PINNACLE ENTERTAINMENT INC.
Form DEF 14A
April 09, 2012

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

(Rule 14a-101)

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

(Amendment No.)

Filed by the Registrant x Filed by a Party other than the Registrant ¨

Check the appropriate box:

¨ Preliminary Proxy Statement

¨ **Confidential, For Use of the Commission Only (as permitted by Rule 14a-6(e)(2)**)

x Definitive Proxy Statement

¨ Definitive Additional Materials

¨ Soliciting Material Pursuant to § 240.14a-12

PINNACLE ENTERTAINMENT, INC.

(Name of Registrant as Specified in Its Charter)

N/A

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

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NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

TO BE HELD ON MAY 22, 2012

TO THE STOCKHOLDERS OF PINNACLE ENTERTAINMENT, INC.:

NOTICE IS HEREBY GIVEN that an Annual Meeting of Stockholders of Pinnacle Entertainment, Inc., a Delaware corporation (the Company), will be held on Tuesday, May 22, 2012, at 9:00 a.m., local time, at the Company s offices, 8918 Spanish Ridge Avenue, Las Vegas, Nevada 89148, and at any adjournments or postponements thereof (the Annual Meeting), for the following purposes, as more fully described in the accompanying Proxy Statement:

1. To elect eight directors to serve on the Company s Board of Directors for the coming year, each to hold office until the next annual meeting of stockholders (and until each such director s successor shall have been duly elected and qualified);

2. To approve amendments to the Company s 2005 Equity and Performance Incentive Plan, as amended (the 2005 Plan), to increase by 1,300,000 the maximum number of shares of the Company s Common Stock that may be issued or subject to awards under the 2005 Plan and to increase the maximum number of awards under the 2005 Plan that may be issued as incentive stock options from 5,850,000 shares to 7,150,000 shares (the Amendment to the 2005 Plan);

3. To re-approve the performance-based compensation provisions of the 2005 Plan to comply with the requirements of Section 162(m) of the Internal Revenue Code of 1986, as amended (the Code);

4. To approve an amendment to the Company s 2008 Amended and Restated Directors Deferred Compensation Plan (the Directors Plan) to increase by 200,000 the maximum number of shares of the Company s Common Stock that may be issued or subject to awards under the Directors Plan (the Amendment to the Directors Plan);

5. To approve, on an advisory basis, the compensation of the Company s named executive officers;

6. To ratify the appointment of Ernst & Young LLP as the Company s independent auditors for the 2012 fiscal year; and

7. To act upon such other business as may properly come before the Annual Meeting or before any adjournments or postponements thereof.

We are taking advantage of rules of the Securities and Exchange Commission that allow us to furnish proxy materials to you via the Internet. Unless you have already requested to receive a printed set of proxy materials, you will receive a Notice Regarding the Availability of Proxy Materials, or Notice. The Notice contains instructions on how to access proxy materials and vote your shares via the Internet or, if you prefer, to request a printed set of proxy materials at no additional cost to you. We believe that this approach provides a convenient way for you to access your proxy materials and vote your shares, while lowering our printing and delivery costs and reducing the environmental impact associated with our Annual Meeting.

Important Change: Your broker cannot vote your shares without your instructions for the election of directors, for the Amendment to the 2005 Plan, for the re-approval of the performance-based compensation provisions of the 2005 Plan, for the Amendment to the Directors Plan, and for the approval, on an advisory basis, the compensation of the Company s named executive officers. ***If you do not provide voting instructions to your broker, your shares will not be voted or counted for the election of directors, for the Amendment to the 2005 Plan, for the re-approval of the performance-based compensation provisions of the 2005 Plan, for the Amendment to the Directors Plan and for the approval, on an advisory basis, of the compensation of the Company s named executive officers.*** It is, therefore, important that beneficial owners instruct their brokers how they wish to vote their shares.

Stockholders of record as of March 27, 2012 can vote at the Annual Meeting. On or about April 9, 2012, we will mail the Notice or, for stockholders who have already requested to receive a printed set of proxy materials, this proxy statement, the accompanying proxy card and annual report. Please vote before the Annual Meeting in one of the following ways:

1. By Internet You can vote over the Internet at *www.proxyvote.com* by entering the control number found on your Notice or proxy card;

2. By Telephone You can vote by telephone by calling 1-800-690-6903 and entering the control number found on your Notice or proxy card; or

3. By Mail If you received your proxy materials by mail, you can vote by signing, dating and mailing the proxy card in the pre-paid enclosed envelope.

Your vote is very important. Please vote before the meeting using one of the methods above to ensure that your vote will be counted. Your proxy may be revoked at any time before the vote at the Annual Meeting by following the procedures outlined in the accompanying proxy statement.

BY ORDER OF THE BOARD OF DIRECTORS

John A. Godfrey

Secretary

Las Vegas, Nevada

April 9, 2012

PINNACLE ENTERTAINMENT, INC.

8918 SPANISH RIDGE AVENUE

LAS VEGAS, NEVADA 89148

PROXY STATEMENT RELATING TO

ANNUAL MEETING OF STOCKHOLDERS

TO BE HELD ON MAY 22, 2012

This Proxy Statement is being furnished to the stockholders of Pinnacle Entertainment, Inc., a Delaware corporation (Pinnacle or the Company), in connection with the solicitation of proxies by the Company s Board of Directors (the Board of Directors or the Board) for use at the Annual Meeting of the Company s stockholders to be held on Tuesday, May 22, 2012, at 9:00 a.m., local time, at the Company s offices located at 8918 Spanish Ridge Avenue, Las Vegas, Nevada 89148, and at any adjournments or postponements thereof (the Annual Meeting).

At the Annual Meeting, holders of the Company s Common Stock, $0.10 par value per share (Pinnacle Common Stock), will be asked to vote upon:

(i) the election of eight directors to serve on the Company s Board of Directors for the coming year, each to hold office until the next annual meeting of stockholders (and until each such director s successor shall have been duly elected and qualified);

(ii) the approval of amendments to the Company s 2005 Equity and Performance Incentive Plan, as amended (the 2005 Plan), to increase by 1,300,000 the maximum number of shares of the Company s Common Stock that may be issued or subject to awards under the 2005 Plan and to increase the maximum number of awards under the 2005 Plan that may be issued as incentive stock options from 5,850,000 shares to 7,150,000 shares (the Amendment to the 2005 Plan);

(iii) the re-approval of the performance-based compensation provisions of the 2005 Plan to comply with the requirements of Section 162(m) of the Internal Revenue Code of 1986, as amended (the Code);

(iv) the approval of an amendment to the Company s 2008 Amended and Restated Directors Deferred Compensation Plan (the Directors Plan) to increase by 200,000 the maximum number of shares of the Company s Common Stock that may be issued or subject to awards under the Directors Plan (the Amendment to the Directors Plan);

(v) the approval, on an advisory basis, the compensation of the Company s named executive officers;

(vi) the ratification of the appointment of Ernst & Young LLP as our independent auditors for the 2012 fiscal year; and

(vii) any other business that properly comes before the Annual Meeting.

This Proxy Statement, the accompanying Proxy Card and the Notice Regarding the Availability of Proxy Materials, or Notice, are first being mailed to the Company s stockholders on or about April 9, 2012. The address of the principal executive offices of the Company is 8918 Spanish Ridge Avenue, Las Vegas, Nevada 89148.

ANNUAL MEETING

Record Date; Outstanding Shares; Quorum

Only holders of record of Pinnacle Common Stock at the close of business on March 27, 2012 (the Record Date) will be entitled to receive notice of and to vote at the Annual Meeting. As of the close of business on the Record Date, there were 62,533,185 shares of Pinnacle Common Stock outstanding and entitled to vote, held of record by 2,138 stockholders. A majority, or 31,266,593 of these shares, present in person or represented by proxy, will constitute a quorum for the transaction of business at the Annual Meeting. Each of the Company s stockholders is entitled to one vote for each share of Pinnacle Common Stock held as of the Record Date.

Voting of Proxies; Votes Required

All properly executed, returned and unrevoked Proxy Cards will be voted in accordance with the instructions indicated thereon. Executed but unmarked Proxy Cards will be voted: (i) FOR the election of each director nominee listed on the Proxy Card; (ii) FOR the approval of the Amendment to the 2005 Plan; (iii) FOR the re-approval of the performance-based compensation provisions of the 2005 Plan; (iv) FOR the approval of the Amendment to the Directors Plan; (v) FOR the approval, on an advisory basis, of the compensation of the Company s named executive officers; and (vi) FOR the ratification of the appointment of independent auditors for the 2012 fiscal year. The Company s Board of Directors does not presently intend to bring any business before the Annual Meeting other than that referred to in this Proxy Statement and specified in the Notice of the Annual Meeting. By signing the Proxy Cards, stockholders confer discretionary authority on the proxies (who are persons designated by the Board of Directors) to vote all shares covered by the Proxy Cards in their discretion on any other matter that may properly come before the Annual Meeting or any adjournment or postponement thereof, including any motion made for adjournment of the Annual Meeting.

You may submit your proxy by mail, telephone or the internet. Proxies submitted by any of those methods will be treated in the same manner. If you are a stockholder of record, you may submit your proxy by signing and returning the enclosed Proxy Card by mail, telephone at 1-800-690-6903 or on the internet at http://www.proxyvote.com. If you hold your shares in street name, please follow the voting instructions forwarded to you by your bank, broker or other nominee.

Whether the proxy is submitted by mail, telephone or the internet, any stockholder who has given a proxy may revoke it at any time before it is exercised at the Annual Meeting by (i) delivering a written revocation to, or delivering a duly executed proxy bearing a later date to, the Secretary of the Company, at 8918 Spanish Ridge Avenue, Las Vegas, Nevada 89148, or (ii) attending the Annual Meeting and voting in person (although attendance at the Annual Meeting will not, by itself, revoke a proxy). If you voted by telephone or the Internet and wish to change your vote, you may call the toll-free number or go to the Internet site, as may be applicable in the case of your earlier vote, and follow the directions for changing your vote.

The Company has adopted a majority vote standard in uncontested director elections. To be elected, each director nominee must receive more FOR votes than AGAINST votes. Abstentions and broker non-votes will have no effect on the election of directors because only votes FOR or AGAINST a nominee will be counted.

The proposals to approve the Amendment to the 2005 Plan, to re-approve the performance-based compensation provisions of the 2005 Plan and to approve of the Amendment to the Directors Plan require approval by the affirmative vote of a majority of the votes cast FOR, AGAINST or ABSTAIN with respect to each proposal in person or by proxy and entitled to vote at the Annual Meeting, provided that the total votes so cast on each proposal represents more than 50% of all shares entitled to vote on that proposal.

The proposal to approve, on an advisory basis, the compensation of the Company s named executive officers requires approval by the affirmative vote of a majority of the votes cast FOR or AGAINST with respect to such proposal.

The proposal to ratify the appointment of Ernst & Young LLP as the Company s independent auditors for the 2012 fiscal year requires approval by the affirmative vote of a majority of the votes cast FOR or AGAINST with respect to such proposal.

Abstentions and Broker Non-Votes

A stockholder may ABSTAIN on any proposal that may properly come before the Annual Meeting. If a stockholder chooses to ABSTAIN, such stockholder s shares will be considered present at the Annual Meeting for purposes of determining a quorum on all matters and will be considered entitled to vote, but will have no effect with respect to the outcome of the vote to elect directors, to approve, on an advisory basis, the compensation of the Company s named executive officers or to ratify the appointment of the Company s independent auditors.

However, according to the New York Stock Exchange, or the NYSE, rules, a vote to ABSTAIN on the proposals to approve the Amendment to the 2005 Plan, to re-approve the performance-based compensation provisions of the 2005 Plan and to approve the Amendment to the Directors Plan will be considered as a vote cast with respect to such matter, and will have the same effect as a vote AGAINST such proposal.

Under the rules of the NYSE, if a broker or other financial institution holds a client s shares in its name and the client does not provide voting instructions to them, that firm has discretion to vote such shares for certain routine matters. Proposal No. 6, the ratification of the appointment of our independent auditor, is a routine matter. On the other hand, the broker or other financial institution that holds a client s shares in its name does not have discretion to vote such shares for non-routine matters. Proposals Nos. 1, 2, 3, 4, and 5 are non-routine matters, and the firm that holds shares in its name may not vote on those items, absent instruction from the client. When a firm votes a client s shares on some, but not all, of the proposals at the Annual Meeting, the missing votes are referred to as broker non-votes. Those shares will be included in determining the presence of a quorum at the Annual Meeting, but are not considered voting power for purposes of voting on the non-routine items. Accordingly, broker non-votes will have no effect on any proposals, except that, with respect to proposals to approve the Amendment to the 2005 Plan, to re-approve the performance-based compensation provisions of the 2005 Plan and to approve of the Amendment to the Directors Plan, the broker non-votes will not count toward the requirement that the total number of votes cast on the proposal, including abstentions, represent over 50% of the total shares entitled to vote on the proposal.

Delivery of One Notice or Proxy Statement and Annual Report to a Single Household to Reduce Duplicate Mailings

In connection with the Annual Meeting, the Company is required to send to each stockholder of record an Annual Report to Stockholders (the Annual Report), the Proxy Statement or Notice, and to arrange for an Annual Report, Proxy Statement or Notice to be sent to each beneficial stockholder whose shares are held by or in the name of a broker, bank, trust or other nominee. Because many stockholders hold shares of Pinnacle Common Stock in multiple accounts, this process would result in duplicate mailings of the Annual Report, Proxy Statement or the Notice to stockholders who share the same address. To avoid this duplication, unless the Company receives instructions to the contrary from one or more of the stockholders sharing a mailing address, only one Annual Report, Proxy Statement or Notice will be sent to each address. Stockholders may, on their own initiative, avoid receiving duplicate mailings and save the Company the cost of producing and mailing duplicate documents as follows:

Stockholders of Record. If your shares are registered in your own name and you are interested in consenting to the delivery of a single Annual Report, Proxy Statement or Notice, to enroll in the electronic delivery service go directly to our transfer agent s website at www.amstock.com anytime and follow the instructions.

Beneficial Stockholders. If your shares are not registered in your own name, your broker, bank, trust or other nominee that holds your shares may have asked you to consent to the delivery of a single Annual Report, Proxy Statement or Notice if there are other Pinnacle Entertainment, Inc. stockholders who share an address with you. If you currently receive more than one Annual Report, Proxy Statement or Notice at your household, and would like to receive only one copy of each in the future, you should contact your nominee.

Right to Request Separate Copies. If you consent to the delivery of a single Annual Report, Proxy Statement or Notice but later decide that you would prefer to receive a separate copy of the Annual Report, Proxy Statement or Notice, as applicable, for each stockholder sharing your address, then please notify us or your nominee, as applicable, and we or they will promptly deliver such additional Annual Reports, Proxy Statement or Notices. If you wish to receive a separate copy of the Annual Report, Proxy Statement or Notice for each stockholder sharing your address in the future, you may contact our transfer agent, American Stock Transfer & Trust Company, directly by telephone at 1-800-937-5449, by mail 6201 15th Avenue, Brooklyn, NY 11219 or by visiting its website at www.amstock.com and following the instructions.

Appraisal and Dissenters Rights

Under Delaware law, stockholders are not entitled to appraisal or dissenters rights with respect to the proposals presented in this Proxy Statement.

Solicitation of Proxies and Expenses

Proxies are being solicited by the Company. The Company will bear the cost of the solicitation of proxies from its stockholders, although stockholders who vote by telephone or the internet may incur telephone or internet access charges. The directors, executive officers and employees of the Company may solicit proxies by mail, telephone, telegram, letter, facsimile, e-mail or in person. Such directors, executive officers and employees will not be specifically compensated for such services. Arrangements may also be made with brokers, custodians, nominees, and other record holders to forward proxy solicitation materials to the beneficial owners of shares of Pinnacle Common Stock held of record by such brokers, custodians, nominees and other record holders, and the Company may reimburse them for their reasonable out-of-pocket expenses incurred in connection therewith.

PROPOSAL 1

ELECTION OF DIRECTORS

(Item No. 1 on Proxy Card)

At the Annual Meeting, holders of Pinnacle Common Stock will be asked to vote on the election of eight directors who will constitute the full Board of Directors of the Company. The Board of Directors has adopted a majority vote standard in uncontested director elections. Because we did not receive advance notice under our Bylaws of any stockholder nominees for director, the 2012 election of directors is an uncontested election. To be elected in an uncontested election, a director nominee must receive more FOR votes than AGAINST votes. Abstentions and broker non-votes will have no effect on the election of directors because only votes FOR or AGAINST a nominee will be counted. Your brokerage firm or other nominee may not vote your shares with respect to the election of directors without specific instructions from you as to how to vote with respect to the election of each of the eight nominees for director, because the election of directors is not considered a routine matter under the NYSE rules.

Each director elected will hold office until the next annual meeting of stockholders (and until his or her successor shall have been duly elected and qualified). The Company is a Delaware corporation and, under Delaware law, if an incumbent director is not elected, that director remains in office until the director s successor is duly elected and qualified or until the director s earlier resignation or removal. To address this potential outcome, the Board has adopted a director resignation and recusal policy in our Corporate Governance Guidelines. Under this policy, the Board of Directors will nominate for re-election only those incumbent candidates who tender irrevocable resignations. The Board of Directors has obtained such resignations from each director nominee for election at the Annual Meeting. The irrevocable resignations will be effective upon (1) the failure to receive the required vote at any annual meeting at which directors are nominated for re-election and (2) Board acceptance of the resignations. In the event that a director nominee does not receive the required vote at the Annual Meeting, the Corporate Governance and Nominating Committee will recommend to the Board of Directors whether to accept or reject a tendered resignation. The Board of Directors will publicly disclose its decision within 90 days following certification of the stockholder vote. In addition, the Board of Directors expects the director whose resignation is under consideration to abstain from participating in any decision regarding that resignation. If the Board of Directors does not accept the resignation, the director will continue to serve until the next annual meeting and until his or her successor is duly elected and qualified, or until his or her earlier resignation or removal. If the Board of Directors accepts the resignation, then the Board of Directors, in its sole discretion, may fill any resulting vacancy or may decrease the size of the Board of Directors.

On October 17, 2011, Lynn P. Reitnouer informed the Company that he did not intend to run for re-election as a member of the Board of Directors at the Annual Meeting, and that he would retire as a director effective upon the conclusion of the Annual Meeting. On March 19, 2012, the Board of Directors increased the size of the Board of Directors from seven members to nine members and elected Jaynie Miller Studenmund and Desirée Rogers as members of the Board. In addition, on March 19, 2012, the Board of Directors approved the reduction of the size of the Board of Directors from nine members to eight members effective upon the conclusion of the Annual Meeting.

After the Annual Meeting, the Board of Directors may increase the size of the Board and fill any resulting vacancy or vacancies, but the Board of Directors has no present intention to do so. If the Board of Directors increases the size of the Board and elects a new director to fill the resulting vacancy or vacancies, the new director or directors must stand for election at the next year s annual meeting of stockholders. All of the nominees listed below currently serve on the Board of Directors of the Company.

General

Each proxy received will be voted for the election of the persons named below, unless the stockholder signing such proxy abstains with respect to one or more of these nominees in the manner described in the proxy.

Although it is not contemplated that any nominee named below will decline or be unable to serve as a director, in the event any nominee declines or is unable to serve as a director, the proxies will be voted by the proxy holders for a substitute nominee as directed by the Board of Directors.

There are no family relationships between any director, nominee or executive officer and any other director, nominee or executive officer of the Company. There are no arrangements or understandings between any director, nominee or executive officer and any other person pursuant to which he has been or will be selected as a director, nominee and/or executive officer of the Company other than arrangements or understandings with any such director, nominee and/or executive officer acting in his or her capacity as such. See Information Regarding the Director Nominees.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR ELECTION OF ALL OF THE NOMINEES LISTED BELOW.

Selection of Nominees for Director

It is the policy of the Board, as set forth in the Company s Corporate Governance Guidelines, to select director nominees who have achieved success in their personal fields and who demonstrate integrity and high personal and professional ethics, sound business judgment, and willingness to devote the requisite time to their duties as director, and who will contribute to the Company s overall corporate goals. Board members are evaluated and selected based on their individual merit, as well as in the context of the needs of the Board as a whole.

The Corporate Governance and Nominating Committee is responsible for identifying, recruiting, reviewing, and recommending to the Board qualified individuals to be nominated for election or reelection as directors, consistent with the criteria set forth in the Company s Corporate Governance Guidelines. Depending on the circumstances, the Corporate Governance and Nominating Committee considers candidates recommended by Board members, third parties and, to the extent deemed appropriate, director search firms.

Before recommending to the Board a new or incumbent director for election or reelection, the Corporate Governance and Nominating Committee reviews his or her qualifications, including capability, availability to serve, conflicts of interest, understanding of the gaming industry, finance and other elements relevant to the Company s business, educational, business and professional background, age and past performance as a Board member (including past attendance at, and participation in, meetings of the Board and its committees and contributions to their activities). The Corporate Governance and Nominating Committee, in conducting such evaluation, may also take into account such other factors as it deems relevant. The Corporate Governance and Nominating Committee also receives disclosures relating to a director s independence and assists the Board in making determinations as to the independence of the directors. The Corporate Governance and Nominating Committee also conducts an annual review of the composition of the Board as a whole, including whether the Board reflects the appropriate degree of independence, balance of sound judgment, business specialization, technical skills, diversity and other desired qualities, and satisfies the other requirements set forth in the Company s Corporate Governance Guidelines.

In particular, the Corporate Governance and Nominating Committee seeks directors with established strong professional reputations and expertise in areas relevant to the strategy and operations of the Company s business. While the Company s Corporate Governance Guidelines do not prescribe diversity standards, as a matter of practice, the Corporate Governance and Nominating Committee considers diversity in the context of the Board as a whole and takes into account the personal characteristics (gender, ethnicity, age) and experience (industry, professional, public service) of current and prospective directors to facilitate Board deliberations that reflect a broad range of perspectives. The Corporate Governance and Nominating Committee considers the effectiveness of those efforts as part of its annual self-evaluation process.

The Corporate Governance and Nominating Committee will consider Board nominee recommendations by stockholders who have beneficially owned more than five percent of the Company s then-outstanding shares of Pinnacle Common Stock for at least two consecutive years as of the date of making the proposal and who submit in writing the names and supporting information to the Chair of the Corporate Governance and Nominating Committee at the address of the Company s principal executive offices. A stockholder recommendation must contain: (a) the name and address of the stockholder making the recommendation, the class and number of shares of the Company s capital stock owned beneficially by such stockholder, and documentary support that such stockholder satisfies the requisite stock ownership threshold and holding period; and (b) as to the proposed nominee, the name, age, business and residence addresses, principal occupation or employment, number of shares of Pinnacle Common Stock held by the nominee, a résumé of his or her business and educational background, information that would be required in a proxy statement soliciting proxies for the election of such nominee, and a signed consent of the nominee to serve as a director, if nominated and elected. In order to be considered, a stockholder recommendation for nomination with respect to an upcoming annual meeting of stockholders must be received by the Chair of the Corporate Governance and Nominating Committee no later than the 120th calendar day before the first anniversary of the date of the Company s proxy statement released to stockholders in connection with the previous year s annual meeting, with certain exceptions that are set forth in the Company s Corporate Governance Guidelines.

The Company s policies and procedures regarding the selection of director nominees are described in greater detail in the Company s Corporate Governance Guidelines and the Charter of the Corporate Governance and Nominating Committee, which are available on the Company s website at www.pnkinc.com. In addition, printed copies of such Corporate Governance Guidelines and the Charter of the Corporate Governance and Nominating Committee are available upon written request to Investor Relations, Pinnacle Entertainment, Inc., 8918 Spanish Ridge Avenue, Las Vegas, Nevada 89148.

As contrasted to a stockholder recommendation of a nominee for consideration by the Company s Corporate Governance and Nominating Committee, stockholders who wish to nominate directors at future annual meetings must comply with the applicable provisions of the Company s Bylaws, as described in this Proxy Statement under the caption Stockholder Proposals for the Next Annual Meeting.

Information Regarding the Director Nominees

Set forth below is information with respect to the nominees, including their recent employment or principal occupation, a summary of their specific experience, qualifications, attributes or skills that led to the conclusion that they are qualified to serve as a director, the names of other public companies for which they currently serve as a director or have served as a director within the past five years, their period of service as a Pinnacle s director and their age. All of the nominees have consented to being named in this Proxy Statement and have agreed to serve on the Board of Directors, if elected.

Name	Age	Position with the Company
Stephen C. Comer (a)(b)	62	Director
John V. Giovenco (a)(d)	76	Director
Richard J. Goeglein (c)	77	Chairman of the Board and Director
Bruce A. Leslie (a)(c)(d)	61	Director
James L. Martineau (b)(d)	71	Director
Desirée Rogers	52	Director
Anthony M. Sanfilippo	54	President, Chief Executive Officer and Director
Jaynie M. Studenmund	57	Director

(a) Member of the Audit Committee
(b) Member of the Compensation Committee
(c) Member of the Compliance Committee
(d) Member of the Corporate Governance and Nominating Committee

Mr. Comer has been one of the Company s directors since July 2007. He is a retired accounting firm managing partner. He brings substantial accounting expertise to the Company. He serves as a Director of Southwest Gas Corporation and has served in that role since January 2007. In addition, Mr. Comer served as Managing Partner of Deloitte & Touche LLP, an accounting firm (Nevada operations) from 2002 to 2006; as Managing Partner and other positions, Arthur Andersen, an accounting firm (Los Angeles and Nevada operations) from 1972 to 2002; and as Member of the American Institute of Certified Public Accountants and Nevada Society of Certified Public Accountants. Mr. Comer s over 35 years of accounting experience and expertise and his integral involvement in other public gaming companies auditing practices provide our Board with invaluable expertise in these areas, including in his role as Chair of our Audit Committee.

Mr. Giovenco has been one of the Company s directors since February 2003. He is a retired gaming executive. He served as lead director of the Company from February 2008 until May 2009 and Interim Chief Executive Officer from November 2009 to March 2010. In addition, he served in the following positions: Director, Great Western Financial Corporation from 1979 to 1993; President and Chief Operating Officer, Sheraton Hotels Corporation during 1993; Director, Hilton Hotels Corporation from 1980 to 1992; President and Chief Operating Officer, Hilton Gaming Corporation from 1985 to 1993; Executive Vice President-Finance, Hilton Hotels Corporation from 1980 to 1993; Chief Financial Officer, Hilton Hotels Corporation from 1974 to 1985; Chief Financial Officer, Hilton Gaming Corporation from 1972 to 1974; and Partner, Harris, Kerr, Forster, Certified Public Accountants (predecessor firm to PKF International) from 1967 to 1971. Mr. Giovenco brings over 40 years of broad ranging business and financial experience and expertise to the Company. His 20-year tenure at Hilton Hotels Corporation, including his services as Chief Financial Officer of Hilton Hotels and as President and Chief Operating Officer of Hilton Gaming Corporation, as well as his service as Interim Chief Executive Officer of the Company, brings to the Board extensive leadership, management and accounting experience and expertise, as well as unique and invaluable perspectives on all aspects of the Company s business.

Mr. Goeglein has been one of the Company s directors since December 2003. Mr. Goeglein brings more than 32 years of experience in the hospitality and gaming industry. In addition to his position as director of the Company, Mr. Goeglein has served as the Non-executive Chairman of the Board of the Company since March 2010; lead director of the Company from May 2009 to November 2009; Interim Nonexecutive Chairman of the Board from November 2009 to March 2010; and was also a Director of the Company from 1997 to 1998; Owner and Managing Member, Evening Star Holdings, LLC (Business Consulting Firm) since mid-2005; Owner and Managing Member, Evening Star Hospitality, LLC (acquirer, developer and operator of non-gaming resort properties) from 2003 to early 2005; President and Chief Operating Officer, Holiday Corporation (the parent company of Holiday Inn, Harrah s Hotels and Casinos, Hampton Inns and Embassy Suites) from 1984 to 1987; Executive Vice President and Director, Holiday Corporation from 1978 to 1984; President and Chief Executive Officer, Harrah s Hotels and Casinos from 1980 to 1984; and Director, Boomtown, Inc. from 1993 to 1997. Mr. Goeglein served as President from 1997 and Chief Executive Officer from 2000 of Aladdin Gaming, LLC and Aladdin Gaming Holdings, LLC (developer and operator of the Aladdin Resort & Casino in Las Vegas, Nevada), in each case until September 21, 2001. Aladdin Gaming, LLC filed a voluntary petition for reorganization under Chapter 11 of the United States Bankruptcy Code on September 28, 2001. Mr. Goeglein s extensive experience as a senior executive in the hospitality industry, including his service as chief executive officer of Harrah s Hotels and Casinos and Aladdin Gaming LLC, provide significant insight and expertise to our Board in all facets of the Company s operations and in its financing activities.

Mr. Leslie has been one of the Company s directors since October 2002 and has been a Partner of Armstrong Teasdale LLP (law firm) since January 2008. In addition, Mr. Leslie was Of Counsel of Beckley, Singleton (law firm) from 2003 to 2008; Partner, Leslie & Campbell (law firm) from 2001 to 2003; Partner, Bernhard & Leslie (law firm) from 1996 to 2001; Partner, Beckley, Singleton from 1986 to 1996; and Partner, Vargas & Bartlett (law firm) from 1979 to 1986. Mr. Leslie is an honorary citizen of the City of New Orleans. Mr. Leslie s extensive legal career, including his representation of various clients on gaming industry issues, gives him the leadership and consensus building skills to guide our Board on a variety of matters, including compliance, risk management and legal oversight.

Mr. Martineau has been one of the Company s directors since 1999 and is currently a business advisor and private investor. In addition, Mr. Martineau was Chairman, Genesis Portfolio Partners, LLC (start-up company development) from 1998 to 2009; Director, Apogee Enterprises, Inc. from 1973 to June 2010; Director, Borgen Systems from 1994 to 2005; Director, Northstar Photonics (telecommunications business) from 1998 to 2002; Executive Vice President, Apogee Enterprises, Inc. (a glass design and development corporation that acquired Viracon, Inc. in 1973) from 1996 to 1998; President and Founder, Viracon, Inc. (flat glass fabricator) from 1970 to 1996; and Trustee, Owatonna Foundation since 1973. Mr. Martineau s background as an entrepreneur and as a businessman has been very valuable to the Board both in an operational context and in terms of evaluating its various development projects. Mr. Martineau s service on several other boards of directors provides him with insights that are valuable to the Board in the areas of corporate governance and other Board functions.

Ms. Rogers joined us as a director in March 2012. Ms. Rogers brings over 25 years of experience to our Board of Directors for working in both the public and private sectors. She is currently the Chief Executive Officer of Johnson Publishing Company, LLC, a publishing company, and has served in this role since August 2010. Prior to this position, she served as the White House Social Secretary for President Obama from January 2009 to April 2010; President of Social Networking for Allstate Financial, a business unit of The Allstate Corporation, an insurance provider, from July 2008 to December 2008; President of Peoples Gas and North Shore Gas, two utility companies of Peoples Energy Corporation (a public company acquired by Integrys Energy Group), from 2004 to July 2008; Senior Vice President and Chief Marketing Officer and Vice President of Peoples Energy Corporation from 1997 to 2004; and Director, Illinois Lottery from 1991 to 1997. In addition, Ms. Rogers has served on the Board of Trustees of Equity Residential, a publicly traded real estate investment trust, from October 2003 to January 2009. She has also served on several corporate and non-for-profit boards, including Blue Cross Blue Shield, and as the Vice Chairman of the Lincoln Park Zoo and the Museum of Science and Industry. She also currently serves on the boards of the Ad Council, DonorsChoose, Northwestern Memorial Foundation and World Business Chicago. Ms. Rogers extensive experience as a senior executive in the public and private sectors provide significant insight and expertise to our Board related to operations and marketing and in the Company s development and financings activities.

Mr. Sanfilippo joined us as President, Chief Executive Officer and a director in March 2010. Prior to joining Pinnacle Entertainment, Mr. Sanfilippo was the President, Chief Executive Officer and director of Multimedia Games, Inc., a slot machine manufacturer (which is now known as Multimedia Gaming Holding Company, Inc.) from June 2008 until March 2010. Prior to joining Multimedia Games, Mr. Sanfilippo was employed with Harrah s Entertainment, Inc. (Harrah s), the world s largest casino company and a provider of branded casino entertainment. While at Harrah s, Mr. Sanfilippo served as President of both the Western Division (2003 2004) and the Central Division (1997 2002 and 2004 2007), overseeing the operations of more than two dozen casino and casino-hotel destinations. Mr. Sanfilippo was also part of the senior management team that led the successful integration of numerous gaming companies acquired by Harrah s, including Jack Binion s Horseshoe Casinos, the Grand Casino & Hotel brand, Players International, and Louisiana Downs Racetrack. In addition to his duties as divisional President, Mr. Sanfilippo was also President and Chief Operating Officer for Harrah s New Orleans and a member of the Board of Directors of Jazz Casino Corporation prior to its acquisition by Harrah s. Mr. Sanfilippo has directed tribal gaming operations in Arizona, California and Kansas, and has held gaming licenses in most states that offer legalized gambling. Mr. Sanfilippo brings to the Company and our Board more than 25 years of industry experience, including managing and developing gaming operations in diverse jurisdictions, including Louisiana, Missouri, Indiana and Nevada. Mr. Sanfilippo s extensive experience as a senior executive in the gaming industry and gaming manufacturing industry provide our Board with invaluable expertise in these areas.

Ms. Studenmund joined us as a director in March 2012. She is a corporate director and advisor. She serves as a director of Orbitz Worldwide, Inc., an online travel company, and has served in that role since July 2007. Since 2004, she has served on the board for Western Asset, a major fixed income fund and since 2002, Forest Lawn, an industry leading memorial parks provider. She previously served on the boards of privately-held MarketTools, a provider of customer insight management tools which was sold to Texas Pacific Group and

Survey Monkey in 2012, from 2010 to 2012; eHarmony.com, the premier online relationship services company, from 2005 to 2011; Countrywide Bank, a regulated bank subsidiary (deposit only) of Countrywide Financial Corp., from 2002 to 2008; and aQuantive, Inc., a publicly traded, top digital marketing services and technology company, which was sold to Microsoft in 2007, from 2004 to 2007. From January 2001 to January 2004, Ms. Studenmund was Chief Operating Officer of Overture Services, Inc., the creator of paid search. Overture was acquired by Yahoo, Inc. in 2004. From February 2000 to January 2001, she was President and Chief Operating Officer of PayMyBills.com, the leading online bill management company. Before becoming an executive in the internet business, Ms. Studenmund was an executive in the financial services industry, primarily at First Interstate Bank, now known as Wells Fargo. Ms. Studenmund has over 30 years of comprehensive executive management and operating experience across a diverse set of businesses, including start-ups, rapid growth, turnarounds and mergers and acquisitions in the internet and financial services industries. Within these environments, she has served as a successful President, Chief Operating Officer and director of both public and private companies. Ms. Studenmund s extensive experience as a senior executive and as a director provide our Board with broad operational expertise and insights that are valuable to the Board in the areas of compensation, corporate governance and other Board functions.

Director Independence

The Board of Directors has determined that, other than Anthony M. Sanfilippo, who is the President and Chief Executive Officer of the Company, each nominee is an independent director, as defined by the Corporate Governance Rules of the NYSE and the categorical independence standards adopted by the Board of Directors. The Board of Directors considered all relationships between the independent directors and the Company and determined that each such director had no relationship with the Company (except as director, stockholder and bondholder). The categorical independence standards are available on the Company s website at www.pnkinc.com. The Board of Directors has also determined that all members of the Audit, Corporate Governance and Nominating, and Compensation Committees are independent directors, as defined by the Corporate Governance Rules of the NYSE and the categorical independence standards adopted by the Board of Directors. The directors nominated by the Board of Directors for election at the Annual Meeting were recommended by the Corporate Governance and Nominating Committee.

Communications with Directors

Stockholders and interested parties wishing to communicate directly with the Board of Directors, the Chairman of the Board, the Chair of any committee, or the non-management directors as a group or any of the individual directors about matters of general interest to stockholders are welcome to do so by writing the Company s Secretary at 8918 Spanish Ridge Avenue, Las Vegas, Nevada 89148. The Secretary will forward these communications as directed by the stockholders and interested parties.

Executive Sessions of the Board and Leadership Structure

The Company s non-management directors meet periodically in executive session, as required by the Company s Corporate Governance Guidelines. Richard J. Goeglein, the Company s Chairman of the Board, presides at these executive sessions. If the non-management directors were to include directors who are not independent pursuant to the NYSE rules, then the independent directors will meet in executive session at least once a year. Any non-management director may request that an executive session of the non-management members of the Board be scheduled.

The Company s Bylaws mandate that the Chairman of the Board be a director who is not the current Chief Executive Officer or current employee of the Company. The Company believes that this separation of roles promotes more effective communication channels for the Board to express its views on management. The Company s President and Chief Executive Officer, Anthony M. Sanfilippo, has over 25 years experience in the gaming industry and is responsible for the strategic direction, day-to-day leadership and performance of the Company. The Company s Chairman of the Board, Richard J. Goeglein, who has extensive experience as a senior executive in the hospitality industry and as a member of the Company s Board, presides over meetings and executive sessions of the Board of Directors and serves as the primary liaison between the President and Chief Executive Officer and the other directors. Given the size of the Board, which will consist of eight directors following the Annual Meeting, we believe that this separation of roles and allocation of distinct responsibilities to each role facilitates communication between senior management and the full Board of Directors about issues such as corporate governance, management development, executive compensation and company performance.

Pursuant to the Company s Bylaws, the Chairman of the Board may call special meetings of stockholders and the Board of Directors act as Chairman of the meeting of stockholders and preside at all meetings of the Board of Directors and stockholders at which he or she shall be present and shall have, and may exercise, such powers as may, from time to time, be assigned to him or her by the Board of Directors, the Company s Bylaws or as may be provided by law.

Code of Ethical Business Conduct

The Company has adopted a Code of Ethical Business Conduct, a code of ethics that applies to all of the Company s directors, officers and employees. Any substantive amendments to the provisions of the Code of Ethical Business Conduct that apply to the Chief Executive Officer or the Chief Financial Officer and any waiver from a provision of the Code of Ethical Business Conduct to the Chief Executive Officer or the Chief Financial Officer will be disclosed on the Company s website or in a Current Report on Form 8-K filed with the Securities and Exchange Commission (the SEC). The Code of Ethical Business Conduct is publicly available on the Company s website at www.pnkinc.com and in print upon written request to Investor Relations, Pinnacle Entertainment, Inc., 8918 Spanish Ridge Avenue, Las Vegas, Nevada 89148.

Board Meetings and Board Committees

The full Board of Directors of the Company had 16 meetings in 2011. During 2011, each incumbent director of the Company during his or her term attended at least 75% of the meetings of the Board of Directors and the committees of the Board on which he or she served.

Although the Company has no formal policy with regard to Board members attendance at its annual meetings of stockholders, all of the Company s directors then serving attended the Company s 2011 Annual Meeting of Stockholders.

The Company has a separately-designated standing Audit Committee within the meaning of Section 3(a)(58)(A) of the Securities Exchange Act of 1934, as amended (the Exchange Act). The Company s Audit Committee is currently chaired by Mr. Comer and consists of Messrs. Comer, Giovenco and Leslie. Among its functions, the Committee is:

- to be directly responsible for the appointment, compensation, retention and oversight of the work of any independent public accounting firm engaged to audit the Company s financial statements or to perform other audit, review or attest services for the Company;

- to discuss policies with respect to risk assessment and risk management, including discussing the Company s major financial risk exposures and the steps management has taken to monitor and control such exposures and discussing the guidelines and policies to govern the process by which risk assessment and management is undertaken;

- to discuss with the independent auditors their independence;

- to review and discuss with the Company s independent auditors and management the Company s audited financial statements; and

- to recommend to the Company s Board of Directors whether the Company s audited financial statements should be included in the Company s Annual Report on Form 10-K for the previous fiscal year for filing with the SEC.

Messrs. Comer, Giovenco, and Leslie are independent as that term is defined in Rule 303A.02 of the NYSE listing standards and Rule 10A-3(b)(1)(ii) of the Exchange Act. The Board has determined that Messrs. Comer and Giovenco are each an audit committee financial expert as defined by SEC rules, based upon, among other things, their accounting backgrounds and, in the case of Mr. Comer, his having served as a partner of a major accounting firm and in the case of Mr. Giovenco, his having served as the chief financial officer of a company involved in the gaming industry and having served as a partner of an accounting firm. The Audit Committee met 12 times in 2011 and acted by unanimous written consent on one occasion.

The Company has a Compensation Committee, which is currently chaired by Mr. Reitnouer and consists of Messrs. Reitnouer, Martineau and Comer. Among its functions, the Compensation Committee is:

- to approve corporate goals and objectives, including annual performance objectives, relevant to the compensation for the Company s Chief Executive Officer and other executive officers, and evaluate the performance of the Chief Executive Officer and other executive officers in light of these goals and objectives;

- to evaluate the performance of the Chief Executive Officer and other executive officers, determine, approve and report to the full Board the annual compensation of the Chief Executive Officer and other executive officers, including salary, bonus, stock options and other benefits, direct and indirect; and

- to provide recommendations to the Board of Directors with respect to, and administer, the Company s incentive-compensation, stock option and other equity-based compensation plans.

The Compensation Committee met 15 times in 2011 and acted by unanimous written consent on two occasions. The Compensation Committee may, to the extent permitted by applicable laws and regulations, form and delegate any of its responsibilities to a subcommittee so long as such subcommittee consists of at least two members of the Compensation Committee. In carrying out its purposes and responsibilities, the Compensation Committee has authority to retain outside counsel or other experts or consultants, as it deems appropriate. For a discussion regarding the Compensation Committee s use of outside advisors and the role of executives officers in compensation matters, see Executive Compensation Compensation Discussion and Analysis Role of Management in Compensation Process and Role of Outside Consultants below.

The Company has a Corporate Governance and Nominating Committee, which is currently chaired by Mr. Martineau and consists of Messrs. Martineau, Giovenco, Leslie and Reitnouer. Among its functions, the Corporate Governance and Nominating Committee is:

- to establish procedures for the selection of directors;

- to identify, evaluate and recommend to the Board candidates for election or reelection as directors, consistent with criteria set forth in the Company s Corporate Governance Guidelines;

- to develop and recommend to the Board, if appropriate, modifications or additions to the Company s Corporate Governance Guidelines or other corporate governance policies or procedures; and

- to develop procedures for, and oversee, an annual evaluation of the Board and management.

The Corporate Governance and Nominating Committee met five times in 2011.

The Board of Directors has adopted a written charter for each of the Audit Committee, the Compensation Committee and the Corporate Governance and Nominating Committee, which are available on the Company s website at www.pnkinc.com. Printed copies of these documents are also available upon written request to Investor Relations, Pinnacle Entertainment, Inc., 8918 Spanish Ridge Avenue, Las Vegas, Nevada 89148.

The Company has a Compliance Committee that monitors the Company s compliance with gaming laws in the jurisdictions in which it operates. Messrs. Goeglein, Leslie and Reitnouer currently serve on the Company s Compliance Committee with other Compliance Committee members who are not directors, and on the Compliance Subcommittee of the Board of Directors. During 2011, the Compliance Committee had six meetings. The Compliance Subcommittee was instituted to ensure timely notification to the Board of Directors of any material compliance issues, assist the Compliance Committee in performing its duties and to supervise the Company s actions in response to reports received from the Company s employee hotline.

In 2011, the Company had an Executive Committee, which was chaired by Mr. Sanfilippo and consisted of Messrs. Landau, Leslie, Goeglein and Sanfilippo. In addition, in 2011, the Company had a Risk Management Oversight Committee, which was chaired by Mr. Leslie, and an Advisory Committee, which consisted of Messrs. Sanfilippo, Goeglein, Giovenco and Leslie. The Executive Committee, Risk Management Oversight Committee and Advisory Committee were dissolved following the 2011 Annual Meeting of Stockholders. The Executive Committee and Risk Management Committee did not have any meetings in 2011. The Advisory Committee had ten meetings in 2011.

The Board s Role in Risk Oversight

The Board of Directors and each of the committees of the Board of Directors indentifies, prioritizes and evaluates various risks that are in the purview of their charters. Management also independently identifies, prioritizes and evaluates enterprise risks. Management regularly reports on such risks to the Board of Directors. Particular financial risks are overseen by the Audit Committee of the Board; compliance and reputational risks are typically overseen by the Compliance Committee and the Compliance Subcommittee of the Board. The enterprise risk management program as a whole is reviewed annually by the Board. Additional review or reporting on enterprise risks is conducted as needed or as requested by the Board or any Committee. Also, the Compensation Committee periodically reviews the most important enterprise risks to ensure that compensation programs do not encourage excessive risk-taking. The Board s administration of its risk oversight function has not affected the Board s leadership structure.

Director Compensation

Director Fees

The compensation of the Company s non-employee directors is paid in the form of an annual retainer, meeting and chair fees and stock-based awards. The fees that each non-employee director (other than the Chairman of the Board) or committee chair received for his or her service during 2011 are the following:

- An annual retainer of $60,000;
- An additional $20,000 retainer for the Chair of the Audit Committee;
- An additional $20,000 retainer for the Chair of the Compensation Committee;
- An additional $20,000 retainer for the Chair of the Corporate Governance and Nominating Committee as of May 24, 2011; prior to that date the Chair of the Corporate Governance and Nominating Committee received a $10,000 retainer;
- An additional $7,500 retainer for the Chair of the Risk Management Committee prior to May 24, 2011. On May 24, 2011, the Risk Management Committee was dissolved by the Board of Directors;
- An attendance fee of $1,500 for each regularly scheduled Board or committee meeting, other than meetings of the Audit Committee which had a meeting fee of $2,000 per meeting and the Advisory Committee (which was formed in January 2011 and dissolved in May 2011) which had a fee of $2,000 per meeting or per day of service; and

An attendance fee of $500 for each telephonic special meeting of the Board of Directors.

Director Fees Paid to the Chairman of the Board

The Chairman of the Board received an annual retainer of $185,000 for his service during 2011. The annual retainer paid to the Chairman of the Board was in lieu of the annual retainer, Board and committee attendance fees paid to the other directors, except that the Chairman of the Board received fees for attending meetings of the Compliance Committee (which were $1,500 per meeting). In addition, the Chairman of the Board served on the Advisory Committee (which was formed in January 2011 and dissolved in May 2011) and received $2,000 per meeting or per day of service.

Equity Grants

In 2011, Pinnacle granted to each non-employee director who was then serving 10,000 options, which were granted on the date of the 2011 Annual Meeting of Stockholders. The exercise price for each option was the closing price of Pinnacle Common Stock on the date of grant. All of the options vested immediately on the date of grant. In addition, Pinnacle granted to each non-employee director who was then serving 6,000 restricted stock units, which were granted and vested on the date of the 2011 Annual Meeting of Stockholders. On March 19, 2012, Pinnacle granted 10,000 fully vested options to each of Mses. Rogers and Studenmund. The exercise price of the options was the closing price of Pinnacle Common Stock on the date of grant.

Directors Health Plan

Pursuant to the Directors Health and Medical Insurance Plan, or the Directors Health Plan, directors and their dependents are entitled to receive the same coverage as the Company s employees under the Company s group health plan. The Directors Health Plan provides for coverage for members of the Board of Directors, their spouses and children up to age 26 under the Company s group health plan, and upon cessation of the services of a member who is in office on January 1, 2011, a continuation of health and medical coverage under the Company s group health plans for the member, his or her spouse and children up to age 26 for a period, for one year for every two years of service, up to a maximum of five years of extended medical coverage. Any new director who joins our Board after January 1, 2011 will not be entitled to extended coverage following cessation of service as a director, but may be eligible to elect continuation coverage as provided by law under the Company s group health plan. The Directors Health Plan further provides that, to the extent that a director receives coverage outside of the Company s group health plan network, the director will be responsible for paying the first $5,000 of any co-payments or co-deductibles, and the Company will be responsible for any amount that exceeds $5,000. If at any time during this extended coverage period, the eligible director, or his or her spouse or minor children, is insured under another health plan or Medicare, the Company s health plans will provide secondary coverage to the extent permitted by law. Upon a change in control, the Company will use its best efforts to provide continuation of health insurance under individual policies provided to the directors.

2008 Amended and Restated Directors Deferred Compensation Plan

Participation in the Company s 2008 Amended and Restated Directors Deferred Compensation Plan, or the Directors Plan, is limited to directors of Pinnacle, and each eligible director may elect to defer all or a portion of his or her annual retainer and any fees for meetings attended. Any such deferred compensation is credited to a deferred compensation account, either in cash or in shares of Pinnacle Common Stock, at each director s election. The only condition to each director s receipt of shares credited to his or her deferred compensation account is cessation of such director s service as a director of Pinnacle.

As of the date the director s compensation would otherwise have been paid, and depending on the director s election, the director s deferred compensation account will be credited with either:

cash;

the number of full and/or fractional shares of Pinnacle Common Stock obtained by dividing the amount of the director s compensation for the calendar quarter which he or she elected to defer, by the average of the closing price of Pinnacle Common Stock on the NYSE on the last ten business days of the calendar quarter for which such compensation is payable; or

a combination of cash and shares of Pinnacle Common Stock as described above.

If a director elects to defer compensation in cash, all such amounts credited to the director s deferred compensation account will bear interest at an amount to be determined from time to time by the Board of Directors. No current director has deferred compensation in cash.

If a director has elected to receive shares of Pinnacle Common Stock in lieu of his or her cash, and we declare a dividend, such director s deferred compensation account is credited at the end of each calendar quarter with the number of full and/or fractional shares of Pinnacle Common Stock obtained by dividing the dividends which would have been paid on the shares credited to the director s deferred compensation account by the closing price of Pinnacle Common Stock on the NYSE on the date such dividend was paid. In addition, if we declare a dividend payable in shares of Pinnacle Common Stock, the director s deferred compensation account is credited at the end of each calendar quarter with the number of full and/or fractional shares of Pinnacle Common Stock for such stock dividend.

Participating directors do not have any interest in the cash and/or Pinnacle Common Stock credited to their deferred compensation accounts until distributed in accordance with the Directors Plan, nor do they have any voting rights with respect to such shares until shares credited to their deferred compensation accounts are distributed. The rights of a director to receive payments under the Directors Plan are no greater than the rights of an unsecured general creditor of Pinnacle.

Each participating director may elect to have the aggregate amount of cash and shares credited to his or her deferred compensation account distributed to him or her in one lump sum payment or in a number of approximately equal annual installments over a period of time not to exceed fifteen years. The lump sum payment or the first installment will be paid as of the first business day of the calendar quarter immediately following the cessation of the director s service as a director. Before the beginning of any calendar year, a director may elect to change the method of distribution of any future interests in cash and/or Pinnacle Common Stock credited to his or her deferred compensation account in such calendar year.

The maximum number of shares of Pinnacle Common Stock that can be issued pursuant to the Directors Plan is 325,000 shares, which amount will increase to 525,000 shares, if Proposal 4 is approved by the stockholders. As of March 27, 2012, 31,156 shares of Pinnacle Common Stock are available for issuance under the Directors Plan. The shares of Pinnacle Common Stock to be issued under the Directors Plan may be either authorized and unissued shares or reacquired shares. Messrs. Leslie and Comer are the only directors that currently participate in the Directors Plan.

Director Summary Compensation Table

The following table sets forth certain information regarding the compensation earned by or paid to each non-employee director who served on the Board of Directors in 2011.

Name (a)	Fees Earned or Paid in Cash ($) (b)		Beazer Homes USA, Inc.,	
	2,945	7.25%, 2/1/23 (a)(b)		2,981,813
	5,045	9.125%, 5/15/19		5,423,375
	3,950	Jarden Corp., 7.50%, 5/1/17		4,488,187
				12,893,375
Household Products/Wares 0.8%				
	7,610			8,351,975

		Reynolds Group Issuer, Inc., 9.875%, 8/15/19	
Internet Software & Services 0.9%			
	9,060	Earthlink, Inc., 8.875%, 5/15/19	9,467,700
Iron/Steel 0.6%			
	7,305	AK Steel Corp., 8.375%, 4/1/22	6,556,238
IT Services 0.3%			
	2,615	Stream Global Services, Inc., 11.25%, 10/1/14	2,735,944
Leisure Time 1.8%			
		NCL Corp. Ltd.,	
	650	9.50%, 11/15/18	728,000
	9,900	11.75%, 11/15/16	11,286,000
	8,855	Travelport LLC, 11.875%, 9/1/16	6,862,625
			18,876,625
Lodging 0.9%			
	12,385	Caesars Entertainment Operating Co., Inc., 12.75%, 4/15/18	9,443,563
Machinery 0.1%			
	1,000	Navistar International Corp., 8.25%, 11/1/21	970,000
Media 1.2%			
	4,545		4,829,062

		McClatchy Co., 9.00%, 12/15/22 (a)(b)	
	6,750	Media General, Inc., 11.75%, 2/15/17	7,695,000
			12,524,062
Metals & Mining 0.9%			
	3,775	ArcelorMittal, 10.35%, 6/1/19	4,772,030
	5,465	Thompson Creek Metals Co., Inc., 7.375%, 6/1/18	4,740,888
			9,512,918
Miscellaneous Manufacturing 1.0%			
	10,150	Harland Clarke Holdings Corp., 9.50%, 5/15/15	9,896,250

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AllianzGI Convertible & Income Fund Schedule of Investments

February 28, 2013 (continued)

Principal Amount (000s)		Value
Oil & Gas 2.0%		
$9,050	Energy XXI Gulf Coast, Inc., 9.25%, 12/15/17	$10,271,750
9,280	United Refining Co., 10.50%, 2/28/18	10,416,800
		20,688,550
Oil, Gas & Consumable Fuels 2.4%		
2,840	Arch Coal, Inc., 9.875%, 6/15/19 (a)(b)	2,818,700
5,700	Endeavour International Corp., 12.00%, 3/1/18 (a)(b)	5,244,000
8,750	SandRidge Energy, Inc., 9.875%, 5/15/16	9,335,812
6,260	Western Refining, Inc., 11.25%, 6/15/17 (a)(b)	6,784,275
		24,182,787
Packaging & Containers 0.4%		
3,975	Tekni-Plex, Inc., 9.75%, 6/1/19 (a)(b)	4,412,250
Personal Products 0.1%		
780	Revlon Consumer Products Corp., 9.75%, 11/15/15	819,390
Retail 0.3%		
2,850	Toys R Us, Inc., 10.375%, 8/15/17	2,800,125
Semiconductors & Semiconductor Equipment 1.2%		
2,030	Advanced Micro Devices, Inc., 8.125%, 12/15/17	1,958,950
	Freescale Semiconductor, Inc.,	
5,035	10.125%, 3/15/18 (a)(b)	5,601,437
4,345	10.75%, 8/1/20	4,877,263
		12,437,650
Software 1.2%		
	First Data Corp.,	
8,440	9.875%, 9/24/15	8,724,850
2,850	12.625%, 1/15/21	3,053,062
		11,777,912

Specialty Retail 0.4%

4,160	Brown Shoe Co., Inc., 7.125%, 5/15/19	4,388,800

Telecommunications 3.8%

7,420	Clearwire Communications LLC/Clearwire Finance, Inc., 12.00%, 12/1/15 (a)(b)	8,046,062
5,665	Consolidated Communications Finance Co., 10.875%, 6/1/20 (a)(b)	6,443,938
1,255	Intelsat Luxembourg S.A., 11.50%, 2/4/17	1,336,575
8,203	ITC Deltacom, Inc., 10.50%, 4/1/16	8,695,180
5,090	NII Capital Corp., 8.875%, 12/15/19	3,842,950
10,480	West Corp., 11.00%, 10/15/16	10,925,400
		39,290,105

Textiles, Apparel & Luxury Goods 0.8%

7,540	Fifth & Pacific Co., Inc., 10.50%, 4/15/19 (a)(b)	8,482,500

Trading Companies & Distribution 0.7%

6,075	Aircastle Ltd., 9.75%, 8/1/18	6,955,875

Transportation 1.9%

9,050	Quality Distribution LLC, 9.875%, 11/1/18	9,955,000
8,610	Swift Services Holdings, Inc., 10.00%, 11/15/18	9,901,500
		19,856,500

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AllianzGI Convertible & Income Fund Schedule of Investments

February 28, 2013 (continued)

Principal Amount (000s)		Value
Wireless Telecommunication Services 0.9%		
$6,705	Sprint Nextel Corp., 11.50%, 11/15/21	$9,261,281
Total Corporate Bonds & Notes (cost-$448,171,831)		456,354,287

Shares		
CONVERTIBLE PREFERRED STOCK 29.6%		
Aerospace & Defense 0.7%		
122,835	United Technologies Corp., 7.50%, 8/1/15	7,155,139
Airlines 1.3%		
313,435	Continental Airlines Finance Trust II, 6.00%, 11/14/30	13,595,243
Auto Components 1.0%		
233,475	Goodyear Tire & Rubber Co., 5.875%, 3/31/14	10,585,756
Automobiles 1.3%		
332,430	General Motors Co., 4.75%, 12/1/13, Ser. B	13,885,601
Capital Markets 1.1%		
194,135	AMG Capital Trust I, 5.10%, 4/15/36	11,411,488
Commercial Banks 2.1%		
81,250	Fifth Third Bancorp, 8.50%, 6/30/13, Ser. G (d)	11,562,891
8,100	Wells Fargo & Co., 7.50%, 3/15/13, Ser. L (d)	10,270,800
		21,833,691
Commercial Services & Supplies 1.0%		
150,157	United Rentals, Inc., 6.50%, 8/1/28	9,882,208
Communications Equipment 2.4%		
12,015	Lucent Technologies Capital Trust I, 7.75%, 3/15/17	10,846,541
219,090	The Goldman Sachs Group, Inc., 8.00% 1/15/14 (QualComm) (c)	14,013,654
		24,860,195
Computer Storage/Peripherals 1.1%		

336,835	The Goldman Sachs Group, Inc., 8.00% 3/14/13 (NetApp, Inc.) (c)	11,138,123
Diversified Financial Services 1.8%		
15,075	Bank of America Corp., 7.25%, 12/31/49, Ser. L (d)	18,090,000
Electric Utilities 2.2%		
	NextEra Energy, Inc.,	
195,425	5.599%, 6/1/15	10,131,614
25,000	7.00%, 9/1/13	1,349,000
207,365	PPL Corp., 9.50%, 7/1/13	11,363,602
		22,844,216
Health Care Providers & Services 1.3%		
11,340	HealthSouth Corp., 6.50%, 12/31/49, Ser. A (d)	13,022,572
Insurance 0.8%		
178,860	MetLife, Inc., 5.00%, 9/14/13	8,442,192
IT Services 1.1%		
167,530	Unisys Corp., 6.25%, 3/1/14	10,912,904
Machinery 0.5%		
46,140	Stanley Black & Decker, Inc., 4.75%, 11/17/15	5,733,356

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AllianzGI Convertible & Income Fund Schedule of Investments

February 28, 2013 (continued)

Shares		Value
Metals & Mining 0.6%		
145,000	Cliffs Natural Resources, Inc., 7.00%, 2/1/16	$3,359,650
160,000	Thompson Creek Metals Co., Inc., 6.50%, 5/12/15	2,904,000
		6,263,650
Multi-Utilities 1.2%		
239,645	AES Trust III, 6.75%, 10/15/29	12,042,161
Oil, Gas & Consumable Fuels 2.5%		
220,325	Apache Corp., 6.00%, 8/1/13	9,513,634
	Chesapeake Energy Corp.,	
119,250	5.00%, 12/31/49 (d)	10,352,390
2,335	5.75%, 5/17/15 (a)(b)(d)	2,417,309
124,235	PetroQuest Energy, Inc., 6.875%, 12/31/49 (d)	3,680,462
		25,963,795
Real Estate Investment Trust 4.1%		
439,700	Alexandria Real Estate Equities, Inc., 7.00%, 4/20/13 (d)	12,017,001
707,605	FelCor Lodging Trust, Inc., 1.95%, 12/31/49, Ser. A (d)	17,265,562
208,680	Health Care REIT, Inc., 6.50%, 4/20/18, Ser. I (d)	12,562,536
		41,845,099
Road & Rail 1.5%		
1,222,450	2010 Swift Mandatory Common Exchange Security Trust, 6.00%, 12/31/13 (b)	15,088,823
Total Convertible Preferred Stock (cost-$278,463,132)		304,596,212

Principal Amount (000s)		
CONVERTIBLE BONDS & NOTES 23.3%		
Aerospace & Defense 1.3%		
$9,325	GenCorp, Inc., 4.063%, 12/31/39	13,597,016
Biotechnology 0.7%		
8,910	Dendreon Corp., 2.875%, 1/15/16	7,395,300

Capital Markets 2.4%		
10,755	Ares Capital Corp., 5.75%, 2/1/16	11,709,506
13,195	BGC Partners, Inc., 4.50%, 7/15/16	12,634,213
		24,343,719
Coal 0.8%		
8,405	Alpha Appalachia Holdings, Inc., 3.25%, 8/1/15	8,063,547
Commercial Services 1.0%		
11,795	Cenveo Corp., 7.00%, 5/15/17 (a)(b)	10,504,922
Construction Materials 0.9%		
7,645	Cemex S.A.B. de C.V., 4.875%, 3/15/15	8,925,538
Diversified Telecommunication Services 0.4%		
2,835	Level 3 Communications, Inc., 6.50%, 10/1/16	3,758,147
Electrical Equipment 1.1%		
9,100	EnerSys, 3.375%, 6/1/38 (e)	10,942,795

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AllianzGI Convertible & Income Fund Schedule of Investments

February 28, 2013 (continued)

Principal Amount (000s)		Value
Hotels, Restaurants & Leisure 2.1%		
$9,075	MGM Resorts International, 4.25%, 4/15/15	$9,789,656
11,940	Morgans Hotel Group Co., 2.375%, 10/15/14	11,313,150
		21,102,806
IT Services 1.0%		
5,180	Alliance Data Systems Corp., 1.75%, 8/1/13	10,427,987
Machinery 3.7%		
10,115	Greenbrier Cos, Inc., 3.50%, 4/1/18	9,874,769
	Meritor, Inc.,	
12,480	4.625%, 3/1/26 (e)	11,902,800
5,655	7.875%, 3/1/26 (a)(b)	5,503,022
11,335	Navistar International Corp., 3.00%, 10/15/14	10,739,912
		38,020,503
Marine 0.2%		
2,305	DryShips, Inc., 5.00%, 12/1/14	1,986,622
Media 1.2%		
8,300	Liberty Interactive LLC, 3.125%, 3/30/23	12,403,312
Oil, Gas & Consumable Fuels 1.4%		
565	Alpha Natural Resources, Inc., 2.375%, 4/15/15	531,100
8,175	Endeavour International Corp., 5.50%, 7/15/16	4,026,188
3,685	PDC Energy, Inc., 3.25%, 5/15/16 (a)(b)	4,820,441
5,500	Peabody Energy Corp., 4.75%, 12/15/41	4,699,062
		14,076,791
Real Estate Investment Trust 0.8%		
8,150	Boston Properties LP, 3.75%, 5/15/36	8,588,062
Semiconductors & Semiconductor Equipment 1.0%		
9,920	SunPower Corp., 4.75%, 4/15/14	9,870,400
Software 1.4%		

6,335	Nuance Communications, Inc., 2.75%, 8/15/27	7,368,397
7,490	TeleCommunication Systems, Inc., 4.50%, 11/1/14 (a)(b)	7,241,894
		14,610,291
Thrifts & Mortgage Finance 0.5%		
6,535	MGIC Investment Corp., 5.00%, 5/1/17	5,550,666
Tobacco 1.4%		
13,060	Vector Group Ltd., 2.50%, 1/15/19 (f)	14,869,424
Total Convertible Bonds & Notes (cost-$209,726,005)		239,037,848
Shares		
COMMON STOCK 0.2%		
Trading Companies & Distributors 0.2%		
35,751	United Rentals, Inc. (cost-$915,290) (g)	1,909,461
Principal Amount (000s)		
SHORT-TERM INVESTMENT 2.5%		
Time Deposit 2.5%		
$25,423	Citibank-London, 0.03%, 3/1/13 (cost-$25,422,965)	25,422,965
Total Investments (cost-$962,699,223) **100.0%**		**$1,027,320,773**

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AllianzGI Convertible & Income Fund Notes to Schedule of Investments

February 28, 2013 (continued)

(a) Private Placement Restricted as to resale and may not have a readily available market. Securities with an aggregate value of $106,964,619, representing 10.4% of total investments.

(b) 144A Exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be resold in transactions exempt from registration, typically only to qualified institutional buyers. Unless otherwise indicated, these securities are not considered to be illiquid.

(c) Securities exchangeable or convertible into securities of an entity different than the issuer or structured by the issuer to provide exposure to securities of an entity different than the issuer (synthetic convertible securities). Such entity is identified in the parenthetical.

(d) Perpetual maturity. Maturity date shown is the next call date.

(e) Step Bond Coupon is a fixed rate for an initial period then resets at a specific date and rate.

(f) In addition to the coupon rate shown, the issuer is expected to pay additional income based on the actual dividends paid on its common stock.

(g) Non-income producing.

(h) Fair Value Measurement See Note 1(b) in Notes to Financial Statements.

	Level 1 Quoted Prices	Level 2 Other Significant Observable Inputs	Level 3 Significant Unobservable Inputs	Value at 2/28/2013
Investments in Securities Assets				
Corporate Bonds & Notes		$ 456,354,287		$ 456,354,287
Convertible Preferred Stock:				
Airlines		13,595,243		13,595,243
Capital Markets		11,411,488		11,411,488
Commercial Banks	$ 10,270,800	11,562,891		21,833,691

Commercial Services & Supplies		9,882,208		9,882,208
Communications Equipment		10,846,541	$ 14,013,654	24,860,195
Computer Storage/Peripherals			11,138,123	11,138,123
Health Care Providers & Services		13,022,572		13,022,572
Oil, Gas & Consumable Fuels	9,513,634	16,450,161		25,963,795
Road & Rail		15,088,823		15,088,823
All Other	157,800,074			157,800,074
Convertible Bonds & Notes		239,037,848		239,037,848
Common Stock	1,909,461			1,909,461
Short-Term Investments		25,422,965		25,422,965
Totals	$ 179,493,969	$ 822,675,027	$ 25,151,777	$ 1,027,320,773

At February 28, 2013, there were no transfers between Levels 1 and 2.

A roll forward of fair value measurements using significant unobservable inputs (Level 3) for the year ended February 28, 2013, was as follows:

	Beginning Balance 2/29/12	Purchases	Sales	Accrued Discounts (Premiums)	Net Realized Gain (Loss)	Net Change in Unrealized Appreciation/ Depreciation	Transfers into Level 3	Transfers out of Level 3	Ending Balance 2/28/13
Investments in Securities Assets									
Convertible Preferred Stock:									
Capital Markets	$ 10,038,528		$ (9,978,814)		$ (1,446,688)	$ 1,386,974			
Communications Equipment		$ 14,196,156				(182,502)			$ 14,013,654
Computer Storage & Peripherals		14,162,877				(3,024,754)			11,138,123
Totals	$ 10,038,528	$ 28,359,033	$ (9,978,814)		$ (1,446,688)	$ (1,820,282)			$ 25,151,777

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AllianzGI Convertible & Income Fund Notes to Schedule of Investments

February 28, 2013 (continued)

The following table presents additional information about valuation techniques and inputs used for investments that are measured at fair value and categorized as Level 3 at February 28, 2013:

	Ending Balance at 2/28/13	Valuation Technique Used	Unobservable Inputs	Input Values
Investments in Securities	**Assets**			
Convertible Preferred Stock	$ 25,151,777	Third-Party Pricing Vendor	Single Broker Quote	$ 33.07-$63.96

The net change in unrealized appreciation/depreciation of Level 3 investments, held at February 28, 2013, was $(3,207,256). Net realized gain (loss) and net change in unrealized appreciation/depreciation are reflected on the Statement of Operations.

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AllianzGI Convertible & Income Fund II Schedule of Investments

February 28, 2013

Principal Amount (000s)		Value
CORPORATE BONDS & NOTES 43.8%		
Advertising 0.6%		
$6,335	Affinion Group, Inc., 11.50%, 10/15/15	$5,004,650
Auto Manufacturers 0.8%		
5,590	Chrysler Group LLC, 8.25%, 6/15/21	6,218,875
Building Products 0.3%		
2,400	Gibraltar Industries, Inc., 8.00%, 12/1/15	2,431,992
Commercial Services 3.7%		
	Avis Budget Car Rental LLC/Avis Budget Finance, Inc.,	
1,265	9.625%, 3/15/18	1,404,150
3,000	9.75%, 3/15/20	3,472,500
8,535	Cenveo Corp., 11.50%, 5/15/17	7,297,425
4,295	DynCorp International, Inc., 10.375%, 7/1/17	4,278,894
3,520	Monitronics International, Inc., 9.125%, 4/1/20	3,713,600
8,250	National Money Mart Co., 10.375%, 12/15/16	9,157,500
		29,324,069
Construction & Engineering 1.1%		
8,380	MasTec, Inc., 7.625%, 2/1/17	8,662,825
Consumer Finance 0.5%		
4,110	Springleaf Finance Corp., 6.90%, 12/15/17	4,048,350
Distribution/Wholesale 0.5%		
3,455	HD Supply, Inc., 10.50%, 1/15/21 (a)(b)	3,580,244
Diversified Consumer Services 0.6%		
5,270	Cambium Learning Group, Inc., 9.75%, 2/15/17	4,400,450
Diversified Financial Services 1.9%		
	Community Choice Financial, Inc.,	
7,465	10.75%, 5/1/19	7,054,425
5,370	12.75%, 5/1/20 (a)(b)	5,302,875
3,005	International Lease Finance Corp., 6.375%, 3/25/13	3,017,200

		15,374,500
Diversified Telecommunications 1.0%		
7,705	Cincinnati Bell, Inc., 8.75%, 3/15/18	7,916,887
Electric 0.3%		
8,200	Texas Competitive Electric Holdings Co. LLC, 15.00%, 4/1/21	2,070,500
Electrical Components & Equipment 1.4%		
10,275	WireCo WorldGroup, Inc., 9.50%, 5/15/17	10,814,438
Electronic Equipment, Instruments & Components 0.8%		
5,815	Kemet Corp., 10.50%, 5/1/18	6,076,675
Electronics 0.2%		
1,300	NXP BV/NXP Funding LLC, 9.75%, 8/1/18 (a)(b)	1,491,750
Energy Equipment & Services 1.1%		
8,005	Pioneer Drilling Co., 9.875%, 3/15/18	8,785,487
Health Care Providers & Services 0.9%		
6,585	ExamWorks Group, Inc., 9.00%, 7/15/19	7,128,263

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AllianzGI Convertible & Income Fund II Schedule of Investments

February 28, 2013 (continued)

Principal Amount (000s)		Value
Healthcare-Products 0.6%		
$4,605	Kinetic Concepts, Inc./KCI USA, Inc., 10.50%, 11/1/18 (a)(b)	$4,984,913
Hotels, Restaurants & Leisure 2.0%		
6,880	DineEquity, Inc., 9.50%, 10/30/18	7,843,200
6,395	MGM Resorts International, 11.375%, 3/1/18	8,073,687
		15,916,887
Household Durables 1.0%		
	Beazer Homes USA, Inc.,	
2,245	7.25%, 2/1/23 (a)(b)	2,273,063
3,920	9.125%, 5/15/19	4,214,000
1,390	Jarden Corp., 7.50%, 5/1/17	1,579,387
		8,066,450
Household Products/Wares 0.8%		
5,725	Reynolds Group Issuer, Inc., 9.875%, 8/15/19	6,283,188
Internet Software & Services 0.9%		
6,840	Earthlink, Inc., 8.875%, 5/15/19	7,147,800
Iron/Steel 0.6%		
5,600	AK Steel Corp., 8.375%, 4/1/22	5,026,000
IT Services 0.3%		
1,985	Stream Global Services, Inc., 11.25%, 10/1/14	2,076,806
Leisure Time 1.9%		
	NCL Corp. Ltd.,	
525	9.50%, 11/15/18	588,000
7,320	11.75%, 11/15/16	8,344,800
8,145	Travelport LLC, 11.875%, 9/1/16	6,312,375
		15,245,175
Lodging 0.9%		
9,455	Caesars Entertainment Operating Co., Inc., 12.75%, 4/15/18	7,209,438

Machinery 0.1%		
1,000	Navistar International Corp., 8.25%, 11/1/21	970,000
Media 1.2%		
3,455	McClatchy Co., 9.00%, 12/15/22 (a)(b)	3,670,937
5,100	Media General, Inc., 11.75%, 2/15/17	5,814,000
		9,484,937
Metals & Mining 0.9%		
2,865	ArcelorMittal, 10.35%, 6/1/19	3,621,687
3,975	Thompson Creek Metals Co., Inc., 7.375%, 6/1/18	3,448,312
		7,069,999
Miscellaneous Manufacturing 1.0%		
7,715	Harland Clarke Holdings Corp., 9.50%, 5/15/15	7,522,125
Oil & Gas 2.0%		
7,000	Energy XXI Gulf Coast, Inc., 9.25%, 12/15/17	7,945,000
6,635	United Refining Co., 10.50%, 2/28/18	7,447,788
		15,392,788

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AllianzGI Convertible & Income Fund II Schedule of Investments

February 28, 2013 (continued)

Principal Amount (000s)		Value
Oil, Gas & Consumable Fuels 2.3%		
$2,160	Arch Coal, Inc., 9.875%, 6/15/19 (a)(b)	$2,143,800
4,300	Endeavour International Corp., 12.00%, 3/1/18 (a)(b)	3,956,000
6,250	SandRidge Energy, Inc., 9.875%, 5/15/16	6,668,437
4,740	Western Refining, Inc., 11.25%, 6/15/17 (a)(b)	5,136,975
		17,905,212
Packaging & Containers 0.4%		
3,025	Tekni-Plex, Inc., 9.75%, 6/1/19 (a)(b)	3,357,750
Personal Products 0.1%		
500	Revlon Consumer Products Corp., 9.75%, 11/15/15	525,250
Retail 0.3%		
2,150	Toys R Us, Inc., 10.375%, 8/15/17	2,112,375
Semiconductors & Semiconductor Equipment 1.0%		
	Freescale Semiconductor, Inc.,	
3,806	10.125%, 3/15/18 (a)(b)	4,234,175
3,360	10.75%, 8/1/20	3,771,600
		8,005,775
Software 1.2%		
	First Data Corp.,	
6,905	9.875%, 9/24/15	7,138,044
2,150	12.625%, 1/15/21	2,303,187
		9,441,231
Specialty Retail 0.4%		
3,140	Brown Shoe Co., Inc., 7.125%, 5/15/19	3,312,700
Telecommunications 3.8%		
5,580	Clearwire Communications LLC/Clearwire Finance, Inc., 12.00%, 12/1/15 (a)(b)	6,050,812
4,335	Consolidated Communications Finance Co., 10.875%, 6/1/20 (a)(b)	4,931,063
955	Intelsat Luxembourg S.A., 11.50%, 2/4/17	1,017,075
6,151	ITC Deltacom, Inc., 10.50%, 4/1/16	6,520,060

3,860	NII Capital Corp., 8.875%, 12/15/19	2,914,300
8,370	West Corp., 11.00%, 10/15/16	8,725,725
		30,159,035
Textiles, Apparel & Luxury Goods 0.9%		
6,000	Fifth & Pacific Co., Inc., 10.50%, 4/15/19 (a)(b)	6,750,000
Trading Companies & Distribution 0.7%		
4,560	Aircastle Ltd., 9.75%, 8/1/18	5,221,200
Transportation 1.9%		
6,675	Quality Distribution LLC, 9.875%, 11/1/18	7,342,500
6,590	Swift Services Holdings, Inc., 10.00%, 11/15/18	7,578,500
		14,921,000
Wireless Telecommunication Services 0.9%		
5,295	Sprint Nextel Corp., 11.50%, 11/15/21	7,313,719
Total Corporate Bonds & Notes (cost-$338,883,982)		344,751,708

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AllianzGI Convertible & Income Fund II Schedule of Investments

February 28, 2013 (continued)

Shares		Value
CONVERTIBLE PREFERRED STOCK 29.5%		
Aerospace & Defense 0.7%		
94,165	United Technologies Corp., 7.50%, 8/1/15	$5,485,111
Airlines 1.3%		
239,795	Continental Airlines Finance Trust II, 6.00%, 11/14/30	10,401,108
Auto Components 1.0%		
178,465	Goodyear Tire & Rubber Co., 5.875%, 3/31/14	8,091,603
Automobiles 1.4%		
257,095	General Motors Co., 4.75%, 12/1/13, Ser. B	10,738,858
Capital Markets 1.1%		
147,005	AMG Capital Trust I, 5.10%, 4/15/36	8,641,130
Commercial Banks 2.1%		
61,835	Fifth Third Bancorp, 8.50%, 6/30/13, Ser. G (d)	8,799,893
6,185	Wells Fargo & Co., 7.50%, 3/15/13, Ser. L (d)	7,842,580
		16,642,473
Commercial Services & Supplies 0.8%		
98,416	United Rentals, Inc., 6.50%, 8/1/28	6,477,003
Communications Equipment 2.4%		
9,160	Lucent Technologies Capital Trust I, 7.75%, 3/15/17	8,269,190
166,735	The Goldman Sachs Group, Inc., 8.00% 1/15/14 (QualComm) (c)	10,664,871
		18,934,061
Computer Storage/Peripherals 1.1%		
257,250	The Goldman Sachs Group, Inc., 8.00% 3/14/13 (NetApp, Inc.) (c)	8,506,486
Diversified Financial Services 1.7%		
11,515	Bank of America Corp., 7.25%, 12/31/49, Ser. L (d)	13,818,000
Electric Utilities 2.3%		
	NextEra Energy, Inc.,	
149,575	5.599%, 6/1/15	7,754,566
25,000	7.00%, 9/1/13	1,349,000

158,835	PPL Corp., 9.50%, 7/1/13	8,704,158
		17,807,724
Health Care Providers & Services 1.3%		
8,660	HealthSouth Corp., 6.50%, 12/31/49, Ser. A (d)	9,944,928
Insurance 0.8%		
136,500	MetLife, Inc., 5.00%, 9/14/13	6,442,800
IT Services 1.1%		
127,940	Unisys Corp., 6.25%, 3/1/14	8,334,012
Machinery 0.6%		
35,325	Stanley Black & Decker, Inc., 4.75%, 11/17/15	4,389,485
Metals & Mining 0.6%		
110,000	Cliffs Natural Resources, Inc., 7.00%, 2/1/16	2,548,700
125,000	Thompson Creek Metals Co., Inc., 6.50%, 5/12/15	2,268,750
		4,817,450
Multi-Utilities 1.2%		
186,560	AES Trust III, 6.75%, 10/15/29	9,374,640

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AllianzGI Convertible & Income Fund II Schedule of Investments

February 28, 2013 (continued)

Shares		Value
Oil, Gas & Consumable Fuels 2.5%		
168,300	Apache Corp., 6.00%, 8/1/13	$7,267,194
	Chesapeake Energy Corp.,	
93,350	5.00%, 12/31/49 (d)	8,103,947
1,665	5.75%, 5/17/15 (a)(b)(d)	1,723,691
94,905	PetroQuest Energy, Inc., 6.875%, 12/31/49 (d)	2,811,561
		19,906,393
Real Estate Investment Trust 4.0%		
335,200	Alexandria Real Estate Equities, Inc., 7.00%, 4/20/13 (d)	9,161,016
539,470	FelCor Lodging Trust, Inc., 1.95%, 12/31/49, Ser. A (d)	13,163,068
159,235	Health Care REIT, Inc., 6.50%, 4/20/18, Ser. I (d)	9,585,947
		31,910,031
Road & Rail 1.5%		
934,965	2010 Swift Mandatory Common Exchange Security Trust, 6.00%, 12/31/13 (b)	11,540,366
Total Convertible Preferred Stock (cost-$210,452,910)		232,203,662

Principal Amount (000s)		
CONVERTIBLE BONDS & NOTES 23.0%		
Aerospace & Defense 1.3%		
$7,110	GenCorp, Inc., 4.063%, 12/31/39	10,367,269
Biotechnology 0.7%		
6,790	Dendreon Corp., 2.875%, 1/15/16	5,635,700
Capital Markets 2.3%		
8,165	Ares Capital Corp., 5.75%, 2/1/16	8,889,644
10,075	BGC Partners, Inc., 4.50%, 7/15/16	9,646,812
		18,536,456
Coal 0.8%		
6,430	Alpha Appalachia Holdings, Inc., 3.25%, 8/1/15	6,168,781

Commercial Services 1.0%		
8,690	Cenveo Corp., 7.00%, 5/15/17 (a)(b)	7,739,531
Construction Materials 0.9%		
5,850	Cemex S.A.B. de C.V., 4.875%, 3/15/15	6,829,875
Diversified Telecommunication Services 0.4%		
2,165	Level 3 Communications, Inc., 6.50%, 10/1/16	2,869,978
Electrical Equipment 1.1%		
6,970	EnerSys, 3.375%, 6/1/38 (e)	8,381,460
Hotels, Restaurants & Leisure 2.1%		
6,935	MGM Resorts International, 4.25%, 4/15/15	7,481,131
9,175	Morgans Hotel Group Co., 2.375%, 10/15/14	8,693,313
		16,174,444
IT Services 1.0%		
3,990	Alliance Data Systems Corp., 1.75%, 8/1/13	8,032,369

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AllianzGI Convertible & Income Fund II Schedule of Investments

February 28, 2013 (continued)

Principal Amount (000s)		Value
Machinery 3.7%		
$7,710	Greenbrier Cos, Inc., 3.50%, 4/1/18	$7,526,888
	Meritor, Inc.,	
9,545	4.625%, 3/1/26 (e)	9,103,544
4,325	7.875%, 3/1/26 (a)(b)	4,208,765
8,665	Navistar International Corp., 3.00%, 10/15/14	8,210,087
		29,049,284
Marine 0.3%		
3,155	DryShips, Inc., 5.00%, 12/1/14	2,719,216
Media 1.2%		
6,235	Liberty Interactive LLC, 3.125%, 3/30/23	9,317,428
Oil, Gas & Consumable Fuels 1.3%		
435	Alpha Natural Resources, Inc., 2.375%, 4/15/15	408,900
6,050	Endeavour International Corp., 5.50%, 7/15/16	2,979,625
2,815	PDC Energy, Inc., 3.25%, 5/15/16 (a)(b)	3,682,372
4,175	Peabody Energy Corp., 4.75%, 12/15/41	3,567,016
		10,637,913
Real Estate Investment Trust 0.6%		
4,550	Boston Properties LP, 3.75%, 5/15/36	4,794,562
Semiconductors & Semiconductor Equipment 1.0%		
7,550	SunPower Corp., 4.75%, 4/15/14	7,512,250
Software 1.4%		
4,835	Nuance Communications, Inc., 2.75%, 8/15/27	5,623,709
5,720	TeleCommunication Systems, Inc., 4.50%, 11/1/14 (a)(b)	5,530,525
		11,154,234
Thrifts & Mortgage Finance 0.5%		
4,965	MGIC Investment Corp., 5.00%, 5/1/17	4,217,147
Tobacco 1.4%		

9,940	Vector Group Ltd., 2.50%, 1/15/19 (f)	11,317,158
Total Convertible Bonds & Notes (cost-$159,464,550)		181,455,055
Shares		
COMMON STOCK 0.2%		
Trading Companies & Distributors 0.2%		
23,472	United Rentals, Inc. (cost-$645,183) (g)	1,253,639
Principal Amount (000s)		
SHORT-TERM INVESTMENT 3.5%		
Time Deposit 3.5%		
$27,862	Citibank-London, 0.03%, 3/1/13 (cost-$27,861,846)	27,861,846
Total Investments (cost-$737,308,471) **100.0%**		**$787,525,910**

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AllianzGI Convertible & Income Fund II Notes to Schedule of Investments

February 28, 2013 (continued)

(a) Private Placement Restricted as to resale and may not have a readily available market. Securities with an aggregate value of $80,749,241, representing 10.3% of total investments.

(b) 144A Exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be resold in transactions exempt from registration, typically only to qualified institutional buyers. Unless otherwise indicated, these securities are not considered to be illiquid.

(c) Securities exchangeable or convertible into securities of an entity different than the issuer or structured by the issuer to provide exposure to securities of an entity different than the issuer (synthetic convertible securities). Such entity is identified in the parenthetical.

(d) Perpetual maturity. Maturity date shown is the next call date.

(e) Step Bond Coupon is a fixed rate for an initial period then resets at a specific date and rate.

(f) In addition to the coupon rate shown, the issuer is expected to pay additional income based on the actual dividends paid on its common stock.

(g) Non-income producing.

(h) Fair Value Measurement See Note 1(b) in Notes to Financial Statements

	Level 1 Quoted Prices	Level 2 Other Significant Observable Inputs	Level 3 Significant Unobservable Inputs	Value at 2/28/2013
Investments in Securities Assets				
Corporate Bonds & Notes		$ 344,751,708		$ 344,751,708
Convertible Preferred Stock:				
Airlines		10,401,108		10,401,108
Capital Markets		8,641,130		8,641,130
Commercial Banks	$ 7,842,580	8,799,893		16,642,473

Commercial Services & Supplies		6,477,003		6,477,003
Communications Equipment		8,269,190	$ 10,664,871	18,934,061
Computer Storage/Peripherals			8,506,486	8,506,486
Health Care Providers & Services		9,944,928		9,944,928
Oil, Gas & Consumable Fuels	7,267,194	12,639,199		19,906,393
Road & Rail		11,540,366		11,540,366
All Other	121,209,714			121,209,714
Convertible Bonds & Notes		181,455,055		181,455,055
Common Stock	1,253,639			1,253,639
Short-Term Investments		27,861,846		27,861,846
Totals	$ 137,573,127	$ 630,781,426	$ 19,171,357	$ 787,525,910

At February 28, 2013, there were no transfers between Levels 1 and 2.

A roll forward of fair value measurements using significant unobservable inputs (Level 3) for the year ended February 28, 2013, was as follows:

	Beginning Balance 2/29/12	Purchases	Sales	Accrued Discounts (Premiums)	Net Realized Gain (Loss)	Net Change in Unrealized Appreciation/Depreciation	Transfers into Level 3	Transfers out of Level 3	Ending Balance 2/28/13
Investments in Securities Assets									
Convertible Preferred Stock:									
Capital Markets	$ 7,599,611		$ (7,554,356)		$ (1,095,256)	$ 1,050,001			
Communications Equipment		$ 10,803,761				(138,890)			$ 10,664,871
Computer Storage & Peripherals		10,817,501				(2,311,015)			8,506,486
Totals	$ 7,599,611	$ 21,621,262	$ (7,554,356)		$ (1,095,256)	$ (1,399,904)			$ 19,171,357

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AllianzGI Convertible & Income Fund II Notes to Schedule of Investments

February 28, 2013 (continued)

The following table presents additional information about valuation techniques and inputs used for investments that are measured at fair value and categorized as Level 3 at February 28, 2013:

	Ending Balance at 2/28/13	Valuation Technique Used	Unobservable Inputs	Input Values
Investments in Securities	**Assets**			
Convertible Preferred Stock	$ 19,171,357	Third-Party Pricing Vendor	Single Broker Quote	$ 33.07-$63.96

The net change in unrealized appreciation/depreciation of Level 3 investments, held at February 28, 2013, was $(2,449,905). Net realized gain (loss) and net change in unrealized appreciation/depreciation are reflected on the Statement of Operations.

See accompanying Notes to Financial Statements 2.28.13 AllianzGI Convertible & Income Fund/AllianzGI Convertible

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AllianzGI Convertible & Income Funds Statements of Assets and Liabilities

February 28, 2013

	Convertible & Income	Convertible & Income II
Assets:		
Investments, at value (cost-$962,699,223 and $737,308,471, respectively)	$1,027,320,773	$787,525,910
Dividends and interest receivable	16,939,594	12,918,547
Receivable for shares sold	448,588	1,022,855
Prepaid expenses	30,083	134,709
Total Assets	1,044,739,038	801,602,021
Liabilities:		
Dividends payable to common and preferred shareholders	6,937,052	5,489,600
Investment management fees payable	556,297	424,132
Payable for investments purchased		3,217,800
Accrued expenses	223,738	193,821
Total Liabilities	7,717,087	9,325,353
Preferred Shares ($0.00001 par value and $25,000 liquidation preference per share applicable to an aggregate of 14,280 and 10,960 shares issued and outstanding, respectively)	357,000,000	274,000,000
Net Assets Applicable to Common Shareholders	$680,021,951	$518,276,668
Composition of Net Assets Applicable to Common Shareholders:		
Common Shares:		
Par value ($0.00001 per share)	$774	$651
Paid-in-capital in excess of par	1,075,106,895	890,519,895
Dividends in excess of net investment income	(6,000,667)	(8,562,781)
Accumulated net realized loss	(453,706,601)	(413,898,536)
Net unrealized appreciation	64,621,550	50,217,439
Net Assets Applicable to Common Shareholders	$680,021,951	$518,276,668
Common Shares Issued and Outstanding	77,433,496	65,067,944
Net Asset Value Per Common Share	$8.78	$7.97

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AllianzGI Convertible & Income Funds Statements of Operations

Year ended February 28, 2013

	Convertible & Income	Convertible & Income II
Investment Income:		
Interest	$65,990,959	$49,982,251
Dividends	18,933,037	14,645,891
Consent fees	396,285	298,215
Total Investment Income	85,320,281	64,926,357
Expenses:		
Investment management	6,955,930	5,282,639
Auction agent	566,437	430,046
Custodian and accounting agent	164,044	140,521
Shareholder communications	141,985	115,020
Audit and tax services	86,300	92,505
Trustees	76,856	57,728
New York Stock Exchange listing	62,061	56,644
Transfer agent	35,796	35,781
Legal	35,345	31,445
Insurance	22,968	18,036
Miscellaneous	14,998	34,162
Total Expenses	8,162,720	6,294,527
Net Investment Income	77,157,561	58,631,830
Realized and Change in Unrealized Gain (Loss):		
Net realized loss on investments	(7,177,249)	(5,491,018)
Net change in unrealized appreciation/depreciation of investments	22,355,537	17,598,123
Net realized and change in unrealized gain	15,178,288	12,107,105
Net Increase in Net Assets Resulting from Investment Operations	92,335,849	70,738,935
Dividends on Preferred Shares from Net Investment Income	(632,392)	(485,366)
Net Increase in Net Assets Applicable to Common Shareholders Resulting from Investment Operations	$91,703,457	$70,253,569

See accompanying Notes to Financial Statements 2.28.13 AllianzGI Convertible & Income Fund/AllianzGI Convertible

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AllianzGI Convertible & Income Fund Statement of Changes in Net Assets

Applicable to Common Shareholders

	Year ended February 28, 2013	Year ended February 29, 2012
Investment Operations:		
Net investment income	$77,157,561	$79,949,101
Net realized loss	(7,177,249)	(46,570,290)
Net change in unrealized appreciation/depreciation	22,355,537	(31,756,205)
Net increase in net assets resulting from investment operations	92,335,849	1,622,606
Dividends on Preferred Shares from Net Investment Income	(632,392)	(389,239)
Net increase in net assets applicable to common shareholders resulting from investment operations	91,703,457	1,233,367
Dividends to Common Shareholders from Net Investment Income	(81,978,271)	(84,616,959)
Common Share Transactions:		
Net proceeds from shares sold	12,503,671	
Offering costs on sale of shares	(138,794)	
Reinvestment of dividends	4,551,352	9,535,092
Net increase in net assets from common share transactions	16,916,229	9,535,092
Total increase (decrease) in net assets applicable to common shareholders	26,641,415	(73,848,500)
Net Assets Applicable to Common Shareholders:		
Beginning of year	653,380,536	727,229,036
End of year*	$680,021,951	$653,380,536
*Including dividends in excess on net investment income of:	$(6,000,667)	$(3,345,078)
Common Shares Issued:		
Shares sold	1,385,738	
Reinvestment of dividends	517,824	1,039,617
Total increase in shares outstanding	1,903,562	1,039,617

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AllianzGI Convertible & Income Fund II Statement of Changes in Net Assets

Applicable to Common Shareholders

	Year ended February 28, 2013	Year ended February 29, 2012
Investment Operations:		
Net investment income	$58,631,830	$60,600,727
Net realized loss	(5,491,018)	(40,107,582)
Net change in unrealized appreciation/depreciation	17,598,123	(20,446,400)
Net increase in net assets resulting from investment operations	70,738,935	46,745
Dividends on Preferred Shares from Net Investment Income	(485,366)	(298,741)
Net increase (decrease) in net assets applicable to common shareholders resulting from investment operations	70,253,569	(251,996)
Dividends to Common Shareholders from Net Investment Income	(64,432,514)	(63,538,750)
Common Share Transactions:		
Net proceeds from shares sold	14,277,745	
Offering costs on sale of shares	(135,133)	
Reinvestment of dividends	5,174,296	7,799,411
Net increase in net assets from common share transactions	19,316,908	7,799,411
Total increase (decrease) in net assets applicable to common shareholders	25,137,963	(55,991,335)
Net Assets Applicable to Common Shareholders:		
Beginning of year	493,138,705	549,130,040
End of year*	$518,276,668	$493,138,705
*Including dividends in excess on net investment income of:	$(8,562,781)	$(3,150,163)
Common Shares Issued:		
Shares sold	1,724,522	
Reinvestment of dividends	641,352	913,523
Total increase in shares outstanding	2,365,874	913,523

See accompanying Notes to Financial Statements 2.28.13 AllianzGI Convertible & Income Fund/AllianzGI Convertible

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AllianzGI Convertible & Income Funds Notes to Financial Statements

February 28, 2013

1. Organization and Significant Accounting Policies

AllianzGI Convertible & Income Fund (Convertible & Income) and AllianzGI Convertible & Income Fund II (Convertible & Income II), formerly known as AGIC Convertible & Income and AGIC Convertible Income Fund II, respectively, each a Fund and collectively referred to as the Funds , were organized as Massachusetts business trusts on January 17, 2003 and April 22, 2003, respectively. Prior to commencing operations on March 31, 2003, and July 31, 2003, respectively, the Funds had no operations other than matters relating to their organization and registration as diversified, closed-end management investment companies under the Investment Company Act of 1940 and the rules and regulations thereunder, as amended. Allianz Global Investors Fund Management LLC (the Investment Manager) and Allianz Global Investors U.S. LLC (the Sub-Adviser), formerly Allianz Global Investors Capital LLC serve as the Funds investment manager and sub-adviser, respectively, and are indirect, wholly-owned subsidiaries of Allianz Asset Management of America L.P., (AAM). The Sub-Adviser name change occurred on January 1, 2013 in connection with several corporate reorganization transactions within the Allianz Global Investors U.S. business. AAM is an indirect, wholly-owned subsidiary of Allianz SE, a publicly traded European insurance and financial services company. Each Fund has authorized an unlimited amount of common shares with $0.00001 par value.

Each Fund s investment objective is to provide total return through a combination of capital appreciation and high current income. The Funds attempt to achieve this objective by investing in a portfolio of convertible securities and non-convertible income-producing securities. There can be no assurance that the Funds will meet their stated objectives.

The preparation of the financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures in each Fund s financial statements. Actual results could differ from those estimates.

In the normal course of business, the Funds enter into contracts that contain a variety of representations that provide general indemnifications. The Funds maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Funds that have not yet occurred.

In December 2011, the Financial Accounting Standards Board issued Accounting Standards Update No. 2011-11, Disclosures About Offsetting Assets and Liabilities , which requires enhanced disclosures that will enable users to evaluate the effect or potential effect of netting arrangements on an entity s financial position, including the effect or potential effect of rights of setoff associated with certain financial and derivative instruments. The amendments are effective for fiscal years beginning on or after January 1, 2013. The Funds management is currently evaluating the effect that the guidance may have on the Funds financial statements.

The following is a summary of significant accounting policies consistently followed by the Funds:

(a) Valuation of Investments

Portfolio securities and other financial instruments for which market quotations are readily available are stated at market value. Market value is generally determined on the basis of last reported sales prices, or if no sales are reported, on the basis of quotes obtained from a quotation reporting system, established market makers, or independent pricing services. The Funds investments are valued daily using prices supplied by an independent pricing service or dealer quotations, or by using the last sale price on the exchange that is the primary market for such securities, or the mean between the last quoted bid and ask price. Independent pricing services use information provided by market makers or estimates of market values obtained from yield data relating to investments or securities with similar characteristics.

The Board of Trustees (the Board) has adopted procedures for valuing portfolio securities and other financial derivative instruments in circumstances where market quotes are not readily available, and has delegated the responsibility for applying the valuation methods to the Investment Manager and the Sub-Adviser. The Funds Valuation Committee was established by the Board to oversee the implementation of the Fund s valuation methods and to make fair value determinations on behalf of the Board, as instructed. The Sub-Adviser monitors the

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AllianzGI Convertible & Income Funds Notes to Financial Statements

February 28, 2013

1. Organization and Significant Accounting Policies (continued)

continued appropriateness of methods applied and determines if adjustments should be made in light of market changes, events affecting the issuer, or other factors. If the Sub-Adviser determines that a valuation method may no longer be appropriate, another valuation method may be selected, or the Valuation Committee will be convened to consider the matter and take any appropriate action in accordance with procedures set forth by the Board. The Board shall review the appropriateness of the valuation methods and these methods may be amended or supplemented from time to time by the Valuation Committee.

Synthetic convertible securities are valued based on quotations obtained from unaffiliated brokers who are the principal market-makers in such securities. Such valuations are derived by the brokers from proprietary models which are generally based on readily available market information including valuation of the common stock underlying the synthetic security.

Short-term securities maturing in 60 days or less are valued at amortized cost, if their original term to maturity was 60 days or less, or by amortizing their value on the 61st day prior to maturity, if the original term to maturity exceeded 60 days.

The prices used by the Funds to value securities may differ from the value that would be realized if the securities were sold, and these differences could be material to the Funds financial statements. Each Fund s net asset value (NAV) is normally determined as of the close of regular trading (normally, 4:00 p.m. Eastern time) on the New York Stock Exchange (NYSE) on each day the NYSE is open for business.

(b) Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e. the exit price) in an orderly transaction between market participants. The three levels of the fair value hierarchy are described below:

Level 1 quoted prices in active markets for identical investments that the Funds have the ability to access
Level 2 valuations based on other significant observable inputs, which may include, but are not limited to, quoted prices for similar assets or liabilities, interest rates, yield curves, volatilities, prepayment speeds, loss severities, credit risks and default rates or other market corroborated inputs.
Level 3 valuations based on significant unobservable inputs (including the Sub-Adviser s or Valuation Committee s own assumptions and single source broker quotes in determining the fair value of investments)

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. The following are certain inputs and techniques that the Funds generally use to evaluate how to classify each major category of assets and liabilities for Level 2 and Level 3, in accordance with Generally Accepted Accounting Principles (GAAP).

Equity Securities (Common and Preferred Stock) Equity securities traded in inactive markets are valued using inputs which include broker-dealer quotes, recently executed transactions adjusted for changes in the benchmark index, or evaluated price quotes received from independent pricing services that take into account the integrity of the market sector and issuer, the individual characteristics of the security, and information received from broker-dealers and other market sources pertaining to the issuer or security. To the extent that these inputs are observable, the values of equity securities are categorized as Level 2. To the extent that these inputs are unobservable the values are categorized as Level 3.

Convertible Bonds & Notes Convertible bonds & notes are valued by independent pricing services using various inputs and techniques, which include broker-dealer quotations from relevant market makers and recently executed transactions in securities of the issuer or comparable issuers. The broker-dealer quotations received are supported by credit analysis of the issuer that takes into consideration credit quality assessments, daily trading activity, and the activity of the underlying equities, listed bonds and sector-specific trends. To the extent that these inputs are

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AllianzGI Convertible & Income Funds Notes to Financial Statements

February 28, 2013

1. Organization and Significant Accounting Policies (continued)

observable, the values of convertible bonds and notes are categorized as Level 2. To the extent that these inputs are unobservable the values are categorized as Level 3.

Corporate Bonds & Notes   Corporate bonds & notes are generally comprised of two main categories: investment grade bonds and high yield bonds. Investment grade bonds are valued by independent pricing services using various inputs and techniques, which include broker-dealer quotations, live trading levels, recently executed transactions in securities of the issuer or comparable issuers, and option adjusted spread models that include base curve and spread curve inputs. Adjustments to individual bonds can be applied to recognize trading differences compared to other bonds issued by the same issuer. High yield bonds are valued by independent pricing services based primarily on broker-dealer quotations from relevant market makers and recently executed transactions in securities of the issuer or comparable issuers. The broker-dealer quotations received are supported by credit analysis of the issuer that takes into consideration credit quality assessments, daily trading activity, and the activity of the underlying equities, listed bonds and sector-specific trends. To the extent that these inputs are observable, the values of corporate bonds and notes are categorized as Level 2. To the extent that these inputs are unobservable the values are categorized as Level 3.

The valuation techniques used by the Funds to measure fair value during the year ended February 28, 2013 were intended to maximize the use of observable inputs and to minimize the use of unobservable inputs.

The Funds   policy is to recognize transfers between levels at the end of the reporting period. An investment asset   s or liability   s level within the fair value hierarchy is based on the lowest level input, individually or in aggregate, that is significant to fair value measurement. The objective of fair value measurement remains the same even when there is a significant decrease in the volume and level of activity for an asset or liability and regardless of the valuation techniques used. Assets categorized as Level 1 or 2 as of period end many have been transferred between Levels 1 and 2 since the prior period due to changes in the valuation method utilized in valuing the investments.

(c) Investment Transactions and Investment Income

Investment transactions are accounted for on the trade date. Realized gains and losses on investments are determined on the identified cost basis. Interest income adjusted for the accretion of discount and amortization of premiums is recorded on an accrual basis. Discounts or premiums on debt securities purchased are accreted or amortized, respectively, to interest income. Conversion premium is not amortized. Dividend income is recorded on the ex-dividend date. Payments received on synthetic convertible securities are generally included in dividends. Consent fees are related to corporate actions and recorded when received. Payments received from certain investments may be comprised of dividends, realized gains and return of capital. These payments may initially be recorded as dividend income and may subsequently be reclassified as realized gains and/or return of capital upon receipt of information from the issuer.

(d) Federal Income Taxes

The Funds intend to distribute all of their taxable income and to comply with the other requirements of Subchapter M of the U.S. Internal Revenue Code of 1986, as amended, applicable to regulated investment companies. Accordingly, no provision for U.S. federal income taxes is required.

Accounting for uncertainty in income taxes establishes for all entities, including pass-through entities such as the Funds, a minimum threshold for financial statement recognition of the benefit of positions taken in filing tax returns (including whether an entity is taxable in a particular jurisdiction), and requires certain expanded tax disclosures. The Funds management has determined that its evaluation of the positions taken in the tax returns has resulted in no material impact to the Funds financial statements at February 28, 2013. The Funds federal tax returns for the prior three years remain subject to examination by the Internal Revenue Service.

(e) Dividends and Distributions Common Shares

The Funds declare dividends from net investment income to common shareholders monthly. Distributions of net realized capital gains, if any, are paid at least annually. The Funds record dividends and distributions on the

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AllianzGI Convertible & Income Funds Notes to Financial Statements

February 28, 2013

1. Organization and Significant Accounting Policies (continued)

ex-dividend date. The amount of dividends from net investment income and distributions from net realized capital gains is determined in accordance with federal income tax regulations, which may differ from GAAP. These book-tax differences are considered either temporary or permanent in nature. To the extent these differences are permanent in nature, such amounts are reclassified within the capital accounts based on their federal income tax treatment. Temporary differences do not require reclassification. To the extent dividends and/or distributions exceed current and accumulated earnings and profits for federal income tax purposes, they are reported as dividends and/or distributions to shareholders from return of capital.

(f) Convertible Securities

It is the Funds policy to invest a portion of their assets in convertible securities. 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, certain of the Funds investments in convertible securities include features which render them more sensitive to price changes in their underlying securities. The value of structured/synthetic convertible securities can be affected by interest rate changes and credit risks of the issuer. Such securities may be structured in ways that limit their potential for capital appreciation and the entire value of the security may be at risk of loss depending on the performance of the underlying equity security. Consequently, the Funds are exposed to greater downside risk than traditional convertible securities, but still less than that of the underlying stock.

2. Principal Risks

In the normal course of business, the Funds trade financial instruments and enter into financial transactions where risk of potential loss exists due to, among other things, changes in the market (market risk) or failure of the other party to a transaction to perform (counterparty risk). The Funds also are exposed to other risks such as, but not limited to, interest rate, credit and leverage risks.

Interest rate risk is the risk that fixed income securities will decline in value because of changes in interest rates. As nominal interest rates rise, the value of certain fixed income securities held by the Funds are likely to decrease. A nominal interest rate can be described as the sum of a real interest rate and an expected inflation rate. Fixed income securities with longer durations tend to be more sensitive to changes in interest rates, usually making them more volatile than securities with shorter durations. Duration is used primarily as a measure of the sensitivity of a fixed income security s market price to interest rate (*i.e.* yield) movements.

The Funds are exposed to credit risk, which is the risk of losing money if the issuer or guarantor of a fixed income security is unable or unwilling, or is perceived (whether by market participants, rating agencies, pricing services or otherwise) as unable or unwilling, to make timely principal and/or interest payments, or to otherwise honor its obligations. Securities are subject to varying degrees of credit risk, which are often reflected in credit ratings.

The market values of securities may decline due to general market conditions (market risk) which are not specifically related to a particular company, such as real or perceived adverse economic conditions, changes in the general outlook for corporate earnings, changes in interest or currency rates or adverse investor sentiment. They may also decline due to factors that affect a particular industry or industries, such as labor shortages or increased production costs and competitive conditions within an industry. Equity securities and equity-related investments generally have greater market price volatility than fixed income securities.

The Funds are exposed to counterparty risk, or the risk that an institution or other entity with which the Funds have unsettled or open transactions will default. The potential loss to the Funds could exceed the value of the financial assets recorded in the Funds financial statements. Financial assets, which potentially expose the Funds to counterparty risk, consist principally of cash due from counterparties and investments. The Sub-Adviser seeks to minimize the Funds counterparty risks by performing reviews of each counterparty and by minimizing concentration of counterparty risk by undertaking transactions with multiple customers and counterparties on recognized and reputable exchanges. Delivery of securities sold is only made once the Funds have received payment. Payment is

AllianzGI Convertible & Income Funds Notes to Financial Statements

February 28, 2013

2. Principal Risks (continued)

made on a purchase once the securities have been delivered by the counterparty. The trade will fail if either party fails to meet its obligation.

The Funds are exposed to risks associated with leverage. Leverage may cause the value of the Funds shares to be more volatile than if the Funds did not use leverage. This is because leverage tends to exaggerate the effect of any increase or decrease in the value of the Funds portfolio securities. The Funds may engage in transactions or purchase instruments that give rise to forms of leverage. In addition, to the extent the Funds employ leverage, dividends and interest costs may not be recovered by any appreciation of the securities purchased with the leverage proceeds and could exceed the Funds investment returns, resulting in greater losses.

3. Investment Manager/Sub-Adviser

Each Fund has an Investment Management Agreement (each an Agreement) with the Investment Manager. Subject to the supervision of each Fund s Board of Trustees, the Investment Manager is responsible for managing, either directly or through others selected by it, the Funds investment activities, business affairs and administrative matters. Pursuant to each Agreement, the Investment Manager receives an annual fee, payable monthly, at the annual rate of 0.70% of each Fund s average daily total managed assets. Total managed assets refer to the total assets of each Fund (including assets attributable to any Preferred Shares or other forms of leverage that may be outstanding) minus accrued liabilities (other than liabilities representing leverage).

The Investment Manager has retained the Sub-Adviser to manage the Funds investments. Subject to the supervision of the Investment Manager, the Sub-Adviser is responsible for making all of the Funds investment decisions. The Investment Manager, not the Funds, pays a portion of the fees it receives as Investment Manager to the Sub-Adviser in return for its services.

4. Investment in Securities

For the year ended February 28, 2013, purchases and sales of investments, other than short-term securities were:

	Purchases	Sales
Convertible & Income	$ 388,960,094	$ 380,869,299
Convertible & Income II	304,148,053	299,828,563

5. Income Tax Information

The tax character of dividends paid was:

	Year ended February 28, 2013 Ordinary Income	Year ended February 29, 2012 Ordinary Income
Convertible & Income	$ 82,610,663	$ 85,006,198
Convertible & Income II	64,917,880	63,837,491

At February 28, 2013, the components of distributable earnings were:

	Ordinary Income	Capital Loss Carryforward(1)
Convertible & Income		$ 451,263,603
Convertible & Income II		412,137,993

(1) Capital loss carryforwards available as a reduction, to the extent provided in the regulations, of any future net realized gains. To the extent that these losses are used to offset future realized capital gains, such gains will not be disbursed.

Under the Regulated Investment Company Modernization Act of 2010, the Funds will be permitted to carry forward capital losses incurred in taxable years beginning after December 22, 2010, for an unlimited period. However, any

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AllianzGI Convertible & Income Funds Notes to Financial Statements

February 28, 2013

5. Income Tax Information (continued)

losses incurred during those future taxable years will be required to be utilized prior to the losses incurred in pre-enactment taxable years. As a result of this, pre-enactment capital loss carryforwards may be more likely to expire unused. Additionally, post-enactment capital losses that are carried forward will retain their character as either short-term or long-term capital losses rather than being considered all short-term capital losses.

At February 28, 2013, capital loss carryforward amounts were:

	Year of Expiration			No Expiration[2]	
	2016	2017	2018	Short-Term	Long-Term
Convertible & Income	$ 378,716	$ 130,701,783	$ 257,419,376	$ 8,136,765	$ 54,626,963
Convertible & Income II	3,633,098	130,286,946	227,428,454	5,590,221	45,199,274

(2) Carryforward amounts are subject to the provisions of the Regulated Investment Company Act of 2010.

For the fiscal year ended February 28, 2013, permanent book tax adjustments were as follows:

	Dividends in Excess of Net Investment Income	Accumulated Net Realized Loss	Paid-In-Capital In Excess of Par
Convertible & Income[a][b][c][d]	$ 2,797,513	$ (2,797,332)	$ (181)
Convertible & Income II[a][b][c][d]	873,432	(873,461)	29

These permanent book-tax differences were primarily attributable to:

(a) Treatment of bond premium amortization

(b) Convertible preferred securities

(c) Consent fee payments

(d) Treatment of investments in Real Estate Investment Trusts (REITS)

Net investment income, net realized gains or losses and net assets were not affected by these adjustments.

At February 28, 2013, the aggregate cost basis and the net unrealized appreciation of investments for federal income tax purposes were as follows:

	Federal Tax Cost Basis(3)	Unrealized Appreciation	Unrealized Depreciation	Net Unrealized Appreciation
Convertible & Income	$ 970,403,428	$ 98,963,957	$ (42,046,612)	$ 56,917,345
Convertible & Income II	745,013,336	74,620,989	(32,108,415)	42,512,574

(3) The difference between book and tax cost basis is attributable to wash sale loss deferrals, REITS and the differing treatment of bond premium amortization and convertible securities.

6. Auction-Rate Preferred Shares

Convertible & Income has 2,856 shares of Preferred Shares Series A, 2,856 shares of Preferred Shares Series B, 2,856 shares of Preferred Shares Series C, 2,856 shares of Preferred Shares Series D and 2,856 shares of Preferred Shares Series E outstanding, each with a liquidation preference of $25,000 per share plus any accumulated, unpaid dividends.

Convertible & Income II has 2,192 shares of Preferred Shares Series A, 2,192 shares of Preferred Shares Series B, 2,192 shares of Preferred Shares Series C, 2,192 shares of Preferred Shares Series D and 2,192 shares of Preferred Shares Series E outstanding, each with a liquidation preference of $25,000 per share plus any accumulated, unpaid dividends.

Dividends are accumulated daily at an annual rate (typically re-set every seven days) through auction procedures (or through default procedures in the event of failed auctions). Distributions of net realized capital gains, if any, are paid annually.

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AllianzGI Convertible & Income Funds Notes to Financial Statements

February 28, 2013

6. Auction-Rate Preferred Shares (continued)

For the year ended February 28, 2013, the annualized dividend rates for the Funds ranged from:

	High	Low	At February 28, 2013
Series A	0.320%	0.030%	0.180%
Series B	0.300%	0.040%	0.180%
Series C	0.300%	0.030%	0.180%
Series D	0.320%	0.030%	0.180%
Series E	0.320%	0.030%	0.320%

The Funds are subject to certain limitations and restrictions while Preferred Shares are outstanding. Failure to comply with these limitations and restrictions could preclude the Funds from declaring or paying any dividends or distributions to common shareholders or repurchasing common shares and/or could trigger the mandatory redemption of Preferred Shares at their liquidation preference plus any accumulated, unpaid dividends.

Preferred shareholders, who are entitled to one vote per share, generally vote together with the common shareholders but vote separately as a class to elect two Trustees and on any matters affecting the rights of the Preferred Shares.

Since mid-February 2008, holders of auction-rate preferred shares (ARPS) issued by the Funds have been directly impacted by an unprecedented lack of liquidity, which has similarly affected ARPS holders in many of the nation s closed-end funds. Since then, regularly scheduled auctions for ARPS issued by the Funds have consistently failed because of insufficient demand (bids to buy shares) to meet the supply (shares offered for sale) at each auction. In a failed auction, ARPS holders cannot sell all, and may not be able to sell any, of their shares tendered for sale. While repeated auction failures have affected the liquidity for ARPS, they do not constitute a default or automatically alter the credit quality of the ARPS, and ARPS holders have continued to receive dividends at the defined maximum rate , equal to the 7-day AA Composite Commercial Paper Rate multiplied by 200%, depending on the credit rating of the ARPS (which is a function of short-term interest rates and typically higher than the rate that would have otherwise been set through a successful auction). If the Funds ARPS auctions continue to fail and the maximum rate payable on the ARPS rises as a result of changes in short-term interest rates, returns for the Funds common shareholders could be adversely affected.

On July 13, 2012, Moody s Investor Service downgraded its ratings for each series of the Funds Preferred Shares from Aaa to A1.

7. Transfer Agent Change

Effective September 17, 2012 (the Effective Date), American Stock Transfer & Trust Company, LLC (AST) assumed responsibility as the Funds transfer agent. The amended Dividend Reinvestment Plan (the Plan), and AST s role as transfer agent for Participants under the Plan commenced on the Effective Date.

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AllianzGI Convertible & Income Funds Notes to Financial Statements

February 28, 2013

8. Common Shares Offering

On December 4, 2012, the Securities and Exchange Commission declared effective a registration statement filed using the shelf registration process for each Fund. Pursuant to their shelf registrations, Convertible & Income and Convertible & Income II may offer, from time to time, in one or more offerings, up to 10,700,000 and 9,600,000 common shares, respectively. The aggregate sale proceeds for the sales of the Convertible & Income s and Convertible & Income II s common shares are subject to aggregate caps of $135,000,000 and $100,000,000, respectively. The Funds may not sell any of their common shares at a price below the net asset values of such common shares at the time of each sale, exclusive of any distribution commission or discount. However, each Fund may instruct its sales agent not to sell its common shares if the sales cannot be effected at or above a price designated by the Fund, which may be inclusive of any distribution commission or discount. Any proceeds from the Funds offerings of their common shares will be invested in accordance with the Funds investment objectives and policies as set forth in their effective registration statements.

During the period ended February 28, 2013, Convertible & Income and Convertible & Income II sold 1,385,738 and 1,724,522 Common Shares, respectively. Proceeds from the offerings net of commissions and fees and offering costs in connection with the sales of shares aggregated $12,503,671 and $14,277,745, and $138,794 and $135,133, for Convertible & Income and Convertible & Income II, respectively.

9. Subsequent Events

In preparing these financial statements, the Funds management evaluated events and transactions for potential recognition or disclosure through the date the financial statements were issued.

On March 1, 2013, the following monthly dividends were declared to common shareholders, payable April 1, 2013 to shareholders of record on March 11, 2013:

Convertible & Income	$0.09 per common share
Convertible & Income II	$0.085 per common share

On April 1, 2013, the following monthly dividends were declared to common shareholders, payable May 1, 2013 to shareholders of record on April 11, 2013:

Convertible & Income	$0.09 per common share
Convertible & Income II	$0.085 per common share

There were no other subsequent events that require recognition or disclosure.

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AllianzGI Convertible & Income Fund Financial Highlights

For a common share outstanding throughout each year:

	Year ended				
	February 28, 2013	February 29, 2012	February 28, 2011	February 28, 2010	February 28, 2009
Net asset value, beginning of year	$8.65	$9.76	$8.80	$4.80	$12.52
Investment Operations:					
Net investment income	1.02	1.07	1.20	1.07	1.56
Net realized and change in unrealized gain (loss)	0.20	(1.04)	1.02	4.02	(7.75)
Total from investment operations	1.22	0.03	2.22	5.09	(6.19)
Dividends on Preferred Shares from Net Investment Income	(0.01)	(0.01)	(0.01)	(0.01)	(0.17)
Net increase (decrease) in net assets applicable to common shareholders resulting from investment operations	1.21	0.02	2.21	5.08	(6.36)
Dividends to Common Shareholders from Net Investment Income	(1.08)	(1.13)	(1.25)	(1.08)	(1.36)
Common Share Transactions:					
Accretion to net asset value, resulting from offerings	0.00(4)				
Capital charge resulting from issuance of common shares and related offering costs	(0.00)(5)				
Total common share transactions	0.00(4)				
Net asset value, end of year	$8.78	$8.65	$9.76	$8.80	$4.80
Market price, end of year	$9.18	$9.70	$11.00	$9.39	$4.05
Total Investment Return (1)	7.02%	(0.15)%	33.53%	166.37%	(61.55)%
RATIOS/SUPPLEMENTAL DATA:					
Net assets, applicable to common shareholders, end of year (000s)	$680,022	$653,381	$727,229	$644,408	$348,544
Ratio of expenses to average net assets (2)	1.28%	1.28%	1.27%	1.39%	1.56%(3)

Ratio of net investment income to average net assets (2)	12.12%	12.32%	13.25%	14.21%	16.87%
Preferred shares asset coverage per share	$72,619	$70,755	$75,925	$70,125	$49,406
Portfolio turnover rate	39%	33%	52%	58%	62%

(1) Total investment return is calculated assuming a purchase of a common share at the market price on the first day and a sale of a common share at the market price on the last day of each year reported. Dividends are assumed, for purposes of this calculation, to be reinvested at prices obtained under the Fund s dividend reinvestment plan. Total investment return does not reflect brokerage commissions or sales charges in connection with the purchase or sale of Fund shares.
(2) Calculated on the basis of income and expenses applicable to both common and preferred shares relative to the average net assets of common shareholders.
(3) Ratio of expenses to average net assets of common shareholders, excluding excise tax expense, was 1.53%.
(4) Less than $0.005 per common share.
(5) Less than $(0.005) per common share.

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AllianzGI Convertible & Income Fund II Financial Highlights

For a common share outstanding throughout each year:

	Year ended February 28, 2013	February 29, 2012	February 28, 2011	February 28, 2010	February 28, 2009
Net asset value, beginning of year	$7.86	$8.89	$8.02	$4.39	$12.38
Investment Operations:					
Net investment income	0.93	0.97	1.09	0.98	1.55
Net realized and change in unrealized gain (loss)	0.20	(0.98)	0.95	3.80	(8.05)
Total from investment operations	1.13	(0.01)	2.04	4.78	(6.50)
Dividends on Preferred Shares from Net Investment Income	(0.01)	(0.00)(4)	(0.01)	(0.01)	(0.20)
Net increase (decrease) in net assets applicable to common shareholders resulting from investment operations	1.12	(0.01)	2.03	4.77	(6.70)
Dividends to Common Shareholders from Net Investment Income	(1.02)	(1.02)	(1.16)	(1.14)	(1.29)
Common Share Transactions:					
Accretion to net asset value, resulting from offerings	0.01				
Capital charge resulting from issuance of common shares and related offering costs	(0.00)(4)				
Total common share transactions	0.01				
Net asset value, end of year	$7.97	$7.86	$8.89	$8.02	$4.39
Market price, end of year	$8.52	$8.84	$10.21	$8.76	$3.73
Total Investment Return (1)	9.35%	(2.27)%	32.85%	174.62%	(63.34)%
RATIOS/SUPPLEMENTAL DATA:					
Net assets, applicable to common shareholders, end of year (000s)	$518,277	$493,139	$549,130	$487,130	$263,220
	1.31%	1.31%	1.29%	1.42%	1.71%(3)

Ratio of expenses to average net assets (2)					
Ratio of net investment income to average net assets (2)	12.20%	12.39%	13.20%	14.20%	17.26%
Preferred shares asset coverage per share	$72,287	$69,994	$75,102	$69,445	$49,015
Portfolio turnover rate	41%	32%	54%	58%	57%

(1) Total investment return is calculated assuming a purchase of a common share at the market price on the first day and a sale of a common share at the market price on the last day of each year reported. Dividends are assumed, for purposes of this calculation, to be reinvested at prices obtained under the Fund s dividend reinvestment plan. Total investment return does not reflect brokerage commissions or sales charges in connection with the purchase or sale of Fund shares.

(2) Calculated on the basis of income and expenses applicable to both common and preferred shares relative to the average net assets of common shareholders.

(3) Ratio of expenses to average net assets of common shareholders, excluding excise tax expense, was 1.63%.

(4) Less than $(0.005) per common share.

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AllianzGI Convertible & Income Funds

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Trustees

AllianzGI Convertible & Income Fund

AllianzGI Convertible & Income Fund II

In our opinion, the accompanying statements of assets and liabilities, including the schedules of investments, and the related statements of operations and of changes in net assets and the financial highlights present fairly, in all material respects, the financial position of the AllianzGI Convertible & Income Fund (formerly AGIC Convertible & Income Fund) and AllianzGI Convertible & Income Fund II (formerly AGIC Convertible & Income Fund II) (the Funds) at February 28, 2013, the results of each of their operations for the year then ended, the changes in each of their net assets for each of the two years in the period then ended and their financial highlights for each of the five years in the period then ended, in conformity with accounting principles generally accepted in the United States of America. These financial statements and financial highlights (hereafter referred to as financial statements) are the responsibility of the Funds management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits, which included confirmation of securities at February 28, 2013 by correspondence with the custodian and brokers, provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

New York, New York

April 24, 2013

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AllianzGI Convertible & Income Funds

Tax Information (unaudited)

Subchapter M of the Internal Revenue Code of 1986, as amended, requires the Funds to advise shareholders as to the federal tax status of dividends and distributions received by shareholders during such tax year.

Under the Jobs and Growth Tax Relief Reconciliation Act of 2003, the following percentages of ordinary dividends paid during the fiscal year ended February 28, 2013, are designated as qualified dividend income (or the maximum amount allowable):

Convertible & Income	19.44%
Convertible & Income II	19.26%

Corporate shareholders are generally entitled to take the dividend received deduction on the portion of a Fund s dividend distribution that qualifies under the tax law. The percentage of the following Funds ordinary income dividends paid during the fiscal year ended February 28, 2013, that qualify for the corporate deduction is set below (or the maximum amount allowable):

Convertible & Income	18.18%
Convertible & Income II	18.03%

Since the Funds tax year is not the calendar year, another notification will be sent with respect to calendar year 2013. In January 2014, shareholders will be advised on IRS Form 1099 DIV as to the federal tax status of dividends and distributions received during calendar 2013. The amount that will be reported will be the amount to use on the shareholders 2013 federal income tax returns and may differ from the amount which must be reported in connection with the Funds tax year ended February 28, 2013. Shareholders are advised to consult their tax advisers as to the federal, state and local tax status of the dividend income received from the Funds.

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AllianzGI Convertible & Income Funds Annual Shareholder Meeting Results/Proxy Voting Policies & Procedures (unaudited)

Annual Shareholder Meeting Results:

The Funds held their joint annual meeting of shareholders on July 19, 2012. Common/Preferred shareholders voted as indicated below:

Convertible & Income:	Affirmative	Withheld Authority
Re-election of Deborah A. DeCotis Class III to serve until the Annual Meeting for the 2015-2016 fiscal year	60,807,276	2,067,078
Re-election of John C. Maney Class III to serve until the Annual Meeting for the 2015-2016 fiscal year	60,969,712	1,904,642

The other members of the Board of Trustees at the time of the meeting, namely Messrs. Bradford K. Gallagher, James A. Jacobson*, Hans W. Kertess, William B. Ogden, IV and Alan Rappaport* continue to serves as Trustees.

Convertible & Income II:	Affirmative	Withheld Authority
Re-election of Hans W. Kertess Class III to serve until the Annual Meeting for the 2015-2016 fiscal year	51,809,269	1,827,349
Re-election of John C. Maney Class III to serve until the Annual Meeting for the 2015-2016 fiscal year	51,904,821	1,731,797

The other members of the Board of Trustees at the time of the meeting, namely Ms. Deborah A. DeCotis and Messrs. Bradford K. Gallagher, James A. Jacobson*, William B. Ogden, IV and Alan Rappaport* continue to serve as Trustees.

* Preferred Shares Trustee
Interested Trustee

Proxy Voting Policies & Procedures:

A description of the policies and procedures that the Funds have adopted to determine how to vote proxies relating to portfolio securities and information about how the Funds voted proxies relating to portfolio securities held during the most recent twelve month period ended June 30 is available (i) without charge, upon request, by calling the Funds shareholder servicing agent at (800) 254-5197; (ii) on the Funds website at www.us.allianzgi.com/closedendfunds ; and (iii) on the Securities and Exchange Commission s website at www.sec.gov.

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AllianzGI Convertible & Income Funds

Privacy Policy (unaudited)

Our Commitment to You

We consider customer privacy to be a fundamental aspect of our relationship with shareholders and are committed to maintaining the confidentiality, integrity, and security of our current, prospective and former shareholders personal information. To ensure our shareholders privacy, we have developed policies that are designed to protect this confidentiality, while allowing shareholders needs to be served.

Obtaining Personal Information

In the course of providing shareholders with products and services, we may obtain non-public personal information about shareholders, which may come from sources such as account applications and other forms, from other written, electronic or verbal correspondence, from shareholder transactions, from a shareholder s brokerage or financial advisory firm, financial adviser or consultant, and/or from information captured on our internet web sites.

Respecting Your Privacy

As a matter of policy, we do not disclose any personal or account information provided by shareholders or gathered by us to non-affiliated third parties, except as required for everyday business purposes, such as to process transactions or service a shareholder s account, or as otherwise permitted by law. As is common in the industry, non-affiliated companies may from time to time be used to provide certain services, such as preparing and mailing prospectuses, reports, account statements and other information, and gathering shareholder proxies. We may also retain non-affiliated financial services providers, such as broker-dealers, to market our shares and products and we may enter in joint-marketing agreements with them and other financial companies. We may also retain marketing and research service firms to conduct research on shareholder satisfaction. These companies may have access to a shareholder s personal and account information, but are permitted to use the information solely to provide the specific service or as otherwise permitted by law. We may also provide a shareholder s personal and account information to their respective brokerage or financial advisory firm, Custodian, and/or to their financial adviser or consultant.

Sharing Information with Third Parties

We reserve the right to disclose or report personal information to non-affiliated third parties, in limited circumstances, where we believe in good faith that disclosure is required under law to cooperate with regulators or law enforcement authorities, to protect our rights or property or upon reasonable request by any Fund in which a shareholder has chosen to invest. In addition, we may disclose information about a shareholder or shareholder s accounts to a non-affiliated third party only if we receive a shareholder s written request or consent.

Sharing Information with Affiliates

We may share shareholder information with our affiliates in connection with our affiliates everyday business purposes, such as servicing a shareholder s account, but our affiliates may not use this information to market products and services to you except in conformance with applicable laws or regulations. The information we share includes information about our experiences and transactions with a shareholder and may include, for example, shareholder s participation in one of the Funds or in other investment programs, a shareholder s ownership of certain types of accounts (such as IRAs), or other data about a shareholder s transactions or accounts. Our affiliates, in turn, are not permitted to share shareholder information with non-affiliated entities, except as required or permitted by law.

Procedures to Safeguard Private Information

We take seriously the obligation to safeguard shareholder non-public personal information. In addition to this policy, we have also implemented procedures that are designed to restrict access to a shareholder s non-public personal information only to internal personnel who need to know that information in order to provide products or services to such shareholders. In addition, we have physical, electronic and procedural safeguards in place to guard a shareholder s non-public personal information.

Disposal of Confidential Records

We will dispose of records, if any, that are knowingly derived from data received from a consumer reporting agency regarding a shareholder that is an individual in a manner that ensures the confidentiality of the data is maintained. Such records include, among other things, copies of consumer reports and notes of conversations with individuals at consumer reporting agencies.

AllianzGI Convertible & Income Funds

Dividend Reinvestment Plan (unaudited)

Automatic Dividend Reinvestment Plan

Each Fund has adopted a Dividend Reinvestment Plan (the Plan) which allows common shareholders to reinvest Fund distributions in additional common shares of the Fund. American Stock Transfer & Trust Company, LLC (the Plan Agent) serves as agent for common shareholders in administering the Plan. It is important to note that participation in the Plan and automatic reinvestment of Fund distributions does not ensure a profit, nor does it protect against losses in a declining market.

Automatic enrollment/voluntary participation Under the Plan, common shareholders whose shares are registered with the Plan Agent (registered shareholders) are automatically enrolled as participants in the Plan and will have all Fund distributions of income, capital gains and returns of capital (together, distributions) reinvested by the Plan Agent in additional common shares of the Funds, unless the shareholder elects to receive cash. Registered shareholders who elect not to participate in the Plan will receive all distributions in cash paid by check and mailed directly to the shareholder of record (or if the shares are held in street or other nominee name, to the nominee) by the Plan Agent. Participation in the Plan is voluntary. Participants may terminate or resume their enrollment in the Plan at any time without penalty by notifying the Plan Agent online at www.amstock.com, by calling (800) 254-5197, by writing to the Plan Agent, American Stock Transfer & Trust Company, LLC, at P.O. Box 922, Wall Street Station, New York, NY 10269-0560, or, as applicable, by completing and returning the transaction form attached to a Plan statement. A proper notification will be effective immediately and apply to the Funds next distribution if received by the Plan Agent at least three (3) days prior to the record date for the distribution; otherwise, a notification will be effective shortly following the Funds next distribution and will apply to the Funds next succeeding distribution thereafter. If you withdraw from the Plan and so request, the Plan Agent will arrange for the sale of your shares and send you the proceeds, minus a transaction fee and brokerage commissions.

How shares are purchased under the Plan For each distribution by a Fund, the Plan Agent will acquire common shares for participants either (i) through receipt of newly issued common shares from the Funds (newly issued shares) or (ii) by purchasing common shares of the Funds on the open market (open market purchases). If, on a distribution payment date, the net asset value per common share of the Funds (NAV) is equal to or less than the market price per common share plus estimated brokerage commissions (often referred to as a market premium), the Plan Agent will invest the distribution amount on behalf of participants in newly issued shares at a price equal to the greater of (i) NAV or (ii) 95% of the market price per common share on the payment date. If the NAV is greater than the market price per common share plus estimated brokerage commissions (often referred to as a market discount) on a distribution payment date, the Plan agent will instead attempt to invest the distribution amount through open market purchases. If the Plan Agent is unable to invest the full distribution amount in open market purchases, or if the market discount shifts to a market premium during the purchase period, the Plan Agent will invest any un-invested portion of the distribution in newly issued shares at a price equal to the greater of (i) NAV or (ii) 95% of the market price per share as of the last business day immediately prior to the purchase date (which, in either case, may be a price greater or lesser than the NAV per common share on the distribution payment date). No interest will be paid on distributions awaiting reinvestment. Under the Plan, the market price of common shares on a particular date is the last sales price on the exchange where the shares are listed on that date or, if there is no sale on the exchange on that date, the mean between the closing bid and asked quotations for the shares on the exchange on that date. The NAV per common share on a particular date is the amount calculated on that date (normally at the close of regular trading on the New York

Stock Exchange) in accordance with the Funds then current policies.

Fees and expenses No brokerage charges are imposed on reinvestments in newly issued shares under the Plan. However, all participants will pay a pro rata share of brokerage commissions incurred by the Plan Agent when it makes open market purchases. There are currently no direct service charges imposed on participants in the Plan, although the Funds reserve the right to amend the Plan to include such charges. The Plan Agent imposes a transaction fee (in addition to brokerage commissions that are incurred) if it arranges for the sale of your common shares held under the Plan.

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AllianzGI Convertible & Income Funds

Dividend Reinvestment Plan (continued) (unaudited)

Shares held through nominees In the case of a registered shareholder such as a broker, bank or other nominee (together, a nominee) that holds common shares for others who are the beneficial owners, the Plan Agent will administer the Plan on the basis of the number of common shares certified by the nominee/record shareholder as representing the total amount registered in such shareholder s name and held for the account of beneficial owners who participate in the Plan. If your common shares are held through a nominee and are not registered with the Plan Agent, neither you nor the nominee will be participants in or have distributions reinvested under the Plan. If you are a beneficial owner of common shares and wish to participate in the Plan, and your nominee is unable or unwilling to become a registered shareholder and a Plan participant on your behalf, you may request that your nominee arrange to have all or a portion of your shares re-registered with the Plan Agent in your name so that you may be enrolled as a participant in the Plan. Please contact your nominee for details or for other possible alternatives. Participants whose shares are registered with the Plan Agent in the name of one nominee firm may not be able to transfer the shares to another firm and continue to participate in the Plan.

Tax consequences Automatically reinvested dividends and distributions are taxed in the same manner as cash dividends and distributions *i.e.*, automatic reinvestment in additional shares does not relieve shareholders of, or defer the need to pay, any income tax that may be payable (or that is required to be withheld) on Fund dividends and distributions. The Funds and the Plan Agent reserve the right to amend or terminate the Plan. Additional information about the Plan, as well as a copy of the full Plan itself, may be obtained from the Plan Agent, American Stock Transfer & Trust Company, LLC., P.O. Box 922, Wall Street Station New York, NY 10269-0560; telephone number: (800) 254-5197; web site: www.amstock.com.

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AllianzGI Convertible & Income Funds

Board of Trustees (unaudited)

Name, Year of Birth, Position(s) Held with Funds, Length of Service, Other Trusteeships/ Directorships Held by Trustee; Number of Portfolios in Fund Complex/Outside Fund Complexes Currently Overseen by Trustee	Principal Occupation(s) During Past 5 Years:
The address of each trustee is 1633 Broadway, New York, NY 10019.	
Hans W. Kertess *Year of Birth: 1939* *Chairman of the Board of Trustees since: 2007* *Trustee since: 2004-NCV/ 2003-NCZ* *Term of office: Expected to stand for re-election at annual meeting of shareholders for the following fiscal year: 2013-2014-NCV/2015-2016-NCZ.* *Trustee/Director of 65 funds in Fund Complex;* *Trustee/Director of no funds outside of Fund Complex*	President, H. Kertess & Co., a financial advisory company. Formerly, Managing Director, Royal Bank of Canada Capital Markets.
Deborah A. DeCotis *Year of Birth: 1952* *Trustee since: 2011* *Term of office: Expected to stand for re-election at annual meeting of shareholders for the following fiscal year: 2015-2016-NCV/2014-2015-NCZ.* *Trustee/Director of 65 funds in Fund Complex* *Trustee/Director of no funds outside of Fund Complex*	Advisory Director, Morgan Stanley & Co., Inc. (since 1996); Co-Chair Special Projects Committee, Memorial Sloan Kettering (since 2005); Board Member and Member of the Investment and Finance Committees, Henry Street Settlement (since 2007); Trustee, Stanford University (since 2010). Formerly, Director, Helena Rubenstein Foundation (1997-2012); and Advisory Council, Stanford Business School (2002-2008).
Bradford K. Gallagher	

Year of Birth: 1944 *Trustee since: 2010* *Term of office: Expected to stand for re-election at annual meeting of shareholders for the 2014-2015 fiscal year.* *Trustee/Director of 65 funds in Fund Complex* *Trustee/Director of no funds outside of Fund Complex* *Formerly, Chairman and Trustee of Grail Advisors ETF Trust (2009-2010) and Trustee of Nicholas-Applegate Institutional Funds (2007-2010)*	Partner, New Technology Ventures Capital Management LLC, a venture capital fund (since 2011); Chairman and Trustee, Atlantic Maritime Heritage Foundation (since 2007); Chairman and Trustee, The Common Fund (since 2005); Founder, Spyglass Investments LLC, a private investment vehicle (since 2001); and Founder, President and CEO, Cypress Holding Company and Cypress Tree Investment Management Company (since 1995).
James A. Jacobson *Year of Birth:1945* *Trustee since: 2009* *Term of office: Expected to stand for re-election at annual meeting of shareholders for the 2014-2015 fiscal year.* *Trustee/Director of 65 funds in Fund Complex* *Trustee/Director of 17 funds in Alpine Mutual Funds Complex*	Retired. Formerly, Vice Chairman and Managing Director, Spear, Leeds & Kellogg Specialists, LLC, a specialist firm on the New York Stock Exchange.

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AllianzGI Convertible & Income Funds

Board of Trustees (continued) (unaudited)

Name, Year of Birth, Position(s) Held with Funds, Length of Service, Other Trusteeships/ Directorships Held by Trustee; Number of Portfolios in Fund Complex/Outside Fund Complexes Currently Overseen by Trustee	**Principal Occupation(s) During Past 5 Years:**
William B. Ogden, IV *Year of Birth: 1945* *Trustee since: 2006* *Term of office: Expected to stand for re-election at annual meeting of shareholders for the 2013-2014 fiscal year.* *Trustee/Director of 65 funds in Fund Complex;* *Trustee/Director of no funds outside of Fund Complex*	Asset Management Industry Consultant. Formerly, Managing Director, Investment Banking Division of Citigroup Global Markets Inc.
Alan Rappaport *Year of Birth: 1953* *Trustee since: 2010* *Term of office: Expected to stand for re-election at annual meeting of shareholders for the 2013-2014 fiscal year.* *Trustee/Director of 65 funds in Fund Complex* *Trustee/Director of no funds outside of Fund Complex*	Advisory Director (since 2012), formerly, Vice Chairman, Roundtable Investment Partners (since 2009); Chairman (formerly President), Private Bank of Bank of America; Vice Chairman, US Trust (2001-2008); Trustee, American Museum of Natural History (since 2005) and Trustee, NYU Langone Medical Center (since 2007).
John C. Maney *Year of Birth: 1959* *Trustee since: 2006*	Management Board and Managing Director of Allianz Global Investors Fund Management LLC; Management Board and Managing Director of Allianz Asset Management of America L.P. (since January 2005) and Chief Operating Officer of Allianz Asset Management of America L.P. (since

Term of office: Expected to stand for re-election at annual meeting of shareholders for the 2015-2016 fiscal year. *Trustee/Director of 84 funds in Fund Complex* *Trustee/Director of no funds outside the Fund Complex*	November 2006).

Mr. Maney is an interested person of the Funds, as defined in Section 2(a)(19) of the 1940 Act, due to his positions set forth in the table above, among others with the Funds Investment Manager and various affiliated entities.

AllinazGI Convertible & Income Funds

Fund Officers (unaudited)

Name, Year of Birth, Position(s) Held with Funds.	Principal Occupation(s) During Past 5 Years:
Brian S. Shlissel *Year of Birth: 1964* *President & Chief Executive Officer since: 2003*	Management Board, Managing Director and Head of Mutual Fund Services of Allianz Global Investors Fund Management LLC; President and Chief Executive Officer of 30 funds in the Fund Complex; President of 54 funds in the Fund Complex; and Treasurer, Principal Financial and Accounting Officer of The Korea Fund, Inc. Formerly, Treasurer, Principal Financial and Accounting Officer of 50 funds in the Fund Complex (2005-2010).
Lawrence G. Altadonna *Year of Birth: 1966* *Treasurer, Principal Financial and Accounting Officer since: 2003*	Director, Director of Fund Administration of Allianz Global Investors Fund Management LLC; Treasurer, Principal Financial and Accounting Officer of 84 funds in the Fund Complex; and Assistant Treasurer of The Korea Fund, Inc. Formerly, Assistant Treasurer of 50 funds in the Fund Complex.
Thomas J. Fuccillo *Year of Birth: 1968* *Vice President, Secretary & Chief Legal Officer since: 2004*	Managing Director, Chief Legal Officer and Secretary of Allianz Global Investors Fund Management LLC and Allianz Global Investors Distributors LLC; Managing Director and Chief Regulatory Counsel of Allianz Global Investors U.S. Holdings LLC; Vice President, Secretary and Chief Legal Officer of 84 funds in the Fund Complex; and Secretary and Chief Legal Officer of The Korea Fund, Inc.
Scott Whisten *Year of Birth: 1971* *Assistant Treasurer since: 2007*	Director of Allianz Global Investors Fund Management LLC; and Assistant Treasurer of 84 funds in the Fund Complex.
Richard J. Cochran *Year of Birth: 1961* *Assistant Treasurer since: 2008*	Vice President of Allianz Global Investors Fund Management LLC; Assistant Treasurer of 84 funds in the Fund Complex and of The Korea Fund, Inc. Formerly, Tax Manager, Teachers Insurance Annuity Association/College Retirement Equity Fund (TIAA-CREF) (2002-2008).
Orhan Dzemaili *Year of Birth: 1974*	Vice President of Allianz Global Investors Fund Management LLC; Assistant Treasurer of 84 funds in the Fund Complex.

Assistant Treasurer since: 2011

Youse E. Guia *Year of Birth: 1972* *Chief Compliance Officer since: 2004*	Director, Head of Compliance, Allianz Global Investors U.S. Holdings LLC and Chief Compliance Officer of 84 funds in the Fund Complex and of The Korea Fund, Inc.
Lagan Srivastava *Year of Birth: 1977* *Assistant Secretary since: 2006*	Vice President of Allianz Global Investors U.S. Holdings LLC; Assistant Secretary of 84 funds in the Fund Complex and of The Korea Fund, Inc.

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Investment Manager

Allianz Global Investors Fund Management LLC

1633 Broadway

New York, NY 10019

Sub-Adviser

Allianz Global Investors U.S. LLC

600 West Broadway, 30th Floor

San Diego, CA 92101

Custodian & Accounting Agent

Brown Brothers Harriman & Co.

40 Water Street

Boston, MA 02109

Transfer Agent, Dividend Paying Agent and Registrar

American Stock Transfer & Trust Company, LLC

6201 15th Avenue

Brooklyn, NY 11219

Independent Registered Public Accounting Firm

PricewaterhouseCoopers LLP

300 Madison Avenue

New York, NY 10017

Legal Counsel

Ropes & Gray LLP

Prudential Tower

800 Boylston Street

Boston, MA 02199

This report, including the financial information herein, is transmitted to the shareholders of AllianzGI Convertible & Income Fund and AllianzGI Convertible & Income Fund II for their information. It is not a prospectus, circular or representation intended for use in the purchase of shares of the Funds or any securities mentioned in this report.

Notice is hereby given in accordance with Section 23(c) of the Investment Company Act of 1940, as amended, that from time to time the Funds may purchase shares of its stock in the open market.

The Funds file their complete schedule of portfolio holdings with the Securities and Exchange Commission (SEC) for the first and third quarters of their fiscal year on Form N-Q. Each Funds Form N-Q is available on the SEC s website at www.sec.gov and may be reviewed and copied at the SEC s Public Reference Room in Washington D.C. Information on the operation of the Public Reference Room may be obtained by calling (800) SEC-0330. The information on Form N-Q is also available on the Funds website at www.us.allianzgi.com/closedendfunds.

Information on the Funds is available at www.us.allianzgi.com/closedendfunds or by calling the Funds shareholder servicing agent at (800) 254-5197

Receive this report electronically and eliminate paper mailings. To enroll, go to us.allianzgi.com/edelivery.

Allianz Global Investors Distributors LLC AZ603AR_022813

AGI_2013_03_04_6040

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ITEM 2. CODE OF ETHICS

(a) As of the end of the period covered by this report, the registrant has adopted a code of ethics (the Section 406 Standards for Investment Companies Ethical Standards for Principal Executive and Financial Officers) that applies to the registrant s Principal Executive Officer and Principal Financial Officer; the registrant s Principal Financial Officer also serves as the Principal Accounting Officer. The registrant undertakes to provide a copy of such code of ethics to any person upon request, without charge, by calling 1-800-254-5197. The code of ethics is included as an Exhibit 99.CODEETH hereto.

(b) During the period covered by this report, there were no amendments to a provision of the code of ethics adopted in 2(a) above.

(c) During the period covered by this report, there were no waivers or implicit waivers to a provision of the code of ethics adopted in 2(a) above.

ITEM 3. AUDIT COMMITTEE FINANCIAL EXPERT
The registrant s Board has determined that Mr. James A. Jacobson, a member of the Board s Audit Oversight Committee is an audit committee financial expert, and that he is independent, for purposes of this Item.

ITEM 4. PRINCIPAL ACCOUNTANT FEES AND SERVICES

a) Audit fees. The aggregate fees billed for each of the last two fiscal years (the Reporting Periods) for professional services rendered by the Registrant s principal accountant (the Auditor) for the audit of the Registrant s annual financial statements, or services that are normally provided by the Auditor in connection with the statutory and regulatory filings or engagements for the Reporting Periods were $55,890 in 2012 and $60,000 in 2013.

b) Audit-Related Fees. The aggregate fees billed in the Reporting Periods for assurance and related services by the principal accountant that are reasonably related to the performance of the audit registrant s financial statements and are not reported under paragraph (e) of this Item were $16,000 in 2012 and $16,000 in 2013. These services consist of accounting consultations, agreed upon procedure reports (inclusive of annual review of basic maintenance testing associated with the Preferred Shares), attestation reports and comfort letters.

c) Tax Fees. The aggregate fees billed in the Reporting Periods for professional services rendered by the Auditor for tax compliance, tax service and tax planning (Tax Services) were $14,410 in 2012 and $14,910 in 2013. These services consisted of review or preparation of U.S. federal, state, local and excise tax returns and calculation of excise tax distributions.

d) All Other Fees. There were no other fees billed in the Reporting Periods for products and services provided by the Auditor to the Registrant.

e) 1. Audit Committee Pre-Approval Policies and Procedures. The Registrant s Audit Committee has established policies and procedures for pre-approval of all audit and permissible non-audit services by the Auditor for the Registrant, as well as the Auditor s engagements related directly to the operations and financial reporting of the Registrant. The Registrant s policy is stated below.

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AllianzGI Convertible & Income Fund II (The Fund)

AUDIT OVERSIGHT COMMITTEE POLICY FOR PRE-APPROVAL OF SERVICES PROVIDED BY THE INDEPENDENT ACCOUNTANTS

The Fund s Audit Oversight Committee (Committee) is charged with the oversight of the Funds financial reporting policies and practices and their internal controls. As part of this responsibility, the Committee must pre-approve any independent accounting firm s engagement to render audit and/or permissible non-audit services, as required by law. In evaluating a proposed engagement by the independent accountants, the Committee will assess the effect that the engagement might reasonably be expected to have on the accountant s independence. The Committee s evaluation will be based on:

a review of the nature of the professional services expected to provided, the fees to be charged in connection with the services expected to be provided, a review of the safeguards put into place by the accounting firm to safeguard independence, and periodic meetings with the accounting firm.

POLICY FOR AUDIT AND NON-AUDIT SERVICES TO BE PROVIDED TO THE FUNDS

On an annual basis, the Fund s Committee will review and pre-approve the scope of the audits of the Funds and proposed audit fees and permitted non-audit (including audit-related) services that may be performed by the Fund s independent accountants. At least annually, the Committee will receive a report of all audit and non-audit services that were rendered in the previous calendar year pursuant to this Policy. In addition to the Committee s pre-approval of services pursuant to this Policy, the engagement of the independent accounting firm for any permitted non-audit service provided to the Fund will also require the separate written pre-approval of the President of the Fund, who will confirm, independently, that the accounting firm s engagement will not adversely affect the firm s independence. All non-audit services performed by the independent accounting firm will be disclosed, as required, in filings with the Securities and Exchange Commission.

AUDIT SERVICES

The categories of audit services and related fees to be reviewed and pre-approved annually by the Committee are:

Annual Fund financial statement audits

Seed audits (related to new product filings, as required)

SEC and regulatory filings and consents

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AUDIT-RELATED SERVICES

The following categories of audit-related services are considered to be consistent with the role of the Fund s independent accountants and services falling under one of these categories will be pre-approved by the Committee on an annual basis if the Committee deems those services to be consistent with the accounting firm s independence:

Accounting consultations

Fund merger support services

Agreed upon procedure reports (inclusive of the annual review of Basic Maintenance testing associated with issuance of Preferred Shares)

Other attestation reports

Comfort letters

Other internal control reports

Individual audit-related services that fall within one of these categories and are not presented to the Committee as part of the annual pre-approval process described above, may be pre-approved, if deemed consistent with the accounting firm s independence, by the Committee Chair (or any other Committee member who is a disinterested trustee under the Investment Company Act to whom this responsibility has been delegated) so long as the estimated fee for those services does not exceed $250,000. Any such pre-approval shall be reported to the full Committee at its next regularly scheduled meeting.

TAX SERVICES

The following categories of tax services are considered to be consistent with the role of the Fund s independent accountants and services falling under one of these categories will be pre-approved by the Committee on an annual basis if the Committee deems those services to be consistent with the accounting firm s independence:

Tax compliance services related to the filing or amendment of the following:

Federal, state and local income tax compliance; and, sales and use tax compliance

Timely RIC qualification reviews

Tax distribution analysis and planning

Tax authority examination services

Tax appeals support services

Accounting methods studies

Fund merger support service

Other tax consulting services and related projects

Individual tax services that fall within one of these categories and are not presented to the Committee as part of the annual pre-approval process described above, may be pre-approved, if deemed consistent with the accounting firm s independence, by the Committee Chairman (or any other Committee member who is a disinterested trustee under the Investment Company Act to whom this responsibility has been delegated) so long as the estimated fee for those services does not exceed $250,000. Any such pre-approval shall be reported to the full Committee at its next regularly scheduled meeting.

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PROSCRIBED SERVICES

The Fund s independent accountants will not render services in the following categories of non-audit services:

Bookkeeping or other services related to the accounting records or financial statements of the Funds Financial information systems design and implementation

Appraisal or valuation services, fairness opinions, or contribution-in-kind reports

Actuarial services

Internal audit outsourcing services

Management functions or human resources

Broker or dealer, investment adviser or investment banking services

Legal services and expert services unrelated to the audit Any other service that the Public Company Accounting Oversight Board determines, by regulation, is impermissible

PRE-APPROVAL OF NON-AUDIT SERVICES PROVIDED TO OTHER ENTITIES WITHIN THE FUND COMPLEX

The Committee will pre-approve annually any permitted non-audit services to be provided to Allianz Global Investors Fund Management LLC (Formerly, PA Fund Management LLC) or any other investment manager to the Funds (but not including any sub-adviser whose role is primarily portfolio management and is sub-contracted by the investment manager) (the Investment Manager) and any entity controlling, controlled by, or under common control with the Investment Manager that provides ongoing services to the Fund (including affiliated sub-advisers to the Fund), provided, in each case, that the engagement relates directly to the operations and financial reporting of the Fund (such entities, including the Investment Manager, shall be referred to herein as the Accounting Affiliates). Individual projects that are not presented to the Committee as part of the annual pre-approval process, may be pre-approved, if deemed consistent with the accounting firm s independence, by the Committee Chairman (or any other Committee member who is a disinterested trustee under the Investment Company Act to whom this responsibility has been delegated) so long as the estimated fee for those services does not exceed $250,000. Any such pre-approval shall be reported to the full Committee at its next regularly scheduled meeting. Although the Committee will not pre-approve all services provided to the Investment Manager and its affiliates, the Committee will receive an annual report from the Funds independent accounting firm showing the aggregate fees for all services provided to the Investment Manager and its affiliates.

DE MINIMUS EXCEPTION TO REQUIREMENT OF PRE-APPROVAL OF NON-AUDIT SERVICES

With respect to the provision of permitted non-audit services to a Fund or Accounting Affiliates, the pre-approval requirement is waived if:

(1) The aggregate amount of all such permitted non-audit services provided constitutes no more than (i) with respect to such services provided to the Fund, five percent (5%) of the total amount of revenues paid by the Fund to its independent accountant during the fiscal year in which the services are provided, and (ii) with respect to such services provided to Accounting Affiliates, five percent (5%) of the total amount of revenues paid to the Fund s independent accountant by the Fund and the Accounting Affiliates during the fiscal year in which the services are provided;

(2) Such services were not recognized by the Fund at the time of the engagement for such services to be non-audit services; and

(3) Such services are promptly brought to the attention of the Committee and approved prior to the completion of the audit by the Committee or by the Committee Chairman (or any other Committee member who is a disinterested trustee under the Investment Company Act to whom this Committee Chairman or other delegate shall be reported to the full Committee at its next regularly scheduled meeting.

e) 2. No services were approved pursuant to the procedures contained in paragraph (C) (7) (i) (C) of Rule 2-01 of Registration S-X.

f) Not applicable

g) Non-audit fees. The aggregate non-audit fees billed by the Auditor for services rendered to the Registrant, and rendered to the Adviser, for the 2012 Reporting Period was $3,134,739 and for the 2013 Reporting Period was $4,085,672.

h) Auditor Independence. The Registrant s Audit Oversight Committee has considered whether the provision of non-audit services that were rendered to the Adviser which were not pre-approved is compatible with maintaining the Auditor s independence.

ITEM 5. AUDIT COMMITTEE OF LISTED REGISTRANT

The Fund has a separately designated standing audit committee established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934. The audit committee of the Fund is comprised of Hans W. Kertess, Alan Rappaport, William B. Ogden, IV, James A. Jacobson, Bradford K. Gallagher and Deborah A. DeCortis.

ITEM 6. INVESTMENTS

(a) Schedule of Investments is included as part of the report to shareholders filed under Item 1 of this form.

(b) Not applicable

ITEM 7. DISCLOSURE OF PROXY VOTING POLICIES AND PROCEDURES FOR CLOSED-END MANAGEMENT INVESTMENT COMPANIES.

ALLIANZGI CONVERTIBLE & INCOME FUND (NCV)

ALLIANZGI CONVERTIBLE & INCOME FUND II (NCZ)

(each a Trust)

PROXY VOTING POLICY

1. It is the policy of the Trust that proxies should be voted in the interest of its shareholders, as determined by those who are in the best position to make this determination. The Trust believes that the firms and/or persons purchasing and selling securities for the Trust and analyzing the performance of the Trust s securities are in the best position and have the information necessary to vote proxies in the best interests of the Trust and its shareholders, including in situations where conflicts of interest may arise between the interests of shareholders, on one hand, and the interests of the investment adviser, a sub-adviser and/or any other affiliated person of the Trust, on the

other. Accordingly, the Trust s policy shall be to delegate proxy voting responsibility to those entities with portfolio management responsibility for the Trust.

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2. The Trust delegates the responsibility for voting proxies to Allianz Global Investors Fund Management LLC (AGIFM), which will in turn delegate such responsibility to the sub-adviser of the particular Trust. AGIFM s Proxy Voting Policy Summary is attached as Appendix A hereto. Summaries of the detailed proxy voting policies of the Trust s current sub-advisers are set forth in Appendix B attached hereto. Such summaries may be revised from time to time to reflect changes to the sub-advisers detailed proxy voting policies.

3. The party voting the proxies (i.e., the sub-adviser) shall vote such proxies in accordance with such party s proxy voting policies and, to the extent consistent with such policies, may rely on information and/or recommendations supplied by others.

4. AGIFM and the sub-adviser of the Trust with proxy voting authority shall deliver a copy of its respective proxy voting policies and any material amendments thereto to the applicable Board of the Trust promptly after the adoption or amendment of any such policies.

5. The party voting the proxy shall: (i) maintain such records and provide such voting information as is required for the Trust s regulatory filings including, without limitation, Form N-PX and the required disclosure of policy called for by Item 18 of Form N-2 and Item 7 of Form N-CSR; and (ii) shall provide such additional information as may be requested, from time to time, by the Board or the Trust s Chief Compliance Officer.

6. This Proxy Voting Policy Statement, the Proxy Voting Policy Summary of AGIFM and summaries of the detailed proxy voting policies of the sub-adviser of the Trust with proxy voting authority and how the Trust voted proxies relating to portfolio securities held during the most recent twelve month period ending June 30, shall be made available (i) without charge, upon request, by calling 1-800-254-5197; (ii) on the Trust s website at www. us.allianzgi.com; and (iii) on the Securities and Exchange Commission s (SEC s) website at http://www.sec.gov. In addition, to the extent required by applicable law or determined by the Trust s Chief Compliance Officer or Board of Trustees, the Proxy Voting Policy Summary of AGIFM and summaries of the detailed proxy voting policies of the sub-adviser with proxy voting authority shall also be included in the Trust s Registration Statements or Form N-CSR filings.

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Appendix A

ALLIANZ GLOBAL INVESTORS FUND MANAGEMENT LLC (AGIFM)

PROXY VOTING POLICY SUMMARY

1. It is the policy of AGIFM that proxies should be voted in the interest of the shareholders of the applicable fund, as determined by those who are in the best position to make this determination. AGIFM believes that the firms and/or persons purchasing and selling securities for the funds and analyzing the performance of the funds securities are in the best position and have the information necessary to vote proxies in the best interests of the funds and their shareholders, including in situations where conflicts of interest may arise between the interests of shareholders, on one hand, and the interests of the investment adviser, a sub-adviser and/or any other affiliated person of the fund, on the other. Accordingly, AGIFM s policy shall be to delegate proxy voting responsibility to those entities with portfolio management responsibility for the funds.

2. AGIFM, for each fund for which it acts as investment adviser, delegates the responsibility for voting proxies to the sub-adviser for the respective fund.

3. The party voting proxies (e.g., the sub-adviser) vote the proxies in accordance with their proxy voting policies and, to the extent consistent with their policies, may rely on information and/or recommendations supplied by others.

4. AGIFM and each sub-adviser of a fund will deliver a copy of their respective proxy voting policies and any material amendments thereto to the board of the relevant fund promptly after the adoption or amendment of any such policies.

5. The party voting the proxy will: (i) maintain such records and provide such voting information as is required for such funds regulatory filings including, without limitation, Form N-PX and the required disclosure of policy called for by Item 18 of Form N-2 and Item 7 of Form N-CSR; and (ii) will provide additional information as may be requested, from time to time, by the funds respective boards or chief compliance officers.

6. Summaries of the proxy voting policies for AGIFM and each sub-adviser of a fund advised by AGIFM and how each fund voted proxies relating to portfolio securities held during the most recent twelve month period ended June 30 will be available (i) without charge, upon request, by calling 1-800-254-5197; (ii) on the Allianz Global Investors Distributors Web site at www. us.allianzgi.com; and (iii) on the Securities and Exchange Commission s (SEC s) website at http://www.sec.gov. In addition, to the extent required by applicable law or

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determined by the relevant fund s board of directors/trustees or chief compliance officer, summaries of the detailed proxy voting policies of AGIFM, each sub-adviser and each other entity with proxy voting authority for a fund advised by AGIFM shall also be included in the Registration Statement or Form N-CSR filings for the relevant fund.

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Appendix B

Allianz Global Investors U.S. LLC (AGI U.S.)

Description of Proxy Voting Policy and Procedures

AGI U.S. typically votes proxies as part of its discretionary authority to manage accounts, unless the client has explicitly reserved the authority for itself. When voting proxies, AGI U.S. seeks to make voting decisions solely in the best interests of its clients and to enhance the economic value of the underlying portfolio securities held in its clients accounts.

AGI U.S. has adopted written Proxy Policy Guidelines and Procedures (the Proxy Guidelines) that are reasonably designed to ensure that the firm is voting in the best interest of its clients. The Proxy Guidelines reflect AGI U.S. s general voting positions on specific corporate governance issues and corporate actions. AGI U.S. has retained an independent third party service provider (the Proxy Provider) to assist in the proxy voting process by implementing the votes in accordance with the Proxy Guidelines as well as assisting in the administrative process. In certain circumstances, a client may request in writing that AGI U.S. vote proxies for its account in accordance with a set of guidelines which differs from the Proxy Guidelines. In that case, AGI U.S. will vote the shares held by such client accounts in accordance with their direction which may be different from the vote cast for shares held on behalf of other client accounts that vote in accordance with the Proxy Guidelines.

AGI U.S. will generally refrain from voting proxies on foreign securities that are subject to share blocking restrictions. Certain countries require the freezing of shares for trading purposes at the custodian/sub-custodian bank level in order to vote proxies to ensure that shareholders voting at meetings continue to hold the shares through the actual shareholder meeting. However, because AGI U.S. cannot anticipate every proxy proposal that may arise (including a proxy proposal that an analyst and/or portfolio manager believes has the potential to significantly affect the economic value of the underlying security, such as proxies relating to mergers and acquisitions), AGI U.S. may, from time to time, instruct the Proxy Provider to cast a vote for a proxy proposal in a share blocked country.

The Proxy Guidelines also provide for oversight of the proxy voting process by a Proxy Committee. The Proxy Committee meets at a minimum on an annual basis and when necessary to address potential conflicts of interest. AGI U.S. may have conflicts of interest that can affect how it votes its client s proxies. In order to ensure that all material conflicts of interest are addressed appropriately while carrying out AGI U.S. s obligation to vote proxies, the Proxy Committee is responsible for developing a process to identify proxy voting issues that may raise conflicts of interest between AGI U.S. and its clients and to resolve such issues. Any deviations from the Proxy Guidelines will be documented and maintained in accordance with Rule 204-2 under the Investment Advisers Act.

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The Proxy Committee monitors the outsourcing of voting obligations to the Proxy Provider and AGI U.S. s proxy voting recordkeeping practices; adheres to a process for resolution of voting issues that require a case-by-case analysis; and, to the extent the Proxy Guidelines do not cover potential proxy voting issues, determines a process for voting such issues.

In accordance with the Proxy Guidelines, AGI U.S. may review additional criteria associated with voting proxies and evaluate the expected benefit to its clients when making an overall determination on how or whether to vote a proxy. Upon receipt of a client s written request, AGI U.S. may also vote proxies for that client s account in a particular manner that may differ from the Proxy Guidelines. In addition, AGI U.S. may refrain from voting a proxy on behalf of its clients accounts due to de-minimis holdings, immaterial impact on the portfolio, items relating to non-U.S. issuers (such as those described below), non-discretionary holdings not covered by AGI U.S., timing issues related to the opening/closing of accounts, securities lending issues (see below), contractual arrangements with clients and/or their authorized delegate, the timing of receipt of information, or where circumstances beyond its control prevent it from voting. These issues may include, but are not limited to: (i) proxy statements and ballots being written in a foreign language, (ii) untimely notice of a shareholder meeting, (iii) requirements to vote proxies in person, (iv) restrictions on foreigner s ability to exercise votes, (v) restrictions on the sale of securities for a period of time in proximity to the shareholder meeting, or (vi) requirements to provide local agents with power of attorney to facilitate the voting instructions. Such proxies are voted on a best-efforts basis.

If a client has decided to participate in a securities lending program, AGI U.S. will defer to the client s determination and not attempt to recall securities on loan solely for the purpose of voting routine proxies as this could impact the returns received from securities lending and make the client a less desirable lender in the marketplace. If the participating client requests, AGI U.S. will use reasonable efforts to notify the client of proxy measures that AGI U.S. deems material.

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ITEM 8. PORTFOLIO MANAGERS OF CLOSED-END MANAGEMENT INVESTMENT COMPANIES
(a)(1)

As of May 1, 2013, the following individuals at Allianz Global Investors U.S. LLC (Allianz Global Investors or AGI U.S.) constitute the team that has primary responsibility for the day-to-day implementation of the AllianzGI Convertible & Income Fund (NCV) and AllianzGI Convertible & Income Fund II (NCZ), with Mr. Forsyth serving as the lead portfolio manager:

Douglas G. Forsyth, CFA

Managing Director, Chief Investment Officer, Fixed Income U.S.

Mr. Forsyth, CFA, is a portfolio manager, a managing director and CIO Fixed Income US with Allianz Global Investors, and has been the lead portfolio manager since the Fund s inception in February 2007. He is the head of the Income and Growth Strategies team. Mr. Forsyth has portfolio management, trading and research responsibilities, and oversees all aspects of the Income and Growth platform s business, including product development and implementation. He has more than 20 years of investment-industry experience. Before joining the firm in 1994, Mr. Forsyth was an analyst at AEGON USA. He has a B.B.A. from the University of Iowa.

Justin Kass, CFA

Managing Director, Portfolio Manager

Mr. Kass, CFA, is a portfolio manager and managing director with Allianz Global Investors, which he joined in 2000 and has been a co-portfolio manager for the Fund since September 2008. He has portfolio management and research responsibilities for the Income and Growth Strategies team. Mr. Kass has more than 15 years of investment industry experience. He has a B.S. from the University of California, Davis, and an M.B.A. from the UCLA Anderson School of Management.

(a)(2)

The following summarizes information regarding each of the accounts, excluding the Funds managed by portfolio managers as of February 28, 2013 including accounts managed by a team, committee, or other group that includes the portfolio managers.

NCV

	Other Registered Investment Companies		Other Accounts		Other Pooled Investment Vehicles	
PM	#	AUM($million)	#	AUM($million)	#	AUM($million)
Douglas G. Forsyth	7	4,664	12	1,685	7	6,069*
Justin Kass	7	4,664	12	1,865	7	6,069*

* Of these Other Pooled Investment Vehicles, two accounts totaling $338 million pay and advisory fee that is based in part on the performance of the accounts.

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NCZ

	Other Registered Investment Companies		Other Accounts		Other Pooled Investment Vehicles	
PM	#	AUM($million)	#	AUM($million)	#	AUM($million)
Douglas G. Forsyth	7	4,911	12	1,685	7	6,609*
Justin Kass	7	4,911	12	1,685	7	6,609*

* Of these Other Pooled Investment Vehicles, two accounts totaling $237 million pay and advisory fee that is based in part on the performance of the accounts.

Like other investment professionals with multiple clients, a portfolio manager for a Fund may face certain potential conflicts of interest in connection with managing both the Fund and other accounts at the same time. The paragraphs below describe some of these potential conflicts, which AGI U.S. believes are faced by investment professionals at most major financial firms.

AGI U.S. has adopted compliance policies and procedures that address certain of these potential conflicts. The management of accounts with different advisory fee rates and/or fee structures, including accounts that pay advisory fees based on account performance (performance fee accounts), may raise potential conflicts of interest by creating an incentive to favor higher-fee accounts. These potential conflicts may include, among others:

- The most attractive investments could be allocated to higher-fee accounts or performance fee accounts.

- The trading of higher-fee accounts could be favored as to timing and/or execution price. For example, higher-fee accounts could be permitted to sell securities earlier than other accounts when a prompt sale is desirable or to buy securities at an earlier and more opportune time.

- The investment management team could focus their time and efforts primarily on higher-fee accounts due to a personal stake in compensation.

When AGI U.S. considers the purchase or sale of a security to be in the best interests of a Fund as well as other accounts, AGI U.S. s trading desk may, to the extent permitted by applicable laws and regulations, aggregate the securities to be sold or purchased. Aggregation of trades may create the potential for unfairness to a Fund or another account if one account is favored over another in allocating the securities purchased or sold-for example, by allocating a disproportionate amount of a security that is likely to increase in value to a favored account. AGI U.S. considers many factors when allocating securities among accounts, including the account s investment style, applicable investment restrictions, availability of securities, available cash and other current holdings. AGI U.S. attempts to allocate investment opportunities among accounts in a fair and equitable manner. However, accounts are not assured of participating equally or at all in particular investment allocations due to such factors as noted above. Cross

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trades, in which one AGI U.S. account sells a particular security to another account (potentially saving transaction costs for both accounts), may also pose a potential conflict of interest when cross trades are effected in a manner perceived to favor one client over another. For example, AGI U.S. may cross a trade between performance fee account and a fixed fee account that results in a benefit to the performance fee account and a detriment to the fixed fee account. AGI U.S. has adopted compliance procedures that provide that all cross trades are to be made at an independent current market price, as required by law.

Another potential conflict of interest may arise from the different investment objectives and strategies of a Fund and other accounts. For example, another account may have a shorter-term investment horizon or different investment objectives, policies or restrictions than a Fund. Depending on another account s objectives or other factors, a portfolio manager may give advice and make decisions that may differ from advice given, or the timing or nature of decisions made, with respect to a Fund. In addition, investment decisions are subject to suitability for the particular account involved. Thus, a particular security may not be bought or sold for certain accounts even though it was bought or sold for other accounts at the same time. More rarely, a particular security may be bought for one or more accounts managed by a portfolio manager when one or more other accounts are selling the security (including short sales). There may be circumstances when purchases or sales of portfolio securities for one or more accounts may have an adverse effect on other accounts. AGI U.S. maintains trading policies designed to provide portfolio managers an opportunity to minimize the effect that short sales in one portfolio may have on holdings in other portfolios.

A portfolio manager who is responsible for managing multiple accounts may devote unequal time and attention to the management of those accounts. As a result, the portfolio manager may not be able to formulate as complete a strategy or identify equally attractive investment opportunities for each of those accounts as might be the case if he or she were to devote substantially more attention to the management of a single fund. The effects of this potential conflict may be more pronounced where funds and/or accounts overseen by a particular portfolio manager have different investment strategies.

A Fund s portfolio manager(s) may be able to select or influence the selection of the broker/dealers that are used to execute securities transactions for the Fund. In addition to executing trades, some brokers and dealers provide AGI U.S. with brokerage and research services (as those terms are defined in Section 28(e) of the Securities Exchange Act of 1934), which may result in the payment of higher brokerage fees than might have otherwise be available. These services may be more beneficial to certain funds or accounts than to others. In order to be assured of continuing to receive services considered of value to its clients, AGI U.S. has adopted a brokerage allocation policy embodying the concepts of Section 28(e) of the Securities Exchange Act of 1934. The payment of brokerage commissions is subject to the requirement that the portfolio manager determine in good faith that the commissions are reasonable in relation to the value of the brokerage and research services provided to the Fund.

A Fund s portfolio manager(s) may also face other potential conflicts of interest in managing a Fund, and the description above is not a complete description of every conflict that could be deemed to exist in managing both the Funds and other accounts. In addition, a Fund s portfolio manager may also manage other accounts (including their personal assets or the assets of family members) in their personal capacity.

AGI U.S. s investment personnel, including each Fund s portfolio manager, are subject to restrictions on engaging in personal securities transactions pursuant to AGI U.S. s Codes of Ethics, which contain provisions and requirements designed to identify and address conflicts of interest between personal investment activities and the interests of the Funds. The Code of Ethics is designed to ensure that the personal securities transactions, activities and interests of the employees of AGI U.S. will not interfere with (i) making decisions in the best interest of advisory clients (including the Funds) or (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts.

(a) (3)

As of February 28, 2013 the following explains the compensation structure of each individual who shares primary responsibility for day-to-day portfolio management of the Fund:

Investment professional compensation is designed to align with our client s interests, attract, motivate and retain top talent, and encourage long-term stability. We aim to provide rewards for exceptional investment performance and to build an enduring firm with a long-term culture of shared success. In support of these objectives, our compensation program includes base salary, an annual cash bonus, and long-term incentive. For some investment teams, compensation is funded by team revenue adjusted by investment performance.

Base Salary. Investment professionals are provided a competitive base salary which reflects the scope and responsibilities of the position and experience level of the individual. Salaries are periodically evaluated against industry peers using market data provided by independent third-party compensation surveys. Salaries represent a larger percentage of total compensation for more junior positions; and for more senior positions is a smaller percentage and subject to less frequent adjustments. Typically, salary comprises 30%-50% of total compensation for junior portfolio managers and 10%-30% of total compensation for senior portfolio managers.

Annual Cash Bonus. Investment professionals are eligible for an annual, discretionary bonus. Bonuses are awarded based on achievement to set goals, investment performance, and individual contribution. Investment performance is measured relative to the relevant fund/strategy benchmark and/or peer group ranking through measurement periods that are trailing one, three, and five years, but vary by investment team and fund. The differences in measurement periods are not arbitrary, but are linked to the nature of the investment process, strategies, and investment turnover.

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Long-Term Incentive. Allianz Global Investors long-term incentive program is designed to align compensation of key staff, managers, and executives with client success and longer-term company performance. Long-term incentive awards are granted annually under two plans. The first plan, the Allianz Global Investors Deferral Into Funds (DIF) allows participants to invest their award grant in Allianz Global Investor funds. The second plan, the Allianz Global Investors Long-Term Cash Bonus Plan (LTIPA) provides participants the opportunity to earn award appreciation as determined by the earnings growth of Allianz Global Investors globally over a three-year period. Awards for both the DIF plan and LTIPA plan have a three-year vesting schedule and are paid in cash upon vesting.

The portion of individual incentive received as annual cash bonus versus long-term deferred incentive is standardized globally across Allianz Global Investors. Senior investment professionals receive a higher proportion of incentive compensation in long-term award. Typically, long-term incentive represents 10%-20% of junior portfolio manager total compensation while long-term incentive represents 25%-35% of senior portfolio manager total compensation.

(a)(4)

Unless otherwise noted, the following summarizes the dollar range of securities the portfolio manager for the Fund beneficially owned of the Fund that he managed as of February 28, 2013.

AllianzGI Convertible & Income Fund

	PM Ownership
Douglas G. Forsyth	$100,001 - $500,000
Justin Kass	$10,001 - $50,000

AllianzGI Convertible & Income Fund II

	PM Ownership
Douglas G. Forsyth	$100,001 - $500,000
Justin Kass	None

ITEM 9. PURCHASES OF EQUITY SECURITIES BY CLOSED-END MANAGEMENT INVESTMENT COMPANY AND AFFILIATED COMPANIES

None.

ITEM 10. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

There have been no material changes to the procedures by which shareholders may recommend nominees to the Fund s Board of Trustees since the Fund last provided disclosure in response to this item.

ITEM 11. CONTROLS AND PROCEDURES

(a) The registrant s President and Chief Executive Officer and Treasurer, Principal Financial & Accounting Officer have concluded that the registrant s disclosure controls and procedures (as defined in Rule 30a-3(c) under the Act (17 CFR 270.30a-3(c))), are effective based on their evaluation of these controls and procedures as of a date within 90 days of the filing date of this document.

(b) There were no significant changes in the registrant s internal control over financial reporting (as defined in Rule 30a-3(d) under the Act (17 CFR 270.30a-3(d))) that occurred during the second fiscal quarter of the period covered by this report that has materially affected, or is reasonably likely to materially affect, the registrant s internal control over financial reporting.

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ITEM 12. EXHIBITS
(a) (1) Exhibit 99.CODE ETH - Code of Ethics

(a) (2) Exhibit 99.302 Cert. - Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

(a) (3) Not applicable

(b) Exhibit 99.906 Cert. - Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Registrant: AllianzGI Convertible & Income Fund II

By: /s/ Brian S. Shlissel
Brian S. Shlissel,
President & Chief Executive Officer
Date: May 1, 2013

By: /s/ Lawrence G. Altadonna
Lawrence G. Altadonna,

Treasurer, Principal Financial &

Accounting Officer
Date: May 1, 2013

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By: /s/ Brian S. Shlissel
Brian S. Shlissel,
President & Chief Executive Officer
Date: May 1, 2013

By: /s/ Lawrence G. Altadonna
Lawrence G. Altadonna,
Treasurer, Principal Financial &
Accounting Officer
Date: May 1, 2013