

FLAHERTY & CRUMRINE/CLAYMORE PREFERRED SECURITIES INCOME FUND

To the Shareholders of Flaherty & Crumrine/Claymore Preferred Securities Income Fund:

Stating the obvious, we are facing extraordinary and unprecedented times in the financial markets. The events that ultimately culminated in the government's massive financial rescue plan have impacted the market for preferred securities particularly hard. As a result, for the quarter ended August 31, 2008, the Fund's common shareholders experienced a total return on net asset value of -13.7%, subsequent to the quarter-end and through the date of this letter, the net asset value has continued to decline significantly.

Prices on long-term US Treasury bonds rose during the quarter, as investors sought the safety of government bonds despite historically low yields. On the flip side, there were few buyers and abundant sellers of most preferred securities and corporate bonds. A downward cycle for prices ensued, as selling pressure pushed prices lower which in turn led to more selling pressure.

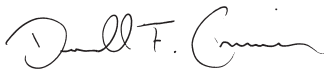
This pattern of selling begetting selling is an effect of severe bear market psychology. In addition, investors and lenders, seeking the safety and security of cash, withhold capital from borrowers. Since the free flow of capital is essential to our economy, and economic growth is a key factor in security valuation, concerns about price declines become self-fulfilling. The bears clearly were in control both during and subsequent to the quarter.

The root cause of the current financial problems remains unresolved—residential real estate markets have yet to stabilize. The speculative component of residential housing has resulted in “bubble and crash” cycles in the past, but the current adjustment is unlike any we can recall. Far too many people wanted to buy homes under the “greater fool” plan and lenders were far too willing to help. The real estate market will eventually return to equilibrium and the dramatic measures taken by the government will help calm the markets. In the meantime we must deal with circumstances at hand.

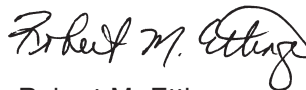
Since the end of our fiscal quarter events have transpired at a breathtaking pace – particularly relating to the Fund's use of leverage and its dividend. Our website allows for much more frequent communication than our quarterly letters. We have posted updates throughout this financial crisis and we encourage you to continue visiting us at www.fcclaymore.com.

In addition to managing your Fund, we are also shareholders. We understand your concerns about recent events and we are doing our best to respond to them. Nonetheless, our goals remain constant – conduct exhaustive research and construct an investment portfolio that is designed to deliver high current income consistent with the objectives and guidelines of the Fund.

Sincerely,



Donald F. Crumrine
Chairman of the Board



Robert M. Ettinger
President

October 16, 2008

PORTFOLIO OVERVIEW

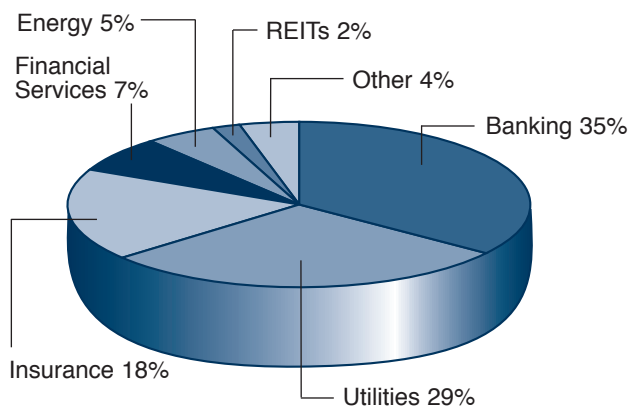
August 31, 2008 (Unaudited)

Fund Statistics on 8/31/08

Net Asset Value	\$	14.18
Market Price	\$	13.42
Discount		5.36%
Yield on Market Price		12.61%
Common Stock Shares Outstanding		42,601,719

Industry Categories

% of Portfolio



Moody's Ratings % of Portfolio

AAA	0.3%
AA	7.3%
A	20.9%
BBB	50.7%
BB	15.2%
Below "BB"	0.4%
Not Rated	3.0%
Below Investment Grade*	12.9%

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

Top 10 Holdings by Issuer

% of Portfolio

Midamerican Energy	5.7%
Banco Santander	5.1%
Liberty Mutual Group	4.3%
Wachovia Corp	3.6%
Dominion Resources	3.2%
Sovereign Bancorp	2.6%
AON Corp	2.6%
Axis Capital	2.5%
Capital One Financial	2.4%
Puget Energy	2.3%

% of Portfolio**

Holdings Generating Qualified Dividend Income (QDI) for Individuals	30%
Holdings Generating Income Eligible for the Corporate Dividend Received Deduction (DRD)	20%

** 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, 2008 (Unaudited)**

<u>Shares/\$ Par</u>		<u>Value</u>
Preferred Securities — 91.0%		
Banking — 34.7%		
\$ 19,000,000	Astoria Capital Trust I, 9.75% 11/01/29, Series B	\$ 19,127,300 ⁽¹⁾
	Banco Santander:	
1,644,000	6.50% Pfd.	32,931,457 ^{** (1) (2)}
1,044,500	6.80% Pfd.	22,391,469 ^{** (1) (2)}
\$ 35,000,000	Capital One Capital III, 7.686% 08/15/36	25,984,000 ⁽¹⁾
\$ 35,100,000	CBG Florida REIT Corporation, 7.114%, 144A****	10,979,280
	Citigroup, Inc.:	
820,950	8.125% Pfd., Series AA	16,162,453 ^{* (1)}
387,500	8.50% Pfd., Series F	8,339,000 ^{* (1)}
112,000	Citizens Funding Trust I, 7.50% Pfd. 09/15/66	1,407,000 ⁽¹⁾
105,000	Cobank, ACB, 7.00% Pfd., 144A****	3,450,300 ^{* (1)}
13,600	Colonial Capital Trust IV, 7.875% Pfd. 10/01/33	222,360
\$ 27,416,000	Comerica Capital Trust II, 6.576% 02/20/37	15,605,187 ⁽¹⁾
28,800	FBOP Corporation, Adj. Rate Pfd., 144A****	15,840,000*
\$ 2,635,000	First Midwest Capital Trust I, 6.95% 12/01/33, Series B	2,127,762 ⁽¹⁾
\$ 1,950,000	First Tennessee Capital I, 8.07% 01/06/27, Series A	1,246,050 ⁽¹⁾
6	FT Real Estate Securities Company, 9.50% Pfd., 144A****	5,543,348
\$ 38,000,000	HBOS PLC, 6.657%, 144A****	23,890,600 ^{** (1) (2)}
6,600	HSBC Series II, Variable Inverse Pfd., Pvt.	0*†
600,000	HSBC USA, Inc., 6.50% Pfd., Series H	13,561,500 ^{* (1)}
\$ 18,290,000	JPMorgan Chase & Co., 7.90%, Series I	16,667,677 ^{* (1)}
23,800	Keycorp Capital V, 5.875% Pfd., Series A	327,309 ⁽¹⁾
617,000	Keycorp Capital IX, 6.75% Pfd. 12/15/66	9,293,563 ⁽¹⁾
10,600	Keycorp Capital X, 8.00% Pfd.	181,790 ⁽¹⁾
79,565	National City Capital Trust II, 6.625% Pfd. 11/15/36	1,016,944 ⁽¹⁾
164,520	National City Corporation, 9.875% Pfd.	3,237,754 ^{* (1)}
\$ 14,150,000	National City Preferred Capital Trust I, 12.00%	8,797,055 ⁽¹⁾
295,000	PFGI Capital Corporation, 7.75% Pfd.	4,652,150 ⁽¹⁾
\$ 17,125,000	PNC Preferred Funding Trust III, 8.70%, 144A****	16,419,450 ⁽¹⁾
\$ 5,000,000	Regions Financing Trust II, 6.625% 05/15/47	2,644,000 ⁽¹⁾
1,210,325	Sovereign Bancorp, 7.30% Pfd., Series C	19,403,083 ^{* (1)}
248,100	Sovereign Capital Trust V, 7.75% Pfd. 05/22/36	4,538,369
4,962	Sovereign REIT, 12.00% Pfd., Series A, 144A****	4,733,053
	U.S. Bancorp, Auction Pass-Through Trust, Cl. B:	
65	Series 2006-5, Variable Rate Pfd., 144A****	1,626*†
65	Series 2006-6, Variable Rate Pfd., 144A****	1,626*†
60	Union Planters Preferred Funding, 7.75% Pfd., Series 144A****	5,320,153

PORTFOLIO OF INVESTMENTS (Continued)

August 31, 2008 (Unaudited)

<u>Shares/\$ Par</u>	<u>Value</u>
Preferred Securities — (Continued)	
Banking — (Continued)	
Wachovia Corporation:	
\$ 6,400,000 7.98%	\$ 4,885,120 ^{*(1)}
258,300 8.00% Pfd., Series J	4,814,712 ^{*(1)}
1,753,100 Wachovia Preferred Funding, 7.25% Pfd., Series A	29,719,428 ⁽¹⁾
Washington Mutual:	
\$ 2,100,000 Preferred Funding IV, 9.75%, 144A****	941,640
\$ 10,050,000 Preferred Funding, 6.534%, 144A****	2,593,905
\$ 11,067,000 Webster Capital Trust IV, 7.65% 06/15/37	7,141,535 ⁽¹⁾
\$ 7,500,000 Wells Fargo Capital XIII, 7.70%	7,191,750 ⁽¹⁾
212,000 Wells Fargo Capital XIV, 8.625% Pfd. 09/14/68	5,465,360 ⁽¹⁾
	<u>378,798,118</u>
Financial Services — 7.0%	
CIT Group, Inc.:	
30,000 5.189% Pfd., Series B	1,382,400 ^{*(1)}
\$ 13,000,000 6.10% 03/15/67	5,289,700 ⁽¹⁾
413,712 6.35% Pfd., Series A	5,809,551 ^{*(1)}
\$ 1,380,000 Countrywide Capital III, 8.05% 06/15/27, Series B	1,177,278
669,995 Countrywide Capital IV, 6.75% Pfd.	10,091,800 ⁽¹⁾
46,305 Countrywide Capital V, 7.00% Pfd. 11/01/36	688,787
30,000 First Republic Bank, 7.25% Pfd.	601,875 ⁽¹⁾
7,850 First Republic Preferred Capital Corporation, 10.50% Pfd., 144A****	8,299,177 ⁽¹⁾
Goldman Sachs:	
40,000 Adj. Rate Pfd., Series D	622,500 ^{*(1)}
157,450 Cabco Trust Capital I, Adj. Rate Pfd. 02/15/34	2,210,992 ⁽¹⁾
3,600 STRIPES Custodial Receipts, Pvt.	36*†
\$ 7,000,000 Gulf Stream-Compass 2005 Composite Notes, 144A****	5,140,520
Lehman Brothers Holdings, Inc.:	
34,000 5.67% Pfd., Series D	933,640 ^{*(1)}
471,500 7.95% Pfd.	7,336,540 ^{*(1)}
25,000 Lehman Capital Trust III, 6.375% Pfd., Series K	396,095
Merrill Lynch:	
400,000 6.25% Pfd.	7,124,000 ^{*(1)}
87,400 8.625% Pfd., Series 8	1,865,116 ^{*(1)}
143,920 Adj. Rate Pfd., Series G	1,566,209 ^{*(1)}
172,000 Adj. Rate Pfd., Series 5	2,031,750 ^{*(1)}
76,000 Fixed Income Pass-Through 2007-A, Cl. B, Adj. Rate Pfd., 144A****	760*†
4,000 Series II STRIPES Custodial Receipts, Pvt.	40*†

PORTFOLIO OF INVESTMENTS (Continued)**August 31, 2008 (Unaudited)**

<u>Shares/\$ Par</u>		<u>Value</u>
Preferred Securities — (Continued)		
Financial Services — (Continued)		
36,800	Morgan Stanley Capital Trust III, 6.25% Pfd.	\$ 704,812 ⁽¹⁾
\$ 10,000,000	RACERS ^(R) Series 2005 AMMC V Trust, 144A****	6,132,259
	SLM Corporation:	
160,000	6.97% Pfd., Series A	5,073,600 ^{*(1)}
48,500	Adj. Rate Pfd., Series B	1,958,187 ^{*(1)}
		<u>76,437,624</u>
Insurance — 15.9%		
\$ 7,000,000	AMBAC Financial Group, Inc., 6.15% 02/15/37	2,473,100
	AON:	
\$ 25,650,000	Capital Trust A, 8.205% 01/01/27	24,019,506 ⁽¹⁾
101,900	Corts-Capital, 8.205% Pfd.	2,299,119 ⁽¹⁾
94,900	Saturns-2003-3, 8.00% Pfd., Series AON Corp.	2,164,906 ⁽¹⁾
	Arch Capital Group Ltd.:	
167,650	7.875% Pfd., Series B	3,882,154 ^{** (1)(2)}
94,321	8.00% Pfd., Series A	2,163,488 ^{** (1)(2)}
	Axis Capital Holdings:	
247,500	7.25% Pfd., Series A	5,460,469 ^{** (1)(2)}
281,505	7.50% Pfd., Series B	22,022,136 ⁽¹⁾⁽²⁾
52,400	Berkley W.R. Capital Trust II, 6.75% Pfd. 07/26/45	988,395 ⁽¹⁾
558,000	Delphi Financial Group, 7.376% Pfd. 05/15/37	9,782,465 ⁽¹⁾
\$ 18,041,000	Everest Re Holdings, 6.60% 05/15/37	11,943,142 ⁽¹⁾
\$ 6,650,000	Great West Life & Annuity Insurance, 7.153% 05/16/46, 144A****	5,520,830
	Liberty Mutual Group:	
\$ 26,200,000	7.80% 03/15/37, 144A****	19,558,300 ⁽¹⁾
\$ 7,600,000	10.75% 06/15/58, 144A****	6,925,120
\$ 4,000,000	MetLife Capital Trust X, 9.25% 04/08/38, 144A****	4,059,600 ⁽¹⁾
55,750	MetLife, Inc., 6.50% Pfd., Series B	1,170,889 ^{*(1)}
\$ 5,000,000	PartnerRe Finance II, 6.44% 12/01/66	3,861,000 ⁽¹⁾⁽²⁾
37,000	Provident Financing Trust I, Corts-Unum, 8.50% Pfd.	866,033 ⁽¹⁾
	Renaissancere Holdings Ltd.:	
120,300	6.08% Pfd., Series C	2,117,280 ^{** (1)(2)}
347,100	6.60% Pfd., Series D	6,803,160 ^{** (1)(2)}
89,735	7.30% Pfd., Series B	1,892,852 ^{** (1)(2)}
407,200	Scottish Re Group Ltd., 7.25% Pfd.	865,300 ^{** (2) †}
\$ 7,425,000	USF&G Capital, 8.312% 07/01/46, 144A****	7,986,738 ⁽¹⁾
\$ 13,000,000	USF&G Capital I, 8.50% 12/15/45, 144A****	14,193,530 ⁽¹⁾

PORTFOLIO OF INVESTMENTS (Continued)

August 31, 2008 (Unaudited)

<u>Shares/\$ Par</u>	<u>Value</u>
Preferred Securities — (Continued)	
Insurance — (Continued)	
\$ 10,000,000 XL Capital Ltd., Mangrove Bay Passthru Trust, 6.102% 07/15/33, 144A****	\$ 5,101,730 ⁽²⁾
\$ 6,400,000 ZFS Finance USA Trust V, 6.50% 05/09/37, 144A****	5,522,144 ⁽¹⁾
	<u>173,643,386</u>
Utilities — 27.1%	
Baltimore Gas & Electric Company:	
10,000 6.70% Pfd., Series 1993	986,700* ⁽¹⁾
50,000 7.125% Pfd., Series 1993	5,101,000* ⁽¹⁾
1,384,179 Calenergy Capital Trust III, 6.50% Pfd. 09/01/27	62,066,586 ⁽¹⁾
35,000 Central Maine Power, 5.25% Pfd., Pvt.	3,161,200*
\$ 17,645,000 COMED Financing III, 6.35% 03/15/33	14,343,620
800,000 Constellation Energy Group, Inc., 8.625% Pfd. 06/15/63, Series A	20,064,000 ⁽¹⁾
\$ 25,175,000 Dominion Resources Capital Trust I, 7.83% 12/01/27	25,212,536 ⁽¹⁾
\$ 11,000,000 Dominion Resources, Inc., 7.50%	9,980,300 ⁽¹⁾
625,000 Entergy Arkansas, Inc., 6.45% Pfd.	15,437,500*
85,000 Entergy Louisiana, Inc., 6.95% Pfd.	8,467,700*
129,300 FPC Capital I, 7.10% Pfd., Series A	3,030,469 ⁽¹⁾
FPL Group Capital, Inc.:	
\$ 3,400,000 6.35% 10/01/66	2,883,584 ⁽¹⁾
\$ 3,500,000 6.65% 06/15/67	2,999,955 ⁽¹⁾
\$ 2,350,000 7.30% 09/01/67, Series D	2,162,860 ⁽¹⁾
11,640 Georgia Power Company, 6.50% Pfd., Series 07-A	1,153,990* ⁽¹⁾
119,805 Indianapolis Power & Light Company, 5.65% Pfd.	10,358,340*
Interstate Power & Light Company:	
110,000 7.10% Pfd., Series C	2,746,700* ⁽¹⁾
9,500 8.375% Pfd., Series B	256,880* ⁽¹⁾
4,510 Pacific Enterprises, \$4.50 Pfd.	356,425* ⁽¹⁾
\$ 2,386,000 PECO Energy Capital Trust III, 7.38% 04/06/28, Series D	2,357,607 ⁽¹⁾
\$ 27,000,000 PECO Energy Capital Trust IV, 5.75% 06/15/33	21,853,800 ⁽¹⁾
\$ 30,500,000 Puget Sound Energy, Inc., 6.974% 06/01/67	25,574,250
61,670 San Diego Gas & Electric Company, \$1.70 Pfd.	1,526,332* ⁽¹⁾
Southern California Edison:	
90,000 6.00% Pfd., Series C	8,244,000* ⁽¹⁾
27,718 6.125% Pfd.	2,604,938* ⁽¹⁾
Southern Union Company:	
\$ 12,950,000 7.20% 11/01/66	10,343,165
64,600 7.55% Pfd.	1,641,247* ⁽¹⁾
\$ 4,200,000 Union Electric Company, 7.69% 12/15/36, Series A	4,067,700
35,000 Virginia Electric & Power Company, \$6.98 Pfd.	3,468,500* ⁽¹⁾

PORTFOLIO OF INVESTMENTS (Continued)**August 31, 2008 (Unaudited)**

<u>Shares/\$ Par</u>		<u>Value</u>
Preferred Securities — (Continued)		
Utilities — (Continued)		
\$ 27,125,000	Wisconsin Energy Corporation, 6.25% 05/15/67	\$ 22,487,439 ⁽¹⁾
10,210	Xcel Energy, Inc., 4.11% Pfd., Series D	807,713* ⁽¹⁾
		<u>295,747,036</u>
Energy — 3.7%		
\$ 24,360,000	Enbridge Energy Partners LP, 8.05% 10/01/37	21,713,505
\$ 22,000,000	Enterprise Products Partners, 7.034% 01/15/68	19,111,466
		<u>40,824,971</u>
Real Estate Investment Trust (REIT) — 1.5%		
330,400	Duke Realty Corporation, 8.375% Pfd., Series O	7,810,656 ⁽¹⁾
	PS Business Parks, Inc.:	
75,500	6.70% Pfd., Series P	1,406,188
5,200	6.875% Pfd., Series I	98,800 ⁽¹⁾
6,100	7.00% Pfd., Series H	119,331 ⁽¹⁾
56,200	7.20% Pfd., Series M	1,129,272 ⁽¹⁾
17,500	7.375% Pfd., Series O	352,188 ⁽¹⁾
178,000	7.60% Pfd., Series L	3,660,125 ⁽¹⁾
	Public Storage, Inc.:	
82,000	6.75% Pfd., Series E	1,719,442 ⁽¹⁾
30,000	6.85% Pfd., Series Y	630,600
		<u>16,926,602</u>
Miscellaneous Industries — 1.1%		
2,245	Centaur Funding Corporation, 9.08% Pfd. 04/21/20, 144A****	2,175,360
112,750	Ocean Spray Cranberries, Inc., 6.25% Pfd., 144A****	10,177,942*
		<u>12,353,302</u>
Total Preferred Securities		
(Cost \$1,272,324,789)		<u>994,731,039</u>
Corporate Debt Securities — 6.6%		
Banking — 0.0%		
13,300	Colonial Bancgroup, Inc., 8.875% Pfd. 03/15/38	243,656
		<u>243,656</u>
Financial Services — 0.6%		
200,000	Ford Motor Credit Company, 7.375% 10/15/31	2,737,500 ⁽¹⁾
\$ 4,726,012	Lehman Brothers, Guaranteed Note, Variable Rate, 12/16/16, 144A****	3,575,228
		<u>6,312,728</u>

PORTFOLIO OF INVESTMENTS (Continued)

August 31, 2008 (Unaudited)

<u>Shares/\$ Par</u>	<u>Value</u>
Corporate Debt Securities — (Continued)	
Insurance — 2.0%	
\$ 26,546,000 Liberty Mutual Insurance, 7.697% 10/15/97, 144A****	\$ 20,907,630 ⁽¹⁾
\$ 1,000,000 UnumProvident Corporation, 7.25% 03/15/28, Senior Notes	901,900 ⁽¹⁾
	<u>21,809,530</u>
Utilities — 2.0%	
\$ 5,000,000 Entergy Gulf States, Inc., 6.20% 07/01/33, 1st Mortgage	4,523,175 ⁽¹⁾
\$ 7,070,000 Oncor Electric Delivery Company, 7.25% 01/15/33	7,074,723 ⁽¹⁾
Southern Union Company:	
\$ 5,300,000 7.60% 02/01/24, Senior Notes	4,896,797 ⁽¹⁾
\$ 6,047,000 8.25% 11/15/29, Senior Notes	5,760,330 ⁽¹⁾
	<u>22,255,025</u>
Energy — 1.4%	
296,911 Nexen, Inc., 7.35% Subordinated Notes	7,005,259 ⁽¹⁾⁽²⁾
\$ 8,500,000 Noble Energy, Inc., 7.25% 08/01/97	7,987,425 ⁽¹⁾
	<u>14,992,684</u>
Real Estate Investment Trust (REIT) — 0.2%	
\$ 3,500,000 Realty Income Corporation, 5.875% 03/15/35	2,751,158 ⁽¹⁾
	<u>2,751,158</u>
Miscellaneous Industries — 0.4%	
16,500 Corp-Backed Trust Certificates, 7.00% 11/15/28, Series Sprint	277,365 ⁽¹⁾
Pulte Homes, Inc.:	
58,240 7.375% 06/01/46	1,112,023
\$ 3,550,000 7.875% 06/15/32	3,046,610
	<u>4,435,998</u>
Total Corporate Debt Securities	
(Cost \$86,453,938)	<u>72,800,779</u>
Option Contracts — 0.2%	
1,185 December Put Options on December U.S. Treasury Bond Futures, Expiring 11/21/08	1,851,563†
Total Option Contracts	
(Cost \$2,069,946)	<u>1,851,563</u>

PORTFOLIO OF INVESTMENTS (Continued)**August 31, 2008 (Unaudited)**

<u>Shares/\$ Par</u>	<u>Value</u>
Money Market Fund — 1.3%	
14,401,762 BlackRock Provident Institutional, TempFund	\$ 14,401,762
Total Money Market Fund	
(Cost \$14,401,762)	<u>14,401,762</u>
Total Investments (Cost \$1,375,250,435***)	99.1% 1,083,785,143
Other Assets And Liabilities (Net)	<u>0.9%</u> <u>9,343,900</u>
Total Net Investments	<u>100.0%†</u> <u>\$1,093,129,043</u>
Loan Principal Balance	(324,000,000)
Auction Market Preferred Stock (AMPS) Redemption Value	<u>(165,000,000)</u>
Total Net Assets Available To Common Stock	<u>\$ 604,129,043</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) All or a portion of this security is pledged as collateral for the Fund's loan. The total value of such securities was \$747,688,645 at August 31, 2008.

(2) Foreign Issuer.

† Non-income producing.

‡ The percentage shown for each investment category is the total value of that category as a percentage of total net investments.

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, 2007 through August 31, 2008 (Unaudited)

	<u>Value</u>
OPERATIONS:	
Net investment income	\$ 66,768,207
Net realized gain/(loss) on investments sold during the period.	(37,179,067)
Change in net unrealized appreciation/depreciation of investments	(179,579,690)
Distributions to AMPS* Shareholders from net investment income, including changes in accumulated undeclared distributions	<u>(15,530,681)</u>
Net decrease in net assets resulting from operations	(165,521,231)
DISTRIBUTIONS:	
Dividends paid from net investment income to Common Stock Shareholders ⁽²⁾	<u>(51,526,779)</u>
Total Distributions to Common Stock Shareholders	(51,526,779)
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.	—
NET DECREASE IN NET ASSETS AVAILABLE TO COMMON STOCK FOR THE PERIOD	<u><u>\$(217,048,010)</u></u>

NET ASSETS AVAILABLE TO COMMON STOCK:	
Beginning of period.	\$ 821,177,053
Net decrease in net assets during the period	<u>(217,048,010)</u>
End of period	<u><u>\$ 604,129,043</u></u>

* Auction Market Preferred Stock.

⁽¹⁾ These tables summarize the nine months ended August 31, 2008 and should be read in conjunction with the Fund's audited financial statements, including footnotes, in its Annual Report dated November 30, 2007.

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

FINANCIAL HIGHLIGHTS⁽¹⁾

**For the period from December 1, 2007 through August 31, 2008 (Unaudited)
For a Common Stock share outstanding throughout the period.**

PER SHARE OPERATING PERFORMANCE:

Net asset value, beginning of period \$ 19.28

INVESTMENT OPERATIONS:

Net investment income 1.57
Net realized and unrealized gain/(loss) on investments (5.10)

DISTRIBUTIONS TO AMPS* SHAREHOLDERS:

From net investment income (0.36)
Total from investment operations (3.89)

DISTRIBUTIONS TO COMMON STOCK SHAREHOLDERS:

From net investment income (1.21)
Total distributions to Common Stock Shareholders (1.21)
Net asset value, end of period \$ 14.18
Market value, end of period \$ 13.42
Common Stock shares outstanding, end of period 42,601,719

RATIOS TO AVERAGE NET ASSETS AVAILABLE TO COMMON STOCK SHAREHOLDERS:

Net investment income† 9.44%**
Operating expenses⁽²⁾ 2.03%**

SUPPLEMENTAL DATA:††

Portfolio turnover rate 37%***
Total net investments, end of period (in 000's) \$ 1,093,129
Ratio of operating expenses⁽²⁾ to total net investments 1.17%**

⁽¹⁾ These tables summarize the nine months ended August 31, 2008 and should be read in conjunction with the Fund's audited financial statements, including footnotes, in its Annual Report dated November 30, 2007.

⁽²⁾ Includes interest expense.

* Auction Market Preferred Stock.

** Annualized.

*** Not annualized.

† The net investment income ratios reflect income net of operating expenses, including interest expense, and payments to AMPS Shareholders.

†† Information presented under heading Supplemental Data includes AMPS and loan principal balance.

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, 2007	\$0.1325	\$18.51	\$16.16	\$16.48
January 31, 2008	0.1325	19.09	17.84	17.93
February 29, 2008	0.1325	18.62	16.42	16.61
March 31, 2008	0.1325	16.88	14.84	15.22
April 30, 2008	0.1325	17.27	15.32	15.76
May 31, 2008	0.1325	16.91	15.93	15.81
June 30, 2008	0.1325	15.67	13.94	13.95
July 31, 2008	0.1410	14.44	12.95	13.16
August 31, 2008	0.1410	14.18	13.42	13.73

⁽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, 2008 the aggregate cost of securities for federal income tax purposes was \$1,376,915,969, the aggregate gross unrealized appreciation for all securities in which there is an excess of value over tax cost was \$6,071,170 and the aggregate gross unrealized depreciation for all securities in which there is an excess of tax cost over value was \$299,201,996.

2. Additional Accounting Standards

Statement of Financial Accounting Standards No. 157 “Fair Value Measurements” (“SFAS 157”)

In September 2006, the Financial Accounting Standards Board issued SFAS 157 effective for fiscal years beginning after November 15, 2007. This standard clarifies the definition of fair value for financial reporting, establishes a framework for measuring fair value and requires additional disclosures about the use of fair value measurements. The Fund has adopted SFAS 157 as of December 1, 2007. The three levels of the fair value hierarchy under SFAS 157 are described below:

- Level 1 – quoted prices in active markets for identical securities
- Level 2 – other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risk, etc.)
- Level 3 – significant unobservable inputs (including the Fund’s own assumptions in determining the fair value of investments)

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. A summary of the inputs used to value the Fund’s net assets as of August 31, 2008 is as follows:

Valuation Inputs	Investments in Securities (Market Value)	Other Financial Instruments (Unrealized Appreciation/ Depreciation)*
Level 1 – Quoted Prices – Investments	\$ 303,982,028	\$ —
Level 2 – Other Significant Observable Inputs	764,955,107	—
Level 3 – Significant Unobservable Inputs	14,848,008	—
Total	\$1,083,785,143	\$ —

* Other financial instruments are derivative instruments not reflected in the Schedule of Investments, such as futures, forwards and swaps which are valued at the unrealized appreciation/depreciation on the investment. As of August 31, 2008 the Fund does not have any other financial instruments.

NOTES TO FINANCIAL STATEMENTS (Unaudited) (Continued)

Following is a reconciliation of Level 3 investments for which significant unobservable inputs were used to determine fair value:

	Investments in Securities (Market Value)	Other Financial Instruments (Unrealized Appreciation/ Depreciation)
Balance as of 11/30/07	\$18,329,730	\$ —
Accrued discounts/premiums	128,859	—
Realized gain/(loss)	—	—
Change in unrealized appreciation/(depreciation)	(3,610,581)	—
Net purchases/(sales)	—	—
Transfers in and/or out of Level 3	—	—
Balance as of 8/31/08	\$14,848,008	\$ —

3. Subsequent Events

On September 15, 2008, Lehman Brothers Holdings Inc. filed for bankruptcy. On September 26, 2008, Washington Mutual Inc. filed for bankruptcy. As a result, the Fund may not be able to recover the principal invested in securities issued by these entities, and also does not expect to receive income payments on these securities going forward. The value of securities issued by these entities, which were held by the Fund, has been adversely impacted and may decline further. The decline since August 31, 2008 is not reflected in this report.

Subsequent to the reporting period, the market values of certain investments of the Fund have declined significantly and may decline further as a result of the ongoing financial crisis. The market value of the Fund’s investments is reflected in the weekly net asset values reported by the Fund.

The Funds are subject to several different asset coverage requirements that arise from the use of leverage by the Fund. The decline in asset values has resulted in the Fund not meeting these asset coverage requirements at various points in time since the end of the fiscal quarter. According to these requirements, the Fund may not declare, set aside, or pay a common stock dividend unless the asset coverage requirements are met. The Fund has delayed the payment of the September common stock dividend as a result. To meet the requirements and pay the delayed dividend and future dividends, the Fund has been selling assets to raise cash, and has applied much of the proceeds to the reduction of leverage or invested in higher quality short-term securities in anticipation of future reductions in leverage. As of October 16, 2008, the outstanding leverage balance consisted of \$139.275 million in auction market preferred stock and \$226 million in borrowings under the committed financing agreement, a reduction in total leverage balance of \$123.725 million since the end of the 3rd fiscal quarter and a reduction of \$176.725 million since the end of the 2nd fiscal quarter. On October 14, 2008,

NOTES TO FINANCIAL STATEMENTS (Unaudited) (Continued)

the Fund announced the redemption of \$42.05 million of auction market preferred stock to be redeemed on November 3, 2008. The Fund may be adversely impacted by the reduction in leverage. Updated information on the status of these requirements may be found on the Fund website at www.fcclaymore.com.

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
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 —

PNC Global Investment Servicing
(U.S.) 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.



Flaherty & Crumrine/Claymore
PREFERRED SECURITIES
INCOME FUND

Quarterly Report

August 31, 2008

www.fcclaymore.com