

FLAHERTY & CRUMRINE/CLAYMORE PREFERRED SECURITIES INCOME FUND

To the Shareholders of the Flaherty & Crumrine/Claymore Preferred Securities Income Fund (“FFC”):

Beginning with issues arising in the subprime mortgage loan market, a well-publicized series of events has roiled financial markets over the past several months. The preferred stock market and closed-end funds have been particularly impacted, and, consequently, for the Fund’s third fiscal quarter ended August 31, 2007, the Fund had a total return of -6.0% on the net asset value (NAV) of its Common Stock.

As we’ve discussed in prior letters, problems in the subprime mortgage loan market first bubbled up in January of this year. Throughout this year, the Fund has had no direct exposure to subprime loans, and we avoided investing in companies that had meaningful risks associated with the product. Our research team closely monitors the loan quality and underwriting standards of each financial company in the portfolio, and we invest only in companies that meet our quality thresholds. We’re not perfect, but we believe that the Fund’s portfolio is comprised of holdings in fundamentally sound companies.

In isolation, the impact of this weakness in the subprime loan market should have been limited to direct participants in this market; unfortunately, given the complexity of the financial system, few things happen in isolation. When the subprime problems became more pronounced several months ago, the fallout from this subprime weakness has been widespread and severe.

Fueled by low interest rates and relatively relaxed financing terms, a great deal more leverage had become built into the system than even just a few years ago. As investments directly associated with subprime mortgages declined significantly in value during the quarter, they became very illiquid. Highly-leveraged investors then were forced to sell other more liquid types of assets like investment-grade preferred and debt securities to meet redemptions or margin calls. Risk and liquidity premiums surged, indiscriminately taking yields on all credit instruments with them. In short, excess leverage created the financial powder keg and subprime loan problems provided the spark.

With yields on preferred securities rising more than yields on more senior debt securities, the prices of the securities in our portfolio fell as the supply of preferred securities exceeded demand. The rearview mirror is still a bit foggy, but it appears that much of the selling pressure came from hedge funds. Hedge funds had become the 800-pound gorilla in the credit markets recently, and although they’ve been forced to slim down, they can still have a big impact.

Hedge funds were not the only investors selling, but since they aren’t required to disclose their preferred securities holdings, no one knows how extensive their selling pressure was. As a result, prospective buyers were extremely cautious because they feared additional selling would further depress prices. Wall Street brokers and dealers normally stand ready to provide liquidity to sellers, but they appeared reluctant to buy. Long-term investors like the Fund, as well as individual investors, insurance companies and pension funds, also stayed on the sidelines for the most part. During the quarter, and since it ended, we have added some positions at attractive levels, but we are continuing to take a go-slow approach.

Subprime fallout also extended to the market for short-term, or money-market, securities such as commercial paper and auction-rate securities. This market was in a state of disarray throughout August and into early September. Investors in money-market securities don’t like risk, and, at the slightest hint of trouble, they pull their money out and invest in short-term government securities. While the perception of risk is real for a small segment of borrowers, the reaction seems to be disproportionate.

These disruptions in the short-term market impacted the Fund in two meaningful ways. First, they contributed to price weakness in many of the Fund's investments, particularly in financial companies. While banks can fulfill their short-term financing needs with customer deposits and through the Federal Reserve, finance companies like broker-dealers need to rely on the short-term securities market to run their day-to-day operations. This market is like oxygen to most financial companies, and restricting their borrowing makes it more expensive for them to operate. We continue to believe that none of the financial companies in our portfolio face significant risks of default as a result of this increased cost of borrowing, but it has clearly impacted their earnings outlooks and the prices of their preferred securities.

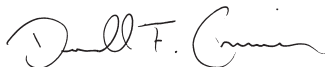
Second, the rates paid by the Fund on its own auction-rate Preferred Stock have risen significantly as a direct result of liquidity problems in the financial markets. The frustrating irony is that the Fund's own Preferred Stock is of very high quality with a rating of AAA and logic would dictate that rates should fall as investors seek out higher quality investments. This high quality is a function of the Investment Company Act (which governs the Fund) and the guidelines imposed by the rating agencies. As Kevin Conery, Merrill Lynch's Preferred Stock Strategist, recently observed about the Investment Company Act, "while some have criticized it for being too conservative for its 200% asset coverage test, at times like these in the market, we respect this discipline." While we are beginning to see some improvement in the auction rates of our Preferred Stock, and the recent interest rate cut by the Federal Reserve should help over the coming months, we haven't yet returned to more normalized auction rates.

The higher cost of our auction-rate Preferred Stock comes directly out of money available for distribution as the monthly Common Stock dividend. On the plus side, higher yields on preferred stock mean that we have been able to increase the income earned on the portfolio. It will take some time to see how these two offsetting factors affect income; in the meantime we are doing our best to manage both. We are comfortable with the current dividend, but we strive to pay out a rate that is sustainable and will make adjustments as conditions warrant.

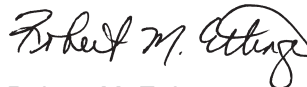
We have been through periods of fear and volatility before, and we remain optimistic about long-term prospects for the Fund. Such periods create opportunities to buy securities of sound companies at discounted prices, as many shorter-term investors exit the market by selling both good and bad investments. We expect both more rational pricing and reduced risk of early redemption of our portfolio securities as markets settle down – both of which should benefit future returns for long-term investors. In addition, our Preferred Stock auction rates are likely to normalize in due course, as the market begins to better recognize the credit quality of our Preferred Stock. While we cannot say with certainty when, or if, these things will happen, as managers we are doing our best to position the Fund to ride out the current storm and prepare for better days ahead.

In volatile market conditions like these, we may provide more frequent updates about the preferred securities market and the Fund's portfolio. We did so this past quarter by adding special Questions and Answers regarding the market price of the Fund's shares to the Fund's website at www.fcclaymore.com. We encourage you to stay informed as shareholders by periodically visiting the website for additional information about your Fund.

Sincerely,



Donald F. Crumrine
Chairman of the Board



Robert M. Ettinger
President

October 17, 2007

PORTFOLIO OVERVIEW

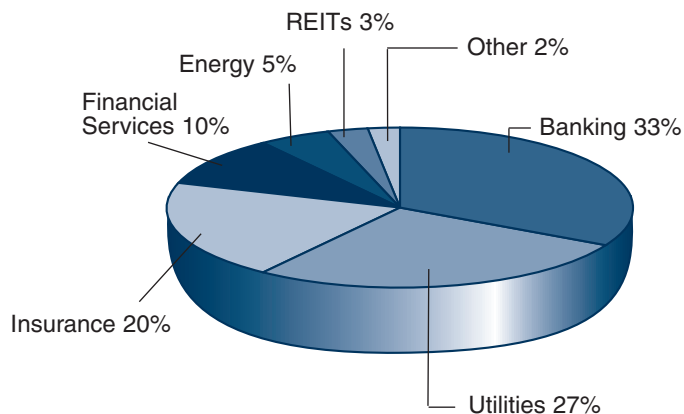
August 31, 2007 (Unaudited)

Fund Statistics on 08/31/07

Net Asset Value	\$	20.87
Market Price	\$	18.59
Discount		10.92%
Yield on Market Price		8.23%
Common Stock Shares Outstanding		42,601,719

Industry Categories

% of Portfolio



Moody's Ratings

% of Portfolio

AAA	0.2%
AA	6.9%
A	19.4%
BBB	54.1%
BB	12.8%
Not Rated	4.3%
Below Investment Grade*	12.8%

* Below investment grade by both Moody's and S&P.

Top 10 Holdings by Issuer

% of Portfolio

Midamerican Energy	4.5%
Banco Santander	4.4%
Wachovia Corp	3.7%
Liberty Mutual Group	3.3%
ACE Ltd	3.0%
HBOS Plc	2.8%
Dominion Resources	2.3%
Wisconsin Energy	2.3%
Enterprise Products Partners	2.3%
AON Corp	2.3%

% of Portfolio**

Holdings Generating Qualified Dividend Income (QDI) for Individuals	28%
Holdings Generating Income Eligible for the Corporate Dividend Received Deduction (DRD)	14%

** This does not reflect year-end results or actual tax categorization of Fund distributions. These percentages can, and do, change, perhaps significantly, depending on market conditions. Investors should consult their tax advisor regarding their personal situation.

PORTFOLIO OF INVESTMENTS**August 31, 2007 (Unaudited)**

<u>Shares/\$ Par</u>	<u>Value</u>
Preferred Securities — 85.5%	
Banking — 32.6%	
\$ 19,000,000	Astoria Capital Trust I, 9.75% 11/01/29, Series B \$ 21,485,047
34,450	BAC Capital Trust I, 7.00% Pfd. 12/15/31 863,402
1,000	BAC Capital Trust II, 7.00% Pfd. 02/01/32 24,780
	Banco Santander:
1,646,000	6.50% Pfd., 144A**** 36,936,240** (1)
1,141,600	6.80% Pfd., 144A**** 26,587,863** (1)
1,800	Bank of New York Capital IV, 6.875% Pfd., Series E 44,043
77,900	Bank One Capital Trust VI, 7.20% Pfd. 1,957,237
\$ 1,500,000	BB&T Capital Trust IV, 6.82% 06/12/57 1,419,050
\$ 30,834,000	Capital One Capital III, 7.686% 08/15/36 28,627,056
\$ 27,600,000	CBG Florida REIT Corporation, 7.114%, 144A**** 26,882,704
112,000	Citizens Funding Trust I, 7.50% Pfd. 09/15/66 2,761,506
105,000	Cobank, ACB, 7.00% Pfd., 144A**** 5,392,800*
\$ 23,740,000	Comerica Capital Trust II, 6.576% 02/20/37 21,071,482
\$ 800,000	CoreStates Capital Trust I, 8.00% 12/15/26, 144A**** 828,800
28,800	FBOP Corporation, Adj. Rate Pfd., 144A**** 29,484,000*
\$ 2,635,000	First Midwest Capital Trust I, 6.95% 12/01/33 2,747,580
	First Republic Bank:
400,000	6.25% Pfd. 9,925,000*
30,000	7.25% Pfd. 738,750
7,850	First Republic Preferred Capital Corporation, 10.50% Pfd., 144A**** 8,790,587
110,200	Fleet Capital Trust VIII, 7.20% Pfd. 03/15/32 2,779,112(2)
6	FT Real Estate Securities Company, 9.50% Pfd., 144A**** 8,220,039
	HBOS PLC:
\$ 10,500,000	6.413%, 144A**** 9,100,067** (1)
\$ 28,000,000	6.657%, 144A**** 24,698,800** (1)
\$ 6,950,000	6.85% 6,647,675(1)
7,500	HSBC Series II, Variable Inverse Pfd., Pvt. 7,582,500*
	ING Groep NV:
36,000	7.05% Pfd. 892,530** (1)
139,700	7.20% Pfd. 3,497,040** (1)
\$ 2,000,000	JPMorgan Chase Capital XXI, Adj. Rate 02/02/37, Series U 1,749,447
\$ 6,400,000	JPMorgan Chase Capital XXIII, Adj. Rate 05/15/47 5,615,533
23,800	Keycorp Capital V, 5.875% Pfd., Series A 512,712
20,000	Keycorp Capital VIII, 7.00% Pfd. 06/15/66 496,250(2)
617,000	Keycorp Capital IX, 6.75% Pfd. 12/15/66 14,460,938
\$ 2,000,000	Lloyds TSB Group PLC, 6.267%, 144A**** 1,848,426** (1)
85,285	National City Capital Trust II, 6.625% Pfd. 11/15/36 1,870,940
295,000	PFGI Capital Corporation, 7.75% Pfd. 7,552,000

PORTFOLIO OF INVESTMENTS (Continued)**August 31, 2007 (Unaudited)**

<u>Shares/\$ Par</u>		<u>Value</u>
Preferred Securities — (continued)		
Banking — (continued)		
\$ 3,300,000	Regions Financing Trust II, 6.625% 05/15/47	\$ 3,048,174
\$ 7,200,000	Republic New York Capital I, 7.75% 11/15/26	7,475,184 ⁽¹⁾
\$ 4,992,000	Republic New York Capital II, 7.53% 12/04/26	5,185,939 ⁽¹⁾
	Roslyn Real Estate:	
40	8.95% Pfd., Series C, 144A****	4,274,630
135	Adj. Rate Pfd., Series D, 144A****	13,681,406
63,700	Sovereign Bancorp, 7.30% Pfd., Series C	1,701,586*
248,100	Sovereign Capital Trust V, 7.75% Pfd. 05/22/36	6,318,809
\$ 13,500,000	Sovereign Capital Trust VI, 7.908% 06/13/36	14,540,837
60	Union Planters Preferred Funding, 7.75% Pfd., Series 144A****	6,580,355
	U.S Bancorp, Auction Pass-Through Trust, Cl. B:	
65	Series 2006-5, Variable Rate Pfd., 144A****	1,462,500*
65	Series 2006-6, Variable Rate Pfd., 144A****	1,462,500*
127,600	USB Capital VIII, 6.35% Pfd. 12/29/65	2,946,769
64,600	USB Capital X, 6.50% Pfd. 04/12/66	1,540,309
21,150	VNB Capital Trust I, 7.75% Pfd.	530,072
5,550	Wachovia Capital Trust IX, 6.375% Pfd.	129,383
2,010,800	Wachovia Preferred Funding, 7.25% Pfd., Series A	51,843,451
\$ 10,050,000	Washington Mutual Preferred Funding, 6.534%, 144A****	9,412,147
\$ 7,400,000	Webster Capital Trust IV, 7.65% 06/15/37	7,314,782
100,000	Wells Fargo Capital Trust IV, 7.00% Pfd. 09/01/31	2,512,500
		<u>466,053,269</u>
Financial Services — 6.8%		
	CIT Group, Inc.:	
\$ 18,800,000	6.10%	13,867,839
203,712	6.35% Pfd., Series A	4,453,654*
749,995	Countrywide Capital IV, 6.75% Pfd.	13,959,282 ⁽²⁾
26,305	Countrywide Capital V, 7.00% Pfd., 11/01/36	486,971
380,000	Deutsche Bank Contingent Capital Trust II, 6.55% Pfd.	9,036,894** ⁽¹⁾
	Goldman Sachs:	
80,000	Adj. Rate Pfd., Series A	1,920,000*
202,500	Cabco Trust Capital I, Adj. Rate Pfd. 02/15/34	4,558,781
3,600	STRIPES Custodial Receipts, Pvt.	2,919,600*
\$ 7,000,000	Gulf Stream-Compass 2005 Composite Notes, 144A****	6,535,550
143,920	Merrill Lynch Preferred Capital, Adj. Rate Pfd., Series G	3,418,100*
27,000	Merrill Lynch Cap Trust I, 6.45% Pfd., 12/15/66, Series K	642,938
	Merrill Lynch:	
172,000	Adj. Rate Pfd., Series 5	3,853,884*

PORTFOLIO OF INVESTMENTS (Continued)**August 31, 2007 (Unaudited)**

<u>Shares/\$ Par</u>		<u>Value</u>
Preferred Securities — (continued)		
Financial Services — (continued)		
76,000	Fixed Income Pass-through 2007-A, Cl.B, Adj. Rate Pfd., 144A****	\$ 782,800*
4,000	Series II STRIPES Custodial Receipts, Pvt.	3,064,000*
82,367	Merrill Lynch Preferred Capital Trust IV, 7.12% Pfd.	2,054,027
9,000	Morgan Stanley Capital Trust V, 5.75% Pfd.	196,313
336,100	Morgan Stanley Capital Trust VI, 6.60% Pfd.	8,154,626
\$ 10,000,000	RACERS® Series 2005 AMMC V Trust, 144A****	8,606,689
SLM Corporation:		
160,000	6.97% Pfd., Series A	7,420,800*
17,000	Adj. Rate Pfd., Series B	1,309,000*
		<u>97,241,748</u>
Insurance — 17.8%		
1,703,580	ACE Ltd., 7.80% Pfd., Series C	43,172,976** ⁽¹⁾
\$ 2,500,000	AMBAC Financial Group Inc., 6.15% 02/15/37	1,919,220
AON:		
\$ 25,570,000	Capital Trust A, 8.205% 01/01/27	27,081,724
106,000	Corts-Capital, 8.205% Pfd.	2,855,375
94,900	Saturns-2003-3, 8.00% Pfd., Series AON Corp.	2,354,706
Arch Capital Group Ltd.:		
167,650	7.875% Pfd., Series B	4,107,425** ⁽¹⁾
99,321	8.00% Pfd.	2,473,719** ⁽¹⁾
AXA SA:		
\$ 11,300,000	6.379%, 144A****	10,218,138** ⁽¹⁾
\$ 9,500,000	6.463%, 144A****	8,611,940** ⁽¹⁾
Axis Capital Holdings:		
273,800	7.25% Pfd., Series A	6,533,553** ⁽¹⁾
231,805	7.50% Pfd., Series B	23,203,681 ⁽¹⁾
322,600	Berkley W.R. Capital Trust II, 6.75% Pfd. 07/26/45	7,585,133
500,000	Delphi Financial Group, 7.376% Pfd. 05/15/37	12,015,000
49,150	Everest Re Capital Trust II, 6.20% Pfd., Series B	1,101,574
\$ 7,000,000	Everest Re Holdings, 6.60% 05/15/37	6,530,643
\$ 26,200,000	Liberty Mutual Group, 7.80% 03/15/37, 144A****	23,422,328
Provident Financing Trust I:		
\$ 714,000	7.405% 03/15/38	692,277
37,000	Corts-Unum, 8.50% Pfd.	948,125
Renaissancere Holdings Ltd.:		
77,800	6.08% Pfd., Series C	1,632,244** ⁽¹⁾
204,800	6.60% Pfd., Series D	4,526,080** ⁽¹⁾
283,935	7.30% Pfd., Series B	6,832,186** ⁽¹⁾

PORTFOLIO OF INVESTMENTS (Continued)**August 31, 2007 (Unaudited)**

<u>Shares/\$ Par</u>		<u>Value</u>
Preferred Securities — (continued)		
Insurance — (continued)		
407,200	Scottish Re Group Ltd., 7.25% Pfd.	\$ 7,100,550** ⁽¹⁾
36,600	Torchmark Capital Trust III, 7.10% Pfd.	908,138
\$ 7,425,000	USF&G Capital, 8.312% 07/01/46, 144A****	8,853,570
\$ 13,000,000	USF&G Capital I, 8.50% 12/15/45, 144A****	15,822,300
	XL Capital Ltd.:	
\$ 10,100,000	6.50% Series E	8,931,036 ⁽¹⁾
\$ 10,000,000	Mangrove Bay Passthru Trust, 6.102% 07/15/33, 144A****	9,450,000 ⁽¹⁾
5,000	7.625% Pfd., Series B	125,313** ⁽¹⁾
\$ 6,400,000	ZFS Finance USA Trust V, 6.50% 05/09/37, 144A****	5,998,579 ⁽¹⁾
		<u>255,007,533</u>
Utilities — 21.4%		
	Baltimore Gas & Electric Company:	
10,000	6.70% Pfd., Series 1993	1,037,188*
50,000	7.125% Pfd., Series 1993	5,203,125*
1,355,359	Calenergy Capital Trust III, 6.50% Pfd. 09/01/27	64,867,482
35,000	Central Maine Power, 5.25% Pfd., Pvt.	3,110,100*
\$ 2,600,000	COMED Financing II, 8.50% 01/15/27, Series B	2,613,000
\$ 17,645,000	COMED Financing III, 6.35% 03/15/33	15,843,446
\$ 25,175,000	Dominion Resources Capital Trust I, 7.83% 12/01/27	26,259,338
\$ 6,000,000	Dominion Resources, Inc., 7.50%	6,226,758
	Entergy Arkansas, Inc.:	
10,240	4.56% Pfd., Series 1965	837,222*
625,000	6.45% Pfd.	16,131,250*
85,000	Entergy Louisiana, Inc., 6.95% Pfd.	8,901,200*
169,000	FPC Capital I, 7.10% Pfd., Series A	4,177,477
52,150	FPL Group Capital Trust I, 5.875% Pfd. 03/15/44	1,207,273
	FPL Group Capital, Inc.:	
\$ 3,400,000	6.35% 10/01/66	3,315,830
349,137	6.60% Pfd. 10/01/66, Series A	8,575,678
\$ 4,100,000	6.65% 06/15/67	4,079,697
12,442	Great Plains Energy, Inc., 4.20% Pfd.	947,583*
5,000	Indiana Michigan Power, 4.56% Pfd.	406,100*
119,805	Indianapolis Power & Light Company, 5.65% Pfd.	11,261,670*
	Interstate Power & Light Company:	
110,000	7.10% Pfd., Series C	2,778,600*
11,000	8.375% Pfd., Series B	332,640*
32,300	Laclede Capital Trust I, 7.70% Pfd.	807,500

PORTFOLIO OF INVESTMENTS (Continued)

August 31, 2007 (Unaudited)

<u>Shares/\$ Par</u>	<u>Value</u>
Preferred Securities — (continued)	
Utilities — (continued)	
Pacific Enterprises:	
4,550 \$4.40 Pfd.	\$ 369,824*
4,510 \$4.50 Pfd.	374,871*
\$ 2,386,000 PECO Energy Capital Trust III, 7.38% 04/06/28, Series D	2,455,433
\$ 27,000,000 PECO Energy Capital Trust IV, 5.75% 06/15/33	23,257,800
358,950 PSEG Funding Trust II, 8.75% Pfd.	9,209,329
\$ 5,000,000 Puget Sound Energy, Inc., 6.974% 06/01/67	4,894,000
200,000 San Diego Gas & Electric Company, \$1.70 Pfd.	5,243,760*
Southern California Edison:	
115,750 6.00% Pfd.	11,438,415*
17,910 6.125% Pfd.	1,788,672*
Southern Union Company:	
\$ 5,100,000 7.20% 11/01/66	5,159,405
228,700 7.55% Pfd.	5,840,998*
\$ 4,200,000 Union Electric Company, 7.69% 12/15/36, Series A	4,254,180
Virginia Electric & Power Company:	
14,985 \$4.12 Pfd.	1,136,762*
21,684 \$4.80 Pfd.	1,916,432*
35,000 \$6.98 Pfd.	3,564,533*
342,500 Virginia Power Capital Trust, 7.375% Pfd. 07/30/42	8,618,156
\$ 27,125,000 Wisconsin Energy Corporation, 6.25% 05/15/67	26,321,775
Xcel Energy, Inc.:	
7,110 \$4.10 Pfd., Series C	539,436*
10,210 \$4.11 Pfd., Series D	776,573*
	<u>306,080,511</u>
Energy — 3.5%	
Enterprise Products Partners:	
\$ 22,000,000 7.034% 01/15/68	19,849,148
\$ 12,500,000 8.375% 08/01/66	12,818,438
13,200 EOG Resources, Inc., 7.195% Pfd., Series B	14,054,172*
\$ 3,650,000 KN Capital Trust III, 7.63% 04/15/28	3,251,785
	<u>49,973,543</u>
Real Estate Investment Trust (REIT) — 2.5%	
41,400 BRE Properties, Inc., 6.75% Pfd., Series C	937,971
51,000 Equity Residential Properties, 8.29% Pfd., Series K	2,937,600
4,980 Prologis Trust, 8.54% Pfd., Series C	299,890

PORTFOLIO OF INVESTMENTS (Continued)**August 31, 2007 (Unaudited)**

<u>Shares/\$ Par</u>	<u>Value</u>
Preferred Securities — (continued)	
Real Estate Investment Trust (REIT) — (continued)	
PS Business Parks, Inc.:	
45,500 6.70% Pfd., Series P	\$ 999,580
6,100 7.00% Pfd., Series H	137,631
56,200 7.20% Pfd., Series M	1,313,675
18,700 7.375% Pfd., Series O	442,956
178,000 7.60% Pfd., Series L	4,316,500
60,000 7.95% Pfd., Series K	1,515,000
Public Storage, Inc.:	
186,070 6.45% Pfd., Series F	4,163,316 ⁽²⁾
310,400 6.625% Pfd., Series M	7,042,200
30,000 6.85% Pfd., Series Y	714,300
388,200 7.25% Pfd., Series K	9,583,688
70,000 Realty Income Corp., 6.75% Pfd., Series E	1,631,875
	<u>36,036,182</u>
Miscellaneous Industries — 0.9%	
2,245 Centaur Funding Corporation, 9.08% Pfd. 04/21/20, 144A****	2,494,055
112,750 Ocean Spray Cranberries, Inc., 6.25% Pfd., 144A****	10,237,700*
	<u>12,731,755</u>
Total Preferred Securities	
(Cost \$1,268,616,161)	<u>1,223,124,541</u>
Corporate Debt Securities — 13.2%	
Financial Services — 3.0%	
200,000 Ford Motor Credit Company, 7.375% 10/15/31	3,881,260
\$ 25,000,000 General Motors Acceptance Corporation, 8.00% 11/01/31, Senior Bonds	22,515,150
80,000 HSBC Finance Corporation, 6.875% 01/30/33	1,965,000
\$ 4,822,339 Lehman Brothers, Guaranteed Note, Variable Rate, 12/16/16, 144A****	4,118,760
\$ 11,100,000 Lehman Brothers Holdings, 6.875% 07/17/37, Sub. Note	10,459,685
	<u>42,939,855</u>
Insurance — 2.4%	
239,000 Delphi Financial, 8.00% 05/15/33, Senior Notes	6,116,918
\$ 4,000,000 Farmers Exchange Capital, 7.20% 07/15/48, 144A****	3,892,800
\$ 24,921,000 Liberty Mutual Insurance, 7.697% 10/15/97, 144A****	23,876,810
\$ 1,000,000 UnumProvident Corporation, 7.25% 03/15/28, Senior Notes	987,997
	<u>34,874,525</u>

PORTFOLIO OF INVESTMENTS (Continued)**August 31, 2007 (Unaudited)**

<u>Shares/\$ Par</u>	<u>Value</u>
Corporate Debt Securities — (continued)	
Utilities — 5.3%	
Duke Capital Corporation:	
\$ 6,179,000 6.75% 02/15/32, Senior Notes	\$ 6,153,592
\$ 6,315,000 8.00% 10/01/19, Senior Notes	7,091,789
\$ 5,000,000 Entergy Gulf States, Inc., 6.20% 07/01/33, 1st Mortgage	4,690,465
Entergy Louisiana LLC:	
\$ 14,458,000 6.30% 09/01/35, 1st Mortgage	13,759,982
9,400 7.60% 04/01/32, 1st Mortgage	236,175
16,500 Entergy Mississippi, Inc., 7.25%, 1st Mortgage	407,344
Oncor Electric Delivery Company:	
\$ 2,000,000 7.00% 09/01/22	2,063,054
\$ 7,070,000 7.25% 01/15/33	7,527,804
137,900 PPL Capital Funding, Inc., 6.85% 07/01/47	3,302,705
\$ 8,268,000 PSEG Power LLC, 8.625% 04/15/31	10,182,381
Southern Union Company:	
\$ 5,300,000 7.60% 02/01/24, Senior Notes	5,599,328
\$ 6,047,000 8.25% 11/15/29, Senior Notes	6,734,181
50,000 Strats-Dominion-2005-6, Adjustable Rate Pfd., 06/15/35, Series D	1,125,000
\$ 6,020,000 Wisconsin Electric Power Company, 6.875% 12/01/95	6,351,630
	<u>75,225,430</u>
Energy — 1.7%	
\$ 10,350,000 KN Energy, Inc., 7.45% 03/01/98	8,970,490
296,911 Nexen, Inc., 7.35% Subordinated Notes	7,422,775 ⁽¹⁾
\$ 8,500,000 Noble Energy, Inc., 7.25% 08/01/97	8,733,648
	<u>25,126,913</u>
Real Estate Investment Trust (REIT) — 0.2%	
\$ 3,500,000 Realty Income Corporation, 5.875% 03/15/35	3,186,750
	<u>3,186,750</u>
Miscellaneous Industries — 0.6%	
\$ 390,000 BellSouth Telecommunication, 7.00% 12/01/95	391,953
30,000 CBS Corporation, 6.75% 03/27/56	720,375
Comcast Corp.:	
11,500 6.625%, 05/15/56	272,406
68,500 7.00% 09/15/55, Series B	1,686,813
20,000 Corp-Backed Trust Certificates, 7.00% 11/15/28, Series Sprint	483,000

PORTFOLIO OF INVESTMENTS (Continued)

August 31, 2007 (Unaudited)

<u>Shares/\$ Par</u>	<u>Value</u>
Corporate Debt Securities — (continued)	
Miscellaneous Industries — (continued)	
Pulte Homes, Inc.:	
58,240 7.375% 06/01/46	\$ 1,196,394
\$ 3,550,000 7.875% 06/15/32	3,218,102
	<u>7,969,043</u>
Total Corporate Debt Securities	
(Cost \$195,302,031)	<u>189,322,516</u>
Option Contracts — 0.0%	
2,930 December Put Options on December U.S.Treasury Bond Futures, Expiring 11/20/07	183,125†
7,370 October Put Options on December U.S. Treasury Bond Futures, Expiring 09/21/07	146,563†
Total Option Contracts	
(Cost \$1,250,022)	<u>329,688</u>

PORTFOLIO OF INVESTMENTS (Continued)

August 31, 2007 (Unaudited)

<u>Shares/\$ Par</u>	<u>Value</u>
Money Market Fund — 0.2%	
2,818,397 BlackRock Provident Institutional, TempFund	\$ 2,818,397
Total Money Market Fund (Cost \$2,818,397)	<u>2,818,397</u>
Securities Lending Collateral — 0.3%	
4,258,100 Institutional Money Market Trust	4,258,100
Total Securities Lending Collateral (Cost \$4,258,100)	<u>4,258,100</u>
Total Investments (Cost \$1,472,244,711***)	99.2% 1,419,853,242
Other Assets And Liabilities (Net)	<u>0.8% 11,129,048</u>
Total Net Assets Available to Common Stock and Preferred Stock	<u>100.0%‡ \$1,430,982,290</u>
Auction Market Preferred Stock (AMPS) Redemption Value	<u>(542,000,000)</u>
Total Net Assets Available To Common Stock	<u>\$ 888,982,290</u>

* Securities eligible for the Dividends Received Deduction and distributing Qualified Dividend Income.

** Securities distributing Qualified Dividend Income only.

*** Aggregate cost of securities held.

**** Securities exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be resold in transactions exempt from registration to qualified institutional buyers. These securities have been determined to be liquid under the guidelines established by the Board of Directors.

(1) Foreign Issuer.

(2) Security on loan.

† Non-income producing.

‡ The percentage shown for each investment category is the total value of that category as a percentage of net assets available to Common and Preferred Stock.

ABBREVIATIONS:

Pfd. — Preferred Securities

Pvt. — Private Placement Securities

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE TO COMMON STOCK⁽¹⁾
For the period from December 1, 2006 through August 31, 2007 (Unaudited)

	<u>Value</u>
OPERATIONS:	
Net investment income	\$ 72,075,553
Net realized gain/(loss) on investments sold during the period	(2,656,578)
Change in net unrealized appreciation/depreciation of investments held during the period	(109,438,218)
Distributions to AMPS* Shareholders from net investment income, including changes in accumulated undeclared distributions	<u>(21,311,517)</u>
Net decrease in net assets resulting from operations	(61,330,760)
DISTRIBUTIONS:	
Dividends paid from net investment income to Common Stock Shareholders ⁽²⁾ . . .	<u>(48,885,473)</u>
Total Distributions to Common Stock Shareholders	(48,885,473)
FUND SHARE TRANSACTIONS:	
Increase from shares issued under the Dividend Reinvestment and Cash Purchase Plan	<u>—</u>
Net increase in net assets available to Common Stock resulting from Fund share transactions.	<u>—</u>
NET DECREASE IN NET ASSETS AVAILABLE TO COMMON STOCK FOR THE PERIOD	<u><u>\$ (110,216,233)</u></u>
NET ASSETS AVAILABLE TO COMMON STOCK:	
Beginning of period	\$ 999,198,523
Net decrease in net assets during the period	<u>(110,216,233)</u>
End of period	<u><u>\$ 888,982,290</u></u>

* Auction Market Preferred Stock.

⁽¹⁾ These tables summarize the nine months ended August 31, 2007 and should be read in conjunction with the Fund's audited financial statements, including footnotes, in its Annual Report dated November 30, 2006.

⁽²⁾ May include income earned, but not paid out, in prior fiscal year.

FINANCIAL HIGHLIGHTS⁽¹⁾

For the period from December 1, 2006 through August 31, 2007 (Unaudited)

For a Common Stock share outstanding throughout the period.

PER SHARE OPERATING PERFORMANCE:

Net asset value, beginning of period \$ 23.45

INVESTMENT OPERATIONS:

Net investment income 1.69
 Net realized and unrealized gain/(loss) on investments (2.62)

DISTRIBUTIONS TO AMPS* SHAREHOLDERS:

From net investment income (0.50)
 From net realized capital gains —
 Total from investment operations (1.43)

DISTRIBUTIONS TO COMMON STOCK SHAREHOLDERS:

From net investment income (1.15)
 From net realized capital gains —
 Total distributions to Common Stock Shareholders (1.15)

Net asset value, end of period \$ 20.87

Market value, end of period \$ 18.59

Common Stock shares outstanding, end of period 42,601,719

RATIOS TO AVERAGE NET ASSETS AVAILABLE TO COMMON STOCK SHAREHOLDERS:

Net investment income† 7.03%**
 Operating expenses 1.17%**

SUPPLEMENTAL DATA:††

Portfolio turnover rate 50%***
 Total net assets available to Common and Preferred Stock, end of period (in 000's) . . . \$1,430,982
 Ratio of operating expenses to total average net assets available to
 Common and Preferred Stock 0.75%**

⁽¹⁾ These tables summarize the nine months ended August 31, 2007 and should be read in conjunction with the Fund's audited financial statements, including footnotes, in its Annual Report dated November 30, 2006.

* Auction Market Preferred Stock.

** Annualized.

*** Not annualized.

† The net investment income ratios reflect income net of operating expenses and payments to AMPS* Shareholders.

†† Information presented under heading Supplemental Data includes AMPS*.

FINANCIAL HIGHLIGHTS (Continued)
Per Share of Common Stock (Unaudited)

	<u>Total Dividends Paid</u>	<u>Net Asset Value</u>	<u>NYSE Closing Price</u>	<u>Dividend Reinvestment Price ⁽¹⁾</u>
December 31, 2006	\$0.1275	\$23.15	\$21.41	\$21.54
January 31, 2007	0.1275	23.13	21.75	21.87
February 28, 2007	0.1275	23.44	21.81	21.96
March 31, 2007	0.1275	22.95	22.30	22.43
April 30, 2007	0.1275	23.05	22.05	22.12
May 31, 2007	0.1275	22.60	21.38	21.56
June 30, 2007	0.1275	22.18	20.42	20.62
July 31, 2007	0.1275	21.26	19.18	19.15
August 31, 2007	0.1275	20.87	18.59	18.78

⁽¹⁾ Whenever the net asset value per share of the Fund's Common Stock is less than or equal to the market price per share on the reinvestment date, new shares issued will be valued at the higher of net asset value or 95% of the then current market price. Otherwise, the reinvestment shares of Common Stock will be purchased in the open market.

NOTES TO FINANCIAL STATEMENTS (Unaudited)

1. Aggregate Information for Federal Income Tax Purposes

At August 31, 2007 the aggregate cost of securities for federal income tax purposes was \$1,482,967,471, the aggregate gross unrealized appreciation for all securities in which there is an excess of value over tax cost was \$5,659,543, and the aggregate gross unrealized depreciation for all securities in which there is an excess of tax cost over value was \$68,773,772.

[This page intentionally left blank]

[This page intentionally left blank]

[This page intentionally left blank]

Directors

Donald F. Crumrine, CFA
Chairman of the Board
David Gale
Morgan Gust
Karen H. Hogan
Robert F. Wulf, CFA

Officers

Donald F. Crumrine, CFA
Chief Executive Officer
Robert M. Ettinger, CFA
President
R. Eric Chadwick, CFA
Chief Financial Officer,
Vice President and Treasurer
Chad C. Conwell
Chief Compliance Officer,
Vice President and Secretary
Bradford S. Stone
Vice President and
Assistant Treasurer
Nicholas Dalmaso
Vice President and Assistant Secretary
Laurie C. Lodolo
Assistant Compliance Officer,
Assistant Treasurer and
Assistant Secretary

Investment Adviser

Flaherty & Crumrine Incorporated
e-mail: flaherty@pfdincome.com

Servicing Agent

Claymore Securities, Inc.
1-866-233-4001

Questions concerning your shares of Flaherty & Crumrine/Claymore Preferred Securities Income Fund?

- If your shares are held in a Brokerage Account, contact your Broker.
- If you have physical possession of your shares in certificate form, contact the Fund's Transfer Agent —

PFPC Inc. 1-800-331-1710

This report is sent to shareholders of Flaherty & Crumrine/Claymore Preferred Securities Income Fund Incorporated for their information. It is not a Prospectus, circular or representation intended for use in the purchase or sale of shares of the Fund or of any securities mentioned in this report.



Quarterly Report

August 31, 2007

www.fcclaymore.com