

## FLAHERTY & CRUMRINE/CLAYMORE TOTAL RETURN FUND

To the Shareholders of the Flaherty & Crumrine/Claymore Total Return Fund:

The Fund's performance during the first fiscal quarter of 2008, which ended on February 29<sup>th</sup>, is summarized below:

Total Return on Net Asset Value <sup>1</sup> :	- 2.0%
Total Return on Market Value <sup>2</sup> :	+ 5.3%

While these returns were not impressive on an absolute basis, they actually were quite good given the turbulent securities markets we saw during the quarter. We believe the Fund's portfolio of investments remains sound and will continue to provide common stock shareholders with high current income.

Conditions in the financial markets remain difficult as many of the adverse trends that surfaced in the second half of 2007 have persisted during the first few months of 2008. The dramatic downturn in the housing market is clearly at the root of our current economic problems. The housing bubble, fueled by lenders willing to fund anyone who could fog a mirror, is correcting itself at a jarring pace. In addition, the impact has been magnified because the alchemists of Wall Street, with an assist from the rating agencies, took these leaden mortgages and turned them not into gold, but rather into an alphabet soup of mortgage-backed securities, some of which turned out to be toxic waste.

The Fund never invested in these structured mortgage products, but we did underestimate the impact they would have on many of the companies we own. Since the beginning of the credit crisis last year, financial companies have written off more than \$200 billion of bad loans and investments, and they have lost about 27.4%<sup>3</sup> of their equity market value. While common equity holders will ultimately bear the brunt of these losses, the preferred securities of many financial companies have fallen sharply in market price. Financial companies comprise more than 75% of the preferred security universe, and, given the mandate of the Fund, the portfolio will always own a lot of these financial issues.

As of February 29<sup>th</sup>, 57.2% of the portfolio was invested in preferred securities of the financial sector. Commercial banks comprised 29% of the total portfolio, along with 8% in finance companies (including investment banks and brokers), 20% in insurance companies and 0.2% in the housing agencies Freddie Mac and Fannie Mae. The remainder of the portfolio is mostly utilities, other energy companies, and cash.

Another topic in the news recently is the collapse of the auction rate preferred market. A wide range of entities have issued this type of security, and for years it was an effective way to borrow money. Last fall, the auction process began to break down. In February the auction market suddenly collapsed and the long-term viability of the product became in doubt.

Many closed-end funds have issued auction rate preferred as a means to enhance income for the common shareholders. Historically, rates *paid* by the Fund (on the preferred stock) have been well below what the Fund *earns* on its investments.

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<sup>1</sup> Based on monthly data provided by Lipper Inc. in each calendar month during the quarter. Distributions are assumed to be reinvested at NAV in accordance with Lipper's practice, which may differ from other methodology used elsewhere in this report.

<sup>2</sup> Based on Bloomberg data; distributions are assumed to be reinvested at market price.

<sup>3</sup> The return on the Standard and Poor's 500 Financial index for the period 6/30/07 through 2/29/08, price change only.

As you know, FLC employs leverage and therefore has two classes of shareholders—common stock and auction market preferred stock. Both share in the income generated by the investment portfolio, but in a different way. The amount paid to holders of the preferred stock is determined periodically via a Dutch auction process. These auctions are designed to determine a rate that will “clear” the market, i.e., attract enough buyers to absorb any shares being sold. There is, however, a maximum rate at each auction based on a formula. If the maximum rate is not sufficient to attract enough buyers, the auction is said to “fail” and holders wishing to sell cannot. The terminology is unfortunate: a “failed” auction means sellers can’t sell, but it has nothing to do with the Fund’s ability to distribute income.

The dividend paid to common stock shareholders is simply the income left over after paying preferred stock dividends and other expenses of the Fund. Thus, the higher the rates paid by the Fund on its preferred stock, the less income available for common shareholders. Under current market conditions, even with preferred stock dividends being at the current maximum rate, *the yield earned on the portfolio remains well above the cost of leverage.*

The breakdown of the auction market is a symptom of a larger malady affecting financial markets—illiquidity. Just as banks and other traditional lenders have dramatically cut back on making certain types of loans, investors have become much less willing to part with cash. Since July 2007, additions to money market funds (a substitute for cash) have increased by nearly one trillion dollars.

And while many are hoarding cash, others are scrambling to raise it. It is clear that as a nation we had purchased too many things with borrowed money. This was obviously the case in the housing market, and now many homeowners are being forced to sell. In the securities markets, it has become apparent that many hedge funds and other investment firms were operating without sufficient capital and are also being forced to sell assets. There is ample evidence that in aggregate, hedge funds have been shrinking their investment portfolios, and we have observed several of our trading partners at brokerage firms aggressively trying to reduce their trading positions.

Another source of selling pressure has come from a steady supply of new issues, as companies have sought to shore up their balance sheets after taking big write downs. It wasn’t long ago that the decision to issue new equity, whether common or preferred, was based on strategic or opportunistic factors. Now, many companies are being forced to issue to rebuild capital for defensive reasons, and they are paying rates that are historically high (in relation to risk-free U.S. Treasury securities).

Every financial bubble eventually bursts and asset prices fall to sustainable levels. Tulips and dot-com companies are one thing, but the U.S. housing market is a whole different ballgame in terms of its economic impact. In order for the U.S. economy to avoid a deep and lasting recession, the housing sector will need to stabilize. For this to happen, the glut of homes for sale must shrink. This in turn will likely require some relief for over-extended borrowers and a return to more normal mortgage markets. For that to happen, home prices will need to fall to a “clearing” level that certainly is lower than today’s prices. However, lower home prices, while necessary, may amplify current economic weakness. Needless to say, the path to economic recovery will be bumpy and hard to navigate.

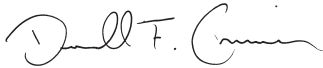
We are cautiously optimistic that the extraordinary steps taken by the Federal Reserve Bank will be effective in avoiding a severe economic downturn. The Fed’s objective is to make certain that capital markets in general, and the banking system in particular, are functioning properly and providing adequate liquidity to businesses and individuals. The financial system is far more complex today than just a few years ago, making the Fed’s job much more difficult. We encourage you to read our Quarterly Economic Update on the Fund’s website for a more detailed discussion of current conditions in the housing sector and our thoughts on the economy in general.

Our job remains the same—research each and every credit in the portfolio, and try to construct the best portfolio of securities that will enable the Fund to meet its objectives. While market sentiment is certainly depressed at the moment, we see tremendous long-term value in preferred securities at today's prices.

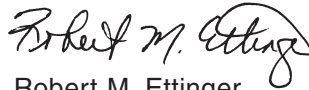
During periods of unusual market volatility, these letters provide a welcome opportunity to step back and discuss a wide variety of items affecting your Fund. Some of these deserve more attention than space here allows and are covered in greater depth on the Fund's website. Other situations, like the status of our auction preferred stock, are rapidly changing, and we'll post to the website as much up-to-date information as possible.

We may never know the origins of the old curse "may you live in interesting times," but whoever coined it certainly got his wish.

Sincerely,



Donald F. Crumrine  
Chairman of the Board



Robert M. Ettinger  
President

April 9, 2008

## PORTFOLIO OVERVIEW

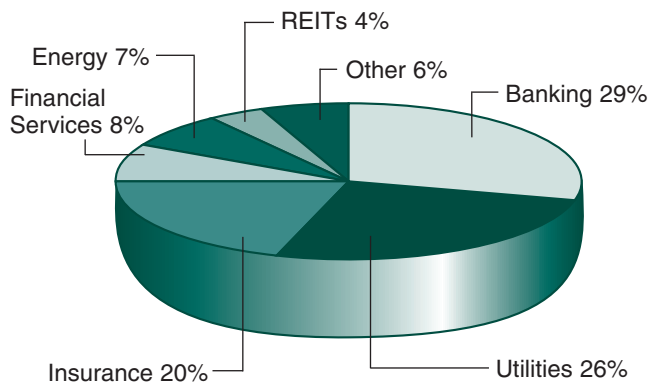
February 29, 2008 (Unaudited)

### Fund Statistics on 02/29/08

Net Asset Value	\$	18.92
Market Price	\$	17.50
Discount		7.51%
Yield on Market Price		8.91%
Common Stock Shares Outstanding		9,776,333

### Industry Categories

### % of Portfolio



### Moody's Ratings % of Portfolio

AA	5.2%
A	15.8%
BBB	52.6%
BB	17.6%
Below "BB"	1.5%
Not Rated	3.8%

Below Investment Grade\* 17.3%

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

### Top 10 Holdings by Issuer

### % of Portfolio

Midamerican Energy	5.4%
Banco Santander	4.3%
Liberty Mutual Group	4.0%
Entergy Louisiana	3.8%
AON Corp	3.1%
Wisconsin Energy	2.8%
Wachovia Corp	2.7%
Merrill Lynch	2.6%
Nexen	2.5%
National City	2.4%

### % of Portfolio\*\*

Holdings Generating Qualified Dividend Income (QDI) for Individuals	26%
Holdings Generating Income Eligible for the Corporate Dividend Received Deduction (DRD)	18%

\*\* 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****February 29, 2008 (Unaudited)**

<u>Shares/\$ Par</u>		<u>Value</u>
<b>Preferred Securities — 79.4%</b>		
<b>Banking — 28.7%</b>		
\$ 5,750,000	Astoria Capital Trust I, 9.75% 11/01/29, Series B .....	\$ 6,131,800
	Banco Santander:	
381,000	6.50% Pfd. ....	8,417,738**(1)
214,920	6.80% Pfd. ....	4,949,887**(1)
\$ 500,000	Bank of America Corp., 8.00% .....	518,600*
\$ 8,965,000	Capital One Capital III, 7.686% 08/15/36 .....	6,850,156
\$ 6,800,000	CBG Florida REIT Corporation, 7.114%, 144A**** .....	5,106,800
	52,000 Citigroup Capital VIII, 6.95% Pfd. 09/15/31 .....	1,246,378
	88,250 Citigroup, Inc., 8.125% Pfd., Series AA .....	2,249,493*
	40,000 Citizens Funding Trust I, 7.50% Pfd. 09/15/66 .....	871,252
	40,000 Cobank, ACB, 7.00% Pfd., 144A**** .....	2,000,800*
	22,800 Colonial Capital Trust IV, 7.875% Pfd. ....	547,200(2)
\$ 6,263,000	Comerica Capital Trust II, 6.576% 02/20/37 .....	4,452,367
	7,000 FBOP Corporation, Adj. Rate Pfd., 144A**** .....	6,545,000*
\$ 400,000	First Empire Capital Trust I, 8.234% 02/01/27 .....	416,288
\$ 1,900,000	First Hawaiian Capital I, 8.343% 07/01/27, Series B .....	1,983,429(1)
\$ 100,000	First Tennessee Capital I, 8.07% 01/06/27, Series A .....	104,179
	2 FT Real Estate Securities Company, 9.50% Pfd., 144A**** .....	2,246,330
\$ 1,000,000	HBOS PLC, 6.657%, 144A**** .....	796,400**(1)
\$ 855,000	HSBC USA Capital Trust II, 8.38% 05/15/27, 144A**** .....	894,333(1)
\$ 662,000	JPMorgan Chase Capital XXIII, Adj. Rate 05/15/47 .....	503,120
	82,000 Keycorp Capital IX, 6.75% Pfd. 12/15/66 .....	1,829,625
	4,995 National City Capital Trust II, 6.625% Pfd. 11/15/36 .....	104,271
	40,000 National City Corporation, 9.875% Pfd. ....	1,077,600*
\$ 3,000,000	National City Preferred Capital Trust I, 12.00% .....	3,099,300
	151,059 PFGI Capital Corporation, 7.75% Pfd. ....	3,308,192
\$ 1,000,000	PNC Preferred Funding Trust III, 8.70%, 144A**** .....	999,900
\$ 700,000	Regions Financing Trust II, 6.625% 05/15/47 .....	547,366
	Roslyn Real Estate:	
25	8.95% Pfd., Series C, 144A**** .....	2,603,401
10	Adj. Rate Pfd., Series D, 144A**** .....	1,008,125
	33,100 Sovereign Bancorp, 7.30% Pfd., Series C .....	763,369*
	191,525 Sovereign Capital Trust V, 7.75% Pfd. 05/22/36 .....	4,428,537
\$ 1,000,000	Sovereign Capital Trust VI, 7.908% 06/13/36 .....	825,500
	U.S. Bancorp, Auction Pass-Through Trust, Cl. B:	
	15 Series 2006-5, Variable Rate Pfd., 144A**** .....	7,500*†
	15 Series 2006-6, Variable Rate Pfd., 144A**** .....	7,500*†
\$ 670,000	Wachovia Capital Trust V, 7.965% 06/01/27, 144A**** .....	677,236

**PORTFOLIO OF INVESTMENTS (Continued)****February 29, 2008 (Unaudited)**

<u>Shares/\$ Par</u>		<u>Value</u>
<b>Preferred Securities — (Continued)</b>		
<b>Banking — (Continued)</b>		
	Wachovia Corporation:	
\$ 2,000,000	7.98% .....	\$ 2,083,514*
80,000	8.00% Pfd., Series J .....	2,051,200*
145,100	Wachovia Preferred Funding, 7.25% Pfd., Series A .....	3,700,050
\$ 2,000,000	Washington Mutual Preferred Funding IV, 9.75%, 144A**** .....	1,722,556
\$ 2,800,000	Webster Capital Trust IV, 7.65% 06/15/37 .....	2,179,520
		<u>89,855,812</u>
<b>Financial Services — 6.2%</b>		
	CIT Group, Inc.:	
13,900	5.189% Pfd., Series B .....	953,888*
\$ 3,250,000	6.10% 03/15/67 .....	2,311,075
60,000	6.35% Pfd., Series A .....	1,228,128*
23,898	First Republic Bank, 7.25% Pfd. ....	541,440
2,000	First Republic Preferred Capital Corporation, 10.50% Pfd., 144A**** .....	2,167,220
	Goldman Sachs:	
28,000	Cabco Trust Capital I, Adj. Rate Pfd. 02/15/34 .....	529,376
1,500	STRIPES Custodial Receipts, Pvt. ....	757,500*
\$ 3,000,000	Gulf Stream-Compass 2005 Composite Notes, 144A**** .....	2,579,310
100,000	Lehman Brothers Holdings, Inc., 7.95% Pfd. ....	2,493,000*
	Merrill Lynch:	
160,000	6.25% Pfd. ....	3,728,000*
80,000	Adj. Rate Pfd., Series 5 .....	1,357,504*
20,000	Fixed Income Pass-Through 2007-A, Cl. B, Adj. Rate Pfd., 144A**** .....	200*†
3,000	Series II STRIPES Custodial Receipts, Pvt. ....	255,000*†
11,000	SLM Corporation, Adj. Rate Pfd., Series B .....	646,250*
		<u>19,547,891</u>
<b>Insurance — 15.1%</b>		
189,680	ACE Ltd., 7.80% Pfd., Series C .....	4,730,145**(1)
\$ 2,305,000	AMBAC Financial Group, Inc., 6.15% 02/15/37 .....	1,363,868
\$ 9,511,000	AON Capital Trust A, 8.205% 01/01/27 .....	9,804,281
	Arch Capital Group Ltd.:	
28,650	7.875% Pfd., Series B .....	721,622**(1)
47,100	8.00% Pfd., Series A .....	1,214,290**(1)
\$ 3,000,000	AXA SA, 6.379%, 144A**** .....	2,430,975**(1)
	Axis Capital Holdings:	
58,350	7.25% Pfd., Series A .....	1,421,552**(1)
56,600	7.50% Pfd., Series B .....	5,496,992 <sup>(1)</sup>

**PORTFOLIO OF INVESTMENTS (Continued)****February 29, 2008 (Unaudited)**

<u>Shares/\$ Par</u>	<u>Value</u>
<b>Preferred Securities — (Continued)</b>	
<b>Insurance — (Continued)</b>	
160,000 Delphi Financial Group, 7.376% Pfd. 05/15/37 .....	\$ 3,564,800
\$ 5,220,000 Everest Re Holdings, 6.60% 05/15/37 .....	4,443,786
\$ 6,500,000 Liberty Mutual Group, 7.80% 03/15/37, 144A**** .....	5,413,200
\$ 300,000 PartnerRe Finance II, 6.44% 12/01/66 .....	254,071 <sup>(1)</sup>
109,000 Scottish Re Group Ltd., 7.25% Pfd. ....	1,090,000 <sup>** (1)</sup>
\$ 3,615,000 USF&G Capital, 8.312% 07/01/46, 144A**** .....	3,993,490
\$ 1,500,000 ZFS Finance USA Trust V, 6.50% 05/09/37, 144A**** .....	1,359,511 <sup>(1)</sup>
	<u>47,302,592</u>
<b>Utilities — 21.7%</b>	
33,700 Baltimore Gas & Electric Company, 6.70% Pfd., Series 1993 .....	3,299,904*
347,000 Calenergy Capital Trust III, 6.50% Pfd. 09/01/27 .....	16,812,150
\$ 500,000 COMED Financing II, 8.50% 01/15/27, Series B .....	519,100
\$ 2,375,000 COMED Financing III, 6.35% 03/15/33 .....	1,884,088
\$ 4,500,000 Dominion Resources Capital Trust I, 7.83% 12/01/27 .....	4,649,400
\$ 750,000 Dominion Resources, Inc., 7.50% .....	720,375
145,000 Entergy Arkansas, Inc., 6.45% Pfd. ....	3,632,250*
50,000 Entergy Louisiana, Inc., 6.95% Pfd. ....	4,975,000*
133,500 FPC Capital I, 7.10% Pfd., Series A .....	3,279,094
FPL Group Capital, Inc.:	
\$ 750,000 6.35% 10/01/66 .....	691,450
\$ 750,000 6.65% 06/15/67 .....	702,826
30,445 Indianapolis Power & Light Company, 5.65% Pfd. ....	2,648,715*
Interstate Power & Light Company:	
86,300 7.10% Pfd., Series C .....	2,214,458*
38,600 8.375% Pfd., Series B .....	1,147,964*
\$ 5,000,000 PECO Energy Capital Trust IV, 5.75% 06/15/33 .....	4,013,000
\$ 3,250,000 Puget Sound Energy, Inc., 6.974% 06/01/67 .....	2,891,525
130,550 Southern Union Company, 7.55% Pfd. ....	3,305,526*
10,000 Southwest Gas Capital II, 7.70% Pfd. ....	250,000 <sup>(2)</sup>
5,000 Union Electric Company, \$7.64 Pfd. ....	503,500*
5,000 Virginia Electric & Power Company, \$6.98 Pfd. ....	509,100*
101,200 Virginia Power Capital Trust, 7.375% Pfd. 07/30/42 .....	2,555,300 <sup>(3)</sup>
\$ 5,200,000 Wisconsin Energy Corporation, 6.25% 05/15/67 .....	4,739,228
85,137 Wisconsin Power & Light Company, 6.50% Pfd. ....	2,112,462*
	<u>68,056,415</u>

**PORTFOLIO OF INVESTMENTS (Continued)**

**February 29, 2008 (Unaudited)**

<u>Shares/\$ Par</u>	<u>Value</u>
<b>Preferred Securities — (Continued)</b>	
<b>Energy — 2.3%</b>	
\$ 1,400,000 Enbridge Energy Partners LP, 8.05% 10/01/37 .....	\$ 1,332,422
\$ 4,000,000 Enterprise Products Partners: 7.034% 01/15/68 .....	3,470,016
\$ 2,000,000 8.375% 08/01/66 .....	1,966,768
500 Kinder Morgan GP, Inc., 8.33% Pfd., 144A**** .....	502,200*
	<u>7,271,406</u>
<b>Real Estate Investment Trust (REIT) — 3.5%</b>	
80,000 Duke Realty Corporation, 8.375% Pfd., Series O .....	1,996,800
PS Business Parks, Inc.:	
25,400 6.70% Pfd., Series P .....	532,608 <sup>(2)</sup>
5,700 6.875% Pfd., Series I .....	124,331
4,500 7.00% Pfd., Series H .....	98,860
58,120 7.20% Pfd., Series M .....	1,314,965
24,038 7.375% Pfd., Series O .....	553,626
52,500 7.60% Pfd., Series L .....	1,209,143
34,500 7.95% Pfd., Series K .....	854,955
Public Storage, Inc.:	
21,650 6.45% Pfd., Series F .....	479,006 <sup>(2)</sup>
105,080 6.625% Pfd., Series M .....	2,374,156
22,100 6.75% Pfd., Series E .....	505,537
30,000 6.85% Pfd., Series Y .....	673,800
15,020 7.25% Pfd., Series K .....	371,276 <sup>(2)</sup>
	<u>11,089,063</u>
<b>Miscellaneous Industries — 1.7%</b>	
1,395 Centaur Funding Corporation, 9.08% Pfd. 04/21/20, 144A**** .....	1,449,879
40,000 Ocean Spray Cranberries, Inc., 6.25% Pfd., 144A**** .....	3,797,600*
	<u>5,247,479</u>
<b>U.S. Government Securities — 0.2%</b>	
25,000 Fannie Mae, 8.25% Pfd. ....	642,250*
	<u>642,250</u>
<b>Total Preferred Securities</b> (Cost \$271,821,396) .....	<u>249,012,908</u>

**PORTFOLIO OF INVESTMENTS (Continued)**

February 29, 2008 (Unaudited)

<u>Shares/\$ Par</u>		<u>Value</u>
<b>Corporate Debt Securities — 17.2%</b>		
<b>Financial Services — 1.4%</b>		
\$ 4,812,159	Lehman Brothers, Guaranteed Note, Variable Rate, 12/16/16, 144A**** .....	\$ 4,294,371
		<u>4,294,371</u>
<b>Insurance — 4.7%</b>		
15,000	AAG Holding Company, Inc., 7.25% Pfd. ....	333,150
20,000	American Financial Group, Inc., 7.125% 02/03/34, Senior Note .....	473,800
\$ 7,577,000	Liberty Mutual Insurance, 7.697% 10/15/97, 144A**** .....	7,089,935
\$ 7,000,000	UnumProvident Corporation, 7.25% 03/15/28, Senior Notes .....	6,901,020
		<u>14,797,905</u>
<b>Utilities — 4.4%</b>		
27,200	Corp-Backed Trust Certificates, 7.875% 02/15/32, Series Duke Capital .....	680,000
\$ 1,000,000	Duke Capital Corporation, 8.00% 10/01/19, Senior Notes .....	1,149,225
	Entergy Louisiana LLC:	
\$ 7,062,000	6.30% 09/01/35, 1st Mortgage .....	6,662,150
9,200	7.60% 04/01/32, 1st Mortgage .....	234,313
\$ 1,015,000	Westar Energy, Inc., 5.95% 01/01/35 .....	952,260
\$ 4,000,000	Wisconsin Electric Power Company, 6.875% 12/01/95 .....	4,195,200
		<u>13,873,148</u>
<b>Energy — 4.6%</b>		
\$ 2,500,000	KN Energy, Inc., 7.45% 03/01/98 .....	2,287,500
328,300	Nexen, Inc., 7.35% Subordinated Notes .....	7,899,719 <sup>(1)</sup>
\$ 4,000,000	Noble Energy, Inc., 7.25% 08/01/97 .....	4,053,600
		<u>14,240,819</u>
<b>Miscellaneous Industries — 2.1%</b>		
16,500	Corp-Backed Trust Certificates, 7.00% 11/15/28, Series Sprint .....	317,625
19,625	Ford Motor Company, 7.50% 06/10/43, Senior Notes .....	322,586
\$ 4,265,000	General Motors Corporation, 8.80% 03/01/21 .....	3,518,625
	Pulte Homes, Inc.:	
25,844	7.375% 06/01/46 .....	511,228 <sup>(2)</sup>
\$ 2,160,000	7.875% 06/15/32 .....	1,945,080
		<u>6,615,144</u>
<b>Total Corporate Debt Securities</b>		
(Cost \$57,763,074) .....		<u>53,821,387</u>

**PORTFOLIO OF INVESTMENTS (Continued)**

**February 29, 2008 (Unaudited)**

<u>Shares/\$ Par</u>	<u>Value</u>
<b>Option Contracts — 0.2%</b>	
100 April Call Options on June U.S. Treasury Bond Futures, Expiring 03/20/08 . . . . .	\$ 18,750†
200 June Call Options on June U.S. Treasury Bond Futures, Expiring 05/23/08 . . . . .	346,875†
556 June Put Options on June U.S. Treasury Bond Futures, Expiring 05/23/08 . . . . .	121,625†
<b>Total Option Contracts</b> (Cost \$391,006) . . . . .	<u>487,250</u>
<b>Money Market Fund — 2.0%</b>	
6,421,577 BlackRock Provident Institutional, TempFund . . . . .	6,421,577
<b>Total Money Market Fund</b> (Cost \$6,421,577) . . . . .	<u>6,421,577</u>
<b>Securities Lending Collateral — 0.3%</b>	
983,280 BlackRock Institutional Money Market Trust . . . . .	983,280
<b>Total Securities Lending Collateral</b> (Cost \$983,280) . . . . .	<u>983,280</u>
<b>Total Investments</b> (Cost \$337,380,333***) . . . . .	99.1% 310,726,402
<b>Other Assets And Liabilities</b> (Net) . . . . .	0.9% <u>2,766,727</u>
<b>Total Net Assets Available to Common Stock and Preferred Stock</b> . . . . .	100.0%‡ \$ <u>313,493,129</u>
<b>Auction Market Preferred Stock (AMPS) Redemption Value</b> . . . . .	<u>(128,500,000)</u>
<b>Total Net Assets Available To Common Stock</b> . . . . .	<u>\$ 184,993,129</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) All or a portion of this security is on loan.  
 (3) A portion of this security has been pledged as collateral for written option positions.  
 † 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

**PORTFOLIO OF INVESTMENTS (Continued)**

**February 29, 2008 (Unaudited)**

**Open Option Contracts Written**

<u>Contracts</u>	<u>Contract Description</u>	<u>Value</u>
100	April Call Options on June U.S. Treasury Bond Futures, Expiring 03/20/08, Strike Price 120 .....	\$ (103,125)†
200	June Call Options on June U.S. Treasury Bond Futures, Expiring 05/23/08, Strike Price 118 .....	(684,375)†
<b>Total Open Option Contracts Written</b> (premiums received: \$539,201) .....		<b>(787,500)</b>

**STATEMENT OF CHANGES IN NET ASSETS AVAILABLE TO COMMON STOCK<sup>(1)</sup>**

**For the period from December 1, 2007 through February 29, 2008 (Unaudited)**

	<u>Value</u>
<b>OPERATIONS:</b>	
Net investment income . . . . .	\$ 5,308,040
Net realized gain/(loss) on investments sold during the period . . . . .	(2,396,674)
Change in net unrealized appreciation/depreciation of investments . . . . .	(5,152,485)
Distributions to AMPS* Shareholders from net investment income, including changes in accumulated undeclared distributions . . . . .	<u>(1,689,825)</u>
<b>Net decrease in net assets resulting from operations . . . . .</b>	<b><u>(3,930,944)</u></b>
<b>DISTRIBUTIONS:</b>	
Dividends paid from net investment income to Common Stock Shareholders <sup>(2)</sup> . . . . .	<u>(3,812,770)</u>
<b>Total Distributions to Common Stock Shareholders . . . . .</b>	<b><u>(3,812,770)</u></b>
<b>FUND SHARE TRANSACTIONS:</b>	
Increase from shares issued under the Dividend Reinvestment and Cash Purchase Plan . . . . .	<u>—</u>
<b>Net increase in net assets available to Common Stock resulting from Fund share transactions . . . . .</b>	<b><u>—</u></b>
<b>NET DECREASE IN NET ASSETS AVAILABLE TO COMMON STOCK FOR THE PERIOD . . . . .</b>	<b><u><u>\$ (7,743,714)</u></u></b>

**NET ASSETS AVAILABLE TO COMMON STOCK:**

Beginning of period . . . . .	\$ 192,736,843
Net decrease in net assets during the period . . . . .	<u>(7,743,714)</u>
End of period . . . . .	<b><u><u>\$ 184,993,129</u></u></b>

\* Auction Market Preferred Stock.

<sup>(1)</sup> These tables summarize the three months ended February 29, 2008 and should be read in conjunction with the Fund's audited financial statements, including footnotes, in its Annual Report dated November 30, 2007.

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

**FINANCIAL HIGHLIGHTS**<sup>(1)</sup>

**For the period from December 1, 2007 through February 29, 2008 (Unaudited)**  
**For a Common Stock share outstanding throughout the period.**

**PER SHARE OPERATING PERFORMANCE:**

Net asset value, beginning of period . . . . .	\$ 19.71
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**INVESTMENT OPERATIONS:**

Net investment income . . . . .	0.54
Net realized and unrealized gain/(loss) on investments . . . . .	(0.77)

**DISTRIBUTIONS TO AMPS\* SHAREHOLDERS:**

From net investment income . . . . .	(0.17)
Total from investment operations . . . . .	(0.40)

**DISTRIBUTIONS TO COMMON STOCK SHAREHOLDERS:**

From net investment income . . . . .	(0.39)
Total distributions to Common Stock Shareholders . . . . .	(0.39)

Net asset value, end of period . . . . .	<u>\$ 18.92</u>
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Market value, end of period . . . . .	<u>\$ 17.50</u>
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Common Stock shares outstanding, end of period . . . . .	<u>9,776,333</u>
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**RATIOS TO AVERAGE NET ASSETS AVAILABLE TO COMMON STOCK SHAREHOLDERS:**

Net investment income† . . . . .	7.76%**
Operating expenses . . . . .	1.70%**

**SUPPLEMENTAL DATA:††**

Portfolio turnover rate . . . . .	12%***
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Total net assets available to Common and Preferred Stock, end of period (in 000's) . .	\$ 313,493
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Ratio of operating expenses to total average net assets available to Common and Preferred Stock . . . . .	1.01%**
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<sup>(1)</sup> These tables summarize the three months ended February 29, 2008 and should be read in conjunction with the Fund's audited financial statements, including footnotes, in its Annual Report dated November 30, 2007.

\* 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)**

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	<u>Total Dividends Paid</u>	<u>Net Asset Value</u>	<u>NYSE Closing Price</u>	<u>Dividend Reinvestment Price<sup>(1)</sup></u>
December 31, 2007 .....	\$0.1300	\$18.98	\$16.88	\$16.96
January 31, 2008 .....	0.1300	19.35	17.97	18.09
February 29, 2008 .....	0.1300	18.92	17.50	17.52

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<sup>(1)</sup> 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 February 29, 2008 the aggregate cost of securities for federal income tax purposes was \$338,227,867, the aggregate gross unrealized appreciation for all securities in which there is an excess of value over tax cost was \$2,591,233 and the aggregate gross unrealized depreciation for all securities in which there is an excess of tax cost over value was \$30,092,698.

### 2. Additional Accounting Standards

Adoption of Statement of Financial Accounting Standards No. 157 "Fair Value Measurements" ("FAS 157")

In September 2006, the Financial Accounting Standards Board issued FAS 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 FAS 157 as of December 1, 2007. The three levels of the fair value hierarchy under FAS 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 Funds' net assets as of February 29, 2008 is as follows:

Valuation Inputs	Investments in Securities (Market Value)	Other Financial Instruments (Unrealized Appreciation/ Depreciation)*
Level 1 – Quoted Prices – Investments . . . . .	\$ 78,274,780	\$ —
Level 1 – Quoted Prices – Written Options . . . . .	(787,500)	—
Level 2 – Other Significant Observable Inputs . . . . .	224,594,661	—
Level 3 – Significant Unobservable Inputs . . . . .	6,873,681	—
<b>Total . . . . .</b>	<b>\$ 308,955,622</b>	<b>\$ —</b>

\*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 February 29, 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)
<b>Balance as of 11/30/07</b> . . . . .	\$ 6,945,554	\$ —
Accrued discounts/premiums . . . . .	—	—
Realized gain (loss) . . . . .	—	—
Change in unrealized appreciation (depreciation) . .	(71,873)	—
Net purchases (sales) . . . . .	—	—
Transfers in and/or out of Level 3 . . . . .	—	—
<b>Balance as of 2/29/08</b> . . . . .	\$ 6,873,681	\$ —

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## 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](mailto:flaherty@pfdincome.com)

## Servicing Agent

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

## Questions concerning your shares of Flaherty & Crumrine/Claymore Total Return 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 Total Return 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

February 29, 2008

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