Madison/Claymore Covered Call Fund
Form N-CSR
March 08, 2007

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF REGISTERED

MANAGEMENT INVESTMENT COMPANIES

Investment Company Act file number 811-21582

Madison / Claymore Covered Call Fund

(Exact name of registrant as specified in charter)

2455 Corporate West Drive Lisle, IL	**60532**
(Address of principal executive offices)	**(Zip code)**

Nicholas Dalmaso

Madison / Claymore Covered Call Fund

2455 Corporate West Drive

Lisle, IL 60532

(Name and address of agent for service)

Registrant s telephone number, including area code: (630) 505-3700

Date of fiscal year end: December 31

Date of reporting period: December 31, 2006

Form N-CSR is to be used by management investment companies to file reports with the Commission not later than 10 days after the transmission to stockholders of any report that is required to be transmitted to stockholders under Rule 30e-1 under the Investment Company Act of 1940 (17 CFR 270.30e-1). The Commission may use the information provided on Form N-CSR in its regulatory, disclosure review, inspection, and policymaking roles.

A registrant is required to disclose the information specified by Form N-CSR, and the Commission will make this information public. A registrant is not required to respond to the collection of information contained in Form N-CSR unless the Form displays a currently valid Office of Management and Budget (OMB) control number. Please direct comments concerning the accuracy of the information collection burden estimate and any suggestions for reducing the burden to Secretary, Securities and Exchange Commission, 450 Fifth Street, NW, Washington, DC 20549-0609. The OMB has reviewed this collection of information under the clearance requirements of 44 U.S.C. Section 3507.

Item 1. Reports to Stockholders.

The registrant's annual report transmitted to shareholders pursuant to Rule 30e-1 under the Investment Company Act of 1940, as amended (the Investment Company Act), is as follows:

www.madisonclaymore.com

... your road to the LATEST,

most up-to-date INFORMATION about the

Madison/Claymore Covered Call Fund

The shareholder report you are reading right now is just the beginning of the story. Online at **www.madisonclaymore.com**, you will find:

Daily, weekly and monthly data on share prices, distributions and more

Portfolio overviews and performance analyses

Announcements, press releases and special notices

Fund and adviser contact information

Madison Asset Management and Claymore are continually updating and expanding shareholder information services on the Fund s website, in an ongoing effort to provide you with the most current information about how your Fund s assets are managed, and the results of our efforts. It is just one more way we are working to keep you better informed about your investment in the Fund.

Dear Shareholder |

We are pleased to submit the annual shareholder report for the Madison/Claymore Covered Call Fund (the Fund) for the fiscal year ended December 31, 2006. As you may know, the Fund s primary investment objective is to seek a high level of current income and current gains with a secondary objective of long-term capital appreciation. The Fund pursues these objectives by investing in a portfolio of what the Investment Manager believes to be high-quality, large-capitalization stocks that are trading at reasonable valuations in relation to their long-term earnings growth rates. The Fund will, on an ongoing and consistent basis, sell covered call options to seek to generate a reasonably steady return from option premiums.

Madison Asset Management, LLC, a wholly-owned subsidiary of Madison Investment Advisors, Inc., is the Fund s Investment Manager. Founded in 1974, Madison is an independently owned firm that acts as an investment adviser for individuals, corporations, pension funds, endowments, insurance companies and mutual funds. Madison and its subsidiaries managed more than $10 billion in assets as of December 31, 2006.

In the fiscal year ended December 31, 2006, the Fund generated a total return of 11.86% on a market value basis. This represents a change in market price to $15.11 on December 31, 2006 from $14.80 on December 31, 2005, plus the reinvestment of dividends. The Fund produced a total return of 10.22% on a net asset value (NAV) basis. This represents a change in NAV to $14.84 on December 31, 2006 from $14.74 at the start of the period, plus the reinvestment of dividends. The Fund paid quarterly dividends of $0.33 per share during the period. The most recent distribution was paid on November 30, 2006 and represented an annualized distribution yield of 8.74% based on the Fund s market price of $15.11 on December 31, 2006.

Shareholders have the opportunity to reinvest their dividends from the Fund through the Dividend Reinvestment Plan (DRIP) that is described in detail on page 21 of this report. If shares trade at a discount to NAV, the DRIP takes advantage of the discount by reinvesting the quarterly dividend distribution in common shares of the Fund purchased in the market at a price less than NAV. Conversely, when the market price of the Fund s common shares is at a premium above NAV, the DRIP reinvests participants dividends in newly-issued common shares at NAV, subject to an IRS limitation that the purchase price cannot be more than 5% below the market price per share. The DRIP provides a cost effective means to accumulate additional shares and to enjoy the benefits of compounding returns over time.

To learn more about the Fund s performance over this fiscal period, we encourage you to read the *Questions & Answers* section of the report on page 4. You will find information on Madison s investment philosophy and discipline and its views on the overall market environment and how it structured the portfolio based on its views.

We appreciate your investment and look forward to serving your investment needs in the future. For the most up-to-date information on your investment, please visit the Fund s website at www.madisonclaymore.com.

Sincerely,

Nicholas Dalmaso

Madison/Claymore Covered Call Fund

Questions & Answers |

We at Madison Asset Management, LLC are pleased to address the progress of the Madison/Claymore Covered Call Fund (the Fund) for the period ended December 31, 2006. Launched in July 2004, the Fund continues to pursue its investment objectives by investing in high-quality, large-capitalization common stocks that are, in our view, selling at reasonable prices with respect to their projected long-term earnings growth rates. Our option-writing strategy has provided a steady income return from option premiums which help us achieve our primary investment objective of providing a high level of current income and gains with a secondary objective of long-term capital appreciation.

Madison Asset Management, LLC, (MAM) a wholly owned subsidiary of Madison Investment Advisors, Inc., with its affiliates, manages more than $10 billion in individual, corporate, pension, insurance, endowment, and mutual fund assets.

What happened in the market during 2006?

Despite a lackluster first half, 2006 proved a profitable year for stock investors. The Standard & Poor s 500 Index (S&P 500) returned 15.8%. From a capitalization perspective, the S&P 500 performed roughly the same as mid-cap stocks (the Russell Midcap Index returned 15.3%). However, from a style perspective, value stocks once again stole the spotlight as growth stocks continued to lag.[1] A number of factors contributed to positive returns for the market. Investors remained primarily focused on the activities of the Federal Reserve Board (the Fed). During the first half of the year, stock returns were soft as the Fed continued raising short-term interest rates. However, in the second half of 2006, the Fed held firm at a 5.25% target federal funds rate. As the prospect for further rate increases dwindled and a soft economic landing began to look more likely, equities gained momentum. Additionally, despite weak housing data for most of the year, real estate has shown some signs of bottoming. Energy prices dropped in the second half of the year as well, easing the burden at the pump for consumers and reducing fears of out-of-control inflation. Finally, 2006 witnessed a pickup in merger and acquisition activity, providing additional fuel for the stock market.

How did the Fund perform given marketplace conditions?

We are pleased to report that the Fund generated sufficient income in 2006 to return $1.32 per share in dividends to our shareholders. We continued to find ample opportunities to write calls at attractive premiums. The Fund s net asset value (NAV) per share also increased by $0.10 in 2006 to $14.84 from $14.74 as the Fund s assets appreciated in value. The Fund s market price per share at year end was $15.11, representing a 1.82% premium to its NAV at that time.

For the year, the Fund provided investors with a total return of 10.22% based on NAV and 11.86% based on market value, including the reinvestment of quarterly dividends in each case. Since inception, the NAV has increased $0.51 per share and the

1 Large value stocks are measured by the Russell 1000 Value Index, which returned 22.25% in 2006. Large growth stocks are measured by the Russell 1000 Growth Index, which returned 9.07% in 2006.

Fund has paid $2.94 per share in dividends, resulting in a 26.38% cumulative total return. This compares favorably to the 24.8% increase for the CBOE BuyWrite Index over the same period. Thus, we believe that the Fund has achieved solid results over its first 29 months of operation, providing us with considerable confidence in meeting the Fund s long-term goals. Furthermore, we are optimistic about the Fund s ability to continue paying investors an attractive dividend.

Will you describe the Fund s portfolio equity and option structure?

As of December 31, 2006, the Fund held 53 common stocks, and covered call options were written against 86% of the Fund s stock holdings. During the year, the Fund s managers wrote call options that generated premiums of $26.8 million. It is the strategy of the Fund to write out-of-the-money options, meaning that the strike price is higher than the common stock price, so that the Fund has the potential to participate in some stock appreciation. At year end, however, the majority of the Fund s options were in-the-money because of price appreciation of the underlying stocks. In-the-money means that the stock price is above the strike price at which the shares would be called away. This provides the Fund with some downside protection should the market sell off.

Which sectors are prevalent in the Fund?

From a sector perspective, as of December 31, 2006, the Fund s largest exposure was in the consumer discretionary sector, followed by technology, health care and financials. We continue to remain absent from the materials and utilities sectors, but did take a small position in energy during 2006.

Please describe the Fund s dividend policy.

The Fund declared a $0.33 per share quarterly dividend in February, May, August and November of 2006. At the Fund s traded market price of $15.11 per share on December 31, 2006 and at the current quarterly rate of $0.33, the Fund s dividend yield was 8.7%. All dividends during 2006 consisted of investment company taxable income (net income and short and long-term capital gains). The 2006 distributions did not include any returns of capital. It is management s intention to pay a dividend consisting of only earned net income and capital gains.

Will you discuss the Fund s security and option selection process?

The Fund is managed by two teams of investment professionals. We like to think of these teams as a right hand and left hand, meaning they work together to make common stock and option decisions. We use fundamental analysis to select solid companies with good growth prospects and attractive valuations. We then seek attractive call options to write on those stocks. It is our belief that this partnership of active management between the equity and option teams provides investors with an innovative, risk-moderated approach to equity investing.

Madison Asset Management seeks to invest in a portfolio of common stocks that have favorable PEG ratios (price-earnings ratio to growth rate) as well as financial strength and industry leadership. As bottom-up investors, we focus on the fundamental businesses of the companies the Fund holds. Our stock selection philosophy strays away from the beat the street objective, as we seek companies that we believe have sustainable competitive advantages, predictable cash flows, solid balance sheets and high-quality management teams. By concentrating on long-term prospects and circumventing the instant gratification school of thought, we believe we bring elements of consistency, stability and predictability to the Fund s shareholders.

Once we have selected attractive and solid names for the Fund, we employ our call writing strategy. This procedure entails selling calls that are primarily out-of-the money so that the Fund can potentially participate in some stock appreciation. By receiving option premiums, the Fund receives a high level of investment income and adds an element of downside protection. Call options may be written over a number of time periods and at differing strike prices in an effort to maximize the protective value to the strategy and spread income evenly throughout the year.

What is management s outlook for the market and Fund in 2007?

Our outlook for stocks remains positive despite the rally in the second half of 2006. We believe there are a number of factors that can continue to drive positive returns, although some volatility is likely in the near term. While the economy has clearly slowed from its heady post-Katrina pace, Gross Domestic Product growth has held up at a more sustainable pace. This benefits our style of investing since a slower economy should lead to slower earnings growth, which should shift attention to higher quality companies, such as those the Fund owns. Furthermore, with the economy growing at a solid but slower pace and the market seemingly unconcerned about inflation, interest rates have been low and stable. This would generally be a good environment for price-to-earnings multiple expansion. At the very least we believe the headwind of price-to-earnings multiple contraction is gone. While we continue to believe that profit margins have likely peaked, absolute earnings remain strong. As a corollary effect, as profit levels have fattened over the years, many corporate balance sheets have been cleaned up and companies have rewarded shareholders with increased dividends and share repurchase programs. We expect this type of activity to continue. Although the strength in stocks in the latter half of the year may be followed by a pause sometime in the first part of 2007, we are prepared to take advantage of opportunities as they become available. Finally, we are optimistic that we will continue to be able to find call writing opportunities that will provide meaningful income for the Fund.

MCN Risks and Other Considerations

There can be no assurance that the Fund will achieve its investment objectives. The value of the Fund will fluctuate with the value of the underlying securities. Historically, closed-end funds often trade at a discount to their net asset value.

A strategy of writing (selling) covered call options entails various risks. For example, the correlation between the equity securities and options markets may, at times, be imperfect and can furthermore be affected by market behavior and unforeseen events, thus causing a given transaction to not achieve its objectives. There may be times when the Fund will be required to purchase or sell equity securities to meet its obligations under the options contracts on certain options at inopportune times when it may not be beneficial to the Fund. The Fund will forego the opportunity to profit from increases in the market value of equity securities that it has written call options on, above the sum of the premium and the strike price of the option. Furthermore, the Fund s downside protection on equity securities it has written call options on would be limited to the amount of the premium received for writing the call option and thus the Fund would be at risk for any further price declines in the stock below that level. Please refer to the Fund s prospectus for a more thorough discussion of the risks associated with investments in options on equity securities.

An investment in the Fund includes, but is not limited to, risks and considerations such as: Investment Risk, Not a Complete Investment Program, Equity Risk, Risks Associated with Options on Securities, Limitation on Option Writing Risk, Risks of Mid-Cap Companies, Income Risk, Foreign Securities Risk, Industry Concentration Risk, Derivatives Risk, Illiquid Securities Risk, Fund Distribution Risk, Market Discount Risk, Other Investment Companies, Financial Leverage Risk, Management Risk, Risks Related to Preferred Securities, Interest Rate Risk, Inflation Risk, Current Developments Risk and Anti-Takeover Provisions.

Fund Distribution Risk In order to make regular quarterly distributions on its common shares, the fund may have to sell a portion of its investment portfolio at a time when independent investment judgment may not dictate such action. In addition, the Fund s ability to make distributions more frequently than annually from any net realized capital gains by the Fund is subject to the Fund obtaining exemptive relief from the Securities and Exchange Commission, which cannot be assured. To the extent the total quarterly distributions for a year exceed the Fund s net investment company income and net realized capital gain for that year, the excess will generally constitute a return of the Fund s capital to its common shareholders. Such return of capital distributions generally are tax-free up to the amount of a common shareholder s tax basis in the common shares (generally, the amount paid for the common shares). In addition, such excess distributions will decrease the Fund s total assets and may increase the Fund s expense ratio.

Risks Associated with Options on Securities There are several risks associated with transactions in options on securities. For example, there are significant differences between the securities and options markets that could result in an imperfect correlation between these markets, causing a given transaction not to achieve its objectives. A decision as to whether, when and how to use options involves the exercise of skill and judgment, and even a well-conceived transaction may be unsuccessful to some degree because of market behavior or unexpected events. As the writer of a covered call option, the Fund forgoes, during the option s life, the opportunity to profit from increases in the market value of the security covering the call option above the sum of the premium and the strike price of the call but has retained the risk of loss should the price of the underlying security decline. The writer of an option has no control over the time when it may be required to fulfill its obligation as a writer of the option. Once an option writer has received an exercise notice, it cannot effect a closing purchase transaction in order to terminate its obligation under the option and must deliver the underlying security at the exercise price.

MCN | Madison/Claymore Covered Call Fund

Fund Summary | As of December 31, 2006

Fund Statistics	
Share Price	$ 15.11
Common Share Net Asset Value	$ 14.84
Premium/(Discount) to NAV	1.82%
Net Assets ($000)	$ 283,851

Total Returns (Inception 7/28/04)	**Market**	**NAV**
One Year	11.86%	10.22%
Since Inception-average annual	8.90%	10.12%

Sector Breakdown	**% of Long Term Investments**
Consumer Discretionary-Retail	23.7%
Technology	23.3%
Health Care	19.2%
Financials	10.4%
Software	6.2%
Industrial	6.0%
Business Services	2.9%
Energy	2.2%
Insurance	2.1%
Computers	2.0%
Consumer Discretionary-Apparel	1.4%
Consumer Discretionary-Leisure Time	0.6%

Top Ten Holdings	**% of Long-Term Investments**
Home Depot, Inc.	3.7%
Amgen, Inc.	3.6%
Lowe s Cos., Inc.	3.5%
Best Buy Co., Inc.	3.3%
Abercrombie & Fitch Co.-Class A	3.3%
Cisco Systems, Inc.	3.1%
Microsoft Corp.	3.0%
Target Corp.	2.9%
Citigroup, Inc.	2.8%
Biomet, Inc.	2.6%

Sectors and holdings are subject to change daily. For more current information, please visit www.claymore.com. The above summaries are provided for informational purposes only and should not be viewed as recommendations. Past performance does not guarantee future results.

MCN | Madison/Claymore Covered Call Fund

Portfolio of Investments | December 31, 2006

Number of Shares		Value
	Common Stocks 104.5%	
	Business Services 3.0%	
60,000	Cintas Corp.	$ 2,382,600
80,000	First Data Corp.	2,041,600
80,000	Fiserv, Inc. (a)	4,193,600
		8,617,800
	Consumer Discretionary Apparel 1.5%	
100,000	Coach, Inc. (a)	4,296,000
	Consumer Discretionary Leisure Time 0.6%	
25,000	Harley-Davidson, Inc.	1,761,750
	Consumer Discretionary Retail 24.8%	
140,000	Abercrombie & Fitch Co.-Class A	9,748,200
133,334	Aeropostale, Inc. (a)	4,116,021
175,350	American Eagle Outfitters, Inc.	5,472,673
120,000	Bed Bath & Beyond, Inc. (a)	4,572,000
200,000	Best Buy Co., Inc.	9,838,000
270,000	Home Depot, Inc.	10,843,200
330,000	Lowe s Cos., Inc.	10,279,500
64,000	Ross Stores, Inc.	1,875,200
150,000	Target Corp.	8,557,500
160,000	Williams-Sonoma, Inc.	5,030,400
		70,332,694
	Computers 2.1%	
234,200	Dell, Inc. (a)	5,876,078
	Energy 2.3%	
80,000	Transocean, Inc. (a)	6,471,200
	Financials 10.8%	
55,000	Capital One Financial Corp.	4,225,100
150,000	Citigroup, Inc.	8,355,000
161,000	Countrywide Financial Corp.	6,834,450
50,000	Merrill Lynch & Co., Inc.	4,655,000
60,000	Morgan Stanley Co.	4,885,800
80,000	Western Union Co.	1,793,600
		30,748,950

	Health Care 20.1%	
155,000	Amgen, Inc. (a)	10,588,050
120,000	Biogen Idec, Inc. (a)	5,902,800
185,000	Biomet, Inc.	7,634,950
136,200	Boston Scientific Corp. (a)	2,339,916
100,000	Community Health Systems, Inc. (a)	3,652,000
267,500	Health Management Associates, Inc.-Class A	5,646,925
140,000	Medtronic, Inc.	7,491,400
160,000	Patterson Cos., Inc. (a)	5,681,600
67,600	Pfizer, Inc.	1,750,840
80,800	Zimmer Holdings, Inc. (a)	6,333,104
		57,021,585
	Industrial 6.3%	
100,000	Apache Corp.	$ 6,651,000
233,530	FLIR Systems, Inc. (a)	7,433,260
50,000	United Parcel Services Corp.-Class B	3,749,000
		17,833,260
	Insurance 2.2%	
100,000	MGIC Investment Corp.	6,254,000
	Software 6.5%	
292,700	Check Point Software Technologies Ltd. (Israel) (a)	6,415,984
316,000	Symantec Corp. (a)	6,588,600
165,000	Transaction Systems Architects, Inc. (a)	5,374,050
		18,378,634
	Technology 24.3%	
202,000	Altera Corp. (a)	3,975,360
350,000	Applied Materials, Inc.	6,457,500
340,000	Cisco Systems, Inc. (a)	9,292,200
223,400	EBAY, Inc. (a)	6,717,638
470,000	Flextronics International Ltd. (Singapore) (a)	5,395,600
8,000	Google, Inc.-Class A (a)	3,683,840
90,000	Hewlett-Packard Co.	3,707,100
377,000	Intel Corp.	7,634,250
130,000	Linear Technology Corp.	3,941,600
90,000	Maxim Integrated Products	2,755,800
298,500	Microsoft Corp.	8,913,210
140,000	QUALCOMM, Inc.	5,290,600
52,500	Xilinx, Inc.	1,250,025
		69,014,723
	Total Long Term Investments 104.5%	
	(Cost $ 282,589,565)	296,606,674
	Short-Term Investments 4.0%	
	Money Market Funds 0.0%	
699	AIM Liquid Assets Money Market Fund (Cost $ 699)	699

Principal Value		Value
	Repurchase Agreement 2.7%	
$7,549,000	Morgan Stanley Co. (issued 12/29/06, yielding 4.65%; collateralized by $5,595,000 par of U.S. Treasury Inflation-Protected Securities due 04/15/32; to be sold on 01/03/07 at $ 7,553,875) (Cost $ 7,549,000)	$ 7,549,000
	U.S. Government and Agencies 1.3%	
3,700,000	U.S. Treasury Bill (yielding 4.94%, maturity 02/01/07)	
	(Cost $ 3,684,095)	3,684,095
	Total Short-Term Investments	
	(Cost $ 11,233,794)	11,233,794
	Total Investments 108.5%	
	(Cost $ 293,823,359)	307,840,468
	Liabilities in excess of other assets (0.1%)	(232,837)
	Total Value of Options Written (8.4%)	(23,757,105)
	Net Assets 100.0%	**$ 283,850,526**

(a) Non-income producing security.

See notes to financial statements.

MCN | Madison/Claymore Covered Call Fund | **Portfolio of Investments** continued

Contracts (100 shares per contract)	**Call Options Written**	**Expiration Date**	**Exercise Price**	**Value**
400	Abercrombie & Fitch Co.	January 2007	$ 55.00	$ 590,000
500	Abercrombie & Fitch Co.	May 2007	70.00	320,000
200	Aeropostale, Inc.	April 2007	35.00	30,000
1,720	Altera Corp.	January 2007	20.00	60,200
300	Altera Corp.	March 2007	20.00	31,500
775	American Eagle Outfitters, Inc.	January 2007	16.675	1,135,375
394	American Eagle Outfitters, Inc.	January 2007	18.375	508,260
400	Amgen, Inc.	January 2007	70.00	21,000
700	Amgen, Inc.	January 2007	72.50	8,750
450	Amgen, Inc.	January 2007	75.00	3,375
275	Apache Corp.	January 2007	60.00	184,250
225	Apache Corp.	January 2007	70.00	10,688
350	Apache Corp.	January 2007	75.00	2,625
150	Apache Corp.	April 2007	65.00	80,250
2,430	Applied Materials, Inc.	January 2007	17.50	273,375
1,070	Applied Materials, Inc.	January 2007	20.00	5,350
300	Bed Bath & Beyond, Inc.	January 2007	37.50	32,250
200	Bed Bath & Beyond, Inc.	January 2007	40.00	2,000
200	Bed Bath & Beyond, Inc.	February 2007	40.00	10,500
500	Bed Bath & Beyond, Inc.	May 2007	42.50	42,500
398	Best Buy Co., Inc.	March 2007	55.00	30,845
402	Best Buy Co., Inc.	June 2007	50.00	174,870
950	Biogen Idec, Inc.	January 2007	45.00	418,000
250	Biogen Idec, Inc.	January 2007	50.00	19,375
1,450	Biomet, Inc.	January 2007	35.00	928,000
400				