

GABELLI CONVERTIBLE & INCOME SECURITIES FUND INC

Form 497

March 17, 2003

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PROSPECTUS

[GABELLI LOGO]

The Gabelli  
Convertible and Income Securities Fund Inc.

1,000,000 Shares, Series B 6.00% Cumulative Preferred Stock  
(Liquidation Preference \$25 per Share)

1,000 Shares, Series C Auction Rate Cumulative Preferred Stock  
(Liquidation Preference \$25,000 per Share)

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The Gabelli Convertible and Income Securities Fund Inc., or the Fund, is a diversified, closed-end management investment company that has an investment objective of a high level of total return on its assets. The Fund's investments are selected by its Investment Adviser, Gabelli Funds, LLC. The Fund seeks to achieve its investment objective through a combination of current income and capital appreciation. Under normal circumstances the Fund will invest at least 80% of its total assets in securities that are convertible into or represent the right to acquire common stock, and in other debt or equity securities that are expected to periodically accrue or generate income for their holders.

This prospectus describes shares of the Fund's Series B 6.00 % Cumulative Preferred Stock (the "Series B Preferred"), liquidation preference \$25 per share. Dividends on shares of Series B Preferred issued within 30 days of the original Series B Preferred issue date are cumulative from such original issue date at the annual rate of 6.00% of the liquidation preference of \$25 per share and are payable quarterly on March 26, June 26, September 26 and December 26 in each year, commencing on June 26, 2003.

This prospectus also describes shares of the Fund's Series C Auction Rate Cumulative Preferred Stock (the "Series C Auction Rate Preferred"), liquidation preference \$25,000 per share. The dividend rate for the Series C Auction Rate Preferred will vary from dividend period to dividend period. The annual dividend rate for the initial dividend period for the Series C Auction Rate Preferred will be 1.30 % of the liquidation preference of \$25,000 per share. The initial dividend period is from the date of issuance through March 25, 2003. For subsequent dividend periods, the Series C Auction Rate Preferred will pay dividends based on a rate set at auction, usually held weekly.

The Fund offers by this prospectus, in the aggregate, \$50 million of preferred stock of either Series B Preferred, or Series C Auction Rate Preferred, or a combination of both series.

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Investing in our Series B Preferred or Series C Auction Rate Preferred involves risks. See "Risk Factors and Special Considerations" beginning on page 34.

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Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved these securities or

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determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

	Per Share of Series B Preferred -----	Total -----	Per Share of Series C Auction Rate Preferred -----	
Public Offering Price (1)	\$25.00	\$25,000,000	\$25,000	\$
Underwriting Discount (2)	\$0.7875	\$787,500	\$250	\$
Proceeds to the Fund (before expenses) (3)	\$24.2125	\$24,212,500	\$24,750	\$

- (1) Plus accumulated dividends, if any, from March 18, 2003.
- (2) The Fund and the Investment Adviser have agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act of 1933, as amended.
- (3) Offering expenses payable by the Fund are estimated at \$462,500

The shares of Series B Preferred and/or Series C Auction Rate Preferred being offered by this prospectus are being offered by the underwriters listed in this prospectus, subject to prior sale, when, as and if accepted by them and subject to certain conditions. The Fund expects that delivery of any shares of Series B Preferred or Series C Auction Rate Preferred will be made in book-entry form through the facilities of The Depository Trust Company on or about March 18, 2003.

Salomon Smith Barney

Gabelli & Company, Inc.

March 13, 2003

(Continued from previous page)

Application has been made to list the Series B Preferred on the New York Stock Exchange. If offered, trading of the Series B Preferred on the New York Stock Exchange is expected to commence within 30 days of the date of this prospectus. Prior to this offering, there has been no public market for the Series B Preferred. See "Underwriting."

The Series C Auction Rate Preferred will not be listed on an exchange. Investors may only buy or sell Series C Auction Rate Preferred through an order placed at an auction with or through a broker-dealer in accordance with the procedures specified in this prospectus or in a secondary market maintained by certain broker-dealers should those broker-dealers decide to maintain a secondary market. Broker-dealers are not required to maintain a secondary market in the Series C Auction Rate Preferred and a secondary market may not provide you with liquidity.

The net proceeds of the offering, which are expected to be \$48,500,000, will be invested in accordance with the Fund's investment objective and policies. See "Investment Objective and Policies" beginning on page 25 .

The Fund expects that dividends paid on the Series B Preferred and

Series C Auction Rate Preferred will consist of long-term capital gains (consisting of 20% federal tax rate capital gains from the sale of assets held longer than 12 months), ordinary income (including net investment income and short-term capital gains), and, in certain circumstances, a return of capital. Over the past one, three and five fiscal years ending December 31, 2002, the distributions of taxable income by the Fund consisted of 0.00%, 31.37%, and 31.75% long-term capital gains. No assurance can be given, however, as to what percentage, if any, of the dividends paid on the Series B Preferred or Series C Auction Rate Preferred will consist of long-term capital gains, which are taxed at lower rates for individuals than ordinary income.

Neither the Series B Preferred nor the Series C Auction Rate Preferred may be issued unless it is rated Aaa by Moody's Investors Service, Inc. ("Moody's"). In addition, the Series C Auction Rate Preferred may not be issued unless it is also rated AAA by Fitch, Inc. ("Fitch"). In order to keep these ratings, the Fund will be required to maintain a minimum discounted asset coverage with respect to its outstanding Series B Preferred and Series C Auction Rate Preferred under guidelines established by each of Moody's and Fitch. See "Description of the Series B Preferred and Series C Auction Rate Preferred -- Rating Agency Guidelines." The Fund is also required to maintain a minimum asset coverage by the Investment Company Act of 1940, as amended (the "1940 Act"). If the Fund fails to maintain any of these minimum asset coverage requirements, the Fund can require, at its option, consistent with its Charter and the requirements of the 1940 Act, that some or all of its outstanding preferred stock, including the Series B Preferred or Series C Auction Rate Preferred, be sold back to it (redeemed). Otherwise, prior to March 18, 2008 the Series B Preferred will be redeemable at the option of the Fund only to the extent necessary for the Fund to continue to qualify for tax treatment as a regulated investment company. Subject to certain notice and other requirements (including those set forth in Section 23(c) of the 1940 Act), the Fund, at its option, may redeem (i) the Series B Preferred beginning on March 18, 2008 and (ii) the Series C Auction Rate Preferred following the initial dividend period (so long as the Fund has not designated a non-call period). In the event the Fund redeems Series B Preferred such redemption will be for cash at a redemption price equal to \$25 per share plus accumulated but unpaid dividends (whether or not earned or declared). In the event the Fund redeems Series C Auction Rate Preferred, such redemptions will be for cash, generally at a redemption price equal to \$25,000 per share plus accumulated but unpaid dividends (whether or not earned or declared), though in limited circumstances the Fund's board of directors may also declare a redemption premium.

This prospectus concisely sets forth important information about the Fund that you should know before deciding whether to invest in Series B Preferred or Series C Auction Rate Preferred. You should read this prospectus and retain it for future reference.

The Fund has also filed with the Securities Exchange Commission a Statement of Additional Information, dated March 13, 2003 (the "SAI"), which contains additional information about the Fund. The SAI is incorporated by reference in its entirety into this prospectus. You can review the table of contents of the SAI on page 75 of this prospectus. You may request a free copy of the SAI by writing to the Fund at its address at One Corporate Center, Rye, New York 10580-1422 or calling the Fund toll-free at (800) 422-3554. You may also obtain the SAI on the Securities and Exchange Commission's web site (<http://www.sec.gov>).

Certain persons participating in the offering of Series B Preferred, in the event they are offered, may engage in transactions that stabilize, maintain or otherwise affect the market price of the Series B Preferred, including the entry of stabilizing bids, syndicate covering transactions or the imposition of penalty bids. For a description of these activities, see

"Underwriting."

You should rely only on the information contained in or incorporated by reference into this prospectus. Neither the Fund nor the underwriters have authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. Neither the Fund nor the underwriters are making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this prospectus is accurate as of the date on the front cover of this prospectus only.

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SUMMARY

This is only a summary. You should review the more detailed information contained in this prospectus and the SAI.

The Fund.....	The Fund is a closed-end, diversified, management investment company. Prior to March 31, 1995, the Fund operated as an open-end, diversified, management investment company. The Fund was incorporated in Maryland on December 19, 1982. The Fund's outstanding shares of common stock, par value \$1.00 per share, are listed and traded on the NYSE. As of December 31, 2002, the sum of the net assets of the Fund plus the value of the Fund's outstanding preferred stock (\$15
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was approximately \$108.8 million. As of December 31, 2002, the Fund had outstanding 11,113,431 shares of common stock and 600,000 shares of 8% Cumulative Preferred Stock, with a liquidation preference \$25 per share (the "Series A Preferred Stock"). The Fund redeemed all of its outstanding Series A Preferred Stock on February 11, 2003.

The Offering.....

The Fund offers by this prospectus, in the aggregate, the offering of preferred stock of either Series B Preferred or Series C Auction Rate Preferred, or a combination of both such series. The Series B Preferred and/or Series C Auction Rate Preferred are being offered by Salomon Smith Barney Inc. and Goldman Sachs & Company, Inc. as underwriters. Upon issuance, the Series B Preferred and the Series C Auction Rate Preferred will have equal seniority with respect to dividends and liquidation preference.

**Series B Preferred.** The Fund is offering 1,000,000 shares of Series B 6.00% Cumulative Preferred, par value \$.001 per share, liquidation preference \$25 per share, at a purchase price of \$25 per share. Dividends on the shares of Series B Preferred will accumulate from the date on which such shares are issued; provided, however, that any shares of Series B Preferred issued within 30 days of the original issue date of the series will accumulate dividends from the series' original date of issue. Application has been made to list Series B Preferred on the New York Stock Exchange.

**Series C Auction Rate Preferred.** The Fund is offering 1,000,000 shares of Series C Auction Rate Cumulative Preferred, par value \$.001 per share, liquidation preference \$25,000 per share, at a purchase price of \$25,000 per share plus any dividends, if any, that have accumulated from the commencement date of the dividend period during which Series C Auction Rate Preferred is issued.

The Series C Auction Rate Preferred will not be listed on any exchange. Instead, investors may buy or sell Series C Auction Rate Preferred in an auction by submitting orders to dealers that have entered into an agreement with the Fund's agent and the Fund.

Generally, investors in Series B Preferred or Series C Auction Rate Preferred will not receive certificates representing ownership of their shares. The securities will be held by a depository (The Depository Trust Company or any successor) for the account of the investor's broker-dealer, which will maintain record ownership of the preferred stock in book-entry form. An investor's broker-dealer, in turn, will maintain records of that investor's beneficial ownership of preferred stock.

Investment Objective.....

The investment objective of the Fund is to seek a high total return on its assets. The Fund will seek to achieve this objective through a combination of current income and capital appreciation by investing primarily in convertible and income producing securities. Under normal circumstances, the Fund will invest at least 80% of the value of its total assets (taken at current value) in "convertible securities," which include bonds, debentures, notes, stocks and other similar securities that are convertible into common stock or other equity securities, and "income securities," i.e., nonconvertible

equity securities having a history of regular payment of income to holders. No assurance can be given that will achieve its investment objective. See "Investment and Policies."

Dividends  
and Distributions.....

Series B Preferred. Dividends on the Series B Preferred are cumulative from the Series B Preferred's original annual rate of 6.00% of its \$25 per share liquidation value for any shares issued within 30 days of such original and are payable, when, as and if declared by the Board of Directors of the Fund, out of funds legally available quarterly on March 26, June 26, September 26 and December 26 in each year, commencing on June 26, 2003. Any Series B Preferred issued later than 30 days following the original date will accumulate dividends from the date such shares are issued.

Series C Auction Rate Preferred. The holders of Series C Auction Rate Preferred are entitled to receive cash dividends stated at annual rates of its \$25,000 per share liquidation preference, that will vary from dividend period to dividend period. The table below shows the dividend rate, the payment date and the number of days for the initial dividend period on the Series C Auction Rate Preferred.

	Initial Dividend Rate	Dividend Payment Date for Initial Dividend Period	Number of Days of Dividend
Series C Auction Rate Preferred.....	1.30%	March 26, 2003	

For subsequent dividend periods, the Series C Auction Rate Preferred will pay dividends based on a rate set at a normally held weekly. In most instances, dividends are payable weekly, on the first business day following the end of the dividend period. If the day on which dividends otherwise would be paid is not a business day, then dividends will be paid on the first business day that falls after the end of the dividend period. The Fund may, subject to certain conditions, designate special dividend periods of more (or less) than seven days. The dividend payment date for a special dividend period will be set out in the notice of designating a special dividend period. Dividends on Series C Auction Rate Preferred will be cumulative from the date such shares are issued and will be paid out of legally available funds.

In no event will the dividend rate set at auction for

Series C Auction Rate Preferred exceed the then-maximum rate. The maximum rate means (i) in the case of a dividend period of 184 days or less, the applicable percentage of the Financial Composite Commercial Paper Rate on the date of the auction determined as set forth in the following chart or the lower of the credit ratings assigned to the Series C Auction Rate Preferred by Moody's and Fitch or (ii) in the case of a dividend period of longer than 184 days, the applicable percentage of the Treasury Index Rate.

Moody's Credit Rating -----	Fitch Credit Rating -----	Applicable Percentage -----
Aa3 or higher	AA- or higher	1%
A3 to A1	A- to A+	1%
Baa3 to Baa1	BBB- to BBB+	2%
Below Baa3	Below BBB-	2%

See "Description of the Series B Preferred and Series C Auction Rate Preferred -- Dividends on the Series C Auction Rate Preferred -- Maximum Rate." For example, calculation of the maximum rate for the Series C Auction Rate Preferred of September 30, 2002 and December 31, 2002, respectively, assuming a rating of Aa3 or above by Moody's and AA- or above by Fitch) would have been approximately 2.57% and 1.92%, for dividend periods of 90 days, and approximately 2.90% and 2.57% for dividend periods of two years.\* There is no minimum applicable rate with respect to any dividend period.

Any designation of a special dividend period will be effective only if, among other things, proper notice is given, the auction immediately preceding the special dividend period was not a failed auction and the Fund has confirmed that it has assets with an aggregate discounted value at least equal to the Basic Maintenance Amount (as defined in the applicable rating agency guidelines). See "Description of the Series B Preferred and Series C Auction Rate Preferred -- Dividends on the Series C Auction Rate Preferred" and "Description of Series C Auction Rate Preferred."

Preferred Stock Dividends. Under current law, all preferred stock of the Fund must have the same seniority as to the payment of dividends. Accordingly, no full dividend will be declared or paid on any series of preferred stock of the Fund for any dividend period, or part thereof, unless full payment of cumulative dividends due through the most recent dividend payment dates therefor for all series of outstanding preferred stock of the Fund are declared and paid. If full payment of cumulative dividends due have not been declared and paid on all outstanding shares of preferred stock of the Fund, the Fund will pay dividends on a parity with the Series B Preferred and/or Series C Auction Rate Preferred as to the payment of dividends.

dividends being paid on the shares of such preferred (including any outstanding Series B Preferred and Series C Auction Rate Preferred) will be paid as nearly pro rata as possible in proportion to the respective amounts of dividends accumulated but unpaid on each such series of preferred on the relevant dividend payment date.

In the event that for any calendar year the total distributions on shares of the Fund's preferred stock exceed the Fund's net investment income and net capital gain allocable to those shares, the excess distributions will generally be treated as a tax-free return of capital to the extent of the stockholder's tax basis in his or her shares. The amount treated as a tax-free return of capital will not reduce a stockholder's adjusted basis in his or her shares of preferred stock, thereby increasing the stockholder's potential gain or reducing his or her potential loss on the sale of the shares.

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\* Dividend periods presented for illustrative purposes only. Actual dividend periods may be of a lesser duration.

Common Stock. In order to allow its holders of common stock to realize a predictable, but not assured, level of cash and some liquidity periodically on their investment without having to sell shares, the Fund has adopted a policy, which may be modified at any time by its Board of Directors, of paying

distributions on its common stock of 8% of average quarter-end net assets attributable to common stock. For the fiscal year ending December 31, 2002, 64% of the distributions paid by the Fund with respect to its common stock consisted of a return of capital. The Fund had not previously returned capital as part of distributions on its common stock since 1995, the year the Fund began operating as a closed-end fund. The Fund's Board of Directors periodically reviews the Fund's common stock distribution policy on a regular basis. See "Dividends and Distributions."

Auction Procedures.....

You may buy, sell or hold Series C Auction Rate Preferred through the auction. The following is a brief summary of the auction procedures, which are described in more detail elsewhere in the prospectus and in the SAI. These auction procedures are complicated, and there are exceptions to these procedures. Many of the terms in this section have a special meaning set forth in this prospectus or the SAI.

The auctions determine the dividend rate for the Series C Auction Rate Preferred, but each dividend rate will not be higher than the then-maximum rate. See "Description of Dividends on the Series C Auction Rate Preferred."

If you own shares of Series C Auction Rate Preferred, you should instruct your broker-dealer to enter one of three kinds of orders in the auction with respect to your shares: sell, buy and hold.

If you enter a sell order, you indicate that you want to sell Series C Auction Rate Preferred at \$25,000 per share,



matter what the next dividend period's rate will be.

If you enter a bid (or "hold at a rate") order, which specify a dividend rate, you indicate that you want to buy Series C Auction Rate Preferred only if the next dividend period's rate is less than the rate you specify.

If you enter a hold order you indicate that you want to continue to own Series C Auction Rate Preferred, no matter what the next dividend period's rate will be.

You may enter different types of orders for different lots of your Series C Auction Rate Preferred. You may also enter an order to buy additional Series C Auction Rate Preferred shares. All orders you submit are irrevocable. There is a fixed number of Series C Auction Rate Preferred shares and the dividend rate likely will vary from auction to auction depending on the number of bidders, the number of shares the bidders seek to buy, the rating of the Series C Auction Rate Preferred and general economic conditions including current interest rates. If you own Series C Auction Rate Preferred and submit a bid for them higher than the then-maximum rate, your bid will be treated as a sell order. If you do not enter an order, the broker-dealer will assume you want to continue to hold Series C Auction Rate Preferred. If you fail to submit an order and the dividend period is more than 28 days, the broker-dealer will treat your failure to submit a bid as a sell order.

If you do not then own Series C Auction Rate Preferred and want to buy more shares, you may instruct a broker-dealer to enter a bid order to buy shares in an auction at \$25,000 per share at or above the dividend rate you specify. If you fail to buy for shares you do not already own at a rate higher than the then-maximum rate, your bid will not be considered.

Broker-dealers will submit orders from existing and potential holders of Series C Auction Rate Preferred to the auction agent. Neither the Fund nor the auction agent will be responsible for a broker-dealer's failure to submit orders from existing or potential holders of Series C Auction Rate Preferred. A broker-dealer's failure to submit orders for Series C Auction Rate Preferred held by it or its customers will be treated in the same manner as a holder's failure to submit an order to the broker-dealer. A broker-dealer may submit orders to the auction agent for its own account. The Fund may not submit an order in any auction.

The auction agent after each auction for the Series C Auction Rate Preferred will pay to each broker-dealer, from funds provided by the Fund, a service charge equal to, in the case of any auction immediately preceding a dividend period of less than one year, the product of (i) a fraction, the numerator of which is the number of days in such dividend period and the denominator of which is 365, times (ii) 1%, times (iii) \$25,000, times (iv) the aggregate number of Series C Auction Rate Preferred shares placed by such broker-dealer at such auction or, in the case of any auction immediately preceding a dividend period of one year or longer, a percentage of the purchase price of the Series C Auction Rate Preferred placed by the broker-dealers at such auction agreed to by the Fund and the broker-dealers.

If the number of Series C Auction Rate Preferred shares subject to bid orders by potential holders with a dividend rate equal to or lower than the then-maximum rate is equal to the number of Series C Auction Rate Preferred shares subject to sell orders, then the dividend rate for the dividend period will be the lowest rate submitted while taking into account that rate and all lower rates submitted in order from existing and potential holders, would result in existing and potential holders owning all the Series C Auction Rate Preferred available for purchase in the

If the number of Series C Auction Rate Preferred shares subject to bid orders by potential holders with a dividend rate equal to or lower than the then-maximum rate is less than the number of Series C Auction Rate Preferred shares subject to sell orders, then the auction is considered a failed auction, and the dividend rate will be the maximum rate. In that event, existing holders that have submitted sell orders (or are treated as having submitted sell orders) may not be able to sell any or all of the Series C Auction Rate Preferred for which they submitted sell orders.

The auction agent will not consider a bid above the then-maximum rate. The purpose of the maximum rate is to place an upper limit on dividends with respect to the Series C Auction Rate Preferred and in so doing to help protect the cash available to pay dividends on common shares, and to set the dividend rate in the event of a failed auction (that is, an auction where there are more Series C Auction Rate Preferred offered for sale than there are buyers for the shares).

If broker-dealers submit or are deemed to submit hold orders for all outstanding Series C Auction Rate Preferred shares, the auction is considered an "all hold" auction and the dividend rate for the next dividend period will be the "all hold rate," which is 80% of the then-current "AA" Financial Research Composite Commercial Paper Rate.

The auction procedures include a pro rata allocation of Series C Auction Rate Preferred shares for purchase and selling. This allocation process may result in an existing holder selling, or a potential holder buying, fewer shares than the number of Series C Auction Rate Preferred shares in their order. If this happens, broker-dealers that have designated themselves as existing holders or potential holders in respect of customer orders will be required to make appropriate pro rata allocations among their respective customers.

Settlement of purchases and sales will be made on the business day (which also is a dividend payment date) following the auction date through The Depository Trust Company. Purchasers will pay for their Series C Auction Rate Preferred through broker-dealers in same-day funds to The Depository Trust Company against delivery to the broker-dealers. The Depository Trust Company will make payment to the selling broker-dealers in accordance with its normal procedures which require broker-dealers to make payment against the purchase in same-day funds. As used in this prospectus, a business day is a day on which the NYSE is open for trading, and w

not a Saturday, Sunday or any other day on which bank  
 York City are authorized or obligated by law to close

The first auction for Series C Auction Rate Preferred  
 held on March 25, 2003, the business day preceding the  
 dividend payment date for the initial dividend period.  
 Thereafter, except during special dividend periods, a  
 for Series C Auction Rate Preferred normally will be  
 every Tuesday (or the next preceding business day if  
 is a holiday), and each subsequent dividend period for  
 Series C Auction Rate Preferred normally will begin on  
 following Wednesday.

If an auction is not held because an unforeseen event  
 unforeseen events cause a day that otherwise would have  
 an auction date not to be a business day, then the length  
 the then-current dividend period will be extended by several  
 days (or a multiple thereof if necessary because of such  
 unforeseen event or events), the applicable rate for such  
 period will be the applicable rate for the then-current  
 dividend period so extended and the dividend payment for  
 such dividend period will be the first business day  
 immediately succeeding the end of such period. See "Tax  
 Auction of Series C Auction Rate Preferred."

Potential Tax Benefit  
 to Certain Investors.....

Most individuals pay federal income tax at a lower rate on  
 long term capital gains than on ordinary income and  
 short-term capital gains. For individuals in the highest  
 brackets this differential currently can be as great as  
 18.6%, the difference between 38.6% on ordinary income  
 short-term capital gains and 20.0% on long-term capital  
 gains. In accordance with the current view of the Internal  
 Revenue Service, the Fund intends to allocate its net  
 long-term capital gain and ordinary income (including  
 short-term capital gain and investment income)  
 proportionately between its common stock and preferred  
 stock. Over the past one, three and five fiscal years ending  
 December 31, 2002, the distributions of taxable income  
 Fund consisted of 0.00%, 31.37%, and 31.75% long-term  
 gains. If the Fund is able in future years to pay a portion  
 of its distributions in the form of long-term capital  
 distributions, most individual investors will accordingly  
 realize a tax benefit and pay a lower rate of federal  
 tax on their Series B Preferred and/or Series C Auction  
 Rate Preferred dividends than if the Fund did not distribute  
 long-term capital gains. See "Tax Attributes of Preferred  
 Stock Dividends." No assurance can be given as to what  
 any, portion of the Fund's dividends in future years  
 consist of long-term capital gains.

Rating and Asset  
 Coverage Requirements.....

Series B Preferred. Before it can be issued, the Series B  
 Preferred must receive a rating of Aaa from Moody's  
 Service, Inc. The Fund's Articles Supplementary, setting  
 the rights and preferences of the Series B Preferred,  
 certain tests that the Fund must satisfy to obtain an  
 a rating of Aaa from Moody's on the Series B Preferred  
 "Description of the Series B Preferred and Series C Auction  
 Rate Preferred -- Rating Agency Guidelines."

Series C Auction Rate Preferred. Before it can be issued

Series C Auction Rate Preferred must receive both a rating of Aaa from Moody's and a rating of AAA from Fitch. As with Series B Preferred, the Articles Supplementary of the Fund setting forth the rights and preferences of the Series C Auction Rate Preferred contain certain tests that the Fund must satisfy to obtain and maintain a rating of Aaa from Moody's and AAA from Fitch. See "Description of the Series B Preferred and Series C Auction Rate Preferred -- Rating Agency Guidelines."

Asset Coverage Requirements. Under the asset coverage requirements to which each of the Series B Preferred and/or Series C Auction Rate Preferred is subject, the Fund is required to maintain (i) assets having in the aggregate a discounted value greater than or equal to a Basic Maintenance Amount defined under "Description of the Series B Preferred and Series C Auction Rate Preferred -- Rating Agency Guidelines" for each such series calculated pursuant to the applicable rating agency guidelines and (ii) an asset coverage of at least 200% (or such higher or lower percentage as may be required at the time under the 1940 Act) with respect to the outstanding preferred stock of the Fund, including the Series B Preferred and the Series C Auction Rate Preferred. See "Description of the Series B Preferred and Series C Auction Rate Preferred -- Asset Maintenance Requirements."

The Fund estimates that if the shares offered hereby were issued and sold as of February 14, 2003, the asset coverage under the 1940 Act would have been approximately 290% immediately following such issuance and sale (after giving effect to the deduction of the underwriting discounts and estimated offering expenses for such shares of \$1,500,000). The asset coverage would have been computed as follows:

Value of Fund assets less liabilities not constituting securities (\$144,898,943) / senior securities representing indebtedness plus liquidation preference of each class of preferred stock (\$50,000,000), expressed as a percentage, 290%.

The Articles Supplementary for each of the Series B Preferred and the Series C Auction Rate Preferred, which contain the technical provisions of the various components of the asset coverage tests, have been filed as exhibits to this registration statement and may be obtained through the website of the SEC (<http://www.sec.gov>).

Mandatory  
Redemption.....

The Series B Preferred and the Series C Auction Rate Preferred may be subject to mandatory redemption by the Fund to the extent the Fund fails to maintain the asset coverage requirements in accordance with the rating agency guidelines or the 1940 Act described above and does not cure such failure by the applicable cure date. If the Fund redeems preferred stock mandatorily, it may, but is not required to, redeem a sufficient number of shares of preferred stock that after the redemption the Fund exceeds the asset coverage required by each of the applicable rating agency guidelines and the 1940 Act by 10%.

With respect to the Series B Preferred, any such redemption will be made for cash at a redemption price equal to

share plus accumulated and unpaid dividends (whether earned or declared) to the redemption date.

With respect to the Series C Auction Rate Preferred, redemption will be made for cash at a redemption price to \$25,000 per share, plus an amount equal to accumulated unpaid dividends (whether or not earned or declared) date fixed for redemption, plus, in the case of Series Auction Rate Preferred having a dividend period of more than one year, any applicable redemption premium determined by the Board of Directors. See "Description of the Series B Preferred and Series C Auction Rate Preferred -- Redemption -- Mandatory Redemption."

In the event of a mandatory redemption, such redemption will be made from the Series B Preferred, the Series C Auction Rate Preferred or other preferred stock of the Fund in the proportions as the Fund may determine, subject to the limitations of the 1940 Act and Maryland law.

Optional Redemption.....

Subject to the limitations of the 1940 Act and Maryland law, the Fund may, at its option, redeem the Series B Preferred and/or the Series C Auction Rate Preferred as follows:

**Series B Preferred.** Commencing on March 18, 2008 and at any time thereafter, the Fund at its option may redeem the Series B Preferred, in whole or in part, for cash at a redemption price per share equal to \$25 plus accumulated and unpaid dividends (whether or not earned or declared) to the redemption date. If fewer than all of the shares of the Series B Preferred are to be redeemed, any such redemption of Series B Preferred shares will be made pro rata in accordance with the number of such shares held. Prior to March 18, 2008, the Series B Preferred will be subject to optional redemption by the Fund at the redemption price only to the extent necessary for the Fund to continue to qualify for tax treatment as a regulated investment company. See "Description of the Series B Preferred and Series C Auction Rate Preferred -- Redemption -- Optional Redemption of the Series B Preferred."

**Series C Auction Rate Preferred.** The Fund generally may not redeem Series C Auction Rate Preferred, in whole or in part, at any time other than during a non-call period. The Fund may declare a non-call period during a dividend period of more than seven days. If fewer than all of the shares of the Series C Auction Rate Preferred are to be redeemed, a redemption of Series C Auction Rate Preferred shares will be made pro rata in accordance with the number of such shares held. See "Description of the Series B Preferred and Series C Auction Rate Preferred -- Redemption -- Optional Redemption of the Series C Auction Rate Preferred."

The redemption price per Series C Auction Rate Preferred share will equal \$25,000 plus an amount equal to any accumulated but unpaid dividends thereon (whether or not earned or declared) to the redemption date, plus, in the case of Series C Auction Rate Preferred having a dividend period of more than one year, any redemption premium applicable during such dividend period. See "Description of the Series B Preferred and Series C Auction Rate Preferred -- Redemption -- Optional Redemption of the Series C Auction Rate Preferred."

Preferred."

Voting Rights.....

At all times, holders of shares of the Fund's preferred outstanding (including the Series B Preferred and/or Auction Rate Preferred), voting as a single class, will elect two members of the Fund's Board of Directors. Holders of the preferred stock and common stock, voting as a single class, will elect the remaining directors. In the event of a failure by the Fund to pay dividends on any of its preferred shares in an amount equal to two full years' dividends, holders of the preferred stock, voting as a single class, will have the right to elect the smallest number of directors that would constitute a majority of the directors until all cumulative dividends on shares of preferred stock have been paid or provided for. Holders of outstanding shares of Series B Preferred, Series C Auction Rate Preferred and any other preferred stock will vote separately as a class on certain other matters, as required by the applicable Articles Supplementary, the 1940 Act and Maryland law. Except as otherwise indicated in this prospectus and as otherwise required by applicable law, holders of Series B Preferred and/or Series C Auction Rate Preferred will have one vote per share on each matter submitted to a vote by the stockholders and will vote together with holders of shares of common stock and any other preferred stock as a single class. See "Description of the Series B Preferred and Series C Auction Rate Preferred-- Voting Rights."

Liquidation Preference.....

The liquidation preference of each share of Series B Preferred is \$25. The liquidation preference of the Series C Auction Rate Preferred is \$25,000 per share. Upon liquidation, preferred stock shareholders will be entitled to receive the liquidation preference with respect to their shares of preferred stock plus an amount equal to accrued but unpaid dividends with respect to such shares (whether or not earned or declared) to the date of distribution. See "Description of the Series B Preferred and Series C Auction Rate Preferred -- Liquidation Rights."

Use of Proceeds.....

The Fund will use the net proceeds from the offering of the additional portfolio securities in accordance with its investment objective and policies. See "Use of Proceeds."

Listing of the Series B Preferred.....

Prior to its being offered, there has been no public offering of Series B Preferred. Following its issuance (if issued), Series B Preferred is expected to be listed on the New York Stock Exchange. However, during an initial period which is expected to exceed 30 days after the date of its initial offering, the Series B Preferred will not be listed on any securities exchange.

Limitation on Secondary Market Trading of the Series C Auction Rate Preferred .....

The Series C Auction Rate Preferred will not be listed on any securities exchange. Broker-dealers may, but are not obliged to, provide a secondary trading market in Series C Auction Rate Preferred outside of auctions. There can be no assurance that such a market will provide owners with liquidity. You may trade Series C Auction Rate Preferred outside of auctions only through a broker-dealer that has entered into an agreement with the auction agent and the Fund, or other persons as to

permits.

Special Characteristics  
and Risks.....

Risk is inherent in all investing. Therefore, before Series B Preferred or Series C Auction Rate Preferred should consider the risks carefully.

Series B Preferred. Primary risks associated with an investment in the Series B Preferred include:

The market price for the Series B Preferred will be influenced by changes in interest rates, the perceived quality of the Series B Preferred and other factors.

During an initial period which is not expected to exceed 90 days after the date of its issuance, the Series B Preferred will not be listed on any securities exchange. During this period, the underwriters intend to make a market for the Series B Preferred; however, they have no obligation to do so. Consequently, the Series B Preferred may be illiquid during such period. No assurances can be provided that the listing on any securities exchange or market making by the underwriters will result in the market for Series B Preferred being liquid at any time.

Series C Auction Rate Preferred. Primary risks associated with an investment in Series C Auction Rate Preferred include:

If an auction fails, you may not be able to sell some of your Series C Auction Rate Preferred. The Fund is not obligated to redeem your Series C Auction Rate Preferred if an auction fails. The underwriters are not required to maintain a market in the Series C Auction Rate Preferred. No broker-dealer is obligated to maintain a secondary market for the Series C Auction Rate Preferred apart from the auction.

You may receive less than the price you paid for your Series C Auction Rate Preferred if you sell them outside of an auction, especially when market interest rates are rising.

In connection with the sale of the Series C Auction Rate Preferred, the Fund may enter into interest rate swap transactions in order to reduce the impact of changes in the dividend rate of the Series C Auction Rate Preferred. To obtain the equivalent of a fixed rate for the Series C Auction Rate Preferred that is lower than the Fund would have to pay if it issued fixed rate preferred shares. The use of interest rate swaps and caps is a highly specialized technique that involves investment techniques and risks different from those associated with ordinary portfolio security transactions. See "How the Fund Manages Risk -- Interest Rate Transactions."

Both the Series B Preferred and Series C Auction Rate Preferred. An investment in either the Series B Preferred or Series C Auction Rate Preferred also includes the following primary risks:

A rating agency could downgrade or withdraw the rating assigned to the Series B Preferred and/or Series C Auction Rate Preferred, which would likely have an adverse effect on the value of the securities.

the liquidity and market value of these preferred shares. The present credit rating does not eliminate or mitigate the risks of investing in these preferred shares.

The Fund may mandatorily redeem your Series B Preferred and/or Series C Auction Rate Preferred to meet regulatory and/or rating agency requirements or may voluntarily redeem your Series B Preferred and/or Series C Auction Rate Preferred. Subject to such redemptions, these preferred shares are perpetual.

The Fund may not meet the asset coverage requirements or sufficient income from its investments to pay dividends to the Series B Preferred and/or Series C Auction Rate Preferred.

The Series B Preferred and/or Series C Auction Rate Preferred are not obligations of the Fund. Although unlikely, price declines in the value of the Fund's assets could result in the Fund having insufficient assets to redeem all of the Series B Preferred and/or Series C Auction Rate Preferred for their redemption price.

The value of the Fund's investment portfolio may decline, reducing the asset coverage for the Series B Preferred and/or Series C Auction Rate Preferred. Further, if an issuer of common stock in which the Fund invests experiences financial difficulties or if an issuer's preferred stock or debt security is downgraded or defaults or if an issuer in which the Fund invests is affected by other adverse market conditions, there may be a negative impact on the income and/or a decline in the value of the Fund's investment portfolio.

The Fund invests a significant portion of its assets in convertible securities. Many convertible securities are not investment grade, that is, not rated within the four highest categories by Moody's and Standard & Poor's Ratings Services. To the extent that the convertible securities and any other fixed income securities owned by the Fund are rated lower than investment grade, or are not rated, there would be a greater risk as to the timely repayment of the principal and timely payment of interest or dividends on, those securities. Convertible debt securities (which generally are rated lower than investment grade) and fixed income securities that are rated lower than investment grade but of similar quality, are commonly described as "junk bonds." See "Risk Factors and Special Considerations - Class Risks."

The Fund may invest up to 25% of its total assets in securities of foreign issuers. The Fund may also purchase sponsored American Depositary Receipts or U.S. denominated securities of foreign issuers, which will not be included in the Fund's 25% foreign securities limitation. Investments in securities of foreign companies and foreign governments which are generally denominated in foreign currencies involve certain risks and opportunities not typically associated with investing in domestic companies and could cause the Fund to be affected favorably or unfavorably by changes in currency exchange rates and revaluation of foreign currencies. See "Risk Factors and Special Considerations - Foreign Securities."



The Investment Adviser (as hereinafter defined) is dependent upon the expertise of Mr. Mario J. Gabelli in providing services with respect to the Fund's investments. If the Investment Adviser were to lose the services of Mr. Gabelli, the ability to service the Fund could be adversely affected. There can be no assurance that a suitable replacement could be found for Mr. Gabelli in the event of his death, resignation, retirement or inability to act on behalf of the Investment Adviser. See "Risk Factors and Special Considerations - Dependence on Key Personnel."

Federal Income Tax Considerations.....

The Fund has qualified and intends to remain qualified for federal income tax purposes as a regulated investment company. Qualification requires, among other things, compliance with certain distribution requirements. Statutory limitations on distributions on the common stock if the Fund fails to satisfy the 1940 Act's asset coverage requirements could jeopardize the Fund's ability to meet the distribution requirements. The Fund presently intends, however, to not redeem preferred stock to the extent necessary in order to maintain compliance with such asset coverage requirements. See "Taxation" for a more complete discussion of these and other federal income tax considerations.

Management and Fees.....

Gabelli Funds, LLC serves as the Fund's investment adviser and is compensated for its services and its related expenses at an annual rate of 1.00% of the Fund's average weekly net assets. The Investment Adviser is responsible for administrative services to the Fund and currently utilizes and pays the fees of a third party administrator. Notwithstanding the foregoing, the Investment Adviser will waive the portion of its investment adviser's fee attributable to an amount of assets of the Fund equal to the aggregate stated value of the Fund's outstanding Series B Preferred or Series C Auction Rate Preferred, as the case may be, for any calendar year in which the net asset value of the Fund allocable to the common stock, including distributions and the advisory fee subject to potential reduction, is less than (i) in the case of the Series B Preferred, the annual dividend rate of such series and (ii) in the case of the Series C Auction Rate Preferred, the dividend rate for the Series C Auction Rate Preferred at the beginning of such year (including the anticipated cost of a swap or cap if the Fund hedges its Series C Auction Rate Preferred dividend obligations), in every case prorated during the year of the dividend issued and the final year such series is outstanding. "Management of the Fund."

Repurchase of Common Stock and Anti-takeover Provisions.....

The Fund is authorized to repurchase up to 500,000 shares of its common stock in the open market when the common stock is trading at a discount of 10% or more (or such other percentage as the Fund's Board of Directors may determine from time to time) from net asset value. Such repurchases are subject to certain notice and other requirements including those set forth in Rule 23c-1 under the 1940 Act. See "Description of Capital Stock and Other Securities - Common Stock." Through December 31, 2002, the Fund has repurchased in the open market 305,200 shares of its common stock.

this authorization. See "Description of Capital Stock Other Securities -- Common Stock." Certain provisions Fund's charter (the "Charter") and the Fund's by-laws ("By-Laws") may be regarded as "anti-takeover" provisions. Pursuant to these provisions, only one of three class directors is elected each year, and the affirmative vote of the holders of 75% of the outstanding shares of the Fund is required for the vote of a majority (as defined in the 1940 Act) of the holders of preferred shares, voting as a single class, to authorize the conversion of the Fund from a closed-end to an open-end investment company. The overall effect of these provisions is to render more difficult the accomplishment of a merger with, or the assumption of control by, a principal stockholder. These provisions may have the effect of depriving Fund stockholders of an opportunity to sell their stock at a premium to the prevailing market price. See "Anti-takeover Provisions of the Charter and By-Laws."

Custodian, Transfer Agent,  
Auction Agent and  
Dividend-Disbursing Agent.....

State Street Bank and Trust Company (the "Custodian") at 150 Royall Street, Canton, MA 02021, serves as the custodian of the Fund's assets pursuant to a custody agreement. Pursuant to the custody agreement, the Custodian holds the Fund's assets in compliance with the 1940 Act. For its services, the Custodian will receive a monthly fee based upon the average value of the total assets of the Fund, plus certain charges for transactions.

EquiServe Trust Company, N.A., located at P.O. Box 430, Providence, RI 02940-3025, serves as the Fund's dividend disbursing agent, as agent under the Fund's automatic dividend reinvestment and voluntary cash purchase plan, as transfer agent and registrar with respect to the common stock of the Fund.

Series B Preferred. EquiServe will also serve as the transfer agent, registrar, dividend and paying agent and redemption agent with respect to the Series B Preferred.

Series C Auction Rate Preferred. The Bank of New York Mellon serves as the auction agent, transfer agent, registrar, dividend paying agent and redemption agent with respect to the Series C Auction Rate Preferred.

Interest Rate Transactions.....

In connection with the sale of the Series C Auction Rate Preferred, the Fund may enter into interest rate swap transactions in order to reduce the impact of changes in the dividend rate of the Series C Auction Rate Preferred. To obtain the equivalent of a fixed rate for the Series C Auction Rate Preferred that is lower than the Fund would have to pay if it issued fixed rate preferred shares. The Fund's interest rate swaps and caps is a highly specialized transaction that involves investment techniques and risks different from those associated with ordinary portfolio security transactions. In an interest rate swap, the Fund would be required to pay to the other party to the interest rate swap (known as the "counterparty") periodically a fixed rate payment in exchange for the counterparty agreeing to pay to the Fund periodically a variable rate payment that is intended to approximate the Fund's variable rate payment obligation on the Series C Auction Rate Preferred. In

interest rate cap, the Fund would pay a premium to the counterparty to the interest rate cap and, to the extent a specified variable rate index exceeds a predetermined rate, the Fund would receive from the counterparty payment of the difference based on the notional amount of such transaction. Interest rate swap and cap transactions introduce additional risk because the Fund would remain obligated to pay preferred stock dividends when due in accordance with the Articles Supplementary even if the counterparty defaulted. Dependence on the general state of short-term interest rates and returns on the Fund's portfolio securities at that point in time, such a default could negatively affect the Fund's ability to make dividend payments on the Series C Auction Rate Preferred. In addition, at the time an interest rate swap or cap transaction reaches its scheduled termination date, there is a risk that the Fund will not be able to obtain a replacement transaction or that the terms of any replacement will not be as favorable as on the expiring transaction. If this occurs, it could have a negative impact on the Fund's ability to make dividend payments on the Series C Auction Rate Preferred. A sudden and dramatic decline in interest rates may result in a significant decline in the Fund's asset coverage. If the Fund fails to maintain the required asset coverage on its outstanding preferred stock or to comply with other covenants, the Fund may, at its option, be consistent with its Charter and the requirements of the Securities Act, and in certain circumstances will be required to mandatorily redeem some or all of these shares (including Series C Auction Rate Preferred). Such redemption likely would result in the Fund seeking to terminate early a portion of any swap or cap transaction. Early termination of a swap could require the Fund to make a termination payment to the counterparty. The Fund intends to maintain in a segregated account with its custodian cash or liquid securities having a value at least equal to the value of the Fund's net payment obligations under any swap transaction marked to market daily. The Fund does not presently intend to enter into interest rate swap or cap transactions related to the Series C Auction Rate Preferred in a notional amount in excess of the outstanding amount of the Series C Auction Rate Preferred. The Fund will monitor any such swap with a view to ensuring that the Fund remains in compliance with all applicable regulatory investment policy and tax requirements. See "How the Fund Manages Risk-- Interest Rate Transactions" for additional information.

#### TAX ATTRIBUTES OF PREFERRED STOCK DIVIDENDS

The Fund intends to distribute to its stockholders substantially all of its net capital gains and net investment income (including short-term capital gain). The Fund operates as a regulated investment company under the Internal Revenue Code of 1986, as amended, (the "Code") and distributions by a regulated investment company generally retain their character as capital gain or ordinary income when received by individual investors who hold its preferred or common stock. Thus, dividends paid by the Fund to holders of the Series B Preferred or Series C Auction Rate Preferred may, for federal income tax purposes, consist of varying proportions of long-term capital gain, ordinary income and/or returns of capital.

Capital gain on assets held longer than 12 months generally is currently taxable to individuals at a maximum rate of 20.0% (or 18.0% for capital assets that have been held for more than five years, the holding period of which began after December 31, 2000). Net investment income, which includes short-term capital gain of the Fund, is currently taxable to individuals at a maximum rate of 38.6%.

Although the Fund is not managed using a tax-focused investment strategy and does not seek to achieve any particular distribution composition, individual investors in the Series B Preferred or Series C Auction Rate Preferred would, under current federal income tax law, realize a tax advantage on their investment to the extent that distributions by the Fund to its stockholders are composed of long-term capital gain which is taxed at a lower rate than ordinary income. In contrast, preferred stock dividends distributed by corporations that are not regulated investment companies are generally taxed, for federal income tax purposes, as ordinary income.

Over the past one, three and five fiscal years ending December 31, 2002, the distributions of taxable income by the Fund consisted of 0.00%, 31.37%, and 31.75% long-term capital gains. The fiscal year ending December 31, 2002 was the first year since the Fund's reorganization in 1995 as a closed-end fund for which its distributions of taxable income failed to include a portion of long-term capital gain. Given current market conditions, there is no assurance that over the next several years the percentage of its taxable distributions that consist of long-term capital gain will again approach historical levels. An investment by an individual in the common stock or preferred stock of a regulated investment company whose dividends consist of a larger percentage of long-term capital gain would be expected to realize a proportionately higher tax advantage as compared to dividends on the Series B Preferred or Series C Auction Rate Preferred.

Corporate taxpayers are subject to a 35% tax on capital gain and ordinary income dividends. In addition, corporate taxpayers that are eligible for the dividends received deduction on dividends that constitute ordinary income will not be able to utilize that deduction with respect to Fund dividends that constitute long-term capital gain, and so may incur a tax disadvantage by holding stock in the Fund.

The Bush Administration has announced a proposal to reduce or eliminate the tax on dividends; however, many details of the proposal (including how the proposal would apply to dividends paid by a regulated investment company) have not been specified. Moreover, the prospects for this proposal are unclear. Accordingly, it is not possible to evaluate how this proposal might affect the taxation of the Fund's stockholders.

The federal income tax characteristics of the Fund and the taxation of its stockholders are described more fully under "Taxation."

The following tables show examples of the pure ordinary income equivalent yield that would be generated by the stated dividend rate on the Series B Preferred and Series C Auction Rate Preferred, respectively, assuming distributions for federal income tax purposes consisting of different proportions of long-term capital gain and ordinary income (including short-term capital gain) for an individual in the 38.6% and 30.0% federal marginal income tax brackets. In reading these tables, you should understand that a number of factors could affect the actual composition for federal income tax purposes of the Fund's distributions each year. Such factors include (i) the Fund's investment performance for any particular year, which may result in distributions of varying proportions of long-term capital gain, ordinary income and/or return of capital and (ii) revocation or revision of the Internal Revenue Service revenue ruling requiring the proportionate allocation of types of income among the holders of various classes of a

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regulated investment company's capital stock.

These tables are for illustrative purposes only and cannot be taken as an indication of the actual composition for federal income tax purposes of the Fund's future distributions.

Percentage of Series B Preferred Stated Annual Dividend Comprised of		Series B Preferred Illustrative Annual Dividend Rate		Series B Illustrative Dividend
Long-Term Capital Gains	Ordinary Income	Tax Equivalent Yield for an Individual in the 38.6% federal Income Tax Bracket <sup>1</sup>		Tax Equivalent Individual federal Income
33.3%	66.7%	6.33%	6.88%	6.02%
30.0%	70.0%	6.27%	6.82%	6.00%
20.0%	80.0%	6.10%	6.63%	5.91%
10.0%	90.0%	5.92%	6.44%	5.83%
0.0%	100.0%	5.75%	6.25%	5.75%

Percentage of Series C Auction Rate Preferred Share Illustrative Annual Dividend Comprised of		Series C Auction Rate Preferred Illustrative Annual Dividend Rate*	
Long-Term Capital Gains	Ordinary Income	Tax Equivalent Yield for an Individual in the 38.6% federal Income Tax Bracket <sup>1</sup>	
33.3%	66.7%	1.10%	1.65%
30.0%	70.0%	1.09%	1.64%
20.0%	80.0%	1.06%	1.59%
10.0%	90.0%	1.03%	1.55%
0.0%	100.0%	1.00%	1.50%

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\* Actual dividend rates for the Series C Auction Rate Preferred will be determined based upon the results of periodic auctions. See "Description of the Series B Preferred and Series C Auction Rate Preferred -- Dividends on the Series C Auction Rate Preferred."

(1) Annual taxable income levels for individuals corresponding to the 2003 federal marginal tax brackets are as follows:

2003 Federal Income Tax Bracket+	Single -----	Joint -----
38.6%	over \$311,950	over \$311,950
35.0%	over \$143,500 - \$311,950	over \$174,700 - \$311,950
30.0%	over \$68,800 - \$143,500	over \$114,650 - \$174,700
27.0%	over \$28,400 - \$68,800	over \$47,450 - \$114,650
15.0%	over \$6,000 - \$28,400	over \$12,000 - \$47,450
10.0%	up to and including \$6,000	up to and including \$6,000

Your federal marginal income tax rates may exceed the rates shown in the above tables due to the reduction, or possible elimination, of the personal exemption deduction for high-income taxpayers and an overall limit on itemized deductions. Income may be subject to certain state, local and foreign taxes. If you pay alternative minimum tax, or AMT, equivalent yields may be lower than those shown above. The tax rates shown above do not apply to corporate taxpayers.

+ The Economic Growth and Tax Relief Reconciliation Act of 2001 creates a new 10 percent income tax bracket and reduces the tax rates applicable to ordinary income over a six year phase-in period. Beginning in the taxable year 2006, ordinary income will be subject to a 35% maximum rate, with approximately proportionate reductions in the other ordinary rates.

FINANCIAL HIGHLIGHTS

The selected data below sets forth the per share operating performance and ratios for the periods presented. The financial information was derived from and should be read in conjunction with the Financial Statements of the Fund and Notes thereto, which are incorporated by reference into this prospectus and the SAI. The financial information for each of the five years ended December 31, 2002 has been audited by PricewaterhouseCoopers LLP, independent accountants, whose unqualified report on such Financial Statements is incorporated by reference into the SAI.

Selected data for a Fund common share outstanding throughout each period:

	Year Ended Decem			
Operating performance:	2002	2001	2000	1999
	-----	-----	-----	-----

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Net asset value, beginning of period.....	\$ 9.92	\$ 10.0	\$ 11.40	\$ 11.45
Net investment income.....	0.49	0.68	0.72	0.51
Net realized and unrealized gain (loss) on investments.....	(0.76)	0.32	(0.52)	0.77
Total from investment operations.....	(0.27)	1.00	0.20	1.28
Distributions to preferred stock shareholders:				
Net investment income.....	(0.28)	(0.18)	(0.13)	(0.11)
Net realized gain on investments.....	---	(0.12)	(0.17)	(0.19)
Total distributions to preferred stock shareholders.....	(0.28)	(0.30)	(0.30)	(0.30)
Net increase (decrease) in net assets attributable to common stock shareholders resulting from operations.....	(0.55)	0.70	(0.10)	0.98
Distributions to common stock shareholders:				
Net investment income.....	(0.27)	(0.48)	(0.57)	(0.39)
Net realized gain on investments.....	---	(0.33)	(0.73)	(0.64)
Paid in capital.....	(0.48)	--	--	--
Total distributions to common stock shareholders.....	(0.75)	(0.81)	(1.30)	(1.03)
Capital share transactions:				
Increase in net asset value from common share transactions.....	0.02	0.01	0.02	---
Decrease in net asset value from shares issued in rights offering.....	(0.20)	--	--	---
Preferred share offering costs charged to paid-capital.....	--	--	--	--
Total capital share transactions.....	(0.18)	0.01	0.02	0.00
Net asset value attributable to common stock shareholders, end of period.....	\$ 8.44	\$ 9.92	\$ 10.02	\$ 11.40
Net asset value total return+.....	(7.0)%	7.0%	0.0%	9.4%
Market value, end of period.....	\$ 8.55	\$ 10.90	\$ 9.13	\$ 10.56
Total investment return++.....	(14.2)%	29.1%	(1.7)%	3.2%
Ratios and supplemental data:				
Net assets including liquidation value of preferred shares, end of period (in 000's).....	\$ 108,774	\$ 110,074	\$ 108,066	\$ 120,17
Net assets attributable to common shares, end of period (in 000's).....	\$ 93,774	\$ 80,074	\$ 78,066	\$ 90,17
Ratio of net investment income to average assets attributable to common shares*.	5.32%	6.58%	6.49%	4.35
Ratio of operating expenses to average net assets attributable to common shares* (a).....	1.58%	1.46%	1.48%	1.80
Ratio of operating expenses to average total net assets including liquidation value of preferred shares (c).....	1.15%	1.07%	1.10%	1.36
Portfolio turnover rate.....	56%	59%	169%	175
Cumulative Preferred Stock:				

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8.00% Cumulative Preferred Stock

Liquidation value, end of period (in 000's).....	\$ 15,000	\$ 30,000	\$ 30,000	\$ 30,000
Total shares outstanding (in 000's).....	600	1,200	1,200	1,200
Liquidation preference per share.....	\$ 25.00	\$ 25.00	\$ 25.00	\$ 25.00
Average market value (b).....	\$ 25.83	\$ 25.80	\$ 24.31	\$ 25.36
Asset coverage.....	725%	367%	360%	401%
Asset coverage per share.....	\$ 181.29	\$ 91.72	\$ 90.05	\$ 100.15

See footnotes on following page.

Operating Performance:	Year Ended December	
	1996+	1995+
Net asset value, beginning of period.....	\$ 11.01	\$ 10.60
Net investment income.....	0.49	0.53
Net realized and unrealized gain (loss) on securities.....	0.31	1.03
Total from investment operations.....	0.80	1.56
Distributions to common stock shareholders:		
Net investment income.....	(0.49)	(0.53)
Net realized gain on investments.....	(0.24)	(0.56)
Distributions in excess of net investment income.....	-	(0.02)
Distributions in excess of net realized gains.....	-	(0.01)
Paid-in capital.....	-	(0.03)
Total distributions.....	(0.73)	(1.15)
Net asset value, end of period.....	\$ 11.08	\$ 11.01
Total Net Asset Value Return ++ (d).....	8.4%	15.0%
Market value, end of period.....	\$ 9.25	\$ 10.75
Total Investment Return ++(e).....	(7.3)%	12.3%
Ratios and supplemental data:		
Net assets, end of period (in thousands).....	\$ 89,659	\$ 89,137
Ratio of operating expenses to average net assets (f).....	1.45%	1.56%
Ratio of net investment income (loss) to average net assets.....	4.33%	4.60%
Portfolio turnover rate.....	114%	140%

+ Based on net asset value per share, adjusted for reinvestment of distributions.

++ Based on market value per share, adjusted for reinvestment of distributions.

+ No preferred stock outstanding during this period.

++ Total return is calculated assuming a purchase of shares on the first day and a sale on the last day of each period reported and includes reinvestment of distributions.

\* The expense ratio and net investment income ratio do not reflect the



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effect of dividend payments to preferred shareholders.

- (a) The ratio of operating expenses to average net assets attributable to common stock for the fiscal year ended December 31, 1997 does not include a reduction of expenses for custodian fee credits on cash balances maintained with the custodian. Including the custodian fee credit, the ratio of operating expenses to average net assets attributable to common stock for the year would have been 1.67%.
- (b) Based on weekly prices.
- (c) Amounts are attributable to both common and preferred stock assets. (d) Based on net asset value per share, adjusted for reinvestment of all distributions.
- (e) Based on net asset value per share through March 31, 1995, the date of conversion of the Fund to closed-end status, and market value thereafter, adjusted for reinvestment of all distributions.
- (f) Includes, for 1995, a current period expense associated with the conversion of the Fund to closed-end Status. Without the conversion expense, this ratio would have been 1.28% in 1995.

The following table provides information about the Fund's Series A Preferred since its issuance in May 1997. The Fund redeemed all of its outstanding shares of Series A Preferred on February 11, 2003. The information has been audited by PricewaterhouseCoopers LLP, independent accountants.

Year ended December 31, -----	Shares Outstanding -----	Asset Coverage Per Share -----	Involuntary Liquidation Preference Per Share -----	Average Market Value Per Share -----
2002	600,000	\$181.29	\$25.00	\$25.83
2001	1,200,000	\$91.72	\$25.00	\$25.80
2000	1,200,000	\$90.05	\$25.00	\$24.31
1999	1,200,000	\$100.15	\$25.00	\$25.36
1998	1,200,000	\$100.60	\$25.00	\$26.84
1997	1,200,000	\$101.99	\$25.00	\$25.69

For purposes of the foregoing table, the Asset Coverage Per Share is calculated by dividing the total value of the Fund's assets on December 31 of the relevant year by the number of shares of Series A Preferred outstanding on that date. Involuntary Liquidation Preference Per Share refers to the amount holders of Series A Preferred are entitled to receive per share in the event of liquidation of the Fund prior to the holders of common stock being entitled to receive any amounts in respect of the assets of the Fund. The Average Market Value Per Share is the average of the weekly closing prices of the Series A Preferred on the NYSE each week during the relevant year.

USE OF PROCEEDS

The net proceeds of the offering are estimated at \$48,500,000 after deduction of the underwriting discounts and estimated offering expenses payable by the Fund. The Investment Adviser expects that it will initially invest the proceeds of the offering in high quality short-term income securities in accordance with the Fund's investment guidelines. Thereafter, the Fund intends to reallocate all or a portion of the offering proceeds to other long-term income or convertible securities in accordance with the Fund's investment guidelines as suitable investment opportunities become available.

THE FUND

The Fund was incorporated in Maryland on December 19, 1988 as an open-end, diversified, management investment company. The Fund converted to closed-end status after receiving stockholder approval of its Charter on February 21, 1995 and filing of the Charter in Maryland on March 31, 1995. The Fund's common stock is traded on the New York Stock Exchange under the symbol "GCV." The Fund's Series A Preferred, all of which was redeemed by the Fund on February 11, 2003, previously traded on the New York Stock Exchange under the symbol "GCV Pr."

CAPITALIZATION

The following table sets forth the unaudited capitalization of the Fund as of February 14, 2003, and its adjusted capitalization assuming the Series B Preferred and/or Series C Auction Rate Preferred offered in this prospectus had been issued as of that date.

	As of February 14, 2003
	Actual
	-----
	(Unaudited)
Preferred stock, \$0.001 par value, 1,000,000,000 shares authorized.* (The "Actual" column reflects the Fund's outstanding capitalization as of February 14, 2003; the "As Adjusted" column assumes the issuance of an additional 1,000,000 shares of Series B Preferred, liquidation preference \$25 per share, and 1,000 shares of Series C Auction Rate Preferred, liquidation preference \$25,000 per share)	\$ 0
Common stock, \$.001 par value per share; 1,000,000,000 shares authorized,* 11,113,431 shares outstanding.....	11,113
Paid-in surplus**.....	104,240,469
Undistributed net investment income.....	171,637
Accumulated net realized loss from investment transactions.....	(1,280,802)
Net unrealized depreciation.....	(6,743,474)
Net assets applicable to common shareholders.....	\$96,398,943
	-----
Net assets, plus liquidation preference of preferred stock.....	\$96,398,943
	=====

\* The total number of shares of capital stock of all classes authorized. The Board of Directors is authorized to classify or reclassify these one billion shares.

\*\* As adjusted paid-in surplus reflects a reduction for the sales load and estimated offering cost of the Series B Preferred and/or Series C Auction Rate Preferred issuance of \$1,500,000.

As used in this prospectus, unless otherwise noted, the Fund's "managed assets" include the aggregate net asset value of the common shares plus assets attributable to outstanding shares of its preferred stock, with no deduction for the liquidation preference of such shares of preferred stock.

For financial reporting purposes, however, the Fund is required to deduct the liquidation preference of its outstanding preferred stock from "managed assets," so long as the preferred stock has redemption features that are not solely within the control of the Fund. For all regulatory purposes, the Fund's preferred stock will be treated as stock (rather than as indebtedness).

#### INVESTMENT OBJECTIVE AND POLICIES

The investment objective of the Fund is to seek a high level of total return on its assets. The Fund seeks to achieve its investment objective through a combination of current income and capital appreciation. There is no assurance that this objective will be achieved. It is, however, a fundamental policy of the Fund and cannot be changed without stockholder approval. Under normal circumstances the Fund will invest at least 80% of the value of its total assets (taken at current value) in "convertible securities," i.e., securities (bonds, debentures, notes, stocks and other similar securities) that are convertible into common stock or other equity securities, and "income securities," i.e., nonconvertible debt or equity securities having a history of regular payments or accrual of income to holders. Securities received upon conversion of a convertible security will not be included in the calculation of the percentage of Fund assets invested in convertible securities but may be retained in the Fund's portfolio to permit orderly disposition or to establish long-term holding periods for federal income tax purposes. The Fund expects to continue its practice of focusing on convertible securities to the extent attractive opportunities are available.

The Fund may invest up to 20% of its total assets (taken at current value and subject to any restrictions appearing elsewhere in this Registration Statement) in any combination and quantity of securities that do not generate any income, such as common stocks that do not pay dividends. In selecting any of the foregoing securities for investment, the factors that will be considered by the Investment Adviser include the Investment Adviser's evaluation of the underlying value of the assets and business of the issuers of the securities, the potential for capital appreciation, the price of the securities, the issuer's balance sheet characteristics and the perceived skills and integrity of the issuer's management.

During periods when it is deemed necessary for temporary defensive purposes, the Fund may invest without limit in high quality money market instruments, including commercial paper of domestic and foreign corporations, certificates of deposit, bankers' acceptances and other obligations of domestic and foreign banks and obligations issued or guaranteed by the United States government, its instrumentalities or agencies and, subject to statutory limitations, unaffiliated money market mutual funds, unless an exemptive order permits the Fund to invest in affiliated money market funds. The yield on these securities will, as a general matter, tend to be lower than the yield on other securities to be purchased by the Fund. See " -- Investment Practices -- Temporary Defensive Investments."

Investment Met