

**FLAHERTY & CRUMRINE/CLAYMORE TOTAL RETURN FUND INCORPORATED**  
**DIVIDEND REINVESTMENT AND CASH PURCHASE PLAN**

**(Shareholders of Record)**

**Plan Agent:**

PFPC Inc.  
P.O. Box 43027  
Providence, RI 02940-3027  
1-(800) 331-1710

## **FLAHERTY & CRUMRINE/CLAYMORE TOTAL RETURN FUND INCORPORATED DIVIDEND REINVESTMENT AND CASH PURCHASE PLAN**

The following are some of the most frequently asked questions concerning the Flaherty & Crumrine/Claymore Total Return Fund Incorporated (the "Fund") Dividend Reinvestment and Cash Purchase Plan (the "Plan"). The Plan is described on page 67 of the Fund's prospectus dated August 26, 2003. Further questions and correspondence may be directed to the Plan Agent, PFPC Inc. ("PFPC") at [1-\(800\) 331-1710](tel:1-800-331-1710).

If you own shares that are held in the name of a brokerage firm, bank or other nominee, you should contact your nominee directly.

### **1. What is the purpose of the Plan?**

The purpose of the Plan is to provide owners of the Fund's common stock ("shareholders") with a simple and convenient method of investing cash dividends and other distributions in additional shares of common stock of the Fund. Participants in the Plan may have cash distributions, including dividends and capital gains, automatically reinvested without charges for record-keeping, and may take advantage of the custodial and reporting services provided by PFPC at no additional cost.

Plan participants also have the option of making additional investments in shares of the common stock of the Fund through the Plan Agent. You may invest any amount from \$100 to \$3,000 semi-annually. See Question 8 below.

### **2. What does the Plan Agent do?**

PFPC administers the Plan for participants, keeps records, sends a monthly statement of accounts to participants when a dividend is paid and performs other duties relating to the Plan. PFPC has been authorized by the Fund to accept telephone instructions from shareholders to perform certain functions, which are described in some of the following questions and answers.

### **3. How does a shareholder enroll?**

Shareholders of record (i.e., if the shares you own are registered in your own name on the books of PFPC) are automatically participants in the Plan unless they elect to receive distributions in cash.

PFPC will automatically reinvest for participants all dividends and other distributions that may be declared and paid on their shares.

### **4. What if a shareholder would rather receive future dividends and other distributions in cash?**

If you would rather receive future dividends and other distributions in cash, you may write a letter to PFPC, or call PFPC directly, at [1-\(800\) 331-1710](tel:1-800-331-1710), to communicate that you would like to terminate your participation in the Plan. A termination will be effective immediately if notice is received by PFPC not less than 10 days before any dividend or other distribution record date. Otherwise, the termination will be effective only with respect to any subsequent dividends or other distributions on the first day after the dividend or other distribution has been credited to your account in additional shares of the Fund. If you have already received one or more dividends or other distributions in shares and you would like to receive future dividends and other distributions in cash, you may use the form included at the end of this brochure entitled "ENROLLMENT STATUS CARD." In addition, you may use the form on the back of your monthly Plan account statement for this purpose. Any communication by you expressing a preference for cash in lieu of shares must be received by PFPC ten days prior to the record date of the next dividend or other distribution. See Question 12 if you wish to sell shares or have certificates issued for shares held by the Plan.

### **5. How does the Plan work?**

When the Board of Directors of the Fund declares a dividend or other distribution payable either in cash or shares, all non-participants in the Plan will receive the dividend or other distribution in cash. Participants in the Plan will have credited to their Plan account a number of full and fractional shares (computed to three decimal places) equivalent to the cash that would have been paid to them if they were not participants.

### **6. How will shares be acquired and allocated to participants' accounts under the Plan?**

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 payment date, participants in the Plan will be issued new shares at the higher of the net asset value or 95% of the then current market price. Otherwise, PFPC will buy shares of the Fund's common stock in the open market, on

the New York Stock Exchange (“NYSE”) or elsewhere, beginning on the payment date of the dividend or other distribution, until it has expended for such purchases all of the cash that would otherwise be payable to the participants. The number of purchased shares that will then be credited to the participants’ Plan accounts will be based on the average per share purchase price of the shares so purchased, including brokerage commissions. If PFPC commences purchases in the open market and the market price of the shares (plus any estimated brokerage commissions) subsequently exceeds their net asset value most recently determined before the completion of the purchases, however, PFPC will endeavor to terminate purchases in the open market and cause the Fund to issue the remaining dividend or other distribution in shares. In this case, the number of shares received by the participant will be based on the weighted average of prices paid for shares purchased in the open market and the price at which the Fund issues remaining shares. These remaining shares will be issued by the Fund at the higher of net asset value or 95% of the then-current market value.

**7. What accounts are maintained for participants and what reports on these accounts do participants receive?**

The Plan Agent will maintain a separate account for each shareholder who participates directly in the Plan. PFPC will mail to each participant a monthly statement confirming the crediting of shares to such participant after the allocation of shares is made. The statement will show the amount of the dividend or other distribution, the price at which shares were credited, the number of full and fractional shares credited, the number of shares previously credited and the cumulative total amount of shares credited. In addition, each participant will receive a copy of the Fund’s annual, semi-annual and quarterly reports to shareholders, proxy statements and dividend income information for tax purposes. The proxy card received by each participant will represent all shares held of record, including shares held in the Plan account.

**8. How can a shareholder make additional investments in shares of the Fund through the Plan?**

In addition to acquiring shares through the reinvestment of cash dividends and other distributions, you may invest any further amounts from \$100 to \$3,000 semi-annually in shares purchased through the Plan. The Plan Agent will purchase shares for

you on the NYSE or otherwise in the open market on or about February 15 and August 15 of each year. We suggest that you send your check to the following address to be received on or before February 5 or August 5, to allow time for processing:

Flaherty & Crumrine/Claymore  
Total Return Fund Incorporated  
C/O PFPC Inc., P.O. Box 43027  
Providence, RI 02940-3027

Please use the form included at the end of this brochure entitled “ADDITIONAL PURCHASES”. PFPC will return any cash payments received more than 30 days prior to February 15 or August 15, and you will not receive interest on any uninvested cash payments. You may withdraw a voluntary cash payment by written notice if the notice is received by PFPC not less than 48 hours before the investment date.

**9. Will certificates be issued for shares issued under the Plan?**

No. Certificates for shares acquired under the Plan will not be furnished to you until your account is terminated or unless you request certificates in writing for a specified number of shares credited to your Plan account. All written requests for certificates should be directed to PFPC. The issuance of certificates for shares credited to a Plan account will not terminate your participation in the Plan. No certificate for a fractional share will be issued. If you terminate your participation in the Plan (see Question 4), PFPC will sell for your account any fractional share and send you a check for the proceeds.

**10. In whose name will certificates be registered when issued?**

Accounts under the Plan are maintained in the name in which share certificates of the participant were registered at the time that the participant entered the Plan. Certificates for whole shares issued at the request of a participant will be similarly registered.

**11. What happens if the Fund issues a stock dividend or declares a stock split?**

Any stock dividends or split shares distributed by the Fund on shares held by the Plan Agent for the participant will be credited to the participant’s Plan account.

**12. What happens if a participant wishes to sell shares held by the Plan or have certificates issued for shares held by the Plan?**

As stated in Question 4 above you may terminate participation in the Plan at any time by notifying PFPC in writing, by completing the form on the back of the Plan account statement and forwarding it to PFPC, or by calling PFPC directly. According to your instructions, PFPC will either (a) issue certificates for all or a portion of the shares credited to your Plan account and a check for the value of any fractional share or (b) sell all or a portion of the shares in the market. The proceeds, net of brokerage commissions, of the sale will be remitted to you at your address of record at the time of liquidation. The address of record may not be changed per telephone instruction, but rather must be changed in writing to PFPC.

**13. May a shareholder elect to re-enroll once he has terminated participation in the Plan?**

Yes, if a shareholder has previously elected to receive dividends and other distributions in cash and thus terminated his participation in the Plan and later wishes to participate in the Plan, the shareholder may re-enroll at any time by calling or writing PFPC. Any communication requesting re-enrollment must be received by PFPC ten days prior to the dividend declaration date in order for it to take effect as of the next dividend.

**14. What is the tax status of reinvested dividends?**

The automatic reinvestment of dividends and other distributions will not relieve you of any income taxes that you might otherwise owe on such dividends or distributions. A participant in the Plan will be treated for Federal income tax purposes as having received, on the dividend payment date, a dividend or distribution in an amount equal to the cash that the participant could have received instead of shares. The tax basis of such shares will equal the amount of such cash.

A participant will not realize any taxable income upon receipt of certificates for whole shares credited to the participant's Plan account either upon the participant's request for a specified number of shares or upon termination of enrollment in the Plan.

Each participant in the Plan will receive early in each year a Form 1099 regarding the Federal income tax status of all dividends and other distributions paid during the previous year.

**15. Are there any separate charges for participating in the Plan?**

No. PFPC's fees for administering the Plan are included in the fees paid by the Fund to PFPC for acting as its transfer agent. The price at which shares are credited to your account will, however, include your share of any brokerage commissions incurred in connection with PFPC's open market purchases of such shares. There will be no brokerage charges in connection with any credit of newly issued shares.

**16. May the Plan be changed?**

Experience under the Plan may indicate that changes are desirable. Accordingly, the Plan may be amended or terminated on at least 30 days' written notice to Plan participants. In addition, the Plan may be amended or supplemented at any time in order to comply with applicable law or regulations.