CBL & ASSOCIATES PROPERTIES INC
Form 10-K
March 03, 2014

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

FORM 10-K

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2013

Or

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE TRANSITION PERIOD FROM ____________ TO _______________

COMMISSION FILE NO. 1-12494 (CBL & ASSOCIATES PROPERTIES, INC.)
COMMISSION FILE NO. 333-182515-01 (CBL & ASSOCIATES LIMITED PARTNERSHIP)
____

CBL & ASSOCIATES PROPERTIES, INC.
CBL & ASSOCIATES LIMITED PARTNERSHIP
(Exact Name of Registrant as Specified in Its Charter)

Delaware (CBL & Associates Properties, Inc.) Delaware (CBL & Associates Limited Partnership) (State or other jurisdiction of incorporation or organization)	62-1545718 62-1542285 (I.R.S. Employer Identification No.)
2030 Hamilton Place Blvd., Suite 500 Chattanooga, TN (Address of principal executive offices)	37421 (Zip Code)

Registrant’s telephone number, including area code: 423.855.0001
Securities registered pursuant to Section 12(b) of the Act:
CBL & Associates Properties, Inc.:

Title of each Class	Name of each exchange on which registered
Common Stock, $0.01 par value	New York Stock Exchange
7.375% Series D Cumulative Redeemable Preferred Stock, $0.01 par value	New York Stock Exchange
6.625% Series E Cumulative Redeemable Preferred Stock, $0.01 par value	New York Stock Exchange

CBL & Associates Limited Partnership: None

Securities registered pursuant to Section 12(g) of the Act:
CBL & Associates Properties, Inc.: None
CBL & Associates Limited Partnership: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

CBL & Associates Properties, Inc.	Yes x	No o
CBL & Associates Limited Partnership	Yes x	No o

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

CBL & Associates Properties, Inc.	Yes o	No x
CBL & Associates Limited Partnership	Yes o	No x

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

CBL & Associates Properties, Inc.	Yes x	No o
CBL & Associates Limited Partnership	Yes x	No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

CBL & Associates Properties, Inc.	Yes x	No o
CBL & Associates Limited Partnership	Yes x	No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

CBL & Associates Properties, Inc.

Large accelerated filer x	Accelerated filer o	Non-accelerated filer o	Smaller Reporting Company o

CBL & Associates Limited Partnership

Large accelerated filer o	Accelerated filer o	Non-accelerated filer x	Smaller Reporting Company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

CBL & Associates Properties, Inc.	Yes o	No x
CBL & Associates Limited Partnership	Yes o	No x

The aggregate market value of the 169,529,371 shares of CBL & Associates Properties, Inc.'s common stock held by non-affiliates of the registrant as of June 30, 2013 was $3,567,059,127, based on the closing price of $21.42 per share on the New York Stock Exchange on June 28, 2013. (For this computation, the registrant has excluded the market value of all shares of its common stock reported as beneficially owned by executive officers and directors of the registrant; such exclusion shall not be deemed to constitute an admission that any such person is an "affiliate" of the registrant.)

As of February 24, 2014, 170,266,519 shares of common stock were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of CBL & Associates Properties, Inc.'s Proxy Statement for the 2014 Annual Meeting of Stockholders are incorporated by reference in Part III.

EXPLANATORY NOTE

This report combines the annual reports on Form 10-K for the year ended December 31, 2013 of CBL & Associates Properties, Inc. and CBL & Associates Limited Partnership. Unless stated otherwise or the context otherwise requires, references to the "Company" mean CBL & Associates Properties, Inc. and its subsidiaries. References to the "Operating Partnership" mean CBL & Associates Limited Partnership and its subsidiaries. The terms "we," "us" and "our" refer to the Company or the Company and the Operating Partnership collectively, as the context requires.

The Company is a real estate investment trust ("REIT") whose stock is traded on the New York Stock Exchange. The Company is the 100% owner of two qualified REIT subsidiaries, CBL Holdings I, Inc. and CBL Holdings II, Inc. At December 31, 2013, CBL Holdings I, Inc., the sole general partner of the Operating Partnership, owned a 1.0% general partner interest in the Operating Partnership and CBL Holdings II, Inc. owned an 84.2% limited partner interest for a combined interest held by the Company of 85.2%.

As the sole general partner of the Operating Partnership, the Company's subsidiary, CBL Holdings I, Inc., has exclusive control of the Operating Partnership's activities. Management operates the Company and the Operating Partnership as one business. The management of the Company consists of the same individuals that manage the Operating Partnership. The Company's only material asset is its indirect ownership of partnership interests of the Operating Partnership. As a result, the Company conducts substantially all its business through the Operating Partnership as described in the preceding paragraph. The Company also issues public equity from time to time and guarantees certain debt of the Operating Partnership. The Operating Partnership holds all of the assets and indebtedness of the Company and, through affiliates, retains the ownership interests in the Company's joint ventures. Except for the net proceeds of offerings of equity by the Company, which are contributed to the Operating Partnership in exchange for partnership units on a one-for-one basis, the Operating Partnership generates all remaining capital required by the Company's business through its operations and its incurrence of indebtedness.

We believe that combining the two annual reports on Form 10-K for the Company and the Operating Partnership provides the following benefits:

- enhances investors' understanding of the Company and the Operating Partnership by enabling investors to view the business as a whole in the same manner that management views and operates the business;
- eliminates duplicative disclosure and provides a more streamlined and readable presentation, since a substantial portion of the disclosure applies to both the Company and the Operating Partnership; and
- creates time and cost efficiencies through the preparation of one combined report instead of two separate reports.

To help investors understand the differences between the Company and the Operating Partnership, this report provides separate consolidated financial statements for the Company and the Operating Partnership. Noncontrolling interests, shareholders' equity and partners' capital are the main areas of difference between the consolidated financial statements of the Company and those of the Operating Partnership. A single set of notes to consolidated financial statements is presented that includes separate discussions for the Company and the Operating Partnership, when applicable. A combined Management's Discussion and Analysis of Financial Condition and Results of Operations section is also included that presents combined information and discrete information related to each entity, as applicable.

In order to highlight the differences between the Company and the Operating Partnership, this report includes the following sections that provide separate financial information for the Company and the Operating Partnership:

- consolidated financial statements;
- certain accompanying notes to consolidated financial statements, including Note 2- Summary of Significant Accounting Policies, Note 6 - Mortgage and Other Indebtedness, Note 7 - Shareholders' Equity and Partners' Capital and Note 8 - Redeemable Interests and Noncontrolling Interests;
- selected financial data in Item 6 of this report;
- controls and procedures in Item 9A of this report; and
- certifications of the Chief Executive Officer and Chief Financial Officer included as Exhibits 31.1 through 32.4.

TABLE OF CONTENTS

Cautionary Statement Regarding Forward-Looking Statements

Certain statements included or incorporated by reference in this Annual Report on Form 10-K may be deemed "forward looking statements" within the meaning of the federal securities laws. All statements other than statements of historical fact should be considered to be forward-looking statements. In many cases, these forward looking statements may be identified by the use of words such as "will," "may," "should," "could," "believes," "expects," "anticipates," "estimates," "inte "projects," "goals," "objectives," "targets," "predicts," "plans," "seeks," or similar expressions. Any forward-looking statemen speaks only as of the date on which it is made and is qualified in its entirety by reference to the factors discussed throughout this report.

Although we believe the expectations reflected in any forward-looking statements are based on reasonable assumptions, forward-looking statements are not guarantees of future performance or results and we can give no assurance that these expectations will be attained. It is possible that actual results may differ materially from those indicated by these forward-looking statements due to a variety of known and unknown risks and uncertainties. In addition to the risk factors discussed in Part I, Item 1A of this report, such known risks and uncertainties include, without limitation:

- general industry, economic and business conditions;
- interest rate fluctuations;
- costs and availability of capital and capital requirements;
- costs and availability of real estate;
- inability to consummate acquisition opportunities and other risks associated with acquisitions;
- competition from other companies and retail formats;
- changes in retail demand and rental rates in our markets;
- shifts in customer demands;
- tenant bankruptcies or store closings;
- changes in vacancy rates at our Properties;
- changes in operating expenses;
- changes in applicable laws, rules and regulations;
- sales of real property;
- changes in our credit ratings; and
- the ability to obtain suitable equity and/or debt financing and the continued availability of financing in the amounts and on the terms necessary to support our future refinancing requirements and business.

This list of risks and uncertainties is only a summary and is not intended to be exhaustive. We disclaim any obligation to update or revise any forward-looking statements to reflect actual results or changes in the factors affecting the forward-looking information.

PART I

ITEM 1. BUSINESS

Background

CBL & Associates Properties, Inc. ("CBL") was organized on July 13, 1993, as a Delaware corporation, to acquire substantially all of the real estate properties owned by CBL & Associates, Inc., which was formed by Charles B. Lebovitz in 1978, and by certain of its related parties. On November 3, 1993, CBL completed an initial public offering (the "Offering"). Simultaneous with the completion of the Offering, CBL & Associates, Inc., its shareholders and affiliates and certain senior officers of the Company (collectively, "CBL's Predecessor") transferred substantially all of their interests in its real estate properties to CBL & Associates Limited Partnership (the "Operating Partnership") in exchange for common units of limited partner interest in the Operating Partnership. The interests in the Operating Partnership contain certain conversion rights that are more fully described in Note 7 to the consolidated financial statements. The terms "we," "us" and "our" refer to the Company or the Company and the Operating Partnership collectively, as the context requires.

The Company's Business

We are a self-managed, self-administered, fully integrated REIT. We own, develop, acquire, lease, manage, and operate regional shopping malls, open-air centers, associated centers, community centers and office properties. Our Properties are located in 27 states, but are primarily in the southeastern and midwestern United States. We have elected to be taxed as a REIT for federal income tax purposes.

We conduct substantially all of our business through the Operating Partnership. We are the 100% owner of two qualified REIT subsidiaries, CBL Holdings I, Inc. and CBL Holdings II, Inc. CBL Holdings I, Inc. is the sole general partner of the Operating Partnership. At December 31, 2013, CBL Holdings I, Inc. owned a 1.0% general partner interest and CBL Holdings II, Inc. owned a 84.2% limited partner interest in the Operating Partnership, for a combined interest held by us of 85.2%.

As of December 31, 2013, we owned:

controlling interests in 75 regional malls/open-air and outlet centers (including one mixed-use center) and noncontrolling interests in 9 regional malls/open-air centers (the "Malls"), controlling interests in 25 associated centers and noncontrolling interests in 4 associated centers (the "Associated Centers"), controlling interests in 7 community centers and noncontrolling interests in 4 community centers (the "Community Centers"), and controlling interests in 8 office buildings which include our corporate office building, and noncontrolling interests in 5 office buildings (the "Office Buildings");

controlling interests in two mall redevelopments and one outlet center, owned in a 65%/35% joint venture, and a noncontrolling interest in one community center development under construction at December 31, 2013 (the "Construction Properties"), as well as options to acquire certain shopping center development sites owned by third parties; and

mortgages on five Properties, each of which is collateralized by either a first mortgage, a second mortgage or by assignment of 100% of the ownership interests in the underlying real estate and related improvements (the "Mortgages").

The Malls, Associated Centers, Community Centers, Office Buildings, Construction Properties and Mortgages are collectively referred to as the "Properties" and individually as a "Property."

We conduct our property management and development activities through CBL & Associates Management, Inc. (the "Management Company") to comply with certain requirements of the Internal Revenue Code of 1986, as amended (the "Internal Revenue Code"). The Operating Partnership owns 100% of the Management Company's outstanding preferred stock and common stock.

The Management Company manages all but seven of the Properties. Governor's Square and Governor's Plaza in Clarksville, TN and Kentucky Oaks Mall in Paducah, KY are all owned by unconsolidated joint ventures and are managed by a property manager that is affiliated with the third party managing general partner, which receives a fee for its services. The managing general partner of each of these Properties controls the cash flow distributions, although our approval is required for certain major decisions. The Outlet Shoppes at Oklahoma City in Oklahoma City, OK, The Outlet Shoppes at Gettysburg in Gettysburg, PA, The Outlet Shoppes at El Paso in El Paso, TX and The Outlet Shoppes at Atlanta in Woodstock, GA are owned by consolidated joint ventures and managed by a property manager that is affiliated with the third party partner, which receives a fee for its services.

Revenues are primarily derived from leases with retail tenants and generally include fixed minimum rents, percentage rents based on tenants' sales volumes and reimbursements from tenants for expenditures related to real estate taxes, insurance, common area maintenance and other recoverable operating expenses, as well as certain capital expenditures. We also generate revenues from management, leasing and development fees, advertising, sponsorships, sales of peripheral land at the Properties and from sales of operating real estate assets when it is determined that we can realize an appropriate value for the assets. Proceeds from such sales are generally used to retire related indebtedness or reduce outstanding balances on our credit facilities.

The following terms used in this Annual Report on Form 10-K will have the meanings described below:

GLA – refers to gross leasable area of retail space in square feet, including anchors and mall tenants.

Anchor – refers to a department store, other large retail store or theater greater than or equal to 50,000 square feet.

Junior Anchor - non-traditional department store, retail store or theater comprising more than 20,000 square feet and less than 50,000 square feet.

Freestanding – property locations that are not attached to the primary complex of buildings that comprise the mall shopping center.

Outparcel – land used for freestanding developments, such as retail stores, banks and restaurants, which are generally on the periphery of the Properties.

Significant Markets and Tenants

Top Five Markets
Our top five markets, based on percentage of total revenues, were as follows for the year ended December 31, 2013:

Market	Percentage of Total Revenues
St. Louis, MO	8.1%
Chattanooga, TN	3.8%
Madison, WI	3.4%
Lexington, KY	2.8%
Winston-Salem, NC	2.6%

Top 25 Tenants
Our top 25 tenants based on percentage of total revenues were as follows for the year ended December 31, 2013:

Tenant	Number of Stores	Square Feet	Percentage of Total Revenues
Limited Brands, LLC [1]	162	835,292	3.38%
Foot Locker, Inc.	148	609,465	2.43%
AE Outfitters Retail Company	85	509,051	

	10.250%, 11/1/16 (a) (b)	11/1/13 @ 105.13	688,625
700,000	River Rock Entertainment Authority (The), B+, B2,		
	9.750%, 11/1/11 (a)	10/4/10 @ 100.00	626,500
			3,172,725
	Health Care - 0.2%		
250,000	Apria Healthcare Group, Inc., BB+, Ba2,		
	11.250%, 11/1/14 (a) (b)	11/1/11 @ 105.63	270,312
	Insurance - 4.9%		
1,000,000	Allstate Corp. (The), BBB, Baa1,		
	6.500%, 5/15/57 (a) (c)	5/15/37 @ 100.00	910,000
1,000,000	American Financial Group, Inc., BBB, Baa2,		
	9.875%, 6/15/19 (a)	N/A	1,258,936

1,000,000	AXA SA, BBB, Baa1, 6.463%, 12/14/49 (France) (a) (b) (c)	12/14/18 @ 100.00	790,000
700,000	Blue Fin Ltd., BB+, NR, 4.931%, 4/10/12 (Cayman Islands) (a) (b) (d) (e)	10/8/10 @ 101.00	667,590
800,000	Ironshore Holdings US, Inc., BBB-, Baa3, 8.500%, 5/15/20 (a) (b)	N/A	804,648
1,000,000	Metlife Capital Trust IV, BBB, Baa2, 7.875%, 12/15/37 (a) (b)	12/15/32 @ 100.00	1,015,000
700,000	National Life Insurance Co., BBB+, Baa1, 10.500%, 9/15/39 (a) (b)	N/A	878,657
800,000	Penn Mutual Life Insurance Co. (The), A, A2, 7.625%, 6/15/40 (b)	N/A	818,524
1,250,000	Progressive Corp. (The), A-, A2, 6.700%, 6/15/37 (a) (c)	6/15/17 @ 100.00	1,187,500
			8,330,855
	Investment Companies - 1.1%		
	Allied Capital Corp., BBB, Ba1, (a)		
695,000	6.625%, 7/15/11	N/A	710,158
290,000	6.000%, 4/1/12	N/A	298,866
900,000	Offshore Group Investments Ltd., B-, B3, 11.500%, 8/1/15 (Cayman Islands) (b)	2/1/13 @ 108.63	897,750
			1,906,774
	Iron/Steel - 0.1%		
240,000	Standard Steel LLC/Standard Steel Finance Corp., B, Caa1, 12.000, 5/1/15 (b)	5/1/13 @ 106.00	248,731
	Media - 0.3%		
500,000	DCP LLC/DCP Corp., B+, B2, 10.750%, 8/15/15 (b)	8/15/13 @ 105.38	490,000

	Retail - 0.5%		
800,000	CKE Restaurants, Inc., B, B2, 11.375%, 7/15/18 (b)	7/15/14 @ 105.69	780,000
	Software - 0.2%		
400,000	Open Solutions, Inc., CCC+, Caa2, 9.750%, 2/1/15 (b)	2/1/11 @ 104.88	304,000
	Telecommunications - 0.6%		
1,086,000	Clearwire Communications LLC/Clearwire Finance, Inc., B-, Caa1, 12.000%, 12/1/15 (b)	12/1/12 @ 106.00	1,086,000
	Total Corporate Bonds - 27.9% (Cost $48,012,939)		47,268,826
	Asset Backed Securities - 56.5%		
	Collateralized Debt Obligations - 4.1%		
1,828,128	Aspen Funding I Ltd., Ser. 2002-1A, Class A1L, A, Ba1, 1.128%, 7/10/37 (Cayman Islands) (b) (d)		1,358,537
410,944	Commodore CDO I Ltd., Ser. 1X, Class A, BBB, Baa3, 0.829%, 2/24/34 (Cayman Islands) (d)		341,084
978,481	Coronado CDO Ltd., Ser. 1A, Class A1, BB+, B3, 1.058%, 9/4/38 (Cayman Islands) (b) (d)		639,251
2,070,027	Diversified Asset Securitization Holdings III, Ser. 1A, Class A2, BB+, Ba1, 7.420%, 7/5/36 (Cayman Islands) (b)		1,740,334
4,282,001			

	Duke Funding Ltd., Ser. 2003-5A, Class 1W, CCC, Ca, 0.968%, 8/7/33 (Cayman Islands) (b) (d)	1,798,441
442,280	MWAM CBO Ltd., Ser. 2001-1A, Class A, AA, A3, 1.238%, 1/30/31 (Cayman Islands) (b) (d)	360,954
816,216	Saybrook Point CBO Ltd., Ser. 2001-1A, Class A, BB, B3, 0.798%, 2/25/31 (Cayman Islands) (b) (d)	651,757
		6,890,358
	Collateralized Loan Obligations - 16.1%	
500,000	ACAS Business Loan Trust, Ser. 2004-1A, Class B, AA, Aa3, 0.998%, 10/25/17 (b) (d)	451,548
635,902	Armstrong Loan Funding Ltd., Ser. 2008-1A, Class B, AA+, Aa1, 1.466%, 8/1/16 (Cayman Islands) (b) (d)	561,222
2,000,000	Black Diamond CLO Ltd., Ser. 2006-1A, Class B, A+, Baa2, 0.871%, 4/29/19 (Cayman Islands) (a) (b) (d)	1,345,500
2,000,000	Black Diamond CLO Ltd., Ser. 2006-1A, Class C, BBB+, Ba2, 1.171%, 4/29/19 (Cayman Islands) (a) (b) (d)	1,188,360
3,293,968	Business Loan Express, Ser. 2006-AA, Class A, BBB-, Aa3, 0.506%, 10/20/38 (a) (b) (d)	2,143,601
1,193,986	Business Loan Express, Ser. 2007-AA, Class A, BBB-, A2, 0.666%, 10/20/40 (b) (d)	790,048
750,000	CapitalSource Commercial Loan Trust,	

	Ser. 2006-2A, Class A1B, AA+, Aaa, 0.596%, 9/20/22 (b) (d)	730,569
1,000,000	CapitalSource Commercial Loan Trust, Ser. 2006-2A, Class C, BBB+, Ba1, 0.946%, 9/20/22 (b) (d)	825,475
1,139,129	Coast Investment Grade, Ser. 2002-1X, Class A, BBB-, Caa3, 1.238% 7/30/17 (Cayman Islands) (d)	590,308
500,000	Emporia Preferred Funding, Ser. 2005-1A, Class B1, AA-, Aa3, 1.078%, 10/12/2018 (Cayman Islands) (b) (d)	351,900
500,000	FM Leveraged Capital Fund, Ser. 2005-1A, Class B, A+, A1, 1.087%, 8/1/17 (Cayman Islands) (b) (d)	369,062
1,000,000	Friedbergmilstein Private Capital Fund, Ser. 2004-1A, Class B2, AA, A3, 5.409%, 1/15/19 (Cayman Islands) (b)	886,460
800,000	Mountain View Funding CLO, Ser. 2007-3A, Class A2, AA, A1, 0.866%, 4/16/21 (Cayman Islands) (b) (d)	619,320
1,000,000	Nantucket CLO Ltd., Ser. 2006-1A, Class B, AA, A3, 0.749%, 11/24/20 (Cayman Islands) (b) (d)	778,350
1,500,000	Rosedale CLO Ltd., Ser. I-A, Class A1J, A+, Baa1, 0.908%, 7/24/21 (Cayman Islands) (b) (d)	1,269,705
2,000,000	Stanfield Modena CLO Ltd., Ser. 2004-1A, Class C, BBB-, Ba2, 1.788%, 9/22/16 (Cayman Islands) (a) (b) (d)	1,499,460
600,000		

	Start CLO Ltd., Ser 2006-2, Class C, A+, A2, 1.284%, 6/29/12 (Cayman Islands) (d)	573,768
1,000,000	Start CLO Ltd., Ser 2006-2, Class D, BBB+, Baa1, 2.385%, 6/29/12 (Cayman Islands) (d)	951,560
500,000	Start CLO Ltd., Ser. 2007-4A, Class D, BBB+, A1, 2.087%, 12/26/11 (Cayman Islands) (a) (b) (d)	493,825
1,000,000	Start CLO Ltd., Ser. 2007-4A, Class E, BB+, Baa1, 4.137%, 12/26/11 (Cayman Islands) (a) (b) (d)	987,500
100,000	Start CLO Ltd., Ser. 2007-4X, Class E, BB+, Baa1, 4.137%, 12/26/11 (Cayman Islands) (d)	98,750
500,000	Start CLO Ltd., Ser. 2008-5X, Class C, NR, NR, 22.380%, 1/9/13 (Cayman Islands) (d)	490,000
2,000,000	TCW Global Project Fund, Ser. 2004-1A, Class A1, NR, NR, 1.426%, 6/15/16 (Cayman Islands) (b) (d) (f)	1,712,980
2,000,000	TCW Global Project Fund, Ser. 2004-1A, Class B1, NR, NR, 2.476%, 6/15/16 (Cayman Islands) (b) (d) (f)	1,421,960
1,000,000	TCW Global Project Fund, Ser. 2005-1A, Class B2, A, NR, 5.793%, 9/1/17 (Cayman Islands) (b)	791,430
4,000,000	Telos CLO Ltd., Ser. 2006-1A, Class A2,	

	AA+, Aa2, 0.928%, 10/11/21 (Cayman Islands) (b) (d)	3,530,520
2,500,000	Telos CLO Ltd., Ser. 2006-1A, Class B, A+, A2, 1.018%, 10/11/21 (Cayman Islands) (b) (d)	1,868,850
		27,322,031
	Commercial Real Estate - 0.8%	
2,000,000	Wrightwood Capital Real Estate CDO Ltd., Ser. 2005-1A, Class A1, BB, Aa3, 0.659%, 11/21/40 (Cayman Islands) (b) (d)	1,426,080
	Commercial Receivables - 2.6%	
500,000	FCC Financing Subsidiary LLC, Ser. 2010-1A, Class B, NR, NR, 12.276%, 3/31/17 (d)	503,440
2,000,000	HFG Healthco-4 LLC, Ser. 2006-1A, Class A, NR, Aa2, 0.700%, 6/5/12 (b) (d)	1,960,020
2,000,000	Sealane Trade Finance, Ser. 2007-1A, Class E, NR, NR, 15.318%, 11/25/12 (Cayman Islands) (a) (b) (d)	1,930,480
		4,393,940
	Corporate Debt Obligations - 0.3%	
419,676	Muzinich CBO II Ltd., Ser. A2-A, AA+, B1, 7.150%, 10/15/13 (Bermuda) (b)	412,696
97,372	Phoenix Funding Ltd., Ser. 2001-1, AA, Aaa, 0.976%, 4/15/13 (d)	94,905
		507,601
	Credit Cards - 2.4%	
1,000,000	LCP Rights Trust, Ser. 2010-1, Class A, NR, NR, 14.550%, 7/17/17	1,002,300

500,000	LCP Rights Trust, Ser. 2010-1, Class C, NR, NR, 19.210%, 7/17/17	500,885
1,000,000	LCP Rights Trust, Ser. 2010-1, Class D, NR, NR, 14.550%, 1/15/16	1,001,270
1,500,000	LCP Rights Trust, Ser. 2010-1, Class F, NR, NR, 19.210%, 1/15/16	1,501,935
		4,006,390
	Financials - 0.0%*	
40,697	Blue Falcon, Ser. A-2, NR, NR, 5.460%, 12/25/16 (b)	40,151
	Insurance - 2.3%	
1,736,370	321 Henderson Receivables I LLC, Ser. 2007-3A, Class A, BBB, Baa1, 6.150%, 10/15/48 (a) (b)	1,774,587
431,992	321 Henderson Receivables I LLC, Ser. 2008-1A, Class A, AA+, Aaa, 6.190%, 1/15/44 (a) (b)	463,419
500,000	321 Henderson Receivables I LLC, Ser. 2008-1A, Class B, AA, NR, 8.370%, 1/15/46 (a) (b)	542,500
500,000	321 Henderson Receivables I LLC, Ser. 2008-1A, Class C, A, NR, 9.360%, 1/15/48 (b)	527,760
500,000	321 Henderson Receivables I LLC, Ser. 2008-1A, Class D, BBB, NR, 10.810%, 1/15/50 (b)	556,665
		3,864,931
	Residential Loans - 0.2%	
500,000	GSAA Trust, Ser. 2007-5, Class 1F2A, CCC, Caa1, 5.788%, 3/25/47 (a) (d)	329,932

	Student Loans - 0.2%	
367,308	MRU Student Loan Trust, Ser. 2008-A, Class A1A, AAA, NR, 7.400%, 1/25/41 (b)	186,974
202,567	MRU Student Loan Trust, Ser. 2008-A, Class B, AA, NR, 5.998%, 1/25/41 (b) (d)	48,940
202,567	MRU Student Loan Trust, Ser. 2008-A, Class C, A, NR, 7.998%, 1/25/41 (b) (d)	43,147
		279,061
	Timeshares - 2.6%	
2,409,342	Diamonds Resort Owner Trust, Ser. 2009-1, Class A, A, NR, 9.310%, 3/20/36 (a) (b)	2,432,558
1,268,019	Sierra Receivables Funding Co., Ser. 2006-1A, Class A1, BBB-, Baa3, 5.840%, 5/20/18 (a) (b)	1,301,814
680,960	Silverleaf Finance LLC, Ser. 2010-A, Class B, BBB, NR, 8.000%, 7/15/22 (b)	659,576
		4,393,948
	Transportation - 14.3%	
1,907,592	Aircraft Certificate Owner Trust, Ser. 2003-1A, Class D, BB+, Ba3, 6.455%, 9/20/22 (b)	1,812,213
2,000,000	Aircraft Certificate Owner Trust, Ser. 2003-1A, Class E, BB+, Ba3, 7.001%, 9/20/22 (b)	1,684,040
2,202,705	Aircraft Lease Securitisation Ltd., Ser. 2007-1A, Class G3, A-, Baa1, 0.560%, 5/10/32 (Jersey) (b) (d)	1,972,963
494,055	Airplanes Pass Through Trust, Ser. 1R, Class A8, BB-, Baa3, 1.151%, 3/15/19 (d)	484,174

15,000,000	Airplanes Pass Through Trust, Ser. 2001-1A, Class A9, CCC, B1, 0.826%, 3/15/19 (b) (d)	8,400,000
1,052,066	Aviation Capital Group Trust, Ser. 2000-1A, Class A1, BB, Ba3, 0.756%, 11/15/25 (b) (d)	553,134
5,462,695	Aviation Capital Group Trust, Ser. 2003-2A, Class B1, BBB, A3, 3.266%, 9/20/33 (a) (b) (d)	3,719,330
879,850	Blade Engine Securitization Ltd., Ser. 2006-1A, Class B, BBB+, Baa2, 3.276%, 9/15/41 (Cayman Islands) (b) (d)	615,631
544,558	CLI Funding LLC, Ser. 2006-1A, Class A, BBB, Baa3, 0.449%, 8/18/21 (b) (d)	446,479
212,346	Helios Finance LP, Ser. 2007-S1, Class B1, BBB, Aaa, 0.966%, 10/20/14 (Cayman Islands) (b) (d)	209,231
2,783,348	Lease Investment Flight Trust, Ser. 1, Class A3, B+, Baa3, 0.706%, 7/15/16 (a) (d)	2,420,177
5,200,000	Pegasus Aviation Lease Securitization, Ser. 2001-1A, Class A1, NR, B2, 0.773%, 5/10/31 (b) (d)	1,742,000
500,000	Pegasus Aviation Lease Securitization, Ser. 2001-1A, Class A2, NR, B2, 0.873%, 5/10/31 (b) (d)	165,000
		24,224,372
	Trust Preferred Stocks - 3.3%	
6,000,000	Attentus CDO Ltd., Ser. 2007-3A, Class A1B, AAA, Aa3, 0.788%, 10/11/42 (Cayman Islands) (b) (d)	2,857,320
4,747,559		

	Preferred Term Securities XXIII Ltd., CCC+, B1, 0.847%, 12/22/36 (Cayman Islands) (b) (d)	2,682,371
		5,539,691
	Whole Business - 7.3%	
6,424,030	Applebee's Enterprises LLC, Ser. 2007-1A, Class A22A, AAA, Aa3, 6.427%, 12/20/37 (a) (b)	6,189,851
3,760,000	Dominos Pizza Master Issuer LLC, Ser. 2007-1, Class A2, BBB-, Baa3, 5.261%, 4/25/37 (a) (b)	3,655,960
2,000,000	IHOP Franchising LLC, Ser. 2007-1A, Class A1, BBB-, Baa2, 5.144%, 3/20/37 (a) (b)	1,871,620
600,000	NuCO2 Funding LLC, Ser. 2008-1A, Class A1, NR, Baa2, 7.250%, 6/25/38 (b)	591,498
		12,308,929
	Total Asset Backed Securities - 56.5% (Cost $89,770,200)	95,527,415
	Collateralized Mortgage Obligations - 29.3%	
500,000	Banc of America Commercial Mortgage, Inc., Ser. 2003-2, Class G, A-, NR, 5.489%, 3/11/41 (b) (d)	466,073
1,000,000	Banc of America Commercial Mortgage, Inc., Ser. 2004-5, Class B, AA+, Aa2, 5.058%, 11/10/41 (a) (d)	823,593
600,000	Banc of America Commercial Mortgage, Inc., Ser. 2005-5, Class AJ, BBB+, Aaa, 5.317%, 10/10/45 (a) (d)	539,597
1,500,000	Bear Stearns Commercial Mortgage Securities, Ser. 2005-PW10, Class AJ, BB+, NR, 5.625%, 12/11/40 (a) (d)	1,215,169
500,000	Citigroup Commercial Mortgage Trust, Ser. 2004-C2, Class E,	

	BBB+, A3, 5.023%, 10/15/41 (b) (d)	421,726
1,200,000	Citigroup Commercial Mortgage Trust, Ser. 2007-C6, Class AM, A, NR, 5.887%, 12/10/49 (d)	1,069,561
2,000,000	Citigroup/Deutsche Bank Commercial Mortgage Trust, Ser. 2005-CD1, Class AJ, A-, Aa1, 5.396%, 7/15/44 (a) (d)	1,703,918
13,500,000	Commercial Mortgage Pass Through Certificates, Ser. 2006-C7, Class A4, AAA, NR, 5.961%, 6/10/46 (a) (d) (g)	14,864,754
1,000,000	Commercial Mortgage Pass Through Certificates, Ser. 2006-C7, Class AM, A, NR, 5.986%, 6/10/46 (a) (d)	974,801
1,000,000	Commercial Mortgage Pass Through Certificates, Ser. 2006-CN2A, Class F, CCC+, NR, 5.756%, 2/5/19 (a) (b) (d)	874,655
4,084,487	Countrywide Alternative Loan Trust, Ser. 2006-OA19, Class A1, CCC, Ba2, 0.446%, 2/20/47 (a) (d)	2,167,037
2,915,228	Countrywide Home Equity Loan Trust, Ser. 2004-S, Class 1A, CCC, Caa3, 0.516%, 2/15/30 (d)	1,661,893
1,187,500	Credit Suisse First Boston Mortgage Securities Corp., Ser. 2005-TFLA, Class K, AA+, Aaa, 1.576%, 2/15/20 (a) (b) (d)	1,126,121
1,500,000	Credit Suisse Mortgage Capital Certificates, Ser. 2006-C3, Class AM, BBB-, Aaa, 6.019%, 6/15/38 (a) (d)	1,408,903
115,646	Deutsche ALT-A Securities, Inc., Alternate Loan Trust, Ser. 2006-AB4, Class A1A, D, Caa1, 6.005%, 10/25/36 (d)	78,428
2,000,000	Greenwich Capital Commercial Funding Corp., Ser. 2005-GG3, Class AJ, AAA, Aa2,	

	4.859%, 8/10/42 (a) (d)	1,832,228
1,000,000	Greenwich Capital Commercial Funding Corp., Ser. 2005-GG5, Class AJ, BBB, A3, 5.476%, 4/10/37 (a) (d)	822,435
600,000	GS Mortgage Securities Corp. II, Ser. 2001-GL3A, Class E, NR, A3, 6.852%, 8/5/18 (b) (d)	599,118
845,832	Indymac Index Mortgage Loan Trust, Ser. 2006-AR9, Class 3A1, AAA, B3, 5.469%, 6/25/36 (d)	642,142
700,000	JP Morgan Chase Commercial Mortgage Securities Corp., Ser. 2002-C1, Class E, A-, A2, 6.135%, 7/12/37 (b)	661,945
1,000,000	JP Morgan Chase Commercial Mortgage Securities Corp., Ser. 2005-LDP3, Class AJ, BBB, A2, 5.141%, 8/15/42 (a) (d)	882,899
2,600,000	JP Morgan Chase Commercial Mortgage Securities Corp., Ser. 2007-LD11, Class AM, BB+, A3, 6.006%, 6/15/49 (a) (d)	2,037,068
2,000,000	Morgan Stanley Capital I, Ser. 2005-HQ6, Class AJ, A-, NR, 5.073%, 8/13/42 (a) (d)	1,768,938
1,000,000	Morgan Stanley Capital I, Ser. 2006-HQ10, Class AM, NR, Aaa, 5.360%, 11/12/41 (a)	925,961
1,250,000	Morgan Stanley Capital I, Ser. 2006- IQ12, Class AM, A, NR, 5.370%, 12/15/43 (a)	1,121,156
1,000,000	Morgan Stanley Capital I, Ser. 2006-T23, Class AM, A+, NR, 5.981%, 8/12/41 (a) (d)	992,054
428,935	New Century Home Equity Loan Trust, Ser. 2004-A, Class AII9, B, A2, 5.350%, 8/25/34 (d)	356,820
1,088,000	TBW Mortgage Backed Pass Through Certificates, Ser. 2006-6, Class A3, D, Caa2,	

	5.750%, 1/25/37 (h)	656,317
2,500,000	TBW Mortgage Backed Pass Through Certificates, Ser. 2006-6, Class A5B, D, Caa3, 6.040%, 1/25/37 (h)	1,517,335
2,000,000	TIAA Seasoned Commercial Mortgage Trust, Ser. 2007-C4, Class AJ, A+, NR, 6.044%, 8/15/39 (a) (d)	1,978,390
750,000	Timberstar Trust, Ser. 2006-1A, Class C, A, A3, 5.884%, 10/15/36 (a) (b)	784,908
2,000,000	Wachovia Bank Commercial Mortgage Trust, Ser. 2005-C20, Class AJ, BBB-, Aaa, 5.338%, 7/15/42 (a) (d)	1,763,249
1,000,000	Wachovia Bank Commercial Mortgage Trust, Ser. 2005-C21, Class AJ, A-, Aa2, 5.380%, 10/15/44 (a) (d)	919,513
	Total Collateralized Mortgage Obligations - 29.3% (Cost $48,451,519)	49,658,705

Number of Shares		Value
	Preferred Stock - 3.8%	
	Banks - 0.9%	
40,000	BB&T Capital Trust VI, 9.600% (a)	1,132,000
16,300	Santander Finance Preferred SA Unipersonal, 6.500% (Spain) (a)	446,457
		1,578,457
	Diversified Financial Services - 0.7%	
50,000	Deutsche Bank Contingent Capital Trust II, 6.550% (a)	1,188,500
37,600	Lehman Brothers Holdings, Inc., Ser. J, 7.950% (i)	639
		1,189,139
	Insurance - 0.3%	
20,000	Aegon NV, 6.375% (Netherlands) (a)	442,000
3,800	ING Groep NV, 7.050% (Netherlands) (a)	84,664

			526,664
		Telecommunication - 0.7%	
	1,000	Centaur Funding Corp., 9.080% (Cayman Islands) (b)	1,089,062
		U.S. Government and Agency Securities - 1.2%	
	2,000	Farm Credit Bank of Texas, Ser. 1, 10.000% (b)	2,000,000
		Total Preferred Stock - 3.8% (Cost $7,067,488)	6,383,322
		Exchange-Traded Funds - 9.2%	
	65,000	Powershares QQQ (a) (j)	2,829,450
	27,500	ProShares Ultra Dow30 (a) (j)	1,113,750
	85,000	ProShares Ultra S&P500 (a) (j)	2,838,150
	30,000	SPDR Dow Jones Industrial Average ETF Trust (a) (j)	3,006,000
	55,000	SPDR S&P 500 ETF Trust (a) (j)	5,800,850
		Total Exchange-Traded Funds - 9.2% (Cost $15,610,855)	15,588,200
	Principal Amount		Value
		U.S. Government and Agency Securities - 1.2%	
$	2,000,000	Freddie Mac, Ser. 1, AAA, Aaa, 6.500%, 6/3/24 (d) (Cost $2,000,000)	1,960,000
		Term Loans (k) - 3.2%	
		Consumer Products - 0.6%	
	640,000	Exopack Holdings, B, B2, 12.000%, 2/1/14 (d)	636,800
	447,756	Navisite, Inc., B-, B3,	

	9.150%, 9/19/14 (d)			438,801
				1,075,601
	Electronics - 0.2%			
283,064	Clientlogic Corp., B+, B3, 6.031%, 1/30/14 (d)			259,890
	Healthcare, Education & Childcare - 0.4%			
840,871	Embanet, CCC, B3, 3.531%, 6/28/12 (d)			723,965
	Home & Office Furnishings - 0.3%			
692,502	Centaur LLC, CCC+, B2, 0.000%, 11/9/14 (d)			540,152
	Leisure - 0.8%			
1,422,602	Bushnell Performance Optics, BB-, Ba3, 4.783%, 8/24/13 (d)			1,306,126
	Retail Stores - 0.9%			
1,087,494	Deb Shops, Inc., CCC, Caa1, 6.355%, 4/23/14 (d)			687,840
963,642	Mattress Firm, B, Ba3, 2.689%, 10/23/14 (d)			845,596
				1,533,436
	Total Term Loans - 3.2% (Cost $6,198,776)			5,439,170
	Total Long-Term Investments - 131.1% (Cost $217,111,777)			221,825,638

Contracts	Options Purchased	Expiration Date	Exercise Price	Value
	Call Options Purchased - 0.0%*			
3,500	CBOE S&P 500 Volatility Index (j) (l) (Cost $22,575)	September 2010	$ 22.50	19,425
	Total Investments - 131.1% (Cost $217,134,352)			221,845,063
				11,197,007

Other Assets in excess of Liabilities - 6.6%		
Total Options Written - (0.2%)		(335,565)
Borrowings - (12.9%)		(21,899,119)
Reverse Repurchase Agreements - (18.3%)		(30,920,146)
TALF Loan - (6.3%)		(10,630,271)
Net Assets Applicable to Common Shareholders - 100.0%	$	169,256,969

* Less than 0.1%

AB - Stock Company
CBO - Collateralized Bond Obligation
CDO - Collateralized Debt Obligation
CLO - Collateralized Loan Obligation
FCB - Farmers Credit Bureau
LLC - Limited Liability Company
LP - Limited Partnership
N/A - Not Available
NV - Publicly Traded Company
PLC - Public Limited Company
SA - Corporation

(a) All or a portion of this security has been physically segregated in connection with swap agreements, line of credit, options and reverse repurchase agreements. As of August 31, 2010, the total amount segregated was $131,474,300.

(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 August 31, 2010, these securities amounted to $121,027,869 which represents 71.7% of net assets applicable to common shares.

(c) Security has a fixed rate coupon which will convert to a floating or variable rate coupon on a future date.

(d) Floating or Variable Rate Coupon. Rate shown is in effect at August 31, 2010.

(e) Risk-Linked Security – A risk-linked security is a form of derivative issued by insurance companies and insurance related special purpose vehicles that apply securitization techniques to catastrophic property and casualty

damages.
The security is typically a debt obligation for which the return of principal and the payment of interest are contingent on the non-occurrence of a pre-defined "trigger event." Depending on the specific terms and structure of the security, this trigger could be the result of a hurricane, earthquake or some other catastrophic event.

(f) Security is valued in accordance with Fair Valuation procedures established in good faith by the Board of Trustees and is based, in part on significant unobservable inputs. The total market value of such securities is $3,134,940 which represents 1.9% of net assets applicable to common shares.

(g) All or a portion of this security was acquired, and has been physically segregated in connection with the Fund's participation in the Term Asset-Backed Securities Loan Facility program (the "TALF program") operated by the Federal Reserve Bank of New York. As of August 31, 2010, the total amount physically segregated was $14,864,754.

(h) Security is a "step-up" bond where the coupon increases or steps up at a predetermined date.

(i) Non-income producing as security is in default.

(j) All or a portion of this security position represents cover for outstanding options written.

(k) Term loans held by the Fund have a variable interest rate feature which is periodically adjusted based on an underlying interest rate benchmark. In addition, term loans may include mandatory and/or optional prepayment terms. As a result, the actual maturity dates of the loans may be different than the amounts disclosed in the portfolio of investments. Term loans may be considered restricted in that the Fund may be contractually obligated to receive approval from the Agent Bank and/or Borrower prior to the sale or disposition of loan.

(l) Non-income producing security.

(m) Represents 100 shares per contract.

Ratings (unaudited) shown are per Standard & Poor's and Moody's. Securities classified as NR are not rated.

Country Allocation*	
United States	76.2%
Cayman Islands	18.8%
France	1.3%
Jersey	0.9%
United Kingdom	0.9%
Sweden	0.8%
Netherlands	0.5%
Spain	0.2%
Canada	0.2%
Bermuda	0.2%

*Subject to change daily. Based on total investments.

See previously submitted notes to financial statements for the year ended May 31, 2010.

Claymore/Guggenheim Strategic Opportunities Fund
Portfolio of Investments
August 31, 2010 (unaudited)

Contracts	Options Written (l)	Expiration Date		Exercise Price		Value
	Call Options Written - (0.2%)					
3,500	CBOE S&P 500 Volatility Index (m)	September 2010	$	30.00	$	4,463
650	Powershares QQQ (m)	September 2010		45.00		20,800
275	ProShares Ultra Dow30 (m)	September 2010		42.00		22,000
850	ProShares Ultra S&P500 (m)	September 2010		34.00		87,975
900	S&P 500 Index	September 2010		1,095.00		3,960
6,900	S&P 500 Index	September 2010		1,070.00		84,180
300	SPDR Dow Jones Industrial Average ETF Trust (m)	September 2010		102.00		32,550
550	SPDR S&P 500 ETF Trust (m)	September 2010		107.00		79,200
	Total Value of Call Options Written (Premiums received $691,825)					335,128
	Put Options Written - (0.0%*)					
3,500	CBOE S&P 500 Volatility Index (m) (Premiums received $1,225)	September 2010		22.50		437
	Total Value of Options Written - (0.2%) (Premiums received $693,050)				$	335,565

*Less than 0.1%

Claymore/Guggenheim Strategic Opportunities Fund
Portfolio of Investments
August 31, 2010 (unaudited)

The Fund entered into swap agreements during the period ended August 31, 2010 to potentially enhance return. Details of the swap agreements outstanding as of August 31, 2010 were as follows:

Credit Default Swap Agreements

Counterparty	Reference Entity	Buy/Sell Protection	Termination Date	Implied Credit Spread at August, 31 2010 (2)	Notional Amount (000)	Receive Fixed Rate	Unrealized Appreciation/ (Depreciation)
Goldman Sachs(1)	Basket of distinct corporate entities	Sell	09/20/14	15.25%	$ 3,000	1.180%	$ (1,287,522)

Interest Rate Swap Agreements

Counterparty	Floating Rate	Termination Date	Notional Amount (000)	Receive Fixed Rate	Unrealized Appreciation/ (Depreciation)
Goldman Sachs (3)	3 Month LIBOR	01/04/38	$ 10,000	5.675%	$ 943,660
Goldman Sachs (3)	3 Month LIBOR	01/04/38	10,000	5.860	265,787
Goldman Sachs (3)	3 Month LIBOR	01/12/15	10,000	3.155	242,214
Goldman Sachs (3)	3 Month LIBOR	07/07/38	5,000	5.753	622,250
Goldman Sachs (3)	3 Month LIBOR	07/07/38	5,000	5.940	272,150
Goldman Sachs (3)	3 Month LIBOR	01/12/15	5,000	3.225	69,239
Goldman Sachs (3)	3 Month LIBOR	01/12/15	5,000	3.095	172,683
					$ 2,587,983

Total Return Swap Agreements

Counterparty	Reference Entity	Floating Rate	Termination Date	Notional Amount (000)	Unrealized Appreciation/ (Depreciation)
Barclays Capital (4)	S&P 500	1 Month LIBOR + 0.15%	12/27/10	$ 1,000	$ (40,394)
Barclays Capital (4)	S&P 500	1 Month LIBOR + 0.15%	12/22/10	7,216	18,192
					$ (22,202)
Total Unrealized Appreciation for Swap Agreements					$ 1,278,259

(1) The Fund receives a fixed rate based upon the notional amount of $3 million and if a defined credit event occurs,
pays cumulative losses in excess of a stated percentage on an underlying basket of distinct corporate entities with an
aggregate notional value of $3 billion. The maximum loss exposure is $3 million.
(2) Implied credit spreads, represented in absolute terms, utilized in determining the market value of credit default swap
agreements on corporate issues or sovereign issues of an emerging country as of period end serve as an indicator of the
current status of the payment/performance risk and represent the likelihood or risk of default for the credit derivative. The
implied credit spread of a particular referenced entity reflects the cost of buying/selling protection and may include upfront
payments required to be made to enter into the agreement. Wider credit spreads represent a deterioration of the referenced
entity's credit soundless and a greater likelihood or risk of default or other credit event occurring as defined under the terms
of the agreement. A credit spread identified as "Defaulted" indicates a credit event has occurred for the referenced
entity or obligation.
(3) The Fund pays the floating rate and receives the fixed rate.
(4) The Fund pays a floating rate and receives the total return of the Standard's & Poor's 500 Index.

At August 31, 2010, the cost and related gross unrealized appreciation and depreciation on investments for tax purposes are as follows:

Cost of Investments for Tax Purposes	Gross Tax Unrealized Appreciation	Gross Tax Unrealized Depreciation	Net Tax Unrealized Appreciation on Investments
$ 220,479,064	$ 18,883,680	$ (15,881,937)	$ 3,001,743

In accordance with ASC 820, Fair Value Measurements and Disclosures ("ASC 820"), 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. ASC 820 establishes 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 has adopted the Accounting Standard 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) 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 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. To the extent Level 2 quotes are not readily available from the primary pricing vendor, additional inputs are used to determine market levels from alternate vendors or brokers as needed. For positions where such sources are not available (Level 3), fair value may be established using a variety of techniques. Investment information such as prices of comparable securities, evaluations of anticipated cash flows, or spreads to treasuries are used as appropriate to the security to model the valuation.

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 August 31, 2010:

Description (value in $000s)	Level 1	Level 2	Level 3	Total
Assets:				
Corporate Bonds	$ -	$ 47,269	$ -	$ 47,269
Asset Backed Securities				

Collateralized Debt Obligations	-	6,890	-	6,890
Collateralized Loan Obligations	-	24,187	3,135	27,322
Commercial Real Estate	-	1,426		1,426
Commercial Receivables	-	4,394	-	4,394
Corporate Debt Obligations	-	508	-	508
Credit Cards	-	4,006	-	4,006
Financials	-	40	-	40
Insurance	-	3,865	-	3,865
Residential Loans	-	330	-	330
Student Loans	-	279	-	279
Timeshares	-	4,394	-	4,394
Transportation	-	24,224	-	24,224
Trust Preferred Stocks	-	5,540	-	5,540
Whole Business	-	12,309	-	12,309
Collateralized Mortgage Obligations	-	49,659	-	49,659
Preferred Stock	6,383	-	-	6,383
Exchange-Traded Funds	15,588	-	-	15,588
U.S. Government and Agency Securities	-	1,960	-	1,960
Term Loans:				
Consumer Products	-	1,076	-	1,076
Electronics	-	260	-	260
Healthcare, Education & Childcare	-	724	-	724
Home & Office Furnishings	-	540	-	540
Leisure	-	1,306	-	1,306
Retail Stores	-	1,533	-	1,533
Interest Rate Swaps	-	2,588	-	2,588
Total Return Swaps	-	18	-	18
Call Options Purchased	-	19	-	19
Total	$ 21,971	$ 199,344	$ 3,135	$ 244,450
Liabilities:				
Credit Default Swaps	$ -	$ 1,288	$ -	$ 1,288
Total Return Swaps	-	40	-	40
Options Written	243	93	-	336
TALF Loan	-	10,630	-	10,630
Total	$ 243	$ 12,051	$ -	$ 12,294

For fair valuations using unobservable inputs, ASC 820 requires a reconciliation of the beginning to ending balances for reported market values that presents changes attributable to total realized and unrealized gains or losses, purchases and sales, and transfers in/out of the Level 3 category during the period. The following table presents the reconciliation of the

Fund's investments measured at fair value using significant unobservable inputs (Level 3 valuations)
for the period ended August 31, 2010. In addition to the observable inputs referenced
earlier, the unobservable inputs used to value such securities include evaluations of anticipated
cash flows, discount rates, default rates and other measures of illiquidity.

Level 3 Holdings		
Beginning Balance at 5/31/10		
Corporate Bonds	$	4,632
Total Realized Gain/Loss		
Corporate Bonds		-
Change in Unrealized Gain/Loss		
Corporate Bonds		(5)
Net Purchases and Sales		
Corporate Bonds		-
Net Transfers In/Out		
Corporate Bonds		(1,492)
Ending Balance at 8/31/10		
Corporate Bonds		3,135
Total Level 3 holdings	$	3,135

The table below presents the transfers in and out of the three valuation levels for the Fund as of the report date when compared to
the valuation levels at the end of the previous fiscal year.

Level 1		Level 2		Level 3	
Transfers In	(Transfers Out)	Transfers In	(Transfers Out)	Transfers In	(Transfers Out)
$ -	$ -	$ 1,492	$ -	$ -	$ (1,492)

Item 2. Controls and Procedures.

(a) The registrant's principal executive officer and principal financial officer have evaluated the registrant's disclosure controls and procedures (as defined in Rule 30a-3(c) under the Investment Company Act of 1940, as amended) as of a date within 90 days of the filing date of this report and have concluded, based on such evaluation, that the registrant's disclosure controls and procedures were effective, as of that date, in ensuring that information required to be disclosed by the registrant in this Form N-Q was recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms.

(b) There was no change in the registrant's internal control over financial reporting (as defined in Rule 30a-3(d) under the Investment Company Act of 1940, as amended) that occurred during the registrant's last fiscal quarter that has materially affected or is reasonably likely to materially affect the registrant's internal control over financial reporting.

Item 3. Exhibits.

A separate certification for each principal executive officer and principal financial officer of the registrant as required by Rule 30a-2(a) under the Investment Company Act of 1940, as amended (17 CFR 270.30a-2(a)), is attached hereto.

SIGNATURES

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

Claymore/Guggenheim Strategic Opportunities Fund

By: /s/ Kevin M. Robinson

Kevin M. Robinson
Chief Executive Officer and Chief Legal Officer

Date: October 26. 2010

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

By: /s/ Kevin M. Robinson

Kevin M. Robinson
Chief Executive Officer and Chief Legal Officer

Date: October 26. 2010

By: /s/ Bruce Albelda

Bruce Albelda
Interim Chief Financial Officer, Interim Chief Accounting Officer & Interim Treasurer

Date: October 26. 2010