

Akebia Therapeutics, Inc.
Form 8-K
November 16, 2018

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(D)
OF THE SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported): November 15, 2018

AKEBIA THERAPEUTICS, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction

of incorporation)

001-36352
(Commission

File Number)

20-8756903
(IRS Employer

Identification No.)

245 First Street

Cambridge, Massachusetts
(Address of principal executive offices)

02142
(Zip Code)

Registrant's telephone number, including area code: (617) 871-2098

n/a

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 5.02. Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.

On November 15, 2018, pursuant to the Agreement and Plan of Merger dated June 28, 2018, as amended October 1, 2018 (the Merger Agreement), by and among Akebia Therapeutics, Inc., a Delaware corporation (the Company), Alpha Therapeutics Merger Sub, Inc., a Delaware corporation and a wholly owned subsidiary of the Company (Merger Sub), and Keryx Biopharmaceuticals, Inc., a Delaware corporation (Keryx), the Board of Directors of the Company (the Board) resolved, contingent upon the consummation of the merger contemplated by the Merger Agreement (the Merger), to increase the Board's size from nine to ten directors and elect Adrian Adams to fill the resulting vacancy and serve as the Board's Chairperson effective as of, and contingent upon, the consummation of the Merger.

In accordance with the Merger Agreement, Mr. Adams will serve as a Class III director, whose initial term will be scheduled to expire at the Company's 2020 annual meeting of stockholders. The Board has not yet determined on which Board committees Mr. Adams will serve.

Other than as set forth below, there are no arrangements or understandings with Mr. Adams relating to his appointment as a director, or any related party transactions between the Company and Mr. Adams that are subject to disclosure under Item 404(a) of Regulation S-K.

In connection with Mr. Adams' service on the Board, Mr. Adams will be entitled to receive compensation pursuant to the Company's Amended and Restated Non-Employee Director Compensation Program (the Program) applicable to all of the Company's non-employee directors. In accordance with the Program, Mr. Adams will be eligible for an annual cash retainer of \$40,000 for serving on the Board and an additional annual cash retainer of \$35,000 for serving as Chairperson of the Board and, upon commencement of Mr. Adams' service on the Board, he will be granted options to purchase 25,000 shares common stock of the Company. Mr. Adams will also have the same right to indemnification by the Company as granted to the Company's other non-employee directors.

Item 8.01. Other Events.

On November 15, 2018, pursuant to the Merger Agreement, the Board designated Maxine Gowen, a current director of the Company, to serve as a member of the Board following the consummation of the Merger. Dr. Gowen will join the other three current directors of the Company previously designated by the Board to serve on the Board of the Company following the consummation of the Merger, as disclosed in the Company's proxy statement/prospectus relating to the Merger: John P. Butler, Scott A. Canute and Cynthia Smith.

Additional Information and Where to Find It

In connection with the proposed merger, Akebia has filed with the U.S. Securities and Exchange Commission (the SEC) a Registration Statement on Form S-4, which, as amended, includes a final prospectus with respect to the shares of Akebia's common stock to be issued in the proposed merger and a definitive joint proxy statement of Keryx and Akebia with respect to the proposed merger. The Registration Statement was declared effective by the SEC on October 30, 2018, and the definitive joint proxy statement was mailed or otherwise made available to Keryx's and Akebia's respective stockholders on October 31, 2018. BEFORE MAKING ANY VOTING DECISION, KERYX'S AND AKEBIA'S RESPECTIVE STOCKHOLDERS ARE URGED TO READ THE JOINT PROXY STATEMENT/PROSPECTUS IN ITS ENTIRETY AND ANY OTHER DOCUMENTS FILED BY EACH OF AKEBIA AND KERYX WITH THE SEC IN CONNECTION WITH THE PROPOSED MERGER OR INCORPORATED BY REFERENCE THEREIN BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION ABOUT THE PROPOSED TRANSACTION AND THE PARTIES TO THE PROPOSED TRANSACTION. Investors and stockholders can obtain a free copy of the joint proxy statement/prospectus and other

documents containing important information about Akebia and Keryx, once such documents are filed with the SEC, through the website maintained by the SEC at www.sec.gov. Akebia and Keryx make available free of charge at www.akebia.com (in the Investors section) and www.keryx.com (in the Investors & Media section), respectively, copies of materials they file with, or furnish to, the SEC.

Participants in the Merger Solicitation

Akebia, Keryx and their respective directors, executive officers and certain employees and other persons may be deemed to be participants in the solicitation of proxies from the stockholders of Akebia and Keryx in connection with the proposed merger. Information regarding the interests of such individuals in the proposed merger, by security holdings or otherwise, is included in the joint proxy statement/prospectus relating to the proposed merger that has been filed with the SEC. In addition, security holders may obtain information regarding the names, affiliations and interests of Akebia's directors and officers in Akebia's Annual Report on Form 10-K for the fiscal year ended December 31, 2017, which was filed with the SEC on March 12, 2018, and its definitive proxy statement for the 2018 annual meeting of stockholders, which was filed with the SEC on April 30, 2018, and information regarding the names, affiliations and interests of Keryx's directors and officers in Keryx's Annual Report on Form 10-K for the fiscal year ended December 31, 2017, which was filed with the SEC on February 21, 2018, and the Amendment No. 1 on Form 10-K/A, which was filed with the SEC on April 30, 2018, and its definitive proxy statement for the 2018 annual meeting of stockholders, which was filed with the SEC on May 31, 2018. To the extent the holdings of Akebia securities by Akebia's directors and executive officers or the holdings of Keryx securities by Keryx's directors and executive officers have changed since the amounts set forth in the joint proxy statement/prospectus, such changes have been or will be reflected on Statements of Change in Ownership on Form 4 filed with the SEC. These documents (when available) may be obtained free of charge from the SEC's website at www.sec.gov, Akebia's website at www.akebia.com and Keryx's website at www.keryx.com.

This document does not constitute a solicitation of proxy, an offer to purchase or a solicitation of an offer to sell any securities.

Forward Looking Statements

This document contains forward-looking statements within the meaning of the federal securities law. Such statements are based upon current plans, estimates and expectations that are subject to various risks and uncertainties. The inclusion of forward-looking statements should not be regarded as a representation that such plans, estimates and expectations will be achieved. Words such as anticipate, create, expect, project, intend, believe, may, will, plan, could, target, contemplate, estimate, position, predict, potential, opportunity and words and terms of similar substance used in connection with any discussion of future plans, actions or events identify forward-looking statements. All statements, other than historical facts, including statements regarding the ability of the parties to complete the merger; expectations for the combined company; the value proposition of the transaction for stockholders; and the consummation of the merger and the potential benefits of the merger are forward looking statements. Important factors that could cause actual results to differ materially from Akebia's and Keryx's plans, estimates or expectations could include, but are not limited to: (i) Akebia or Keryx may be unable to obtain stockholder approval as required for the merger; (ii) conditions to the closing of the merger may not be satisfied; (iii) the merger may involve unexpected costs, liabilities or delays; (iv) the effect of the announcement of the merger on the ability of Akebia or Keryx to retain and hire key personnel and maintain relationships with customers, suppliers and others with whom Akebia or Keryx does business, or on Akebia's or Keryx's operating results and business generally; (v) Akebia's or Keryx's respective businesses may suffer as a result of uncertainty surrounding the merger and disruption of management's attention due to the merger; (vi) the outcome of any legal proceedings related to the merger; (vii) Akebia or Keryx may be adversely affected by other economic, business, and/or competitive factors, including the receipt by Keryx of a notice letters on October 31, 2018, and November 6, 2018, regarding abbreviated new drug applications submitted to the FDA requesting approval to market, sell and use a generic version of the Auryxia; (viii) the occurrence of any event, change or other circumstances that could give rise to the termination of the merger agreement; (ix) risks that the merger disrupts current plans and operations and the potential difficulties in employee retention as a result of the merger; (x) the risk that Akebia or Keryx may be unable to obtain governmental and regulatory approvals required for the transaction, or that required governmental and regulatory approvals may delay the transaction or result in the imposition of conditions that could reduce the anticipated benefits from the proposed transaction or cause the parties to abandon the proposed transaction; (xi) risks that the anticipated benefits of the merger or other commercial opportunities may otherwise not be fully realized or may take longer to realize than expected; (xii) the impact of legislative, regulatory, competitive and technological changes, including the recent changes to reimbursement coverage for Auryxia that could have a material adverse effect on Auryxia sales and profitability; (xiii) expectations for future clinical trials, the timing and potential outcomes of clinical trials and interactions with regulatory authorities; and (xiv) other risks to the consummation of the merger, including the risk that the merger will not be consummated within the expected time period or at all. Additional factors that may affect the future results of Akebia and Keryx are set forth in their respective filings with the SEC, including each of Akebia's and Keryx's most recently filed Annual Report on Form 10-K, subsequent Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, the definitive joint proxy statement/prospectus filed by Akebia and Keryx and other filings with the SEC, which are available on the SEC's website at www.sec.gov. See in particular "Risk Factors" in the joint proxy statement/prospectus, Item 1A of Akebia's Quarterly Report on Form 10-Q for the quarter ended September 30, 2018, under the heading "Risk Factors" and Item 1A of Keryx's Quarterly Report on Form 10-Q for the quarter ended September 30, 2018, under the heading "Risk Factors". The risks and uncertainties described above and in the definitive joint proxy statement/prospectus, Akebia's most recent Quarterly Report on Form 10-Q and Keryx's most recent Quarterly Report on Form 10-Q are not exclusive and further information concerning Akebia and Keryx and their respective businesses, including factors that potentially could materially affect their respective businesses, financial condition or operating results, may emerge from time to time. Readers are urged to consider these factors carefully in evaluating these forward-looking statements, and not to place undue reliance on any forward-looking statements. Readers should also carefully review the risk factors described in other documents that Akebia and Keryx file from time to time with the SEC. The forward-looking statements in these materials speak only as of the date of these materials. Except as required by law, Akebia and Keryx assume no obligation to update or revise these forward-looking statements for any reason, even if new information becomes available in the future.

SIGNATURE

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

AKEBIA THERAPEUTICS, INC.

By: /s/ John P. Butler
Name: John P. Butler
Title: President and Chief Executive
Officer

Date: November 16, 2018

The Fund paid quarterly dividends of \$0.10 per common share in November 2009, February 2010, May 2010 and August 2010. In addition, the Fund paid a supplemental distribution of \$0.161 per common share on December 29, 2009, to shareholders of record as of December 23, 2009. This supplemental distribution, which was made from ordinary income, was made in order to allow the Fund to meet its distribution requirements and avoid excise taxes for 2009. On October 1, 2010, the Fund announced that it is increasing its quarterly dividend by 25% to \$0.125 per common share, effective with its November 2010 dividend.

The Fund from time to time may purchase shares of its common stock in open market or private transactions. The Fund's Board of Trustees has authorized the share repurchase program in the belief that share repurchases may at times represent an opportunistic investment option for the Fund.

We encourage shareholders to consider the opportunity to reinvest their distributions from the Fund through the Dividend Reinvestment Plan ("DRIP"), which is described in detail on page 30 of the Fund's annual report. When shares trade at a discount to NAV, the DRIP takes advantage of the discount by reinvesting the quarterly dividend distribution in common shares of the Fund purchased in the market at a price less than NAV. Conversely, when the market price of the Fund's common shares is at a premium above NAV, the DRIP reinvests participants' dividends in newly-issued common shares at NAV, subject to an Internal Revenue Service ("IRS") limitation that the purchase price cannot be more than 5% below the market price per share. The DRIP provides a cost-effective means to accumulate additional shares and enjoy the potential benefits of compounding returns over time.

Annual Report 1 October 31, 2010 13

DCS | Claymore Dividend & Income Fund | Dear Shareholder continued

To learn more about the Fund's performance and investment strategy, we encourage you to read the Questions & Answers section of the report, which begins on page 5. You will find information about Manning & Napier's investment philosophy and discipline, its views on the market environment and how it structured the Fund's portfolio based on its views.

We appreciate your investment and look forward to serving your investment needs in the future. For the most up-to-date information on your investment, please visit the Fund's website at www.guggenheimfunds.com/dcs.

Sincerely,

Kevin M. Robinson
Chief Executive Officer
Claymore Dividend & Income Fund

November 30, 2010

4 | Annual Report | October 31, 2010

DCS I Claymore Dividend & Income Fund

Questions & Answers |

Claymore Dividend & Income Fund (the "Fund") is managed by a team of seasoned professionals at Manning & Napier Advisors, Inc. ("Manning & Napier"). This investment team includes Jeffrey S. Coons, PHD, CFA, Co-Director of Research; Jack Bauer, Managing Director of Fixed Income; Christopher Petrosino, CFA, Senior Analyst, Quantitative Strategies Group; and, Keith Harwood, Senior Fixed Income Analyst. In the following discussion, members of the team provide insight into the Fund's strategies and results during the 12-month period ended October 31, 2010.

1. Please describe the Fund's objective and management strategies.

The Fund's investment objective is to provide a high level of current income, with a secondary objective of capital appreciation.

Under normal market conditions, the Fund will invest at least 80% of its total assets in dividend-paying or other income-producing securities, and at least 65% of the Fund's total assets will consist of investments in dividend-paying common and preferred stocks. The Fund's investments are focused on securities considered by Manning & Napier to be undervalued or inexpensive relative to other investments.

The Fund may invest up to 40% of its total assets, with the percentage measured at the time of the investment, in U.S. dollar-denominated securities of foreign issuers. There is no minimum credit rating for preferred stocks and debt securities in which the Fund may invest, although the Fund will not invest more than 10% of its total assets in non-convertible fixed-income securities of below investment-grade quality. In addition, the Fund may purchase and sell certain derivative instruments, including, but not limited to, options, futures contracts and options on futures contracts, for various portfolio management purposes including to seek income or capital appreciation, facilitate portfolio management and help reduce risk.

Manning & Napier's process is opportunistic and is characterized by the shift of investment dollars toward areas of the market that are generally believed by Manning & Napier to be undervalued and away from areas that are overvalued. In order to be truly opportunistic, it is important to take a global view of investment opportunities, since roughly 60% of potential investment opportunities are located outside the U.S.

Equities are selected for the portfolio using a highly disciplined approach to identifying companies with substantial free cash flow relative to their market capitalization. Manning & Napier emphasizes companies that pay a substantial portion of their free cash flow back to shareholders in the form of dividends, unlocking shareholder value. This means that the equity portion of the Fund's portfolio should generally have a higher dividend yield than the overall stock market. Also important is that a company under consideration has a low estimated risk of bankruptcy, in other words, a financially sound balance sheet.

Free cash flow yield is the amount of free cash flow per share divided by the market price of stock. When a company's stock price is low relative to free cash flow, the free cash flow yield is high. If a stock's price appreciates sharply without a major increase in free cash flow, thus causing the free cash flow yield to go lower than is considered desirable by Manning & Napier, that company would be screened out of the portfolio upon a rebalancing. This discipline has a tendency to move the portfolio into more undervalued sectors of the market and away from higher risk sectors where the free cash flow yield is considered too low. It is a process that continuously moves the portfolio toward companies that are very solid, that are paying dividends, and where the stock price has not appreciated dramatically relative to free cash flow.

Historically, this strategy tends to produce a portfolio that holds up well in down markets and participates nicely in up markets, providing good balance in a wide variety of market conditions. However, when a market moves sharply upward, this strategy will typically underperform more momentum-driven indices such as the Standard & Poor's 500 Index (the "S&P 500"). Historical data indicates that this approach has provided attractive returns over a full market cycle; however, past performance is no guarantee of future results and there is no guarantee that the perceived fair value of any security will be realized.

Once a year, generally in April, near the middle of the Fund's fiscal year, there is a major rebalancing that not only evaluates all the holdings in the portfolio but also seeks to identify new investments that have become attractive based on Manning & Napier's screening criteria. As part of the rebalancing process, all securities listed on major U.S. exchanges are screened using a quantitative discipline that focuses on four key criteria that Manning & Napier believes are good indicators of value: 1) high free cash flow yield; 2) dividend yield above the average of the S&P 500; 3) good solvency, with low estimated bankruptcy risk; and 4) adequate capitalization for consistent liquidity. This process generally produces 100 to 150 names that become candidates for inclusion in the Fund's portfolio. This process is useful in identifying emerging opportunities; Manning & Napier has found that, over time, the market begins to recognize the qualities of these stocks, and their valuations begin to rise. In the course of the rebalancing, companies in the portfolio that no longer meet the valuation criteria described previously are generally eliminated and replaced with other companies that meet the criteria described by these screens. The portfolio is monitored on a continuous basis and changes are made as necessary to ensure that all holdings are consistent with Manning & Napier's definition of value. The result of this process is that most of the changes in the

Annual Report | October 31, 2010 | 5

DCS I Claymore Dividend & Income Fund I Questions & Answers continued

portfolio take place at the time of rebalancing, although continuous analysis may result in modest changes throughout the year.

The strategy for the fixed income portion of the portfolio, which is approximately 20% of the Fund's total assets, is a bottom-up, fundamentally-driven approach that seeks to invest in high quality companies that generate good cash flow and that Manning & Napier feels have good prospects. Bond investments may include securities with yields that seem high relative to their prospects, often because the issuing companies are out of favor. In the fixed income portion of the portfolio, various sectors, such as treasury securities, corporate bonds, mortgage-backed securities, and non-U.S. based bonds will be emphasized, depending on the relative value offered by each. In selecting bonds, the research of Manning & Napier's 30-plus team of industry specialists is a significant factor, as they use their disciplined approach to evaluate company and industry fundamentals to assist the credit analysts in identifying companies that meet the value-oriented total return criteria for selecting bond investments. The goal is always to generate an attractive level of income, while taking only the level of risk that is warranted by the expected return.

2. Please tell us about the economic and market environment over the last 12 months.

The U.S. economy appears to be stuck in a slow growth mode, held back in large part by the related problems of high unemployment and ongoing weakness in consumer spending. Consumers continue to rebuild their balance sheets as they struggle to get out from under the debt overhang (largely housing related) of the past decade. Ongoing weakness in the labor and housing markets likely will make this process a protracted one. Following the expiration of tax credits for home buyers earlier this year, home sales have fallen drastically. While there have been tentative signs that the housing industry could be stabilizing, home sales remain at very low levels by historical standards, and the amount of supply on the market continues to exceed demand.

Contributing to the problems in consumer spending, the job market has been another drag on the economy. Although the October report on nonfarm payroll employment showed an increase, the unemployment rate remained unchanged at 9.6%. Financially strapped state and local governments continue to shed jobs, even as the private sector makes modest additions to its work force. While the market may react favorably to individual above-expectations economic data releases, it is important to note that the underlying economy is unlikely to show strong growth until consumers make more progress in paying down their large amounts of debt and experience a meaningful improvement in the labor market.

In the coming quarters, year-over-year comparisons in economic growth will be versus periods supported by significant government spending, which means that it will be even harder to show real growth. On balance, there is considerable pressure keeping overall economic growth in check. Worldwide, although there are some pockets of opportunity, many developed nations are facing problems similar to those in the U.S.

The equity market was rather volatile over this period, as might be expected during a time of economic uncertainty. Equities generally moved up from November 2009 through April 2010, then dropped sharply in May and were generally weak during the summer before rallying in September and October. For the 12 months ended October 31, 2010, the S&P 500 Index, which is generally regarded as a good indicator of the broad U.S. stock market, returned 16.52%. Return of the Russell 1000 Value Index, which is the Fund's main benchmark, was 15.71%.

Credit markets strengthened in an environment of very low interest rates. There was considerable investor interest in the fixed income market. The increase in demand drove yields lower and bond prices higher. Returns from high-yield bonds were much greater than those for investment-grade bonds, as investors reached farther out on the risk spectrum in search of higher yields. The return of the Barclays U.S. Aggregate Bond Index (the "Barclays Aggregate"), which measures the return of the U.S. bond market as a whole, was 8.01%. Return of the Barclays US Corporate High Yield Index, which measures performance of the high-yield bond market, was 19.35% for the 12 months ended October 31, 2010.

3. How did the Fund perform in this environment?

All Fund returns cited—whether based on net asset value ("NAV") or market price—assume the reinvestment of all distributions. For the 12-month period ended October 31, 2010, the Fund generated a total return based on market price of 8.45% and a return of 18.01% based on NAV. As of October 31, 2010, the Fund's market price of \$14.86 represented a discount of 12.17% to NAV of \$16.92. As of October 31, 2009, the Fund's market price of \$14.25 represented a discount of 4.10% to NAV of \$14.86.

The market value of the Fund's shares fluctuates from time to time, and it may be higher or lower than the Fund's NAV. The current discount to NAV provides an opportunity for investors to purchase shares of the Fund at prices below the market value of the securities in the underlying portfolio.

The Fund performed quite well for the fiscal year ended October 31, 2010. The first half of the Fund's fiscal year, from November 1, 2009 through April 30, 2010, was a challenging period for the Fund's style of investing. In general, lower quality stocks, based on criteria such as Standard & Poor's ratings for earnings growth and stability, performed better than higher quality issues. Also, stocks with lower dividend yields performed better than higher-yielding stocks. In the second half of the year, the focus shifted to high

DCS I Claymore Dividend & Income Fund I Questions & Answers continued

quality issues with sustainable free cash flow. Accordingly, the Fund performed very well during the six-month period ended October 31, 2010, more than making up for its modest underperformance relative to the benchmark over the previous six months. For the 12-month period, the Fund's return based on NAV surpassed that of the Fund's blended benchmark of 80% Russell 1000 Value Index and 20% Barclays Capital Aggregate Index by more than two percentage points. The blended benchmark returned 14.46% while the Fund's return based on NAV was 18.01%.

4. What were the major investment decisions that affected the Fund's performance over this 12-month period?

Several of the Fund's largest positions contributed significantly to the Fund's strong performance, both on an absolute basis and relative to the benchmark. These include quick service restaurant operator McDonald's Corp.; Philip Morris International, Inc., a leading international tobacco company; and Conoco Phillips, an integrated international oil company (2.0%, 2.0% and 2.1%, respectively, of long-term investments at period end). Holdings that detracted from performance include Nokia OYJ, a producer and marketer of mobile communication devices (0.5% of long-term investments at period end) and BP PLC (not held in the portfolio at period end), which was eliminated from the portfolio after the company announced the indefinite suspension of its dividend. Some of the Fund's pharmaceutical holdings, including Johnson & Johnson and Pfizer, Inc. (3.2% and 2.9%, respectively, of long-term investments at period end) had positive returns, but detracted from performance relative to the benchmark because they were up less than the benchmark.

The Fixed Income portion of the portfolio outperformed the Barclays Aggregate due to the portfolio's higher exposure to corporate bonds, including high-yield bonds. As mentioned earlier, credit markets strengthened over the period. Corporate yield spreads continued to contract as investor risk appetite increased and alternative fixed income sectors, such as U.S. Treasury and agency securities and mortgages, offered little yield.

5. What changes were made in the April portfolio rebalance?

The most notable change was a reduction in the weight of the materials sector, which was reduced from approximately 8% at the end of March to approximately 3% at the end of April and about the same at the end of the fiscal year. This change was made because several fairly large holdings experienced significant appreciation in the first half of the fiscal year, contributing to the Fund's performance. Manning & Napier believes that these stocks moved up in anticipation of increasing demand as world economies improve, although there is some doubt about whether that demand will be sustainable.

The Fund's position in the consumer staples sector was increased, with the addition of retailer Wal-Mart Stores, Inc. (2.3% of long-term investments at period end) and The Procter & Gamble Co. (2.5% of long-term investments at period end), which produces and markets branded consumer packaged goods. Both of these are high quality companies with good dividend yields and strong free cash flow. Because the Fund's holdings are weighted using a

market capitalization based approach, and these are very large companies, these additions account for a significant portion of the increase in the consumer staples sector, which represented approximately 22% of long-term investments as of October 31, 2010, up from approximately 15% a year earlier.

The U.S. versus international positioning was not changed significantly during the period. Approximately 21% of total investments are in companies headquartered outside the U.S., mainly in developed markets. In addition, the Fund gains international exposure through investments in U.S. companies with significant international operations.

No major changes were made in the fixed income portion of the portfolio, which remains at approximately 18% of total investments. The cash flow from bond coupons was reinvested in a few high yield and investment-grade corporate bonds; the proportion of high yield and investment-grade corporate bonds was maintained essentially stable.

6. Please discuss the Fund's leverage strategy and how it has affected performance.

The Fund utilizes leverage (borrowing) as part of its investment strategy, to finance the purchase of additional securities that provide increased income and potentially greater appreciation potential to common shareholders than could be achieved from an unleveraged portfolio. During the 12 months ended October 31, 2010, the leverage contributed to performance, since the portfolio's return was greater than the cost of leverage.

As of October 31, 2010, the Fund's outstanding leverage was \$33 million of debt via the credit facility through BNP Paribas, a leading European bank. Of course, leverage as a percentage of total assets has dropped somewhat over the period, as positive returns resulted in an increase in assets.

The Fund's leverage strategy is to adjust the amount of leverage based on the market environment, reducing leverage when there appears to be greater risk in the market and increasing leverage when appropriate to take advantage of attractive investment opportunities in weaker markets.

There is no guarantee that the Fund's leverage strategy will be successful, and the Fund's use of leverage may cause the Fund's

Annual Report | October 31, 2010 | 7

DCS I Claymore Dividend & Income Fund I Questions & Answers continued

NAV and market price of common shares to be more volatile and can magnify the effect of any losses.

7. What is the outlook for the economy and the securities markets in the coming months?

In a subdued growth environment, Manning & Napier believes that it is especially important to differentiate the winners from the losers. Through a disciplined investment process, the firm continues to identify companies trading at discounts to their fair value. In general, it appears that equity markets are fairly valued and that equities present better opportunities at present than bonds.

With the expectation of continued modest growth in the economies of most developed nations, Manning & Napier believes that some of the most rewarding investments are likely to be in good quality companies that derive a significant portion of their revenue from exports to the growth areas of the world. Most of the best performing holdings in recent months were companies with considerable international exposure, and Manning & Napier believes that this is likely to be the case in the months ahead. Solid names with exposure to healthy world consumer markets, such as The Coca-Cola Co., a diversified global beverage company (3.5% of long-term investments at period end), and The Proctor & Gamble Co., a diversified consumer products company (2.5% of long-term investments at period end), appear quite promising.

Index Definitions:

Indices are unmanaged and it is not possible to invest directly in an index.

S&P 500 Index is a capitalization-weighted index of 500 stocks. The index is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

The Russell 1000 Value Index measures performance of companies with lower price-to-book ratios and lower forecasted growth values than the overall market.

The Barclays Capital US Aggregate Bond Index covers the U.S. dollar-denominated, investment-grade, fixed rate, taxable bond market of SEC-registered securities. The Index includes bonds from the Treasury, government-related, corporate, mortgage-backed securities (agency fixed-rate and hybrid ARM passthroughs), asset-backed securities and collateralized mortgage-backed securities sectors.

The Barclays US Corporate HighYield Index is a commonly used benchmark index for high yield corporate bonds. It is a measure of the broad high yield market.

DCS Risks and Other Considerations

The views expressed in this report reflect those of the Portfolio Managers and Guggenheim Funds only through the report period as stated on the cover. These views are subject to change at any time, based on market and other conditions and should not be construed as a recommendation of any kind. The material may also contain forward-looking statements that involve risk and uncertainty, and there is no guarantee they will come to pass. There can be no assurance that the Fund will achieve its investment objectives. The value of the Fund will fluctuate with the value of the underlying securities. Historically, closed-end funds often trade at a discount to their net asset value. Past performance does not guarantee future results.

Not a Complete Investment Program. The Fund is intended for investors seeking a high level of current income and capital appreciation over the long term. The Fund is not meant to provide a vehicle for those who wish to play short-term swings in the stock market. An investment in the Common Shares of the Fund should not be considered a complete investment program. Each Common Shareholder should take into account the Fund's investment objectives as well as the Common Shareholder's other investments when considering an investment in the Fund.

Equity Risk. Substantially all of the Fund's assets will be invested in common stocks and preferred equity securities, and therefore a principal risk of investing in the Fund is equity risk. Equity risk is the risk that securities held by the Fund will fall due to general market or economic conditions, perceptions regarding the industries in which the issuers of securities held by the Fund participate, and the particular circumstances and performance of particular companies whose securities the Fund holds. For example, an adverse event, such as an unfavorable earnings report, may depress the value of equity securities of an issuer held by the Fund; the price of common stock of an issuer may be particularly sensitive to general movements in the stock market; or a drop in the stock market may depress the price of most or all of the common stocks and other equity securities held by the Fund. In addition, common stock of an issuer in the Fund's portfolio may decline in price if the issuer fails to make anticipated dividend payments because, among other reasons, the issuer of the security experiences a decline in its financial condition. Common equity securities in which the Fund will invest are structurally subordinated to preferred stocks, bonds and other debt instruments in a company's capital structure, in terms of priority to corporate income, and therefore will be subject to greater dividend risk than preferred stocks or debt instruments of such issuers. In addition, while broad market measures of common stocks have historically generated higher average returns than fixed income securities, common stocks have also experienced significantly more volatility in those returns.

Preferred Securities Risk. There are special risks associated with investing in preferred securities, including: **Deferral.** Preferred securities may include provisions that permit the issuer, at its discretion, to defer distributions for a stated period without any adverse consequences to the issuer. If the Fund owns a preferred security that is deferring its distributions, the Fund may be required to report income for tax purposes although it has not yet received such income. **Non-Cumulative Dividends.** Some preferred stocks are non-cumulative, meaning that the dividends do not accumulate and need not ever be paid. A portion of the portfolio may include investments in non-cumulative preferred securities, whereby the issuer does not have an obligation to make up any arrearages to its shareholders. Should an issuer of a non-cumulative preferred stock held by the Fund determine not to pay dividends on such stock, the amount

of dividends the Fund pays may be adversely affected. There is no assurance that dividends or distributions on non-cumulative preferred stocks in which the Fund invests will be declared or otherwise made payable. Subordination. Preferred securities are subordinated to bonds and other debt instruments in a company's capital structure in terms of priority to corporate income and liquidation payments, and therefore will be subject to greater credit risk than more senior debt instruments. Liquidity. Preferred securities may be substantially less liquid than many other securities, such as common stocks or U.S. government securities. Limited Voting Rights. Generally,

81 Annual Report 1 October 31, 2010

DCS I Claymore Dividend & Income Fund I Questions & Answers continued

preferred security holders (such as the Fund) have no voting rights with respect to the issuing company unless preferred dividends have been in arrears for a specified number of periods, at which time the preferred security holders may have the right to elect a number of directors to the issuer's board. Generally, once all the arrearages have been paid, the preferred security holders no longer have voting rights. Special Redemption Rights. In certain varying circumstances, an issuer of preferred securities may redeem the securities prior to a specified date. For instance, for certain types of preferred securities, a redemption may be triggered by a change in federal income tax or securities laws. As with call provisions, a redemption by the issuer may negatively impact the return of the security held by the Fund.

Income Risk. The income Common Shareholders receive from the Fund is based primarily on the dividends and interest it earns from its investments, which can vary widely over the short- and long term. If prevailing market interest rates drop, distribution rates of the Fund's portfolio holdings of preferred securities and debt securities may decline which then may adversely affect the Fund's distributions on Common Shares as well. The Fund's income also would likely be affected adversely when prevailing short-term interest rates increase and the Fund is utilizing Financial Leverage.

"Value Investing" Risk. The Fund focuses its investments on dividend paying or other income producing securities that the Investment Manager believes are undervalued or inexpensive relative to other investments. These types of securities may present risks in addition to the general risks associated with investing in securities. These securities generally are selected on the basis of an issuer's fundamentals relative to current market price. Such securities are subject to the risk of misestimation of certain fundamental factors. In addition, during certain time periods market dynamics may strongly favor "growth" securities of issuers that do not display strong fundamentals relative to market price based upon positive price momentum and other factors. Disciplined adherence to a "value" investment mandate during such periods can result in significant underperformance relative to overall market indices and other managed investment vehicles that pursue growth style investments and/or flexible style mandates.

Interest Rate Risk. Interest rate risk is the risk that fixed income securities such as preferred and debt securities will decline in value because of changes in market interest rates. When market interest rates rise, the market value of such securities generally will fall. The Fund's investment in such securities means that the net asset value and market price of the Common Shares will tend to decline if market interest rates rise. During periods of declining interest rates, the issuer of a security may exercise its option to prepay principal earlier than scheduled, forcing the Fund to reinvest in lower yielding securities. This is known as call or prepayment risk. Preferred and debt securities frequently have call features that allow the issuer to repurchase the security prior to its stated maturity. An issuer may redeem such a security if the issuer can refinance it at a lower cost due to declining interest rates or an improvement in the credit standing of the issuer. During periods of rising interest rates, the average life of certain types of securities may be extended because of slower than expected principal payments. This may lock in a below market interest rate, increase the security's duration and reduce the value of the security. This is known as extension risk. In typical interest rate environments, prices of fixed income securities with longer maturities generally fluctuate more in response to changes in interest rates than do the prices of fixed income securities with shorter-term maturities. Because the Fund may invest a portion of its assets in fixed-income securities without regard to their maturities, to the extent the Fund invests in fixed income securities with longer maturities, the net asset value and market price of the Common Shares would fluctuate more in response to changes in interest rates than if the Fund were to invest such portion of its assets in

shorter-term fixed income securities. Market interest rates for investment grade fixed income securities in which the Fund may invest have recently declined significantly below the recent historical average rates for such securities. This decline may have increased the risk that these rates will rise in the future (which would cause the value of the Fund's net assets to decline) and the degree to which asset values may decline in such events.

Inflation Risk. Inflation risk is the risk that the value of assets or income from investments will be worth less in the future as inflation decreases the value of money. As inflation increases, the real value of the Common Shares and distributions thereon can decline. In addition, during any periods of rising inflation, the interest or dividend rates payable by the Fund on any Financial Leverage the Fund may have issued would likely increase, which would tend to further returns to holders of Common Shares.

Lower Grade Securities. The Fund may invest up to 10% of its total assets in nonconvertible fixed income securities of below investment grade quality. The prices of these lower grade securities are more sensitive to negative developments, such as a decline in the issuer's revenues or a general economic downturn, than are the prices of higher-grade securities. Securities of below investment grade quality are predominantly speculative with respect to the issuer's capacity to pay interest and repay principal when due and therefore involve a greater risk of default and are commonly referred to as "junk bonds".

Foreign Securities. The Fund may invest in U.S. dollar-denominated securities of foreign issuers, including, but not limited to American Depositary Receipts ("ADRs"). The prices of such U.S. dollar-denominated securities of foreign issuers may be affected by factors not present with securities traded in the U.S. markets, including, political and economic conditions, less stringent regulation and higher volatility. As a result, such securities may be less liquid and more volatile than U.S. securities.

Derivatives Risk. The Fund may participate in certain derivative transactions, such as futures contracts, options or swap transactions. Such transactions entail certain execution, market, liquidity, hedging and tax risks. Participation in these markets involves investment risks and transaction costs to which the Fund would not be subject absent the use of these strategies. If the Investment Manager's prediction of movements in the direction of the securities and interest rate markets is inaccurate, the consequences to the Fund may leave the Fund in a worse position than if it had not used such strategies.

Illiquid Securities Risk. The Fund may invest in securities for which there is no readily available trading market or that are otherwise illiquid. It may be difficult to sell such securities at a price representing the fair value and, where registration of such securities is required, a considerable period may elapse between a decision to sell the securities and the time when the Fund would be permitted to sell.

Fund Distribution Risk. Pursuant to its distribution policy, the Fund intends to make regular quarterly distributions on its Common Shares. In order to make such distributions, the Fund may have to sell a portion of its investment portfolio at a time when independent investment judgment may not dictate such action. In addition, the Fund's ability to make distributions more frequently than annually from any net realized capital gains by the Fund is subject to the Fund obtaining exemptive relief from the Securities and Exchange Commission, which cannot be assured. To the extent the total quarterly distributions for a year exceed the Fund's net investment company income and net realized capital gain for that year, the excess will generally constitute a return of the Fund's capital to its Common Shareholders. Such return of capital distributions generally are tax-free up to the amount of a Common Shareholder's tax basis in the Common Shares (generally, the amount paid for the Common Shares). In addition, such excess

distributions will decrease the Fund's total assets and may increase the Fund's expense ratio.

Market Discount Risk. Whether investors will realize gains or losses upon the sale of Common Shares of the Fund will depend upon the market price of the Common Shares at the time of sale, which may be less or more than the Fund's net asset value per Common Share. Since the market price of the Common Shares will be affected by such factors as the relative demand

Annual Report | October 31, 2010 | 9

DCS I Claymore Dividend & Income Fund I Questions & Answers continued

for and supply of the Common Shares in the market, general market and economic conditions and other factors beyond the control of the Fund, the Fund cannot predict whether the Common Shares will trade at, below or above net asset value or at, below or above the public offering price. Shares of closed-end funds often trade at a discount to their net asset values and the Fund's Common Shares may trade at such a discount. This risk may be greater for investors expecting to sell their Common Shares of the Fund soon after completion of the public offering. The Common Shares of the Fund were designed primarily for long-term investors, and investors in the Common Shares should not view the Fund as a vehicle for trading purposes.

Industry Concentration Risk. The Fund may invest up to 25% of its total assets in the securities of companies principally engaged in a single industry. In the event the Fund makes substantial investments in a single industry, the Fund would become more susceptible to adverse economic or regulatory occurrences affecting that industry.

Other Investment Companies. The Fund may invest up to 10% of the Fund's total assets in securities of other open- or closed-end investment companies that invest primarily in securities of the types in which the Fund may invest directly. The Fund expects that these investments will be primarily in exchange traded funds. As a stockholder in an investment company, the Fund will bear its ratable share of that investment company's expenses, and would remain subject to payment of the Fund's investment management fees with respect to the assets so invested. Common Shareholders would therefore be subject to duplicative expenses to the extent the Fund invests in other investment companies. In addition, the securities of other investment companies may also be leveraged and will therefore be subject to the same leverage risks.

Non-Diversified Status. The Fund is classified as a "non-diversified" investment company under the 1940 Act, which means the Fund is not limited by the 1940 Act in the proportion of its assets that may be invested in the securities of a single issuer. As a non-diversified investment company, the Fund may invest in the securities of individual issuers to a greater degree than a diversified investment company. However, the Fund intends to conduct its operations so as to qualify as a regulated investment company for purposes of the Code, which generally will relieve the Fund of any liability for U.S. federal income tax to the extent its earnings are distributed to shareholders. To so qualify, among other requirements, the Fund must comply with the diversification requirements of the Code applicable to regulated investment companies. See "Federal Income Taxes." Because the Fund, as a non-diversified investment company, may invest in a smaller number of individual issuers than a diversified investment company, the Fund may be more vulnerable to events affecting a single issuer and therefore, subject to greater volatility than a fund that is more broadly diversified. Accordingly, an investment in the Fund may present greater risk to an investor than an investment in a diversified company.

Financial Leverage. Although the use of Financial Leverage by the Fund may create an opportunity for increased net income and capital appreciation for the Common Shares, it also results in additional risks and can magnify the effect of any losses. If the income and gains earned on securities purchased with Financial Leverage proceeds are greater than the cost of Financial Leverage, the Fund's return will be greater than if Financial Leverage had not been used. Conversely, if the income or gain from the securities purchased with such proceeds does not cover the cost of Financial Leverage, the return to the Fund will be less than if Financial Leverage had not been used. There is no assurance that a leveraging strategy will be successful. Financial Leverage involves risks and special considerations for shareholders including:

- the likelihood of greater volatility of net asset value and market price of and dividends on the Common Shares than a comparable portfolio without leverage;
- the risk that fluctuations in interest rates on borrowings and short-term debt or in the dividend rates on any Financial Leverage that the Fund must pay will reduce the return to the holders of Common Shares; and
- the effect of Financial Leverage in a declining market, which is likely to cause a greater decline in the net asset value of the Common Shares than if the Fund were not leveraged, which may result in a greater decline in the market price of the Common Shares.

It is also possible that the Fund will be required to sell assets, possibly at a loss, in order to redeem or meet payment obligations on any leverage. Such a sale would reduce the Fund's net asset value and also make it difficult for the net asset value to recover. The Fund in its best judgment nevertheless may determine to continue to use Financial Leverage if it expects that the benefits to the Fund's shareholders of maintaining the leveraged position will out-weigh the current reduced return. The Fund's use of Financial Leverage may also impair the ability of the Fund to maintain its qualification for federal income tax purposes as a regulated investment company.

Management Risk. The Investment Manager, in acting as investment manager of the Fund's portfolio securities, will apply investment techniques and risk analyses in making investment decisions for the Fund, but there can be no guarantee that these will produce the desired results.

Recent Market Developments. Following the worldwide market turmoil experienced in late 2008, governmental and regulatory bodies have taken action in an attempt to stabilize the financial markets. It is unclear what effect these programs, and their eventual termination, may have on the markets for credit securities in which the fund may invest over the near- and long-term. Such programs may have positive or negative effects on the liquidity, valuation and performance of the Fund's portfolio holdings.

Legislation Risk. Legislation may be enacted that could negatively affect the assets of the Fund or the issuers of such assets. Legislation or regulation may also change the way in which the Fund itself is regulated.

Market Disruption and Geopolitical Risk. Terrorist attacks, the war in Iraq and its aftermath and other geopolitical events around the world have led to, and may in the future lead to, increased short-term market volatility and may have long-term effects on the U.S. and world economies and markets and may cause further economic uncertainties or deterioration in the U.S. and worldwide. Similar events in the future or other disruptions of financial markets could affect interest rates, securities exchanges, auctions, secondary trading, rating, credit risk, inflation and other factors relating to the Common Shares.

Anti-takeover Provisions. The Fund's Governing Documents include provisions that could limit the ability of other entities or persons to acquire control of the Fund or convert the Fund to an open-end fund.

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Please see www.guggenheimfunds.com/dcs for a more detailed discussion about Fund risks and considerations.

10 1 Annual Report 1 October 31, 2010

DCS I Claymore Dividend & Income Fund

Fund Summary | As of October 31, 2010 (unaudited)

Fund Statistics

Share Price		\$14.86
Common Share Net Asset Value		\$16.92
Premium/Discount to NAV		-12.17%
Net Assets Applicable to Common Shares (\$000)		\$84,493

Total Returns

(Inception 1/27/04)	Market	NAV
One Year	8.45%	18.01%
Three Year - average annual	-42.78%	-43.90%
Five Year - average annual	-25.50%	-26.22%
Since Inception - average annual	-19.45%	-18.04%

Sector Breakdown*

	% of Long-Term Investments
Consumer Staples	21.8%
Health Care	19.3%
Energy	14.0%
Industrials	11.3%
Financials	9.6%
Consumer Discretionary	9.3%
Information Technology	7.3%
Materials	2.9%
Telecommunication Services	2.4%
Utilities	2.1%

Country Breakdown

	% of Long-Term Investments
United States	79.2%
United Kingdom	6.2%
France	2.9%
Taiwan	1.7%
Japan	1.0%
Switzerland	1.0%
Canada	1.0%
Norway	0.9%
Spain	0.7%
Finland	0.5%
Netherlands	0.5%
Zambia	0.5%

Bermuda	0.5%
Sweden	0.5%
Chile	0.4%
Luxembourg	0.4%
Ireland	0.4%
South Korea	0.3%
Germany	0.3%
Mexico	0.2%
Brazil	0.2%
Philippines	0.2%
Israel	0.2%
Belgium	0.1%
New Zealand	0.1%
Hungary	0.1%

Past performance does not guarantee future results. All portfolio data is subject to change daily. For more current information, please visit www.guggenheimfunds.com/dcs. The above summaries are provided for informational purposes only and should not be viewed as recommendations.

* Securities are classified by sectors that represent broad groupings of related industries

	% of Long-Term Investments
Top Ten Issuers	
Coca-Cola Co. (The)	3.5%
Chevron Corp.	3.3%
Johnson & Johnson	3.2%
Pfizer, Inc.	2.9%
Total SA, ADR (France)	2.9%
Intel Corp.	2.8%
PepsiCo, Inc.	2.8%
GlaxoSmithKline PLC, ADR (United Kingdom)	2.7%
Procter & Gamble Co. (The)	2.5%
Merck & Co., Inc.	2.4%

Annual Report 1 October 31, 2010 1 11

DCS I Claymore Dividend & Income Fund

Portfolio of Investments | October 31, 2010

Number of Shares		Value
	Total Long-Term Investments - 134.8%	
	Common Stocks - 109.0%	
	Consumer Discretionary - 8.3%	
2,186	Darden Restaurants, Inc.	\$ 99,922
3,115	Garmin Ltd. (Switzerland)	102,297
4,273	Genuine Parts Co.	204,506
2,107	Hasbro, Inc.	97,449
46,330	Home Depot, Inc. (a)	1,430,670
3,999	Leggett & Platt, Inc.	81,500
8,885	Limited Brands, Inc.	261,130
9,849	Mattel, Inc.	229,777
28,907	McDonald's Corp. (a)	2,248,097
8,507	McGraw-Hill Cos., Inc. (The)	320,289
4,906	Omnicom Group, Inc.	215,668
15,488	Pearson PLC, ADR (United Kingdom) (a)	238,515
19,371	Thomson Reuters Corp. (Canada) (a)	740,941
960	Tupperware Brands Corp.	43,018
2,933	VF Corp.	244,143
1,528	Whirlpool Corp.	115,868
7,086	Yum! Brands, Inc.	351,182
		7,024,972
	Consumer Staples - 29.3%	
55,627	Altria Group, Inc. (a)	1,414,038
9,716	Archer-Daniels-Midland Co.	323,737
8,198	Avon Products, Inc.	249,629
2,180	Brown-Forman Corp. - Class B	132,566
9,012	Campbell Soup Co.	326,685
65,586	Coca-Cola Co. (The) (a)	4,021,734
7,460	Colgate-Palmolive Co. (a)	575,315
1,519	Delhaize Group SA, ADR (Belgium)	107,029
16,348	Diageo PLC, ADR (United Kingdom) (a)	1,209,752
1,925	Emotelladora Andina SA, ADR - Class B (Chile)	56,364
16,472	General Mills, Inc.	618,359
6,107	Hershey Co. (The)	302,235
8,666	HJ Heinz Co.	425,587
2,047	Hormel Foods Corp.	93,998
2,537	JM Smucker Co. (The)	163,078
10,037	Kellogg Co. (a)	504,460
11,390	Kimberly-Clark Corp. (a)	721,443
34,419	Kraft Foods, Inc. - Class A (a)	1,110,701

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3,271	Lorillard, Inc.	279,147
3,229	McCormick & Co., Inc.	142,786
2,864	Molson Coors Brewing Co. - Class B	135,267
48,583	PepsiCo, Inc. (a)	3,172,470
38,749	Philip Morris International, Inc. (a)	2,266,816
44,535	Procter & Gamble Co. (The) (a)	2,831,090

Number
of Shares

Value

	Consumer Staples (continued)	
4,422	Reynolds American, Inc.	\$ 286,988
18,360	Sara Lee Corp. (a)	263,099
15,669	Sysco Corp. (a)	461,609
47,909	Wal-Mart Stores, Inc. (a)	2,595,231
		24,791,213
	Energy - 17.5%	
45,049	Chevron Corp. (a)	3,721,498
39,836	ConocoPhillips (a)	2,366,258
39,146	Exxon Mobil Corp. (a)	2,602,035
29,443	Repsol YPF SA, ADR (Spain) (a)	815,277
12,222	Sasol Ltd., ADR (South Africa) (a)	553,045
46,509	Statoil ASA, ADR (Norway) (a)	1,015,291
11,495	Tenaris SA, ADR (Luxembourg) (a)	476,238
60,123	Total SA, ADR (France) (a)	3,275,501
		14,825,143
	Financials - 0.8%	
1,803	Eaton Vance Corp.	51,872
2,757	Federated Investors, Inc. - Class B	68,677
14,387	Marsh & McLennan Cos., Inc. (a)	359,387
3,811	Plum Creek Timber Co., Inc. - REIT	140,397
1,809	Waddell & Reed Financial, Inc. - Class A	52,588
		672,921
	Health Care - 24.0%	
39,030	Abbott Laboratories (a)	2,003,020
38,880	AstraZeneca PLC, ADR (United Kingdom) (a)	1,961,885
9,387	Baxter International, Inc.	477,798
3,654	Becton Dickinson and Co.	275,950
46,136	Bristol-Myers Squibb Co. (a)	1,241,058
31,013	Eli Lilly & Co. (a)	1,091,658
4,535	Fresenius Medical Care AG & Co. KGaA, ADR (Germany)	288,607
78,996	GlaxoSmithKline PLC, ADR (United Kingdom) (a)	3,084,004
56,783	Johnson & Johnson (a)	3,615,374
75,114	Merck & Co., Inc. (a)	2,725,136
192,181	Pfizer, Inc. (a)	3,343,949
1,739	Pharmaceutical Product Development, Inc.	44,884
610	Teleflex, Inc.	34,007
3,162	Valeant Pharmaceuticals International, Inc. (Canada)	87,303
		20,274,633
	Industrials - 11.8%	
18,564	3M Co. (a)	1,563,460

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34,769	ABB Ltd., ADR (Switzerland) (a)	719,371
2,912	Avery Dennison Corp.	105,851
4,283	Cooper Industries PLC (Ireland)	224,515
3,741	Dover Corp.	198,647
785	Dun & Bradstreet Corp.	58,412

See notes to financial statements.

12 1 Annual Report 1 October 31, 2010

DCS I Claymore Dividend & Income Fund I Portfolio of Investments continued

Number of Shares		Value
	Industrials (continued)	
660	Elbit Systems Ltd. (Israel)	\$ 35,726
19,819	Emerson Electric Co. (a)	1,088,063
5,830	General Dynamics Corp.	397,140
15,282	Honeywell International, Inc. (a)	719,935
1,467	Hubbell, Inc. - Class B	79,247
13,410	Illinois Tool Works, Inc. (a)	612,837
2,759	ITT Corp.	130,197
19,256	Koninklijke Philips Electronics NV (Netherlands) (a)	586,345
5,765	Lockheed Martin Corp.	410,987
9,283	Masco Corp.	98,957
6,314	Northrop Grumman Corp.	399,108
2,157	Pentair, Inc.	70,599
5,595	Pitney Bowes, Inc.	122,754
5,904	Raytheon Co.	272,056
5,474	RR Donnelley & Sons Co.	100,995
1,389	Snap-On, Inc.	70,839
8,937	Tyco International Ltd. (Switzerland)	342,108
14,313	United Technologies Corp. (a)	1,070,183
12,999	Waste Management, Inc. (a)	464,324
		9,942,656
	Information Technology - 9.1%	
13,553	Automatic Data Processing, Inc. (a)	602,024
2,099	Broadridge Financial Solutions, Inc.	46,178
1,953	Harris Corp.	88,256
159,794	Intel Corp. (a)	3,207,066
2,094	Konami Corp., ADR (Japan)	36,582
5,916	Linear Technology Corp.	190,673
3,718	National Semiconductor Corp.	50,937
56,034	Nokia OYJ, ADR (Finland) (a)	598,443
9,883	Paychex, Inc.	273,759
136,782	Taiwan Semiconductor Manufacturing Co. Ltd., ADR (Taiwan) (a)	1,492,292
46,944	Telefonaktiebolaget LM Ericsson, ADR (Sweden) (a)	515,915
19,309	Texas Instruments, Inc. (a)	570,967
		7,673,092
	Materials - 2.9%	
2,915	Bemis Co., Inc.	92,580
500	Compass Minerals International, Inc.	39,435
12,823	CRH PLC, ADR (Ireland) (a)	226,582
24,448	EI Du Pont de Nemours & Co. (a)	1,155,901
889	Greif, Inc. - Class A	52,220
1,905	International Flavors & Fragrances, Inc.	95,555

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2,551	MeadWestvaco Corp.	65,637
1,572	Packaging Corp. of America	38,404
4,380	PPG Industries, Inc.	335,946
2,473	RPM International, Inc.	51,216

Number of Shares		Value
	Materials (continued)	
2,456	Sealed Air Corp.	\$ 56,856
1,653	Sherwin-Williams Co. (The)	120,619
2,634	Sonoco Products Co.	88,239
1,499	Valspar Corp.	48,118
		2,467,308
	Telecommunication Services - 3.3%	
1,969	Cellcom Israel Ltd. (Israel)	66,532
19,048	Chunghwa Telecom Co. Ltd., ADR (Taiwan) (a)	445,723
5,207	Magyar Telekom Telecommunications PLC, ADR (Hungary)	74,044
67,523	NTT DoCoMo, Inc., ADR (Japan) (a)	1,140,463
4,011	Partner Communications Co. Ltd., ADR (Israel)	81,544
3,937	Philippine Long Distance Telephone Co., ADR (Philippines)	244,606
9,117	Rogers Communications, Inc. - Class B (Canada)	332,315
9,903	Telecom Corp. of New Zealand Ltd., ADR (New Zealand)	77,441
18,467	Telefonos de Mexico SAB de CV, ADR (Mexico) (a)	285,869
		2,748,537
	Utilities - 2.0%	
2,761	Cia de Saneamento Basico do Estado de Sao Paulo, ADR (Brazil)	126,896
7,639	Cia Energetica de Minas Gerais, ADR (Brazil)	136,280
2,402	DPL, Inc.	62,692
4,136	Empresa Nacional de Electricidad SA, ADR (Chile)	220,697
9,872	Enersis SA, ADR (Chile)	225,180
9,977	Exelon Corp. (a)	407,261
13,388	Public Service Enterprise Group, Inc. (a)	433,102
1,637	UGI Corp.	49,257
		1,661,365
	Total Common Stocks - 109.0%	
	(Cost \$78,567,612)	92,081,840
	Convertible Preferred Stocks - 0.8%	
	Financials - 0.8%	
342	Fannie Mae, 5.375% (Cost \$33,154,000)	649,800
Principal Amount	Optional Call Provisions	Value
	Corporate Bonds - 24.7%	
	Consumer Discretionary - 4.3%	

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\$ 400,000	British Sky Broadcasting Group PLC, BBB+, 9.500%, 11/15/18 (United Kingdom) (b)	N/A	548,578
394,000	Comcast Corp., BBB+, 6.550%, 7/1/39	N/A	442,674
410,000	Fortune Brands, Inc., BBB-, 6.625%, 7/15/28	N/A	412,073
394,000	Home Depot, Inc., BBB+, 5.875%, 12/16/36	N/A	410,686
404,000	International Game Technology, BBB, 7.500%, 6/15/19	N/A	475,680
399,000	Kohl's Corp., BBB+, 6.875%, 12/15/37	N/A	478,696
265,000	Time Warner, Inc., BBB, 7.700%, 5/1/32	N/A	327,086

See notes to financial statements.

Annual Report | October 31, 2010 | 13

DCS I Claymore Dividend & Income Fund I Portfolio of Investments continued

Principal Amount		Optional Call Provisions	Value
	Consumer Discretionary (continued)		
\$ 397,000	Walt Disney Co. (The), A, 7.000%, 3/1/32 (a)	N/A	\$ 503,321
			3,598,794
	Energy - 1.2%		
405,000	Anadarko Petroleum Corp., BBB-, 8.700%, 3/15/19	N/A	502,161
411,000	Weatherford International Ltd., BBB, 9.625%, 3/1/19 (Bermuda) (a)	N/A	543,601
			1,045,762
	Financials - 11.1%		
137,000	American Express Co., BB, 6.800%, 9/1/66 (c)	9/1/16 @ 100.00	138,541
399,000	American Express Co., BBB+, 8.125%, 5/20/19 (a)	N/A	513,375
398,000	American International Group, Inc., A-, 5.375%, 10/18/11	N/A	412,925
301,000	AvalonBay Communities, Inc., BBB+, 6.100%, 3/15/20	N/A	352,846
198,000	Bank of America Corp., BB, 8.000% (c) (d)	1/30/18 @ 100.00	200,087
301,000	Boston Properties LP, A-, 5.875%, 10/15/19	N/A	340,174
301,000	Camden Property Trust, BBB, 5.700%, 5/15/17	N/A	333,314
260,000	Caterpillar Financial Services Corp., A, 7.150%, 2/15/19	N/A	334,617
401,000	Citigroup, Inc., A, 8.500%, 5/22/19	N/A	504,330
400,000	Coffeyville Resources LLC/Coffeyville Finance, Inc., BB-, 9.000%, 4/1/15 (b)	4/1/12 @ 106.75	431,000
300,000	Credit Acceptance Corp., BB, 9.125%, 2/1/17 (b)	2/1/14 @ 104.563	316,500
300,000	Fidelity National Financial, Inc., BBB-, 6.600%, 5/15/17	N/A	309,804
199,000	GE Capital Trust I, A+, 6.375%, 11/15/67 (c)	11/15/17 @ 100.00	198,005
397,000	General Electric Capital Corp., AA+, 6.750%, 3/15/32	N/A	444,130
200,000	Goldman Sachs Capital II, BBB, 5.793% (c) (d)	6/1/12 @ 100.00	172,750
404,000	Goldman Sachs Group, Inc. (The), A-, 6.750%, 10/1/2037	N/A	424,955
301,000	HCP, Inc., BBB, 6.700%, 1/30/18	N/A	334,460
269,000	Hughes Network Systems LLC/HNS Finance Corp., B, 9.500%, 4/15/14	12/2/10 @ 104.75	281,777
202,000	JPMorgan Chase & Co., BBB+, 7.900% (c) (d)	4/30/18 @ 100.00	216,062
396,000	JPMorgan Chase & Co., A+, 6.300%, 4/23/19	N/A	462,915
405,000	Manufacturers & Traders Trust Co., A-, 6.625%, 12/4/17	N/A	474,480
400,000	Merrill Lynch & Co., Inc., A-, 6.110%, 1/29/37	N/A	382,001
400,000	Morgan Stanley, A, 5.550%, 4/27/17	N/A	426,361
405,000	PNC Bank NA, A, 5.250%, 1/15/17	N/A	440,167
300,000	Reynolds Group Issuer, Inc./Reynolds Group Issuer LLC, B-, 8.500%, 5/15/18 (b)	5/15/14 @ 104.25	308,250
298,000	Simon Property Group LP, A-, 10.350%, 4/1/19	N/A	421,896
202,000	Wells Fargo & Co., A-, 7.980% (c) (d)	3/15/18 @ 100.00	213,110
			9,388,832

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Principal Amount		Optional Call Provisions	Value
	Health Care - 2.1%		
\$ 399,000	Aetna, Inc., A-, 6.750%, 12/15/37	N/A	\$ 452,308
404,000	Alere, Inc., B-, 9.000%, 5/15/16	5/15/13 @ 104.50	433,290
399,000	UnitedHealth Group, Inc., A-, 6.500%, 6/15/37	N/A	441,542
397,000	WellPoint, Inc., A-, 5.950%, 12/15/34	N/A	410,158
			1,737,298
	Industrials - 3.5%		
399,000	CSX Corp., BBB-, 6.000%, 10/1/36	N/A	426,069
364,000	Delta Air Lines, Inc., BB-, 9.500%, 9/15/14 (b)	9/15/11 @ 107.125	402,220
408,000	FedEx Corp., BBB, 8.000%, 1/15/19 (a)	N/A	526,559
300,000	MagnaChip Semiconductor SA/MagnaChip Semiconductor Finance Co., B+, 10.500%, 4/15/18 (South Korea) (b)	4/15/14 @ 105.25	323,250
407,000	Southwest Airlines Co., BBB, 5.125%, 3/1/17	N/A	429,698
274,000	Textron, Inc., BBB-, 7.250%, 10/1/19	N/A	326,672
405,000	Waste Management, Inc., BBB, 7.375%, 3/11/19 (a)	N/A	510,946
			2,945,414
	Information Technology - 0.7%		
262,000	Corning, Inc., BBB+, 6.625%, 5/15/19	N/A	316,889
264,000	Oracle Corp., A, 6.125%, 7/8/39	N/A	307,846
			624,735
	Materials - 0.9%		
275,000	Alcoa, Inc., BBB-, 6.750%, 7/15/18	N/A	301,049
411,000	International Paper Co., BBB, 7.500%, 8/15/21	N/A	502,160
			803,209
	Utilities - 0.9%		
401,000	Exelon Generation Co. LLC, BBB, 6.200%, 10/1/17	N/A	467,502
264,000	Southwestern Electric Power Co., BBB, 6.450%, 1/15/19	N/A	300,137
			767,639
	Total Corporate Bonds - 24.7%		
	(Cost \$18,537,586)		20,911,683

See notes to financial statements.

14 | Annual Report | October 31, 2010

DCS I Claymore Dividend & Income Fund I Portfolio of Investments continued

Number of Shares		Value
	Limited Partnership - 0.3%	
	Real Estate - 0.3%	
400,000	Kodiak Funding, LP (e)	
	(Cost \$3,508,000)	\$ 248,000
	Total Long-Term Investments - 134.8%	
	(Cost \$133,767,198)	113,891,323
	Short-Term Investments - 3.4%	
2,836,542	Dreyfus Money Market Bond Fund	
	(Cost \$2,836,542)	2,836,542
	Total Investments - 138.2%	
	(Cost \$136,603,740)	116,727,865
	Other Assets in excess of Liabilities - 0.9%	765,130
	Borrowings - (39.1%)	(33,000,000)
	Net Assets Applicable to Common Shares - 100.0%	\$ 84,492,995

ADR - American Depositary Receipt

AG - Stock Corporation

ASA - Stock Company

KGaA - Limited Partnership

LLC - Limited Liability Company

LP - Limited Partnership

OYJ - Public Traded Company

NV - Publicly Limited Liability Corporation

PLC - Public Limited Company

REIT - Real Estate Investment Trust

SA - Corporation

SAB de CV - Variable Capital Company

(a) All or a portion of these securities were segregated as collateral for the borrowings. As of October 31, 2010, the total amount segregated was \$76,826,615.

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- (b) Securities are exempt from registration under Rule 144A of the Securities Act of 1933 These securities may be resold in transactions exempt from registration, normally to qualified institutional buyers. At October 31, 2010, these securities amounted to 2.8% of net assets applicable to Common Shares.
- (c) Floating or variable rate security.
- (d) Perpetual maturity.
- (e) Security is valued in accordance with Fair Valuation procedures established in good faith by the Board of Trustees. The total market value of such securities is \$248,000 which represents 0.3% of Net Assets Applicable to Common Shares.

Ratings (unaudited) shown are per Standard & Poor's; securities classified NR are not rated by Standard & Poor's.

All percentages shown in the Portfolio of Investments are based on Net Assets Applicable to Common Shares unless otherwise noted.

See notes to financial statements.

Annual Report | October 31, 2010 | 15

DCS I Claymore Dividend & Income Fund

Statement of Assets and Liabilities | October 31, 2010

Assets	
Investments in securities, at value (cost \$136,603,740)	\$ 116,727,865
Dividends and interest receivable	493,793
Cash	406,000
Other assets	76,576
Total assets	117,704,234
Liabilities	
Borrowings	33,000,000
Advisory fee payable	76,631
Interest due on borrowings	4,643
Administrative fee payable	2,238
Accrued expenses and other liabilities	127,727
Total liabilities	33,211,239
Net Assets Applicable to Common Shareholders	\$ 84,492,995
Composition of Net Assets Applicable to Common Shareholders	
Common stock, \$.01 par value per share; unlimited number of shares authorized, 4,993,991 shares issued and outstanding	\$ 49,940
Additional paid-in capital	772,487,780
Accumulated net unrealized depreciation on investments	(19,875,875)
Accumulated net realized loss on investments, and currency transactions	(668,587,008)
Accumulated undistributed net investment income	418,158
Net Assets Applicable to Common Shareholders	\$ 84,492,995
Net Asset Value Applicable to Common Shareholders (based on 4,993,991 common shares outstanding)	\$ 16.92

See notes to financial statements.

16 | Annual Report | October 31, 2010

DCS I Claymore Dividend & Income Fund

Statement of Operations | For the year ended October 31, 2010

Investment Income		
Dividends (net of foreign withholding taxes of \$128,400)	\$3,694,989	
Interest	1,654,314	
Total income		\$5,349,303
Expenses		
Advisory fee	1,111,021	
Professional fees	318,096	
Trustees' fees and expenses	160,969	
Printing expenses	132,787	
Fund accounting	51,743	
Administrative fee	35,887	
Custodian fee	33,488	
NYSE listing fee	21,427	
Transfer agent fee	19,774	
Insurance expense	15,590	
Auction agent fee - preferred shares	15,178	
Miscellaneous	174,135	
Interest expense	457,238	
Total expenses		2,547,333
Advisory fees waived		(104,566)
Net expenses		2,442,767
Net investment income		2,906,536
Realized and Unrealized Gain (Loss) on Investments, In-kind Transactions and Foreign Currency Transactions		
Net realized gain (loss) on:		
Investments	3,788,249	
In-kind transactions	(4,906,028)	
Foreign currency transactions	96	
Net change in unrealized appreciation on:		
Investments	18,170,095	
Foreign currency translation	2	
Net gain on investments and foreign currency transactions		17,052,414
Net Increase in Net Assets Applicable to Common Shareholders Resulting from Operations		19,958,950
Distributions to Preferred Shares from		
Net investment income	(126,017)	
Net Increase in Net Assets Applicable to Common Shareholders Resulting from Operations		\$19,832,933

See notes to financial statements.

DCS I Claymore Dividend & Income Fund

Statement of Changes in Net Assets
Applicable to Common Shareholders I

	For the Year Ended October 31, 2010	For the Year Ended October 31, 2009
Increase (decrease) in Net Assets Applicable to Common Shareholders Resulting from Operations		
Net investment income	\$2,906,536	\$8,154,646
Net realized loss on investments, in-kind redemptions, futures, options and currency transactions	(1,117,683)	(440,501,096)
Net change in unrealized appreciation on investments, futures, options and currency transactions	18,170,097	396,803,212
Distributions to Preferred Shareholders from Net investment income	(126,017)	(1,895,225)
Net increase (decrease) in net assets applicable to common shareholders resulting from operations	19,832,933	(37,438,463)
Distributions to Common Shareholders		
From and in excess of net investment income	(3,868,047)	(5,901,925)
Capital Share Transactions		
Cost of common shares repurchased	(66,354,778)	-
Total decrease in net assets applicable to common shareholders	(50,389,892)	(43,340,388)
Net Assets		
Beginning of period	134,882,887	178,223,275
End of period (including accumulated undistributed net investment income of \$418,158 and \$1,458,767, respectively)	\$84,492,995	\$134,882,887

See notes to financial statements.

18 I Annual Report I October 31, 2010

DCS I Claymore Dividend & Income Fund

Statement of Cash Flows | For the year ended October 31, 2010

Cash Flows from Operating Activities:	
Net increase in net assets resulting from operations	\$ 19,958,950
Adjustments to Reconcile Net Increase in Net Assets Resulting from Operations to	
Net Cash Used in Operating and Investing Activities:	
Net change in unrealized appreciation on investments	(18,170,095)
Net realized loss on investments	1,117,779
Purchase of long-term investments	(33,441,263)
Proceeds from sale of long-term investments	64,791,234
Amortization of premium and other	37,289
Net sales of short-term investments	1,408,239
Decrease in dividends and interest receivable	205,081
Increase in other assets	(34,559)
Decrease in advisory fee payable	(53,284)
Decrease in dividends payable - preferred shares	(6,731)
Decrease in administrative fee payable	(1,897)
Decrease in accrued expenses and other liabilities	(164,379)
Decrease in interest due on borrowings	(29,274)
Decrease in due to custodian	(37,888)
Net Cash Provided by Operating and Investing Activities	35,579,202
Cash Flows From Financing Activities:	
Redemption of auction market preferred shares	(30,000,000)
Distributions to preferred shareholders	(126,017)
Dividends paid to common shareholders	(3,868,047)
Proceeds from borrowings	3,000,000
Cash payment in connection with common shares tendered for repurchase	(4,179,138)
Net Cash Used by Financing Activities	(35,173,202)
Net increase in cash	406,000
Cash at Beginning of Period	-
Cash at End of Period	\$ 406,000
Supplemental Disclosure of Cash Flow Information: Cash paid during the period for interest	\$ 486,512
Supplemental Disclosure of Cash Flow of Non-Cash Flow Information:	
Value of securities transferred in the tender offer	\$ 62,175,640

See notes to financial statements.

Annual Report | October 31, 2010 | 19

DCS I Claymore Dividend &
Income Fund

Financial Highlights I

	For the	For the	For the	For the	For the
Per share operating performance for a common share outstanding throughout the period *	Year Ended October 31, 2010	Year Ended October 31, 2009	Year Ended October 31, 2008	Year Ended October 31, 2007	Year Ended October 31, 2006
Net asset value, beginning of period	\$ 14.86	\$ 19.65	\$ 113.95	\$ 119.55	\$ 103.10
Income from investment operations					
Net investment income (a)	0.49	0.90	6.75	7.70	7.09
Net realized and unrealized gain (loss) on investments, futures, options and swap transactions	2.15	(4.83)	(92.50)	(4.30)	18.08
Distributions to Preferred Shareholders					
From net investment income and return of capital (common share equivalent basis)	(0.02)	(0.21)	(2.05)	(2.50)	(2.22)
Total from investment operations	2.62	(4.14)	(87.80)	0.90	4.59
Distributions to Common Shareholders					
From and in excess of net investment income	(0.56)	(0.65)	(4.73)(e)	(6.50)	(6.50)
Return of capital	–	–	(1.77)(e)	–	–
Total distributions to Common Shareholders	(0.56)	(0.65)	(6.50)	(6.50)	(6.50)
Net asset value, end of period	\$ 16.92	\$ 14.86	\$ 19.65	\$ 113.95	\$ 119.55
Market value, end of period	\$ 14.86	\$ 14.25	\$ 14.90	\$ 98.10	\$ 108.05
Total investment return (b)					
Net asset value	18.01 %	(19.99)%	(81.30)%	0.67 %	23.05 %
Market value	8.45 %	3.50 %	(83.31)%	(3.53)%	26.97 %
Ratios and supplemental data					
Net assets, applicable to common shareholders, end of period (thousands)	\$ 84,493	\$ 134,883	\$ 178,223	\$ 1,034,697	\$ 1,085,306
Preferred Shares, at liquidation value (\$25,000	\$ 0	\$ 30,000	\$ 125,000	\$ 425,000	\$ 425,000

per share liquidation preference) (thousands)										
Preferred Shares asset coverage per share										
	\$0		\$137,402		\$60,645		\$85,859		\$88,842	
Ratios to Average Net Assets applicable to Common Shares:										
Net operating expense	2.18	%	2.66	%	1.76	%	1.42	%	1.47	%
Interest expense	0.50	%	0.11	%	0.00	%	0.00	%	0.00	%
Total net expense	2.68	%	2.77	%	1.76	%	1.42	%	1.47	%
Fee waiver	0.11	%	0.09	%	0.00	%	0.00	%	0.00	%
Total gross expense	2.79	%(c)	2.86	%(c)	1.76	%(c)	1.42	%(c)	1.47	%
Net investment income, after fee waiver and effect of dividends to preferred shares										
	3.04	%	5.38	%	6.36	%	4.36	%	4.40	%
Portfolio turnover	26	%	172	%(f)	68	%	57	%	25	%
Senior indebtedness										
Total borrowings outstanding (in thousands)										
	\$33,000		\$30,000		\$-		\$-		\$-	
Asset coverage per \$1,000 of indebtedness (d)										
	\$3,560		\$6,496		\$-		\$-		\$-	

* Reflects 1 for 5 reverse stock split that occurred on June 5, 2009.

N/A Not applicable

- (a) Based on average shares outstanding during the period.
- (b) Total investment return is calculated assuming a purchase of a common share at the beginning of the period and a sale on the last day of the period reported either at net asset value (“NAV”) or market price per share. Dividends and distributions are assumed to be reinvested at NAV for NAV returns or the prices obtained under the Fund’s Dividend Reinvestment Plan for market value returns. Total investment return does not reflect brokerage commissions. A return calculated for a period of less than one year is not annualized.
- (c) Expense ratio does not reflect fees and expenses incurred indirectly by the Fund as a result of its investments in shares of other investment companies. If these fees were included in the expense ratio, the net impact to the expense ratio would be approximately 0.00% for the year ended October 31, 2010 and the year ended October 31, 2009, and 0.02% for the years ended October 31, 2008, and October 31, 2007. The impact to the expense ratio as a result of investments in other investment companies was not required prior to 2007. As a result, the impact has not been disclosed for the years prior to 2007.
- (d) Calculated by subtracting the Fund’s total liabilities (not including borrowings) from the Fund’s total assets and dividing by the total borrowings.
- (e) Subsequent to October 31, 2008, a reclassification was required that resulted in a recharacterization of the distributions for the October 31, 2009, financial reporting period. This resulted in a \$0.03 reclassification between distributions paid to common shareholders from and in excess of net investment income and distributions paid to common shareholders from return of capital.

- (f) The increase in the portfolio turnover compared to prior years is the result of the change in the Fund's Sub-Adviser and the resulting reallocation of the portfolio holdings.

See notes to financial statements.

201 Annual Report | October 31, 2010

DCS I Claymore Dividend & Income Fund

Notes to Financial Statements | October 31, 2010

Note 1 – Organization:

Claymore Dividend & Income Fund (formerly Dreman/Claymore Dividend & Income Fund) (the“Fund”) was organized as a Delaware statutory trust on October 20, 2003. The Fund is registered as a non-diversified, closed-end management investment company under the Investment Company Act of 1940, as amended.

The Fund’s primary investment objective is to provide a high level of current income, with a secondary objective of capital appreciation. The Fund will pursue its investment objectives by investing its assets primarily in dividend-paying common and preferred stocks. There can be no assurance that the Fund will achieve its investment objectives. The Fund’s investment objectives are considered fundamental and may not be changed without shareholder approval.

On September 24, 2010, Claymore Advisors, LLC changed its name to Guggenheim Funds Investment Advisors, LLC. Also, Claymore Securities, Inc. changed its name to Guggenheim Funds Distributors, Inc.

Note 2 – Accounting Policies:

The preparation of the financial statements in accordance with U.S. generally accepted accounting principles (“GAAP”) requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from these estimates.

The following is a summary of significant accounting policies consistently followed by the Fund.

(a) Valuation of Investments

The Fund values equity securities at the last reported sale price on the principal exchange or in the principal over-the-counter (“OTC”) market in which such securities are traded, as of the close of regular trading on the New York Stock Exchange (“NYSE”) on the day the securities are being valued or, if there are no sales, at the mean between the last available bid and ask prices on that day. Securities traded on NASDAQ are valued at the NASDAQ Official Closing Price. Debt securities are valued by independent pricing services or dealers using the mean of the closing bid and asked prices for such securities or, if such prices are not available, at prices for securities of comparable maturity, quality and type. For those securities where quotations or prices are not available, valuations are determined in accordance with procedures established in good faith by the Board of Trustees. Futures contracts are valued using the settlement price established each day on the exchange on which they are traded. Interest rate swaps are valued at closing prices for such contracts established by the exchange or dealer market on which they are traded. Exchange traded options are valued at the mean between the bid and asked prices on the principal exchange on which it is traded. The Fund values money market funds at net asset value. Short-term securities with maturities of 60 days or less at time of purchase are valued at amortized cost, which approximates market value.

For those securities where quotations or prices are not available, the valuations are determined in accordance with procedures established in good faith by the Board of Trustees. Valuations in accordance with these procedures are intended to reflect each security's (or asset's) "fair value". Such "fair value" is the amount that the Fund might reasonably expect to receive for the security (or asset) upon its current sale. Each such determination should be based on a consideration of all relevant factors, which are likely to vary from one pricing context to another. Examples of such factors may include, but are not limited to: (i) the type of security, (ii) the initial cost of the security, (iii) the existence of any contractual restrictions on the security's disposition, (iv) the price and extent of public trading in similar securities of the issuer or of comparable companies, (v) quotations or evaluated prices from broker-dealers and/or pricing services, (vi) information obtained from the issuer, analysts, and/or the appropriate stock exchange (for exchange traded securities), (vii) an analysis of the company's financial statements, and (viii) an evaluation of the forces that influence the issuer and the market(s) in which the security is purchased and sold (e.g. the existence of pending merger activity, public offerings or tender offers that might affect the value of the security).

Fair value is defined as the price that the Fund would receive to sell an investment or pay to transfer a liability in an orderly transaction with an independent buyer in the principal market, or in the absence of a principal market the most advantageous market for the investment or liability. There are three different categories for valuations. Level 1 valuations are those based upon quoted prices in active markets. Level 2 valuations are those based upon quoted prices in inactive markets or based upon significant observable inputs (e.g. yield curves; benchmark interest rates; indices). Level 3 valuations are those based upon unobservable inputs (e.g. discounted cash flow analysis; non-market based methods used to determine fair valuation).

The Fund adopted the Accounting Standards Update, Fair Value Measurements and Disclosures (Topic 820): Improving Disclosures about Fair Value Measurements which provides guidance on how investment assets and liabilities are to be valued and disclosed. Specifically, the amendment requires reporting entities to disclose i) the input and valuation techniques used to measure fair value for both recurring and nonrecurring fair value measurements, for Level 2 or Level 3 positions, ii) transfers between all levels (including Level 1 and Level 2) will be required to be disclosed on a gross basis (i.e. transfers out must be disclosed separately from transfers in) as well as the reason(s) for the transfer, and iii) purchases, sales, issuances and settlements must be shown on a gross basis in the Level 3 rollforward rather than as one net number. The effective date of the amendment is for interim and annual periods beginning after December 15, 2009, however, the requirement to provide the Level 3 activity for purchases, sales, issuances and settlements on a gross basis will be effective for interim and annual periods beginning after December 15, 2010. The Fund adopted the disclosures required by this amendment, which did not have a material impact on the financial statements.

The Fund values Level 1 securities using readily available market quotations in active markets. The Fund values Level 2 fixed income securities using independent pricing providers who employ matrix pricing models utilizing market prices, broker quotes and prices of securities with comparable maturities and qualities. The Fund values Level 2 equity securities using quoted prices that are fair valued using procedures approved by the Board of Trustees. The fair value estimate for the Level 3 security in the Fund was determined in good faith by the Pricing Committee pursuant to the Valuation Procedures adopted by the Board of Trustees. There

DCS I Claymore Dividend & Income Fund I Notes to Financial Statements continued

were various factors considered in reaching fair value determination, including, but not limited, to the following: the type of security, the extent of public trading of the security, analysis of the company's performance and the present value of potential future earnings of the investment.

The following table represents the Fund's investments carried on the Statement of Assets and Liabilities by caption and by level within the fair value hierarchy as of October 31, 2010.

Description (value in \$000s)	Level 1	Level 2	Level 3	Total
Assets:				
Common Stocks	\$92,082	\$-	\$-	\$92,082
Convertible Preferred Stocks	-	650	-	650
Corporate Bonds	-	20,912	-	20,912
Limited Partnership	-	-	248	248
Money Market Fund	2,836	-	-	2,836
Total	\$94,918	\$21,562	\$248	\$116,728

Level 3 holdings (value in \$000s)	Securities
Beginning Balance at October 31, 2009	\$184
Total Realized Gain/Loss	-
Change in Unrealized Gain/Loss	64
Net Purchases and Sales	-
Transfers In	-
Transfers Out	-
Ending Balance at October 31, 2010	\$248

(b) 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. Dividend income is recorded net of applicable withholding taxes on the ex-dividend date and interest income is recorded on an accrual basis. Discounts or premiums on debt securities purchased are accreted or amortized to interest income over the lives of the respective securities using the effective interest method.

(c) Swaps

A swap is an agreement to exchange the return generated by one instrument for the return generated by another instrument. The Fund may enter into swap agreements to manage its exposure to interest rates or to manage the duration of its portfolio. The swaps are valued at current market value and any unrealized gain or loss is included in the Statement of Operations. The Fund accrues for the interim payments on swap contracts on a daily basis, with the net amount recorded within unrealized appreciation/depreciation of swap contracts on the Statement of Assets and Liabilities. Once the interim payments are settled in cash, the net amount is recorded as realized gain/loss on swaps, in addition to realized gain/loss recorded upon the termination of swap contracts on the Statement of Operations. During

the period that the swap agreement is open, the Fund may be subject to risk from the potential inability of the counterparty to meet the terms of the agreement. The swaps involve elements of both market and credit risk in excess of the amounts reflected on the Statement of Assets and Liabilities. The Fund did not invest in swaps during the year ended October 31, 2010.

(d) Futures

A futures contract is an agreement to buy or sell a financial instrument at a particular price on a stipulated future date. Upon entering into a futures contract, the Fund is required to make an initial margin deposit established by the exchange on which the transaction is effected. Pursuant to the contract, the Fund agrees to receive from or pay to the counterparty an amount of cash equal to the daily fluctuation in the value of the contract. Such receipt or payment is known as the variation margin and is recorded by the Fund as unrealized appreciation or depreciation. The Fund bears the market risk that arises from the change in the value of these financial instruments. The Fund may use futures contracts in an attempt to enhance the Fund's investment returns, as an efficient way to gain broad market exposure with reduced transaction costs and/or to hedge against market and other risks in the Fund's portfolio. There are a number of risks associated with the use of futures contracts. A purchase or sale of a futures contract may result in losses in excess of the amount invested in the futures contract. If futures are used for hedging, there can be no guarantee that there will be a correlation between price movements in the hedging vehicle and in the Fund's portfolio securities being hedged. The Fund is subject to equity price risk when utilizing futures contracts. The Fund bears the risk of security prices moving unexpectedly in which case, the Fund may not achieve the anticipated benefits of the futures contracts and may realize a loss. The Fund did not invest in futures contracts during the year ended October 31, 2010.

22 | Annual Report | October 31, 2010

DCS I Claymore Dividend & Income Fund I Notes to Financial Statements continued

(e) Options

The Fund may purchase or sell (write) options on securities and securities indices which are listed on a national securities exchange or in the over-the-counter (“OTC”) market as a means of achieving additional return or of hedging the value of the Fund’s portfolio. An option on a security is a contract that gives the holder of the option, in return for a premium, the right to buy from (in the case of a call) or sell to (in the case of a put) the writer of the option the security underlying the option at a specified exercise or “strike” price. The writer of an option on a security has an obligation upon exercise of the option to deliver the underlying security upon payment of the exercise price (in the case of a call) or to pay the exercise price upon delivery of the underlying security (in the case of a put). There are several risks associated with transactions in options on securities. The Fund is subject to equity price risk when utilizing option contracts. As the writer of a covered call option, the Fund forgoes, during the option’s life, the opportunity to profit from increases in the market value of the security covering the call option above the sum of the premium and the strike price of the call but has retained the risk of loss should the price of the underlying security decline. The writer of an option has no control over the time when it may be required to fill its obligation as writer of the option. Once an option writer has received an exercise notice, it cannot effect a closing purchase transaction in order to terminate its obligation under the option and must deliver the underlying security at the exercise price. The Funds did not invest in options during the year ended October 31, 2010.

(f) Distributions

The Fund declares and pays quarterly dividends to common shareholders. Any net realized long-term gains are distributed annually. Distributions to shareholders are recorded on the ex-dividend date. The amount and timing of distributions are determined in accordance with federal income tax regulations, which may differ from GAAP.

(g) Currency Translation

Assets and liabilities denominated in foreign currencies are translated into U.S. dollars at the mean of the bid and ask price of the respective exchange rates on the last day of the period. Purchases and sales of investments denominated in foreign currencies are translated at the exchange rate on the date of the transaction.

Foreign exchange gain or loss resulting from the holding of a foreign currency, expiration of a currency exchange contract, difference in the exchange rates between the trade date and settlement date of an investment purchased or sold, and the difference between dividends actually received compared to the amount shown in a Fund’s accounting records on the date of receipt are included as net realized gains or losses on foreign currency forwards and currency transactions in the Fund’s Statement of Operations.

Foreign exchange gain or loss on assets and liabilities, other than investments, is included in unrealized appreciation (depreciation) on foreign currency transactions.

Note 3 – Investment Advisory Agreement, Sub-Advisory Agreement and Other Agreements:

Pursuant to an Investment Advisory Agreement (the “Agreement”) between the Fund and Guggenheim Funds Investment Advisors, LLC (the “Adviser”), the Adviser furnished offices, necessary facilities and equipment, provided administrative services, oversaw the activities of Dreman Value Management, LLC (“DVM”) (through June 17, 2009)

and Manning & Napier (after June 17, 2009), provided personnel including certain officers required for the Fund's administrative management and compensated all officers and trustees of the Fund who are its affiliates. As compensation for these services, the Fund paid the Adviser a fee, payable monthly, in an amount equal to 0.85% of the Fund's average managed assets (net assets applicable to common shareholders plus any assets attributable to financial leverage).

The Adviser previously entered into a Sub-Advisory Agreement with DVM. Pursuant to the terms of this agreement, DVM, under the supervision of the Fund's Board of Trustees and the Adviser, provided a continuous investment program for the Fund's portfolio; provided investment research and made and executed recommendations for the purchase and sale of securities; and provided certain facilities and personnel, including officers required for the Fund's administrative management, and compensation of all officers and trustees of the Fund who are its affiliate. For these services, the Adviser paid DVM an aggregate amount equal to 60% of the investment advisory fees paid to the Adviser by the Fund, net of any additional compensation payments to underwriters of the common share offering. Effective January 27, 2009, the Advisor agreed to waive 0.08% of its investment advisory fees. The 0.08% waiver was assumed by DVM.

On June 17, 2009, the Fund's Board of Trustees approved the termination of DVM's investment sub-advisory agreement with the Fund. The sub-advisory agreement with DVM was no longer in effect as of close of business on August 17, 2009. On June 17, 2009, the Board of Trustees of the Fund approved the appointment of a new investment sub-adviser to the Fund, Manning & Napier Advisors, Inc. ("Manning & Napier"). Pursuant to this change, Manning & Napier entered into an interim investment sub-advisory agreement with Guggenheim Funds Investment Advisors, LLC, the Fund's investment adviser, and the Fund (the "Initial Interim Sub-Advisory Agreement"). Under the Initial Interim Sub-Advisory Agreement, the Adviser agreed to pay Manning & Napier 0.42% of the Fund's managed assets as compensation for its services. The Adviser is waiving 0.09% of the investment advisory fee and this waiver has been assumed by Manning & Napier. The benefit to the Fund from this waiver is 0.08%.

Under a separate Fund Administration agreement, the Adviser provides fund administration services to the Fund.

Annual Report | October 31, 2010 | 23

DCS I Claymore Dividend & Income Fund I Notes to Financial Statements continued

The Adviser receives a fund administration fee payable monthly at the annual rate set forth below as a percentage of the average daily managed assets of the Fund.

Managed Assets	Rate
First \$200,000,000	0.0275%
Next \$300,000,000	0.0200%
Next \$500,000,000	0.0150%
Over \$1,000,000,000	0.0100%

For the year ended October 31, 2010, the Fund recognized expenses of \$35,887 for these services.

The Bank of New York Mellon (“BNY”) acts as the Fund’s custodian, accounting agent and transfer agent. As custodian, BNY is responsible for the custody of the Fund’s assets. As accounting agent BNY is responsible for maintaining the books and records of the Fund’s securities and cash. As transfer agent, BNY is responsible for performing transfer agency services for the Fund.

Note 4 – Federal Income Taxes:

The Fund intends to comply with the requirements of Subchapter M of the Internal Revenue Code of 1986, as amended, applicable to regulated investment companies. Accordingly, no provision for U.S. federal income taxes is required. In addition, by distributing substantially all of its ordinary income and long-term capital gains, if any, during each calendar year, the Fund intends not to be subject to U.S. federal excise tax.

Due to inherent differences in the recognition of income, expenses, and realized gains/losses under GAAP and federal income tax purposes, permanent differences between book and tax basis reporting have been identified and appropriately reclassified on the Statement of Assets and Liabilities. At October 31, 2010, the following reclassification was made to the capital accounts of the Fund, to reflect permanent book and tax differences relating to the distributions received from real estate investment trusts, partnerships, and passive foreign investment companies, gains on foreign currency transactions and the redemption of in-kind transactions. Net investment income, net realized gains and net assets were not affected by these changes.

Additional paid-in capital \$(4,905,870)	Accumulated Net Realized Gain \$(4,858,951)	Accumulated Undistributed Net Investment Income \$46,919
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Information on the components of net assets on a tax basis as of October 31, 2010 is as follows:

Undistributed

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Cost of Investments for Tax Purposes	Gross Tax Unrealized Appreciation	Gross Tax Unrealized Depreciation	Net Tax Unrealized Depreciation on Investments	Ordinary Income/ (Accumulated) Ordinary Loss)	Undistributed Long-Term Gains/ (Accumulated) Capital Loss)
\$136,625,675	\$16,929,771	(\$36,827,581)	(\$19,897,810)	\$171,508	(\$668,318,423)

The difference between book and tax basis unrealized appreciation/(depreciation) is attributable to the tax deferral of losses on wash sales, income reclassifications from royalty trusts, partnerships and investments in preferred securities.

As of October 31, 2010, for federal income tax purposes, the Fund anticipates utilizing \$3,716,592 of capital loss carryforward. The Fund had a remaining carryfor-ward of \$668,318,423 available to offset possible future capital gains.

Of the capital loss carryforward, \$225,018,762 is set to expire on October 31, 2016, and \$443,299,661 is set to expire on October 31, 2017. Given the current size of the Fund, it is likely that the Fund will be unable to fully utilize these capital losses carryforwards prior to their expiration.

For the years ended October 31, 2010 and 2009, the tax character of distributions paid to common and preferred shareholders as reflected in the statement of changes in net assets was as follows:

Distributions paid from:	2010	2009
Ordinary income - common shares	\$ 3,868,047	\$ 5,901,925
Ordinary income – preferred shares	126,017	1,895,225
	\$ 3,994,064	\$ 7,797,150

For all open tax years and all major jurisdictions, management of the Fund has concluded that there are no significant uncertain tax positions that would require recognition in the financial statements. Open tax years are those that are open for examination by taxing authorities (i.e. generally the last four tax year ends and

DCS I Claymore Dividend & Income Fund I Notes to Financial Statements continued

the interim tax period since them). Furthermore, management of the Fund is also not aware of any tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will significantly change in the next twelve months.

Note 5 – Investments in Securities:

For the year ended October 31, 2010, the cost of purchases and proceeds from sales of investments, excluding shares tendered and short-term securities, were \$33,441,263 and \$64,791,234, respectively.

Note 6 – Tender Offer:

On December 1, 2009, the Fund commenced an in-kind Tender Offer (“the Offer”) where the Fund agreed to purchase up to approximately 45% of the Fund’s outstanding common shares at 99.5% of the net asset value (“NAV”) per common share in exchange for a pro-rata portion of the Fund’s portfolio securities. Following the expiration of the Offer on January 4, 2010, the Fund accepted 4,085,893 properly tendered shares, representing approximately 45% of the Fund’s Common Shares outstanding, at a NAV per Common Share of approximately \$16.24 (the “Repurchase Price”). The total value of assets of the Fund that was distributed in payment for such tendered Common Shares accepted in the Offer based on the Repurchase Price was \$66,354,778.

Note 7 – Capital:

Common Shares

The Fund has an unlimited amount of common shares, \$0.01 par value, authorized and 4,993,991 (reflecting the 1 for 5 reverse stock split that occurred prior to the opening of trading on the NYSE on June 5, 2009) issued and outstanding. In connection with the Fund’s dividend reinvestment plan, the Fund did not issue any shares during the years ended October 31, 2010 or 2009.

Transactions in common shares were as follows:

	Year Ended October 31, 2010	Year Ended October 31, 2009
Beginning Shares	9,079,884	9,079,884
Shares repurchased through Tender Offer	4,085,893	–
Ending Shares	4,993,991	9,079,884

Preferred Shares

On March 23, 2004, the Fund issued 3,400 shares of Preferred Shares Series M7, 3,400 shares of Preferred Shares Series T28, 3,400 shares of Preferred Shares Series W7, 3,400 shares of Preferred Shares Series TH28 and 3,400 shares of Preferred Shares Series F7 each with a net asset and liquidation value of \$25,000 per share plus accrued dividends. On September 29, 2008 and October 20, 2008, the Fund announced redemptions of 1,200 shares of each series of Auction Market Preferred Shares (“AMPS”), respectively. On November 26, 2008, January 30, 2009 and February 26, 2009, the Fund announced redemptions of 80 shares, 120 shares and 280 shares of each series respectively. On July 24, 2009, the Fund announced redemptions of 120 shares from each series M7, W7 and F7 and

520 shares from each of series T28 and TH28, which fully redeemed series T28 and TH28. On January 31, 2010, the Fund announced redemptions of 400 shares from each series M7, W7, and F7 which fully redeemed all three series. At October 31, 2010, there were no preferred shares outstanding.

The broad auction-rate preferred securities market, including the Fund's AMPS, continued to experience considerable disruption since February 2008. The result has been failed auctions on nearly all auction-rate preferred shares, including the Fund's AMPS. A failed auction is not a default, nor does it require the redemption of the Fund's AMPS. Provisions in the offering documents of the Fund's AMPS provided a mechanism to set a maximum rate in the event of a failed auction. This maximum rate is the London Interbank Offered Rate ("LIBOR") + 1.25% or LIBOR x 125%, whichever is greater. On November 26, 2008, Fitch Ratings, one of the two rating agencies that provide credit ratings to the Fund's AMPS, downgraded the rating assigned to the AMPS issued by the Fund to 'AA' from 'AAA'. Due to the downgrade, the maximum rates increased from 1.25% to 1.50% over the applicable LIBOR rates. On December 24, 2009, Fitch reassigned the 'AAA' rating to the Fund's AMPS and the maximum rate decreased to 1.25% over the applicable LIBOR rates.

During the year ended October 31, 2010, the annualized dividend rates ranged from:

	High	Low	At October 31, 2010
Series M7	1.72%	1.46%	N/A
Series W7	1.72%	1.46%	N/A
Series F7	1.72%	1.46%	N/A

N/A - Not applicable as this series was fully redeemed during the period.

Annual Report | October 31, 2010 | 25

DCS I Claymore Dividend & Income Fund I Notes to Financial Statements continued

Note 8 – Borrowings:

On August 5, 2009, the Fund entered into a \$30,000,000 committed credit facility agreement whereby the counterparty has agreed to provide secured financing to the Fund and the Fund will provide pledged collateral to the counterparty. The credit facility agreement was increased to \$33,000,000 on January 26, 2010. Interest on the amount borrowed is based on the 3-month LIBOR plus 0.95%. An unused commitment fee of 0.85% is charged on the difference between the \$33,000,000 credit agreement and the amount borrowed. As of October 31, 2010, there was \$33,000,000 outstanding in connection with the Fund's credit facility. The average daily amount of the borrowings on the credit facility during the year ended October 31, 2010 was \$31,753,425 with a related average interest rate of 1.31%. The maximum amount outstanding during the period was \$33,000,000.

Note 9 – Indemnifications:

In the normal course of business, the Fund enters into contracts that contain a variety of representations, which provide general indemnifications. The Fund's maximum exposure under these arrangements is unknown, as this would require future claims that may be made against the Fund that have not yet occurred. However, the Fund expects the risk of loss to be remote.

Note 10 – Subsequent Event:

The Fund evaluated subsequent events through the date the financial statements were available for issue and determined there were no additional material events that would require disclosure in the Fund's financial statements, except as noted below.

On October 1, 2010, the Board of Trustees declared a quarterly dividend of \$0.125 per common share. The dividend was payable on November 30, 2010, to shareholders of record on November 15, 2010.

On November 29, 2010, effective that day, David C. Hooten resigned as a Trustee of the Fund.

26 | Annual Report | October 31, 2010

DCS I Claymore Dividend & Income Fund

Report of Independent Registered Public Accounting Firm

The Board of Trustees and Shareholders of

Claymore Dividend & Income Fund

We have audited the accompanying statement of assets and liabilities of Claymore Dividend & Income Fund, including the portfolio of investments, as of October 31, 2010, and the related statements of operations and cash flows for the year then ended, the statements of changes in net assets applicable to common shareholders for each of the two years in the period then ended, and the financial highlights for each of the five years in the period then ended. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits 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 and financial highlights are free of material misstatement. We were not engaged to perform an audit of the Fund's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and financial highlights, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our procedures included confirmation of securities owned as of October 31, 2010, by correspondence with the custodian. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, financial position of Claymore Dividend & Income Fund at October 31, 2010, the results of its operations and its cash flows for the year then ended, the changes in its net assets for each of the two years in the period then ended, and the financial highlights for each of the five years in the period then ended, in conformity with U.S. generally accepted accounting principles.

Chicago, Illinois

December 22, 2010

Annual Report | October 31, 2010 | 27

DCS I Claymore Dividend & Income Fund

Supplemental Information I (unaudited)

Federal Income Tax Information

The Fund recognized qualified dividend income of \$3,371,176 during the fiscal year ended October 31, 2010. The Fund intends to designate the maximum amount of dividends that qualify for the reduced tax rate pursuant to the Jobs and Growth Tax Relief Reconciliation Act of 2003.

For corporate shareholders, \$2,602,355 of investment income qualifies for the dividends-received deduction.

In January 2011, you will be advised on IRS Form 1099 DIV or substitute 1099 DIV as to the federal tax status of the distributions received by you in the calendar year 2010.

Result of Shareholder Votes

The Annual Meeting of Shareholders of the Fund was held on September 23, 2010. Common shareholders voted on the election of Trustees.

With regard to the election of the following Trustees by common shareholders of the Fund:

	# of Shares In Favor	# of Shares Withheld
Robert B. Karn III	4,146,018	464,777
Ronald E. Toupin, Jr.	4,130,444	480,351

The other Trustees of the Fund whose terms did not expire in 2010 are Roman Friedrich III, Ronald Nyberg and Randall C. Barnes.

Trustees

The Trustees of the Claymore Dividend & Income Fund and their principal occupations during the past five years:

Name,	Term of	Number of
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