing preferred shares and is also permitted to use other types of financial leverage, such as through the issuance of debt securities and borrowing from financial institutions. As provided in the 1940 Act and subject to certain exceptions, the Fund may issue senior securities (which may be stock, such as preferred shares, and/or securities representing debt) only if immediately after such issuance the value of the Fund s total assets, less certain ordinary course liabilities, exceeds 300% of the amount of the debt outstanding and exceeds 200% of the amount of preferred shares and debt outstanding.

If the Fund does use leverage, the Fund s capital structure would create special risks not associated with unleveraged funds having a similar investment objective and policies. These include the possibility of greater loss and the likelihood of higher volatility of the net asset value of the Fund and the asset coverage for preferred shares. Such volatility may increase the likelihood of the Fund having to sell investments in order to meet its obligations to make distributions on the preferred shares or principal or interest payments on debt securities, or to redeem preferred shares or repay debt, when it may be disadvantageous to do so. The Fund s use of leverage may require it to sell portfolio investments at inopportune times in order to raise cash to redeem preferred shares or otherwise de-leverage so as to maintain required ass