

Flaherty & Crumrine/CLAYMORE PREFERRED SECURITIES INCOME FUND INC  
Form 40-17G  
June 29, 2007

CHUBB GROUP OF INSURANCE COMPANIES  
15 Mountain View Road, Warren, New Jersey 07059

DECLARATIONS  
FINANCIAL INSTITUTION INV  
COMPANY ASSET PROTECTION

NAME OF ASSURED (including its SUBSIDIARIES):

Bond Number: 82052990

FLAHERTY & CRUMRINE / CLAYMORE PREFERRED  
SECURITIES INCOME FUND

FEDERAL INSURANCE COMPANY

301 E. COLORADO BLVD., STE 720  
PASADENA, CAL 91101

Incorporated under the la  
a stock insurance company  
Capital Center, 251 North  
Indianapolis, IN 46204-19

ITEM 1. BOND PERIOD: from 12:01 a.m. on May  
to 12:01 a.m. on May

ITEM 2. LIMITS OF LIABILITY--DEDUCTIBLE AMOUNTS:

If "Not Covered" is inserted below opposite any specified INSURING CLAUSE, such  
INSURING CLAUSE and any other reference shall be deemed to be deleted. THERE  
SHALL BE NO DEDUCTIBLE APPLICABLE TO ANY LOSS UNDER INSURING CLAUSE 1. SUSTAINED  
BY ANY INVESTMENT COMPANY.

| INSURING CLAUSE                               | LIMIT OF LIABILITY |
|---|--------------------|
| 1. Employee                                   | \$ 1,500,000       |
| 2. On Premises                                | \$ 1,500,000       |
| 3. In Transit                                 | \$ 1,500,000       |
| 4. Forgery or Alteration                      | \$ n/a             |
| 5. Extended Forgery                           | \$ n/a             |
| 6. Counterfeit Money                          | \$ n/a             |
| 7. Threats to Person                          | \$ n/a             |
| 8. Computer System                            | \$ n/a             |
| 9. Voice Initiated Funds Transfer Instruction | \$ n/a             |
| 10. Uncollectible Items of Deposit            | \$ n/a             |
| 11. Audit Expense                             | \$ 25,000          |

ITEM 3. THE LIABILITY OF THE COMPANY IS ALSO SUBJECT TO THE TERMS OF THE  
FOLLOWING ENDORSEMENTS EXECUTED SIMULTANEOUSLY HEREWITH:

1 - 3

IN WITNESS WHEREOF, THE COMPANY has caused this Bond to be signed by its  
authorized officers, but it shall not be valid unless also signed by an  
authorized representative of the Company.

/S/ W. ANDREW MACAN  
Secretary

/S/ THOMAS F. MOTAMED  
President

/S/ ROBERT HAMBURGER  
Authorized Representative

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The COMPANY, in consideration of payment of the required premium, and in reliance on the APPLICATION and all other statements made and information furnished to the COMPANY by the ASSURED, and subject to the DECLARATIONS made a part of this Bond and to all other terms and conditions of this Bond, agrees to pay the ASSURED for:

INSURING CLAUSES

EMPLOYEE

1.

Loss resulting directly from LARCENY or EMBEZZLEMENT of  
EMPLOYEE, alone or in collusion with others.

ON PREMISES

2.

Loss of PROPERTY resulting directly from robbery, burglary,  
common law or statutory larceny, misplacement, mysterious  
disappearance, damage, destruction or removal, from the  
control of the ASSURED, while such PROPERTY is lodged or  
located anywhere.

IN TRANSIT

3.

Loss of PROPERTY resulting directly from common law or  
misplacement, mysterious unexplainable disappearance, damage,  
while the PROPERTY is in transit anywhere:

a. in an armored motor vehicle, including loading

b. in the custody of a natural person acting as a  
or

c. in the custody of a TRANSPORTATION COMPANY and  
conveyance other than an armored motor vehicle  
covered PROPERTY transported in such manner is

(1) written records,

(2) securities issued in registered form  
restrictively endorsed, or

(3) negotiable instruments not payable to bearer, which are not endorsed  
or are restrictively endorsed.

Coverage under this INSURING CLAUSE begins immediately on the receipt of such  
PROPERTY by the natural person or TRANSPORTATION COMPANY and ends immediately on

delivery to the premises of the addressee or to any representative of the addressee located anywhere.

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INSURING CLAUSES  
(CONTINUED)

FORGERY OR ALTERATION

4.

Loss resulting directly from:

- a. FORGERY on, or fraudulent material alteration checks, drafts, acceptances, certificates of bills, money orders, orders upon public treasury written promises, orders or directions to pay receipts for the withdrawal of PROPERTY, or
- b. transferring, paying or delivering any funds any credit or giving any value in reliance on or applications directed to the ASSURED author transfer, payment, delivery or receipt of fund instructions, advices or applications fraudulent handwritten signature of any customer of the subscriber to shares of an INVESTMENT COMPANY institution or EMPLOYEE but which instruction bear a FORGERY or have been fraudulently made knowledge and consent of such customer, share institution or EMPLOYEE;

excluding, however, under this INSURING CLAUSE any loss INSURING CLAUSE 5. of this Bond, whether or not coverage CLAUSE 5. is provided for in the DECLARATIONS of this B

For the purpose of this INSURING CLAUSE, a mechanically signature is treated the same as a handwritten signature

EXTENDED FORGERY

5.

Loss resulting directly from the ASSURED having, in good ordinary course of business, for its own account or the capacity:

- a. acquired, accepted or received, accepted or given value, extended credit or assumed liability SECURITIES, DOCUMENTS OR OTHER WRITTEN INST

(1) bear a FORGERY or a fraudulent

(2) have been lost or stolen, or

(3) be COUNTERFEIT, or

- b. guaranteed in writing or witnessed any sign assignment, bill of sale, power of attorney obligation upon or in connection with any S WRITTEN INSTRUMENTS.

Actual physical possession, and continued actual physic collateral, of such SECURITIES, DOCUMENTS OR OTHER WRIT EMPLOYEE, CUSTODIAN, or a Federal or State chartered de ASSURED is a condition precedent to the ASSURED having Release or return of such collateral is an acknowledgme no longer relies on such collateral.

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INSURING CLAUSES

EXTENDED FORGERY  
(CONTINUED)

For the purpose of this INSURING CLAUSE, a mechanically facsimile signature is treated the same as a handwritten

COUNTERFEIT MONEY

- 6. Loss resulting directly from the receipt by the ASSURED COUNTERFEIT money.

THREATS TO PERSON

- 7. Loss resulting directly from surrender of PROPERTY away ASSURED as a result of a threat communicated to the ASS harm to an EMPLOYEE as defined in Section 1.e. (1), (2) invitee of such EMPLOYEE, or a resident of the household is, or allegedly is, being held captive provided, howev of such PROPERTY:
  - a. the EMPLOYEE who receives the threat has mad notify an officer of the ASSURED who is not
  - b. the ASSURED has made a reasonable effort to Investigation and local law enforcement auth
 It is agreed that for purposes of this INSURING CLAUSE, ASSURED, as set forth in the preceding paragraph, shall ASSURED hereunder, but only with respect to the surrend and other tangible personal property in which such EMPL equitable interest.

COMPUTER SYSTEM

- 8. Loss resulting directly from fraudulent:
  - a. entries of data into, or
  - b. changes of data elements or programs within,

a COMPUTER SYSTEM, provided the fraudulent entry or cha

- (1) funds or other property to be tr
- (2) an account of the ASSURED or of debited or credited, or
- (3) an unauthorized account or a fic credited.

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INSURING CLAUSES  
(CONTINUED)

VOICE INITIATED FUNDS  
TRANSFER INSTRUCTION

9. Loss resulting directly from VOICE INITIATED FUNDS to the ASSURED authorizing the transfer of dividend INVESTMENT COMPANY shares from a CUSTOMER'S account INITIATED FUNDS TRANSFER INSTRUCTION was:

- a. received at the ASSURED'S offices by the specifically authorized to receive the INSTRUCTION,
- b. made by a person purporting to be a CUS
- c. made by said person for the purpose of to sustain a loss or making an improper person or any other person.

In order for coverage to apply under this INSURING FUNDS TRANSFER INSTRUCTIONS must be received and p the Designated Procedures outlined in the APPLICAT COMPANY.

UNCOLLECTIBLE ITEMS OF  
DEPOSIT

10. Loss resulting directly from the ASSURED having cr customer, shareholder or subscriber on the faith o prove to be uncollectible, provided that the credi

- a. redemptions or withdrawals to be permit
- b. shares to be issued, or
- c. dividends to be paid, from an account of an INVESTMENT COMPANY.

In order for coverage to apply under this INSURING CLAUSE, the ASSURED must hold ITEMS OF DEPOSIT for the minimum number of days stated in the APPLICATI before permitting any redemptions or withdrawals,

issuing any shares or paying any dividends with respect to such ITEMS OF DEPOSIT.

ITEMS OF DEPOSIT shall not be deemed uncollectible if standard collection procedures have failed.

AUDIT EXPENSE 11. Expense incurred by the ASSURED for that part of the examinations required by any governmental regulatory organization to be conducted by such authority, or on account of the discovery of loss sustained by the ASSURED under this Bond.

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GENERAL AGREEMENTS

ADDITIONAL COMPANIES INCLUDED AS ASSURED A. If more than one corporation, or INVESTMENT COMPANY, or other entity is included as the ASSURED herein:

- (1) The total liability of the COMPANY under this Bond shall not be increased by the liability sustained by any one or more or all of them which the COMPANY would be liable under this Bond if it were the only ASSURED sustained by any one of them.
- (2) Only the first named ASSURED shall be deemed to be the ASSURED for all purposes under this Bond, including the giving or receiving of any notice or proof required to be given or received for effecting or accepting any amendments to or termination of this Bond. Each INVESTMENT COMPANY shall furnish each INVESTMENT COMPANY with a copy of this Bond and with any amendment thereto, together with a copy of any filing of claim by any other named ASSURED and the settlement of each such claim prior to the settlement of the claim of the first named ASSURED.
- (3) The COMPANY shall not be responsible for the payment made hereunder to the first named ASSURED.
- (4) Knowledge possessed or discovery made by any officer or supervisory employee of any ASSURED shall be deemed to be knowledge possessed or discovery by all the ASSURED for the purposes of this Bond.
- (5) If the first named ASSURED ceases for any reason to be an ASSURED under this Bond, then the ASSURED next named on the APPLICATION shall be considered as the first named ASSURED for the purposes of this Bond.

REPRESENTATION MADE BY ASSURED B. The ASSURED represents that all information it has furnished in its APPLICATION for this Bond or otherwise is complete, true and correct and that the APPLICATION and other information constitute part of the

The ASSURED must promptly notify the COMPANY of any circumstance which materially affects the risk assumed this Bond.

Any intentional misrepresentation, omission, concealment of a material fact, in the APPLICATION or otherwise, shall constitute a default under this Bond.

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GENERAL AGREEMENTS  
(CONTINUED)

ADDITIONAL OFFICES OR  
EMPLOYEES - CONSOLIDATION,  
MERGER OR PURCHASE OR  
ACQUISITION OF ASSETS  
OR LIABILITIES - NOTICE TO  
COMPANY

- C. If the ASSURED, other than an INVESTMENT COMPANY, while the COMPANY is in existence, merges or consolidates with, or purchases or acquires assets from, or merges with or acquires another institution, the ASSURED shall not have the coverage provided by this Bond for loss which has:
- (1) occurred or will occur on premises, or
  - (2) been caused or will be caused by an employee, or
  - (3) arisen or will arise out of the assets or liabilities of such institution, unless the ASSURED:
    - a. gives the COMPANY written notice of the proposed purchase or acquisition of assets or liabilities on or before the date of such action, and
    - b. obtains the written consent of the COMPANY to the purchase or acquisition of coverage provided by this Bond to such additional assets or liabilities, and
    - c. on obtaining such consent, pays to the COMPANY the cost of such additional coverage.

CHANGE OF CONTROL -  
NOTICE TO COMPANY

- D. When the ASSURED learns of a change in control (other than a change of control of the COMPANY), as set forth in Section 2(a) (9) of the Investment Company Act of 1940, the ASSURED shall within sixty (60) days give written notice to the COMPANY setting forth:
- (1) the names of the transferors and transferees and the beneficial owners if the voting securities are registered securities;
  - (2) the total number of voting securities owned by the transferors and transferees (or the beneficial owners), both before and after the transfer, and
  - (3) the total number of outstanding voting securities of the COMPANY.
- Failure to give the required notice shall result in termination of coverage for loss involving a transferee, to be effective on the date of such change in control.

COURT COSTS AND  
ATTORNEYS' FEES

- E. The COMPANY will indemnify the ASSURED for court costs and attorneys' fees incurred and paid by the ASSURED in defense of any claim, suit or legal proceeding with respect to which the ASSURED is not the defendant, whether or not fully litigated on the merits and whether or not successful.

be entitled to recovery under this Bond. However, with respect to  
CLAUSE 1., this Section shall only apply in the event that  
(1) an EMPLOYEE admits to being guilty of LARCENY  
(2) an EMPLOYEE is adjudicated to be guilty of LARCENY

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GENERAL AGREEMENTS

COURT COSTS AND  
ATTORNEYS' FEES  
(CONTINUED)

(3) in the absence of 1 or 2 above, an arbitrator shall determine  
an agreed statement of facts between the COMPANY and the ASSURED  
that an EMPLOYEE would be found guilty of LARCENY if  
such EMPLOYEE were prosecuted.

The ASSURED shall promptly give notice to the COMPANY of any such suit or legal proceeding and at the request of the COMPANY shall furnish copies of all pleadings and pertinent papers to the COMPANY. The COMPANY may, at its sole option, elect to conduct defense of all or part of such legal proceeding. The defense by the COMPANY shall be in the name of the ASSURED through attorneys selected by the COMPANY. The ASSURED shall provide all reasonable information and assistance as required by the COMPANY for such defense.

If the COMPANY declines to defend the ASSURED, no settlement without the prior written consent of the COMPANY nor judgment against the ASSURED shall determine the existence, extent or amount of coverage under this Bond.

If the amount demanded in any such suit or legal proceeding is within the DEDUCTIBLE AMOUNT, if any, the COMPANY shall have no liability for court costs and attorney's fees incurred in defending all or part of such suit or legal proceeding.

If the amount demanded in any such suit or legal proceeding is in excess of the LIMIT OF LIABILITY stated in ITEM 2. of the DECLARATIONS for the applicable INSURING CLAUSE, the COMPANY'S liability for court costs and attorney's fees incurred in defending all or part of such suit or legal proceedings is limited to the proportion of such court costs and attorney's fees incurred that the LIMIT OF LIABILITY stated in ITEM 2. of the DECLARATIONS for the applicable INSURING CLAUSE bears to the total of the amount demanded in such suit or legal proceeding.



If the amount demanded in any such suit or legal proceeding is in excess of the DEDUCTIBLE AMOUNT, any, but within the LIMIT OF LIABILITY stated in ITEM 2. of the DECLARATIONS for the applicable INSURING CLAUSE, the COMPANY'S liability for court costs and attorney's fees incurred in defending all or part of such suit or legal proceedings shall be limited to the proportion of such court costs or attorney's fees that the amount demanded that would be payable

under this Bond after application of the DEDUCTIBLE AMOUNT, bears to the total amount demanded.

Amounts paid by the COMPANY for court costs and attorneys' fees shall be in addition to the LIMIT OF LIABILITY stated in ITEM 2. of the DECLARATIONS.

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CONDITIONS AND  
LIMITATIONS

DEFINITIONS

1. As used in this Bond:
  - a. COMPUTER SYSTEM means a computer and all input, storage, off-line media libraries, and communication devices connected to the computer and which are under the control of the operating system(s) or application(s) software.
  - b. COUNTERFEIT means an imitation of an actual valid instrument intended to deceive and be taken as the original.
  - c. CUSTODIAN means the institution designated by the ASSURED to maintain possession and control of its assets.
  - d. CUSTOMER means an individual, corporate, partner, shareholder or subscriber of an INVESTMENT COMPANY agreement with the ASSURED for VOICE INITIATED FUND INSTRUCTION.
  - e. EMPLOYEE means:
    - (1) an officer of the ASSURED,
    - (2) a natural person while in the regular course of business on the ASSURED'S premises and compensated through its payroll system and subject to the reporting of Revenue Service Form W-2 or equivalent in other countries, and whom the ASSURED has directly or indirectly both as to the result to be achieved.

by which such result is accomplished  
service,

- (3) a guest student pursuing studies or p  
ASSURED'S premises,
- (4) an attorney retained by the ASSURED a  
attorney while either is performing l
- (5) a natural person provided by an emplo  
employee duties for the ASSURED under

at any of the ASSURED'S premises,

- (6) an employee of an institution merged  
ASSURED prior to the effective date o
- (7) a director or trustee of the ASSURED,  
within the scope of the customary and  
other employee of the ASSURED or whil  
committee duly elected or appointed t  
custody of or access to PROPERTY of t

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CONDITIONS AND  
LIMITATIONS

DEFINITIONS  
(CONTINUED)

- (8) each natural person, partnership or corporation  
agreement with the ASSURED to perform services a  
processor of checks or other accounting records  
only while such person, partnership or corporati  
such services and not:
  - a. creating, preparing, modifying or mai  
computer software or programs, or
  - b. acting as transfer agent or in any ot  
checks, drafts or securities for the

- (9) any partner, officer or employee of an investmen  
(distributor), a transfer agent or shareholder a  
administrator, for an INVESTMENT COMPANY while p  
within the scope of the customary and usual duti  
of an INVESTMENT COMPANY or acting as a member o  
elected or appointed to examine, audit or have c  
PROPERTY of AN INVESTMENT COMPANY.

The term EMPLOYEE shall not include any partner,  
transfer agent, shareholder accounting recordkee

- a. which is not an "affiliated person" (Investment Company Act of 1940) of the investment advisor or underwriter COMPANY, or
- b. which is a "bank" (as defined in Section 3 of the Investment Company Act of 1940).

This Bond does not afford coverage in respect of claims by persons as set forth in e. (4), (5) and (6).

the ASSURED by the COMPANY resulting from the EMBEZZLEMENT committed by any of the partners, officers, employees of such employers, whether acting alone or with others, an assignment of such of the causes of action as it may have against the COMPANY for such acts so committed shall, to the extent permitted by the ASSURED to the COMPANY, and the COMPANY shall execute all papers necessary to secure to the ASSURED the benefit for herein.

Each employer of persons as set forth in e.(4), (5) and (8) above and the partners, officers and other employees of such employers shall collectively be deemed to be one person for all the purposes of this Bond; excepting, however, the fifth paragraph of Section 13.

Independent contractors not specified in e.(4), (5) and (8) above, intermediaries, agents, brokers or other representatives of such character shall not be considered EMPLOYEES.

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CONDITIONS AND  
LIMITATIONS

DEFINITIONS  
(CONTINUED)

- f. FORGERY means the signing of the name of another natural person with intent to deceive but does not mean a signature which is a part of one's own name, with or without authority, in any capacity or purpose.
- g. INVESTMENT COMPANY means any investment company registered under the Investment Company Act of 1940 and listed under the name of the COMPANY on the DECLARATIONS.
- h. ITEMS OF DEPOSIT means one or more checks or drafts payable to a financial institution in the United States of America.

- i. LARCENY OR EMBEZZLEMENT means larceny or embezzlement as defined in Section 37 of the Investment Company Act of 1940.
- j. PROPERTY means money, revenue and other stamps; securities, notes, bonds, debentures, certificates of deposit, certificates of interest or participation, shares, shares in a profit sharing agreement, collateral trust certificate, preferred stock, subscription, transferable share, investment contract, certificate of deposit for a security, fractional undivided interest in other mineral rights, any interest or instruments constituting a security under the Investment Company Act of 1940, a certificate of interest or participation in, temporary or interim certificate of guarantee of, or warrant or right to subscribe to or purchase any of the foregoing; bills of exchange; acceptances; checks; warrants; orders; travelers' letters of credit; bills of lading; policies, deeds, mortgages on real estate and/or upon personal property therein; assignments of such policies, deeds or mortgages; and other records and papers, including books of accounts and other records and documents in which the ASSURED is ASSURED in the conduct of its business (but excluding processing records); and, all other instruments similar to the foregoing in which the ASSURED acquired an interest in the ASSURED'S consolidation or merger with, or purchase of, or assets of, a predecessor or which are held by the ASSURED for the purpose or in any capacity and whether so held gratuitously or for value, whether or not the ASSURED is liable therefor.
- k. RELATIVE means the spouse of an EMPLOYEE or partner and any unmarried child supported wholly by, or living with, the EMPLOYEE or partner and being related to them by blood or guardianship.
- l. SECURITIES, DOCUMENTS OR OTHER WRITTEN INSTRUMENTS means securities (including original counterparts) negotiable or non-negotiable, and assignments thereof, which in and of themselves represent an interest, ownership, or debt and which are in the form of a security transferable by delivery of such instruments with or without endorsements or assignments.

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CONDITIONS AND  
LIMITATIONS

DEFINITIONS  
(CONTINUED)

- m. SUBSIDIARY means any organization that, at the inception of the trust, is named in the APPLICATION or is created during the

of which more than fifty percent (50%) of the outstanding rights representing the present right to vote for election or controlled by the ASSURED either directly or through subsidiaries.

- n. TRANSPORTATION COMPANY means any organization which owns or its leased vehicles for transportation or which provides or air express services.
- o. VOICE INITIATED ELECTION means any election concerning available to INVESTMENT COMPANY shareholders or subsidiaries requested by voice over the telephone.
- p. VOICE INITIATED REDEMPTION means any redemption of securities INVESTMENT COMPANY which is requested by voice over
  
- q. VOICE INITIATED FUNDS TRANSFER INSTRUCTION means any REDEMPTION or VOICE INITIATED ELECTION.

For the purposes of these definitions, the singular includes plural and plural includes the singular, unless otherwise indicated.

GENERAL EXCLUSIONS -  
APPLICABLE TO ALL INSURING  
CLAUSES

- 2. THIS BOND DOES NOT DIRECTLY OR INDIRECTLY COVER:
  - a. loss not reported to the COMPANY in writing within six months of termination of this Bond as an entirety;
  - b. loss due to riot or civil commotion outside the United States, Canada, or any loss due to military, naval or usurped power, insurrection. This Section 2.b., however, shall not apply to property in transit in the circumstances recited in INSURING CLAUSE 11. that when such transit was initiated there was no knowledge of any person acting for the ASSURED of such riot, civil commotion, naval or usurped power, war or insurrection;
  - c. loss resulting from the effects of nuclear fission or fusion;
  - d. loss of potential income including, but not limited to, interest not realized by the ASSURED or by any customer of the ASSURED;
  - e. damages of any type for which the ASSURED is legally liable, including compensatory damages, but not multiples thereof, arising out of or covered under this Bond;
  - f. costs, fees and expenses incurred by the ASSURED in the maintenance, existence of or amount of loss under this Bond, except as provided under INSURING CLAUSE 11.;
  - g. loss resulting from indirect or consequential loss or damage.

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CONDITIONS AND  
LIMITATIONS

GENERAL EXCLUSIONS -  
APPLICABLE TO ALL INSURING  
CLAUSES  
(CONTINUED)

- h. loss resulting from dishonest acts by any member of or Board of Trustees of the ASSURED who is not an EM alone or in collusion with others;
- i. loss, or that part of any loss, resulting solely from ASSURED or by any EMPLOYEE:
  - (1) of any law regulating:
    - a. the issuance, purchase or sale
    - b. securities transactions on sec
    - c. the over the counter market, investment companies,
    - d. investment advisors, or
  - (2) of any rule or regulation made pursuant
- j. loss of confidential information, material or data;
- k. loss resulting from voice requests or instructions r telephone, provided however, this Section 2.k. shall CLAUSE 7. or 9.

SPECIFIC EXCLUSIONS -  
APPLICABLE TO ALL INSURING  
CLAUSES EXCEPT INSURING  
CLAUSE 1.

- 3. THIS BOND DOES NOT DIRECTLY OR INDIRECTLY COVER:
  - a. loss caused by an EMPLOYEE, provided, however, this apply to loss covered under INSURING CLAUSE 2. or 3. directly from misplacement, mysterious unexplainable damage or destruction of PROPERTY;
  - b. loss through the surrender of property away from pre as a result of a threat:
    - (1) to do bodily harm to any natural person, transit in the custody of any person act ASSURED, provided that when such transit knowledge by the ASSURED of any such thr that this Section 3.b. shall not apply t
    - (2) to do damage to the premises or PROPERTY
  - c. loss resulting from payments made or withdrawals fro involving erroneous credits to such account;
  - d. loss involving ITEMS OF DEPOSIT which are not finally provided however, that this Section 3.d. shall not a CLAUSE 10.;
  - e. loss of property while in the mail;

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CONDITIONS AND  
LIMITATIONS

SPECIFIC EXCLUSIONS -

- f. loss resulting from the failure for any reason of a

APPLICABLE TO ALL INSURING  
CLAUSES EXCEPT INSURING  
CLAUSE 1.  
(CONTINUED)

institution, its receiver or other liquidator to pay  
PROPERTY to the ASSURED provided further that this S  
apply to loss of PROPERTY resulting directly from ro  
misplacement, mysterious unexplainable disappearance  
destruction or removal from the possession, custody  
ASSURED.

- g. loss of PROPERTY while in the custody of a TRANSPORT  
provided however, that this Section 3.g. shall not a  
CLAUSE 3.;
- h. loss resulting from entries or changes made by a nat  
authorized access to a COMPUTER SYSTEM who acts in g  
instructions, unless such instructions are given to  
contractor or its partner, officer, or employee auth  
design, develop, prepare, supply, service, write or  
the ASSURED's COMPUTER SYSTEM; or
- i. loss resulting directly or indirectly from the input  
SYSTEM terminal, either on the premises of the custo  
or under the control of such a customer, by a custom  
had authorized access to the customer's authenticati

SPECIFIC EXCLUSIONS -  
APPLICABLE TO ALL INSURING  
CLAUSES EXCEPT INSURING  
CLAUSES 1., 4., AND 5.

- 4. THIS BOND DOES NOT DIRECTLY OR INDIRECTLY COVER:
  - a. loss resulting from the complete or partial non-paym  
loan whether such loan was procured in good faith or  
fraud or false pretenses; provided, however, this Se  
to INSURING CLAUSE 8.;
  - b. loss resulting from forgery or any alteration;
  - c. loss involving a counterfeit provided, however, this  
apply to INSURING CLAUSE 5. or 6.

LIMIT OF LIABILITY/NON-  
REDUCTION AND NON-  
ACCUMULATION OF LIABILITY

- 5. At all times prior to termination of this Bond, this Bond sha  
the limit stated in the applicable sections of ITEM 2. of the  
notwithstanding any previous loss for which the COMPANY may h  
liable to pay under this Bond provided, however, that the lia  
under this Bond with respect to all loss resulting from:
  - a. any one act of burglary, robbery or hold-up, or atte  
EMPLOYEE is concerned or implicated, or
  - b. any one unintentional or negligent act on the part o  
resulting in damage to or destruction or misplacemen
  - c. all acts, other than those specified in a. above, of

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CONDITIONS AND  
LIMITATIONS

LIMIT OF LIABILITY/NON-  
REDUCTION AND NON-  
ACCUMULATION OF LIABILITY  
(CONTINUED)

d. any one casualty or event other than those specified shall be deemed to be one loss and shall be limited to the ap LIABILITY stated in ITEM 2. of the DECLARATIONS of this Bond the total amount of such loss or losses and shall not be cumu from year to year or from period to period.

All acts, as specified in c. above, of any one person which

i. directly or indirectly aid in any way wrongful acts persons, or

ii. permit the continuation of wrongful acts of any other

whether such acts are committed with or without the knowledge of the wrongful acts of the person so aided, and whether such acts are committed with or without the intent to aid such other person, shall be deemed to be one loss with the wrongful acts of all persons so aided.

DISCOVERY

6. This Bond applies only to loss first discovered by an officer of the ASSURED during the BOND PERIOD. Discovery occurs at the earlier of an officer of the ASSURED being aware of:

a. facts which may subsequently result in a loss of a t or

b. an actual or potential claim in which it is alleged to a third party,

regardless of when the act or acts causing or contributing to such loss occurred, even though the amount of loss does not exceed the applicable DEDUCTIBLE AMOUNT, or the exact amount or details of loss may not then be known.

NOTICE TO COMPANY -  
PROOF - LEGAL PROCEEDINGS  
AGAINST COMPANY

7. a. The ASSURED shall give the COMPANY notice thereof at practicable moment, not to exceed sixty (60) days af an amount that is in excess of 50% of the applicable AMOUNT, as stated in ITEM 2. of the DECLARATIONS.

b. The ASSURED shall furnish to the COMPANY proof of lo with full particulars within six (6) months after su



- c. Securities listed in a proof of loss shall be identified by their identification numbers, if issued with them.
- d. Legal proceedings for the recovery of any loss under this Bond shall be brought prior to the expiration of sixty (60) days after the discovery of such loss with the COMPANY or after the expiration of twenty-five (25) days after the discovery of such loss.
- e. This Bond affords coverage only in favor of the ASSURED. No legal action or legal proceedings shall be brought under this Bond other than the ASSURED.

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CONDITIONS AND  
LIMITATIONS

NOTICE TO COMPANY -  
PROOF - LEGAL PROCEEDINGS  
AGAINST COMPANY  
(CONTINUED)

- f. Proof of loss involving VOICE INITIATED FUNDS TRANSFERS shall include electronic recordings of such instructions.

DEDUCTIBLE AMOUNT

- 8. The COMPANY shall not be liable under any INSURING CLAUSES of this Bond on account of loss unless the amount of such loss, after deduction of all reimbursement and/or recovery obtained or made by the ASSURED other than from any Bond or policy of insurance issued by an insurer covering such loss, or by the COMPANY on account thereof prior to the discovery of the COMPANY of such loss, shall exceed the DEDUCTIBLE AMOUNT stated in ITEM 3. of the DECLARATIONS, and then for such excess only, but not for more than the applicable LIMITS OF LIABILITY stated in ITEM 4. of the DECLARATIONS.

There shall be no deductible applicable to any loss under this Bond sustained by any INVESTMENT COMPANY.

VALUATION

- 9. BOOKS OF ACCOUNT OR OTHER RECORDS

The value of any loss of PROPERTY consisting of books of account or other records used by the ASSURED in the conduct of its business shall be the amount paid by the ASSURED for blank books, blank pages, or other materials which replace the lost books of account or other records, plus the cost of labor paid by the ASSURED for the actual transcription or copying of data to reproduce such books of account or other records.

The value of any loss of PROPERTY other than books of account or other records used by the ASSURED in the

conduct of its business, for which a claim is made shall be determined by the average market value of such PROPERTY on the business day immediately preceding discovery of such loss provided, however, that the value of any PROPERTY replaced by the ASSURED with the consent of the COMPANY and prior to the settlement of any claim for such PROPERTY shall be the actual market value at the time of replacement.

In the case of a loss of interim certificates, warrants, rights or other securities, the production of which is necessary to the exercise of subscription, conversion, redemption or deposit privileges, the value of them shall be the market value of such privileges immediately preceding their expiration if said loss is not discovered until after their expiration. If no market price is quoted for such PROPERTY or for such privileges, the value shall be fixed by agreement between the parties.  
OTHER PROPERTY

The value of any loss of PROPERTY, other than as stated above, shall be the actual cash value or the cost of repairing or replacing such PROPERTY with PROPERTY of like quality and value, whichever is less.

ICAP Bond (5-98)

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CONDITIONS AND  
LIMITATIONS  
(CONTINUED)

SECURITIES SETTLEMENT

10. In the event of a loss of securities covered under this Bond, at its sole discretion, purchase replacement securities, tend securities in money, or issue its indemnity to effect replace

The indemnity required from the ASSURED under the terms of this Section against all loss, cost or expense arising from the replacement of securities by the COMPANY'S indemnity shall be:

- a. for securities having a value less than or equal to DEDUCTIBLE AMOUNT - one hundred (100%) percent;
- b. for securities having a value in excess of the DEDUC within the applicable LIMIT OF LIABILITY - the perce DEDUCTIBLE AMOUNT bears to the value of the securiti

- c. for securities having a value greater than the applicable percentage that the DEDUCTIBLE AMOUNT and portion of the applicable LIMIT OF LIABILITY bears to the value of the securities.

The value referred to in Section 10.a., b., and c. is the value of the securities under Section 9, VALUATION, regardless of the value of such securities if the loss under the COMPANY'S indemnity is sustained.

The COMPANY is not required to issue its indemnity for any portion of the value of securities which is not covered by this Bond; however, the COMPANY may, as a courtesy to the ASSURED and at its sole discretion.

The ASSURED shall pay the proportion of the Company's premium for the Company's indemnity as set forth in Section 10.a., b., and c. The LIMIT OF LIABILITY shall be used as payment of premium for any portion of the value of securities purchased by the ASSURED to obtain replacement securities.

SUBROGATION - ASSIGNMENT - 11.  
RECOVERY

In the event of a payment under this Bond, the COMPANY shall assume all of the ASSURED'S rights of recovery against any person or entity for the amount of such payment. On request, the ASSURED shall deliver to the COMPANY the assignment of the ASSURED'S rights, title and interest and cause the ASSURED to release against any person or entity to the extent of such payment.

Recoveries, whether effected by the COMPANY or by the ASSURED, shall be applied net of the expense of such recovery in the following order:

- a. first, to the satisfaction of the ASSURED'S loss which has not been paid but for the fact that it is in excess of the applicable LIMIT OF LIABILITY,
- b. second, to the COMPANY in satisfaction of amounts payable by the COMPANY under this Bond.

the ASSURED'S claim,

- c. third, to the ASSURED in satisfaction of the applicable portion of the DEDUCTIBLE AMOUNT, and

ICAP Bond (5-98)

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CONDITIONS AND  
LIMITATIONS

SUBROGATION - ASSIGNMENT -  
RECOVERY  
(CONTINUED)

- d. fourth, to the ASSURED in satisfaction of any loss or expense of the ASSURED which was not covered under this Bond. Recovery from reinsurance or indemnity of the COMPANY shall not be available under this section.

COOPERATION OF ASSURED

- 12. At the COMPANY'S request and at reasonable times and places during the term of this Bond, the ASSURED shall cooperate with the COMPANY in the defense and settlement of claims against the COMPANY.

the COMPANY, the ASSURED shall:

- a. submit to examination by the COMPANY and subscribe to oath,
- b. produce for the COMPANY'S examination all pertinent
- c. cooperate with the COMPANY in all matters pertaining

The ASSURED shall execute all papers and render assistance to secure to the COMPANY the rights and causes of action provided for under this Bond. The ASSURED shall do nothing after loss to prejudice such rights or causes of action.

TERMINATION

13. If the Bond is for a sole ASSURED, it shall not be terminated unless written notice shall have been given by the acting party to the affected party and to the Securities and Exchange Commission, Washington, D.C., not less than sixty (60) days prior to the effective date of such termination.

If the Bond is for a joint ASSURED, it shall not be terminated unless written notice shall have been given by the acting party to the affected party, and by the COMPANY to all ASSURED INVESTMENT COMPANIES and to the Securities and Exchange Commission, Washington, D.C., not less than sixty (60) days prior to the effective date of such termination.

This Bond will terminate as to any one ASSURED, other than an COMPANY:

- a. immediately on the taking over of such ASSURED by a liquidator or by State or Federal officials, or
- b. immediately on the filing of a petition under any St relative to bankruptcy or reorganization of the ASSU the benefit of creditors of the ASSURED, or
- c. immediately upon such ASSURED ceasing to exist, whet into another entity, disposition of all of its asset

The COMPANY shall refund the unearned premium computed at short rates in accordance with the standard short rate cancellation tables if terminated by the ASSURED or pro rata if terminated for any other reason.

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CONDITIONS AND  
LIMITATIONS

TERMINATION  
(CONTINUED)

If any partner, director, trustee, or officer or supervisory ASSURED not acting in collusion with an EMPLOYEE learns of an act committed by such EMPLOYEE at any time, whether in the employ of ASSURED or otherwise, whether or not such act is of the type covered by this Bond, and whether against the ASSURED or any other person or property of ASSURED:

- a. shall immediately remove such EMPLOYEE from a position of trust and shall cause such EMPLOYEE to cause the ASSURED to suffer a loss of such EMPLOYEE's Bond; and
- b. within forty-eight (48) hours of learning that an EMPLOYEE has committed any dishonest act, shall notify the COMPANY, of such act and the particulars of such dishonest act.

The COMPANY may terminate coverage as respects any EMPLOYEE's Bond seven (7) days after written notice is received by each ASSURED INVESTMENT COMPANY and the Securities and Exchange Commission, Washington, D.C. to terminate this Bond as to such EMPLOYEE.

OTHER INSURANCE

14. Coverage under this Bond shall apply only as excess over any other insurance, indemnity or suretyship obtained by or on behalf of:
  - a. the ASSURED,
  - b. a TRANSPORTATION COMPANY, or
  - c. another entity on whose premises the loss occurred or the person causing the loss or engaged the messenger concerned in the loss involved.

CONFORMITY

15. If any limitation within this Bond is prohibited by any law of any state or the United States, such limitation shall be deemed to be amended so as to conform to the minimum period of limitation provided by such law.

CHANGE OR MODIFICATION

16. This Bond or any instrument amending or affecting this Bond may not be amended or modified orally. No change in or modification of this Bond shall be effective unless made by written endorsement to this Bond signed by a duly authorized representative of the COMPANY.

If this Bond is for a sole ASSURED, no change or modification of this Bond shall adversely affect the rights of the ASSURED shall be effective unless made seven (7) days after written notice has been furnished to the Securities and Exchange Commission, Washington, D.C., by the acting party.

ICAP Bond (5-98)

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CONDITIONS AND  
LIMITATIONS

CHANGE OR MODIFICATION  
(CONTINUED)

If this Bond is for a joint ASSURED, no charge or modification which adversely affect the rights of the ASSURED shall be effective prior to sixty (60) days after written notice has been furnished to all insured INVESTMENT COMPANIES and to the Securities and Exchange Commission, Washington, D.C., by the COMPANY.

ICAP Bond (5-98)

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ENDORSEMENT/RIDER

Effective date of  
this endorsement/rider: May 15, 2007

FEDERAL INSURANCE COMPANY  
Endorsement/Rider No.  
To be attached to and  
form a part of Bond No.

Issued to: FLAHERTY & CRUMRINE / CLAYMORE PREFERRED  
SECURITIES INCOME FUND  
DELETING VALUATION-OTHER PROPERTY AND AMENDING CHANGE OR MODIFICATION  
ENDORSEMENT

In consideration of the premium charged, it is agreed that this Bond is amended as follows:

1. The paragraph titled Other Property in Section 9, Valuation, is deleted in its entirety.
2. The third paragraph in Section 16, Change or Modification, is deleted in its entirety the following:

If this Bond is for a joint ASSURED, no change or modification which would adversely affect the rights of the ASSURED shall be effective prior to sixty (60) days after written notice has been furnished to all insured INVESTMENT COMPANIES and the Securities and Exchange Commission, Washington, D.C., by the COMPANY.

The title and any headings in this endorsement/rider are solely for convenience and form no part of the terms and conditions of coverage. All other terms, conditions and limitations of this Bond shall remain unchanged.

/S/ ROBERT HAMBURGER  
Authorized Representative

17-02-2437 (12/2006) rev. Page 1

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Effective date of

this endorsement: May 15, 2007 FEDERAL INSURANCE COMPANY  
Endorsement No.: 2  
To be attached to and form a part of Bond  
Number: 82052990

Issued to: FLAHERTY & CRUMRINE / CLAYMORE PREFERRED  
SECURITIES INCOME FUND  
COMPLIANCE WITH APPLICABLE TRADE SANCTION LAWS RIDER

It is agreed that this insurance does not apply to the extent that trade or economic sanctions or other laws or regulations prohibit the coverage provided by this insurance.

ALL OTHER TERMS AND CONDITIONS OF THIS BOND REMAIN UNCHANGED.

Date: May 15, 2007 /S/ ROBERT HAMBURGER  
Authorized Representative  
Form 14-02-9228 (Ed. 4/2004)

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FEDERAL INSURANCE COMPANY  
Endorsement No: 3  
Bond Number: 82052990  
NAME OF ASSURED: FLAHERTY & CRUMRINE / CLAYMORE PREFERRED  
SECURITIES INCOME FUND

PREMIUM ENDORSEMENT

It is agreed that:

- 1. The premium for this Bond for the period May 15, 2007 to May 15, 2008 is:  
  
Premium: FOUR THOUSAND TWO HUNDRED DOLLARS (\$4,200.00)
- 2. It is further agreed that this premium is subject to change during this period if amendments are made to this Bond at the request of the ASSURED.

This Endorsement applies to loss discovered after 12:01 a.m. on May 15, 2007.  
ALL OTHER TERMS AND CONDITIONS OF THIS BOND REMAIN UNCHANGED.

Date: May 15, 2007 /S/ ROBERT HAMBURGER  
Authorized Representative

ICAP Bond

Form 17-02-0735 (Rev. 1-97)

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IMPORTANT POLICYHOLDER INFORMATION

Inquiries concerning your policy should be directed to your insurance agent. The name, address and telephone number of your agent, if one is involved, is shown on the policy and/or in the material accompanying the policy. If you require additional information you may contact the California Insurance Department at either the following address or phone number:

California Insurance Department  
300 South Spring Street

Los Angeles, CA 90012  
1-800-927-HELP

Form 14-02-1495 (Ed. 1/94)

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IMPORTANT NOTICE

The premium shown on this policy or premium statement may be subject to adjustment in accordance with the provisions of California law recently adopted by ballot initiative. You will be informed about any adjustment as soon as the requirements of the law and their effect on your premium can be determined.

Form 99-10-0267 (Ed. 2/98)

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CHUBB & SON, DIV. OF FEDERAL INSURANCE COMPANY  
AS MANAGER OF THE MEMBER INSURERS OF THE  
CHUBB GROUP OF INSURANCE COMPANIES

POLICYHOLDER  
DISCLOSURE NOTICE OF  
TERRORISM INSURANCE COVERAGE  
(FOR POLICIES WITH NO TERRORISM EXCLUSION OR SUBLIMIT)

You are hereby notified that, under the Terrorism Risk Insurance Act of 2002 (the "Act") effective November 26, 2002, this policy makes available to you insurance for losses arising out of certain acts of international terrorism. Terrorism is defined as any act certified by the Secretary of the Treasury, in concurrence with the Secretary of State and the Attorney General of the United States, to be an act of terrorism; to be a violent act or an act that is dangerous to human life, property or infrastructure; to have resulted in damage within the United States, or outside the United States in the case of an air carrier or vessel or the premises of a United States Mission; and to have been committed by an individual or individuals acting on behalf of any foreign person or foreign interest, as part of an effort to coerce the civilian population of the United States or to influence the policy or affect the conduct of the United States Government by coercion.

You should know that the insurance provided by your policy for losses caused by acts of terrorism is partially reimbursed by the United States under the formula set forth in the Act. Under this formula, the United States pays 90% of covered terrorism losses that exceed the statutorily established deductible to be paid by the insurance company providing the coverage. The portion of your policy's annual premium that is attributable to insurance for such acts of terrorism is: \$ -0-.

If you have any questions about this notice, please contact your agent or broker.

Form 10-02-1281 (Ed. 1/2003)

IMPORTANT NOTICE:

THE SEC REQUIRES PROOF OF YOUR FIDELITY INSURANCE POLICY



Your company is now required to file an electronic copy of your fidelity insurance coverage (Chubb's ICAP Bond policy) to the Securities and Exchange Commission (SEC), according to rules adopted by the SEC on June 12, 2006.

Chubb is in the process of providing your agent/broker with an electronic copy of your insurance policy as well as instructions on how to submit this proof of fidelity insurance coverage to the SEC. You can expect to receive this information from your agent/broker shortly.

The electronic copy of your policy is provided by Chubb solely as a convenience and does not affect the terms and conditions of coverage as set forth in the paper policy you receive by mail. The terms and conditions of the policy mailed to you, which are the same as those set forth in the electronic copy, constitute the entire agreement between your company and Chubb.

If you have any questions, please contact your agent or broker.

Form 14-02-12160 (ed. 7/2006)

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THE FOLLOWING RESOLUTIONS WERE ADOPTED AT THE APRIL 20, 2007 MEETING OF THE BOARD OF DIRECTORS OF FLAHERTY & CRUMRINE/CLAYMORE PREFERRED SECURITIES INCOME FUND INCORPORATED AT WHICH A MAJORITY OF DIRECTORS WHO ARE NOT "INTERESTED PERSONS" APPROVED THE CURRENT BOND FOR THE PERIOD FROM MAY 15, 2007 TO MAY 15, 2008:

RESOLVED: That the renewal of the fidelity bond coverage for the period from May 15, 2007 to May 15, 2008, which provides coverage in the aggregate amount of \$1,500,000, is hereby approved; and further

RESOLVED: That it is the finding of the Directors at this Meeting that the fidelity bond (the "Bond") issued through Chubb Group of Insurance Companies in the amount of \$1,500,000 covering officers and employees of the Fund, in accordance with the requirements of Rule 17g-1 under the Investment Company Act of 1940, as amended (the "1940 Act"), is reasonable in form and amount, after having given due consideration to, among other things, the value of the aggregate assets of the Fund to which any person covered under the Bond may have access, the custody and safekeeping of the assets of the Fund's portfolio, and the nature of the securities in the Fund's portfolio; and further

RESOLVED: That the premium in the amount of \$4,200 paid by the Fund under the Bond is hereby authorized; and further

RESOLVED: That the appropriate officers of the Fund are hereby authorized and directed to take such other action as may from time to time be necessary or appropriate in order to conform to the provisions of the 1940 Act and the rules and regulations under that Act; and

further

RESOLVED:

That the Secretary or Assistant Secretary of the Fund shall make such filings concerning the Bond with the Securities and Exchange Commission ("SEC") and give such notices as required under paragraph (g) of Rule 17g-1 promulgated by the SEC under the 1940 Act.