

FLAHERTY & CRUMRINE/CLAYMORE TOTAL RETURN FUND INC

Form N-30B-2

October 23, 2006

FLAHERTY & CRUMRINE/CLAYMORE TOTAL RETURN FUND

To the Shareholders of the Flaherty & Crumrine/Claymore Total Return Fund ("FLC"):

During the Fund's 3rd fiscal quarter, the economy slowed from its rapid growth earlier in the year and, for the first time in two years, the Federal Reserve paused in its ratcheting up of short-term interest rates. In this environment, the Fund performed very well, earning a total return of +2.9% on its net asset value (NAV) in the three months ended August 31st and +5.5% over its fiscal year-to-date.

In a reversal of the weak markets for Treasury securities earlier in the year, when the Fund's hedging strategies contributed significantly to results, long-term interest rates declined during the recent fiscal quarter and the interest-rate hedge proved unnecessary. However, as always, we follow the Fund's investment strategy of maintaining the hedge in place, while attempting to control its cost. Doing so helps protect the value of the Fund's holdings against significant increases in long-term interest rates and potentially results in an increase in the Fund's distributable income. During the recent fiscal quarter, the Fund's NAV performed very well, even after absorbing the cost of the hedge.

Conditions in the market for preferred securities continue to be positive. This market is somewhat amorphous, so we find it useful to break it down into smaller groups of similarly-structured issues. Fully taxable or "hybrid" preferred securities comprise the lion's share of the preferred market, and this segment continues to grow rapidly. Over \$24 billion of new taxable preferred securities have come to market in 2006. Income from these issues is taxed as ordinary income to investors and is a deductible expense for the issuer. As of August 31st, 67% of the Fund's portfolio was invested in fully-taxable preferred securities.

Much of the recent growth in taxable preferred securities has come from issuance of "enhanced" preferreds. These issues have certain terms and conditions which may result in better credit ratings for the issuer (which in turn helps keep their borrowing costs down). Since most of these features favor the issuer, investors should require a higher return. In our view, too often this is not the case. As a result, the portfolio's allocation to enhanced preferreds has increased at a much slower pace than that of the overall market.

The market for traditional preferred stock (issues that pay dividends and may have tax advantages to certain investors which the Fund can pass through to its shareholders) has been delivering strong relative returns for some time. As of August 31st, this type of security comprised 19% of the Fund's portfolio.

Since the beginning of 2006, fourteen new traditional preferred stock issues totaling \$5.7 billion have been brought to market (increasing the sector total by roughly 10%); the additional supply has helped focus interest on traditional preferred stock and appears to have attracted new investors. Several of these recent issues have dividend rates that adjust every quarter to reflect changes in short-term interest rates. This floating-rate feature fits the Fund nicely because it tends to offset changes in the cost of the Fund's leverage and requires only a minimal interest-rate hedge. However, unless the level of income we can earn on this type of security goes up, we don't anticipate increasing the Fund's holdings much beyond present levels.

While changes in short-term interest rates affect the valuation of some of the Fund's securities (and therefore its NAV), short-term rates more directly

affect the Fund's income and the amount of its dividend by influencing both the cost of its Auction Market Preferred Stock (AMPS) leverage and its hedging strategy. The Fund's leverage generally produces additional distributable income for its Common Stock shareholders. The amount of this additional income is influenced by the "spread" between the income generated by the portfolio and the cost of leverage.

As the Fed increased short-term interest rates through June 2006, these spreads narrowed significantly and the Fund generated less additional distributable income. If the Fed maintains its pause on short-term rates, and long-term rates do not decrease materially, the Fund's leverage should continue to produce the same additional distributable income as it does now. Of course, if the Fed lowers short-term interest rates, the Fund should see a greater benefit from its use of leverage and consequently have more additional distributable income for its Common Stock shareholders.

The cost of the Fund's hedging strategy is also directly affected by the slope of the yield curve (in other words, the difference between short- and long-term interest rates). When the yield curve is steep - as it was for most of the period from mid-2001 through 2004 - hedging tends to be expensive, because the market charges the difference between long- and short-term yields to those hedging. However, if the slope of the yield curve is as flat as it has been this year, the market will not charge as much to hedge and the Fund should not need to spend as much on its hedging strategy as it has over the past few years.

We hope investors will take advantage of the Fund's website, WWW.FCCLAYMORE.COM. On it, there is a more extensive discussion of enhanced hybrid preferred securities, the impact of changing short-term interest rates on the additional distributable income provided by the Fund's leverage and how the slope of the yield curve affects the cost of the Fund's hedging strategy. It also contains a wide range of additional information about the Fund.

Sincerely,

/S/ DONALD F. CRUMRINE  
Donald F. Crumrine  
Chairman of the Board

/S/ ROBERT M. ETTINGER  
Robert M. Ettinger  
President

October 19, 2006

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Flaherty & Crumrine/Claymore Total Return Fund Incorporated  
PORTFOLIO OVERVIEW  
AUGUST 31, 2006 (UNAUDITED)  
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FUND STATISTICS ON 08/31/06

|                       |    |       |
|-----------------------|----|-------|
| Net Asset Value       | \$ | 22.41 |
| Market Price          | \$ | 20.44 |
| Discount              |    | 8.79% |
| Yield on Market Price |    | 7.49% |
| Common Stock Shares   |    |       |

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Outstanding 9,776,333

INDUSTRY CATEGORIES % OF PORTFOLIO

[GRAPHIC OMITTED]

EDGAR REPRESENTATION OF DATA POINTS

|                    |     |
|--------------------|-----|
| Banks              | 34% |
| Utilities          | 26% |
| Insurance          | 19% |
| REITs              | 7%  |
| Oil and Gas        | 5%  |
| Financial Services | 5%  |
| Other              | 4%  |

MOODY'S RATINGS % OF PORTFOLIO

|                         |       |
|-------------------------|-------|
| AAA                     | 0.1%  |
| AA                      | 1.9%  |
| A                       | 24.8% |
| BBB                     | 50.3% |
| BB                      | 13.2% |
| B                       | 0.7%  |
| Not Rated               | 6.5%  |
| Below Investment Grade* | 15.8% |

\* BELOW INVESTMENT GRADE BY BOTH MOODY'S AND S&P.

TOP 10 HOLDINGS BY ISSUER % OF PORTFOLIO

|                           |      |
|---------------------------|------|
| Wachovia Corp.            | 3.5% |
| North Fork Bancorporation | 3.2% |
| Midamerican Energy        | 3.1% |
| Public Storage            | 3.1% |
| Dominion Resources        | 3.1% |
| Capital One Financial     | 2.8% |
| Nexen, Inc.               | 2.6% |
| PS Business Parks         | 2.3% |
| JPMorgan Chase            | 2.2% |
| Liberty Mutual Insurance  | 2.2% |

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

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 \*\* 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.

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 Flaherty & Crumrine/Claymore Total Return Fund Incorporated  
 PORTFOLIO OF INVESTMENTS  
 AUGUST 31, 2006 (UNAUDITED)  
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SHARES/\$ PAR  
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PREFERRED SECURITIES -- 81.6%  
 BANKING -- 33.7%

|    |           |   |
|----|-----------|---|
| \$ | 5,750,000 | Astoria Capital Trust I, 9.75% 11/01/29 Capital Security, Series B.....     |
|    |           | Auction Pass-Through Trust, Cl. B:  |
|    | 15        | Series 2006-5, Variable Rate Pfd., 144A****.....                            |
|    | 15        | Series 2006-6, Variable Rate Pfd., 144A****.....                            |
|    | 10,900    | BAC Capital Trust II, 7.00% Pfd. 02/01/32.....                              |
|    | 17,000    | BAC Capital Trust XII, 6.875% Pfd. 08/02/55.....                            |
|    | 50,900    | Bank One Capital Trust VI, 7.20% Pfd.....                                   |
| \$ | 2,600,000 | Barclays Bank PLC, Adj. Rate Pfd.....                                       |
|    | 68,750    | Capital One Capital II, 7.50% Pfd. 06/15/66.....                            |
| \$ | 7,500,000 | Capital One Capital III, 7.686% Pfd.....                                    |
|    | 20,000    | Citigroup Capital VIII, 6.95% Pfd. 09/15/31.....                            |
|    | 40,000    | Cobank, ACB, 7.00% Pfd., 144A****.....                                      |
|    | 20,000    | Colonial Capital Trust IV, 7.875% Pfd.....                                  |
|    | 11,000    | Comerica (Imperial) Capital Trust I, 7.60% Pfd. 07/01/50.....               |
|    | 7,000     | FBOP Corporation, Adj. Rate Pfd., 144A****.....                             |
| \$ | 2,000,000 | First Chicago NBD Capital A, 7.95% 12/01/26 Capital Security, 144A****..... |
| \$ | 400,000   | First Empire Capital Trust I, 8.234% 02/01/27 Capital Security.....         |
| \$ | 1,900,000 | First Hawaiian Capital I, 8.343% 07/01/27 Capital Security, Series B.....   |
|    |           | First Republic Bank:  |
|    | 160,000   | 6.25% Pfd.....  |
|    | 23,898    | 7.25% Pfd.....  |
|    | 23,100    | Fleet Capital Trust VII, 7.20% Pfd. 12/15/31.....                           |
|    | 2         | FT Real Estate Securities Company, 9.50% Pfd., 144A****.....                |
| \$ | 7,100,000 | GreenPoint Capital Trust I, 9.10% 06/01/27 Capital Security.....            |
|    |           | HBOS Capital Funding LP:  |
| \$ | 4,500,000 | 6.85% Pfd.....  |
| \$ | 750,000   | Variable Rate Pfd., 144A****.....   |
| \$ | 3,000,000 | Haven Capital Trust I, 10.46% 02/01/27 Capital Security.....                |
| \$ | 855,000   | HSBC Capital Trust II, 8.38% 05/15/27 Capital Security, 144A****.....       |
|    | 225,000   | HSBC USA, Inc., 6.50% Pfd., Series H.....                                   |
|    |           | ING Groep NV:   |
|    | 36,000    | 7.05% Pfd.....  |
|    | 20,500    | 7.20% Pfd.....  |
| \$ | 2,550,000 | JPMorgan Capital Trust I, 7.54% 01/15/27 Capital Security.....              |
|    | 2,700     | JPMorgan Chase Capital IX, 7.50% Pfd. 02/15/31.....                         |

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|    |           |  |
|----|-----------|--|
| \$ | 1,500,000 | JPMorgan Chase Capital XVIII, 6.95% 08/17/36 Capital Security, Series R..... |
|    | 10        | Marshall & Ilsley Investment II, 8.875% Pfd., 144A****.....                  |
| \$ | 2,500,000 | North Fork Capital Trust I, 8.70% 12/15/26 Capital Security.....             |
| \$ | 810,000   | North Fork Capital Trust II, 8.00% 12/15/27 Capital Security.....            |

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 Flaherty & Crumrine/Claymore Total Return Fund Incorporated  
 PORTFOLIO OF INVESTMENTS (CONTINUED)  
 AUGUST 31, 2006 (UNAUDITED)  
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PREFERRED SECURITIES -- (CONTINUED)  
 BANKING -- (CONTINUED)

|    |           |   |
|----|-----------|---|
|    | 141,059   | PFGI Capital Corporation, 7.75% Pfd.....                                  |
| \$ | 1,500,000 | RBS Capital Trust B, 6.80% Pfd.....                                       |
|    |           | Roslyn Real Estate:   |
|    | 25        | 8.95% Pfd., Series C, 144A**** .....                                      |
|    | 10        | Adj. Rate Pfd., Series D, 144A**** .....                                  |
|    | 33,100    | Sovereign Bancorp, 7.30% Pfd., Series C.....                              |
|    | 191,525   | Sovereign Capital Trust V, 7.75% Pfd. 05/22/36.....                       |
|    | 4,100     | SunTrust Capital IV, 7.125% Pfd. 10/15/31.....                            |
|    | 10,000    | SunTrust Capital V, 7.05% Pfd. 12/15/31.....                              |
| \$ | 5,050,000 | Union Planters Capital Trust, 8.20% 12/15/26 Capital Security.....        |
|    | 19,000    | USB Capital V, 7.25% Pfd. 12/15/31.....                                   |
|    | 12,600    | USB Capital VIII, 6.35% Pfd. 12/29/65.....                                |
|    | 17,500    | USB Capital X, 6.50% Pfd. 04/12/66.....                                   |
| \$ | 5,000,000 | Wachovia Capital Trust I, 7.64% 01/15/27 Capital Security, 144A****.....  |
| \$ | 670,000   | Wachovia Capital Trust V, 7.965% 06/01/27 Capital Security, 144A****..... |
|    | 217,200   | Wachovia Preferred Funding, 7.25% Pfd., Series A.....                     |
| \$ | 1,800,000 | Washington Mutual Preferred Funding, Variable Rate Pfd., 144A****.....    |
| \$ | 4,000,000 | Webster Capital Trust I, 9.36% 01/29/27 Capital Security, 144A****.....   |

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 FINANCIAL SERVICES -- 3.0%  
 -----

|    |           |  |
|----|-----------|--|
|    |           | Goldman Sachs Group, Inc.:                                   |
|    | 50,000    | Adj. Rate Pfd., Series D .....                               |
|    | 1,500     | STRIPES Custodial Receipts, Pvt. ....                        |
| \$ | 3,000,000 | Gulf Stream-Compass 2005 Composite Notes, 144A****.....      |
|    | 4,500     | Merrill Lynch Capital Trust III, 7.00% Pfd.....              |
|    | 3,000     | Merrill Lynch Series II STRIPES Custodial Receipts, Pvt..... |
|    | 17,200    | Morgan Stanley Capital Trust II, 7.25% Pfd.....              |
|    | 15,000    | Morgan Stanley Capital Trust IV, 6.25% Pfd.....              |
|    | 9,100     | Morgan Stanley Capital Trust V, 5.75% Pfd.....               |
|    | 19,200    | Morgan Stanley Capital Trust VI, 6.60% Pfd.....              |

-----  
 INSURANCE -- 13.8%  
 -----

|  |        |  |
|--|--------|--|
|  | 15,000 | AAG Holding Company, Inc., 7.25% Pfd. .... |
|--|--------|--|

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|    |           |   |
|----|-----------|---|
|    | 177,380   | ACE Ltd., 7.80% Pfd., Series C .....                        |
|    | 30,000    | Aegon NV, 6.50% Pfd. ....                                   |
| \$ | 4,920,000 | AON Capital Trust A, 8.205% 01/01/27 Capital Security ..... |

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 Flaherty & Crumrine/Claymore Total Return Fund Incorporated  
 PORTFOLIO OF INVESTMENTS (CONTINUED)  
 AUGUST 31, 2006 (UNAUDITED)  
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PREFERRED SECURITIES -- (CONTINUED)  
 INSURANCE -- (CONTINUED)  
 -----

|    |           |   |
|----|-----------|---|
|    |           | Arch Capital Group Ltd.:  |
|    | 28,650    | 7.875% Pfd., Series B.....  |
|    | 7,100     | 8.00% Pfd.....  |
|    |           | Axis Capital Holdings:  |
|    | 116,150   | 7.25% Pfd., Series A.....   |
|    | 27,900    | Variable Rate Pfd., Series B.....   |
|    | 53,400    | Berkley W.R. Capital Trust II, 6.75% Pfd. 07/26/45 .....                    |
|    | 84,800    | Endurance Specialty Holdings, 7.75% Pfd. ....                               |
|    | 166,700   | Everest Re Capital Trust II, 6.20% Pfd., Series B.....                      |
|    | 5,800     | Hartford Capital III, 7.45% Pfd. 10/31/50, Series C .....                   |
| \$ | 2,050,000 | Oil Insurance Ltd., Variable Rate Pfd., 144A****.....                       |
|    |           | PartnerRe Ltd.:   |
|    | 10,000    | 6.50% Pfd., Series D.....   |
|    | 33,000    | 6.75% Pfd., Series C.....   |
|    | 86,000    | Principal Financial Group, 6.518% Pfd. ....                                 |
| \$ | 1,250,000 | Renaissancere Capital Trust, 8.54% 03/01/27 Capital Security, Series B..... |
|    | 128,350   | Renaissancere Holdings Ltd., 6.08% Pfd., Series C .....                     |
|    | 109,000   | Scottish Re Group Ltd., 7.25% Pfd. ....                                     |
|    | 53,360    | St. Paul Capital Trust I, 7.60% Pfd. 10/15/50 .....                         |
| \$ | 1,906,000 | Sun Life Canada Capital Trust, 8.526% Capital Security, 144A****.....       |
|    | 32,800    | Torchmark Capital Trust III, 7.10% Pfd. ....                                |
| \$ | 4,815,000 | USF&G Capital, 8.312% 07/01/46 Capital Security, 144A**** .....             |
|    | 30,000    | XL Capital Ltd., 7.625% Pfd., Series B .....                                |

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 UTILITIES -- 20.5%  
 -----

|    |           |   |
|----|-----------|---|
| \$ | 357,000   | AGL Capital Trust, 8.17% 06/01/37 Capital Security .....                    |
|    | 45,700    | Baltimore Gas & Electric Company, 6.70% Pfd., Series 1993 .....             |
|    | 230,000   | Calenergy Capital Trust III, 6.50% Pfd. 09/01/27 .....                      |
| \$ | 500,000   | COMED Financing II, 8.50% 01/15/27 Capital Security, Series B .....         |
| \$ | 2,375,000 | COMED Financing III, 6.35% 03/15/33 Capital Security .....                  |
| \$ | 2,500,000 | Dominion Resources Capital Trust I, 7.83% 12/01/27 Capital Security .....   |
|    | 10,000    | Dominion Resources Capital Trust II, 8.40% Pfd. 01/30/41 .....              |
| \$ | 6,750,000 | Dominion Resources Capital Trust III, 8.40% 01/15/31 Capital Security ..... |
|    | 20,000    | Duquesne Light Company, 6.50% Pfd. ....                                     |
|    | 145,000   | Entergy Arkansas, Inc., 6.45% Pfd. ....                                     |
|    | 50,000    | Entergy Louisiana, Inc., 6.95% Pfd., 144A**** .....                         |
|    | 83,500    | FPC Capital I, 7.10% Pfd., Series A .....                                   |

48,700 Georgia Power Capital Trust V, 7.125% Pfd. 03/31/42 .....

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 Flaherty & Crumrine/Claymore Total Return Fund Incorporated  
 PORTFOLIO OF INVESTMENTS (CONTINUED)  
 AUGUST 31, 2006 (UNAUDITED)  
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SHARES/\$ PAR  
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PREFERRED SECURITIES -- (CONTINUED)  
 UTILITIES -- (CONTINUED)

|    |           |   |
|----|-----------|---|
| \$ | 4,500,000 | Houston Light & Power Capital Trust II, 8.257% 02/01/37 Capital Security .....    |
|    | 30,445    | Indianapolis Power & Light Company, 5.65% Pfd. ....                               |
|    |           | Interstate Power & Light Company:   |
|    | 90,000    | 7.10% Pfd., Series C.....   |
|    | 38,600    | 8.375% Pfd., Series B.....  |
| \$ | 5,000,000 | PECO Energy Capital Trust IV, 5.75% 06/15/33 Capital Security .....               |
|    | 16,200    | PSEG Funding Trust II, 8.75% Pfd. ....  |
| \$ | 1,800,000 | Puget Sound Energy Capital Trust, 8.231% 06/01/27 Capital Security, Series B .... |
|    | 22,500    | Southern California Edison, 6.00% Pfd. ....                                       |
|    | 151,100   | Southern Union Company, 7.55% Pfd. ....   |
|    | 10,000    | Southwest Gas Capital II, 7.70% Pfd. ....   |
|    | 5,000     | Union Electric Company, \$7.64 Pfd. ....  |
|    | 5,000     | Virginia Electric & Power Company, \$6.98 Pfd. ....                               |
|    | 30,000    | Virginia Power Capital Trust, 7.375% Pfd. 07/30/42 .....                          |
|    | 18,000    | Vectren Utility Holdings, 7.25% Pfd. 10/15/31 .....                               |
|    | 85,137    | Wisconsin Power & Light Company, 6.50% Pfd. ....                                  |

OIL AND GAS -- 1.7%

|    |           |   |
|----|-----------|---|
| \$ | 2,793,000 | Enterprise Products Partners, Variable Rate Pfd. .... |
|    | 2,750     | EOG Resources, Inc., 7.195% Pfd., Series B .....      |

REAL ESTATE INVESTMENT TRUST (REIT) -- 7.4%

|  |         |  |
|--|---------|--|
|  |         | BRE Properties, Inc.:                                    |
|  | 6,000   | 6.75% Pfd., Series C.....                                |
|  | 24,500  | 8.08% Pfd., Series B.....                                |
|  | 15,849  | Duke Realty Corporation, 6.625% Pfd., Series J           |
|  | 20,000  | Equity Office Property Trust, 7.75% Pfd., Series G       |
|  | 85,000  | Equity Residential Properties, 8.29% Pfd., Series K..... |
|  |         | PS Business Parks, Inc.:                                 |
|  | 81,900  | 7.00% Pfd., Series H .....                               |
|  | 124,620 | 7.20% Pfd., Series M .....                               |
|  | 23,538  | 7.375% Pfd., Series O .....                              |
|  | 44,500  | 7.60% Pfd., Series L .....                               |
|  | 45,000  | 7.95% Pfd., Series K .....                               |

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 Flaherty & Crumrine/Claymore Total Return Fund Incorporated  
 PORTFOLIO OF INVESTMENTS (CONTINUED)  
 AUGUST 31, 2006 (UNAUDITED)  
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SHARES/\$ PAR  
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PREFERRED SECURITIES -- (CONTINUED)  
 REAL ESTATE INVESTMENT TRUST (REIT) -- (CONTINUED)

-----  
 Public Storage, Inc.:  
 25,100 6.18% Pfd., Series D .....  
 122,850 6.45% Pfd., Series F .....  
 38,900 6.60% Pfd., Series C .....  
 30,000 6.85% Pfd., Series Y .....  
 120,000 7.25% Pfd., Series K .....  
 44,200 7.50% Pfd., Series V .....  
 5,100 7.625% Pfd., Series T .....  
 48,600 8.00% Pfd., Series R .....  
 -----

MISCELLANEOUS INDUSTRIES -- 1.5%

-----  
 1,395 Centaur Funding Corporation, 9.08% Pfd. 04/21/20 144A\*\*\*\*.....  
 40,000 Ocean Spray Cranberries, Inc., 6.25% Pfd., 144A\*\*\*\*.....  
 -----

TOTAL PREFERRED SECURITIES  
 (Cost \$278,656,959) .....

CORPORATE DEBT SECURITIES -- 17.3%  
 FINANCIAL SERVICES -- 1.6%

-----  
 \$ 4,853,000 Lehman Brothers, Guaranteed Note, Variable Rate, 12/16/16, 144A\*\*\*\*.....  
 40,900 Saturns-GS, 6.00% 02/15/33, Series Goldman Sachs.....  
 -----

INSURANCE -- 4.9%

-----  
 20,000 American Financial Group, Inc., 7.125% 02/03/34, Senior Note.....  
 \$ 2,000,000 Farmers Exchange Capital, 7.20% 07/15/48, 144A\*\*\*\*.....  
 Liberty Mutual Insurance:  
 \$ 914,000 7.50% 08/15/36, 144A\*\*\*\* .....  
 \$ 6,638,000 7.697% 10/15/97, 144A\*\*\*\* .....  
 \$ 7,000,000 UnumProvident Corporation, 7.25% 03/15/28, Senior Notes.....  
 -----

UTILITIES -- 5.1%

-----  
 27,200 Corp-Backed Trust Certificates, 7.875% 02/15/32, Series Duke Capital.....  
 \$ 4,000,000 Duquesne Light Holdings, 6.25% 08/15/35.....  
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5,000 Entergy Mississippi, Inc., 7.25%, 1st Mortgage.....  
 \$ 4,000,000 Interstate Power & Light Company, 6.45% 10/15/33, Senior Notes.....

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 Flaherty & Crumrine/Claymore Total Return Fund Incorporated  
 PORTFOLIO OF INVESTMENTS (CONTINUED)  
 AUGUST 31, 2006 (UNAUDITED)  
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SHARES/\$ PAR  
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CORPORATE DEBT SECURITIES -- (CONTINUED)  
 UTILITIES -- (CONTINUED)

-----  
 \$ 2,070,000 Oncor Electric Delivery Company, 7.25% 01/15/33.....  
     62,000 PPL Energy Supply LLC, 7.00% 07/15/46.....  
 \$ 1,200,000 TXU Corporation, 6.50% 11/15/24.....  
 \$ 4,000,000 Wisconsin Electric Power Company, 6.875% 12/01/95.....  
 -----

OIL AND GAS -- 3.2%

-----  
 \$ 2,500,000 KN Energy, Inc., 7.45% 03/01/98.....  
     356,200 Nexen, Inc., 7.35% Subordinated Notes.....  
 -----

MISCELLANEOUS INDUSTRIES -- 2.5%

-----  
     19,625 Ford Motor Company, 7.50% 06/10/43, Senior Notes.....  
 \$ 6,265,000 General Motors Corporation, 8.80% 03/01/21.....  
     Pulte Homes, Inc.:  
         25,844 7.375% 06/01/46.....  
 \$ 2,160,000 7.875% 06/15/32, Senior Notes.....  
 -----

TOTAL CORPORATE DEBT SECURITIES  
 (Cost \$62,508,351) .....

OPTION CONTRACTS -- 0.1%

281 December Call Options on December U.S. Treasury Bond Futures, Expiring 11/21/06..  
 1,757 December Put Options on December U.S. Treasury Bond Futures, Expiring 11/21/06..  
 563 October Put Options on December U.S. Treasury Bond Futures, Expiring 09/22/06....

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 TOTAL OPTION CONTRACTS  
 (Cost \$1,365,081) .....

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Flaherty & Crumrine/Claymore Total Return Fund Incorporated  
 PORTFOLIO OF INVESTMENTS (CONTINUED)  
 AUGUST 31, 2006 (UNAUDITED)

SHARES/\$ PAR

|  |          |
|--|----------|
| MONEY MARKET FUND -- 0.1%  |          |
| 216,758 BlackRock Provident Institutional, TempFund .....            |          |
| -----  |          |
| TOTAL MONEY MARKET FUND  |          |
| (Cost \$216,758) .....   |          |
| -----  |          |
| TOTAL INVESTMENTS (Cost \$342,747,149***) .....                      | 99.1%    |
| OTHER ASSETS AND LIABILITIES (Net) .....                             | 0.9%     |
| -----  |          |
| TOTAL NET ASSETS AVAILABLE TO COMMON STOCK AND PREFERRED STOCK ..... | 100.0%++ |
| -----  |          |
| AUCTION MARKET PREFERRED STOCK (AMPS) REDEMPTION VALUE .....         |          |
| TOTAL NET ASSETS AVAILABLE TO COMMON STOCK .....                     |          |

- 
- \* Securities eligible for the Dividends Received Deduction and distributing Qualified Dividends
  - \*\* 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 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
- REIT -- Real Estate Investment Trust

OPEN OPTION CONTRACTS WRITTEN

| CONTRACTS | CONTRACT DESCRIPTION   |
|-----------|--|
| -----     | -----  |
| 225       | December Call Options on December U.S. Treasury Bond Futures,<br>Expiring 11/21/06, Strike Price 108 ..... |
| 56        | December Call Options on December U.S. Treasury Bond Futures,<br>Expiring 11/21/06, Strike Price 110 ..... |

TOTAL OPEN OPTION CONTRACTS WRITTEN (Cost \$701,447) .....

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 Flaherty & Crumrine/Claymore Total Return Fund Incorporated  
 STATEMENT OF CHANGES IN NET ASSETS AVAILABLE TO COMMON STOCK(1)  
 FOR THE PERIOD FROM DECEMBER 1, 2005 THROUGH AUGUST 31, 2006 (UNAUDITED)  
 -----

OPERATIONS:

Net investment income .....  
 Net realized gain/(loss) on investments sold during the period .....  
 Change in net unrealized appreciation/depreciation of investments held  
 during the period .....  
 Distributions to AMPS\* Shareholders from net investment income,  
 including changes in accumulated undeclared distributions .....  
  
 NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS .....

DISTRIBUTIONS:

Dividends paid from net investment income to Common Stock Shareholders(2) .....  
  
 TOTAL DISTRIBUTIONS TO COMMON STOCK SHAREHOLDERS .....

FUND SHARE TRANSACTIONS:

Increase from shares issued under the Dividend Reinvestment  
 and Cash Purchase Plan .....  
  
 NET INCREASE IN NET ASSETS AVAILABLE TO COMMON STOCK  
 RESULTING FROM FUND SHARE TRANSACTIONS .....  
  
 NET INCREASE IN NET ASSETS AVAILABLE TO COMMON STOCK  
 FOR THE PERIOD .....

-----  
 NET ASSETS AVAILABLE TO COMMON STOCK:

Beginning of period .....  
 Net increase in net assets during the period .....  
  
 End of period .....

-----  
 Flaherty & Crumrine/Claymore Total Return Fund Incorporated  
 FINANCIAL HIGHLIGHTS(1)  
 FOR THE PERIOD FROM DECEMBER 1, 2005 THROUGH AUGUST 31, 2006 (UNAUDITED)  
 FOR A COMMON STOCK SHARE OUTSTANDING THROUGHOUT THE PERIOD.

-----  
 PER SHARE OPERATING PERFORMANCE:

Net asset value, beginning of period .....

INVESTMENT OPERATIONS:

Net investment income .....

Net realized and unrealized gain/(loss) on investments .....

DISTRIBUTIONS TO AMPS\* SHAREHOLDERS:

From net investment income .....

From net realized capital gains .....

Total from investment operations .....

DISTRIBUTIONS TO COMMON STOCK SHAREHOLDERS:

From net investment income .....

From net realized capital gains .....

Total distributions to Common Stock Shareholders .....

Net asset value, end of period .....

Market value, end of period .....

Common Stock shares outstanding, end of period .....

RATIOS TO AVERAGE NET ASSETS AVAILABLE TO COMMON STOCK SHAREHOLDERS:

Net investment income+ .....

Operating expenses .....

-----  
 SUPPLEMENTAL DATA:++

Portfolio turnover rate .....

Total net assets available to Common and Preferred Stock, end of period (in 000's) .....

Ratio of operating expenses to total average net assets available to

Common and Preferred Stock .....

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 Flaherty & Crumrine/Claymore Total Return Fund Incorporated  
 FINANCIAL HIGHLIGHTS (CONTINUED)  
 PER SHARE OF COMMON STOCK (UNAUDITED)  
 -----

|                         | TOTAL<br>DIVIDENDS<br>PAID | NET ASSET<br>VALUE | NY<br>CLOSING |
|-------------------------|----------------------------|--------------------|---------------|
|                         | -----                      | -----              | -----         |
| December 31, 2005 ..... | \$0.1400                   | \$22.59            | \$19.         |
| January 31, 2006.....   | 0.1400                     | 22.58              | 20.           |

|                         |        |       |     |
|-------------------------|--------|-------|-----|
| February 28, 2006 ..... | 0.1400 | 22.62 | 20. |
| March 31, 2006 .....    | 0.1275 | 22.41 | 19. |
| April 30, 2006 .....    | 0.1275 | 22.18 | 19. |
| May 31, 2006 .....      | 0.1275 | 22.15 | 19. |
| June 30, 2006 .....     | 0.1275 | 21.93 | 19. |
| July 31, 2006 .....     | 0.1275 | 21.87 | 19. |
| August 31, 2006 .....   | 0.1275 | 22.41 | 20. |

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 Flaherty & Crumrine/Claymore Total Return Fund Incorporated  
 NOTES TO FINANCIAL STATEMENTS (UNAUDITED)  
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1. AGGREGATE INFORMATION FOR FEDERAL INCOME TAX PURPOSES

At August 31, 2006, the aggregate cost of securities for federal income tax purposes was \$343,750,843, the aggregate gross unrealized appreciation for all securities in which there is an excess of value over tax cost was \$6,312,354, and the aggregate gross unrealized depreciation for all securities in which there is an excess of tax cost over value was \$6,493,845.

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[GRAPHIC OMITTED]  
 LIGHTHOUSE ART

FLAHERTY & CRUMRINE/CLAYMORE  
 =====  
 TOTAL RETURN FUND

QUARTERLY  
 REPORT

AUGUST 31, 2006

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

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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  
Christopher D. Ryan, CFA  
Vice President  
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 TOTAL RETURN FUND?

- o If your shares are held in a Brokerage Account, contact your Broker.
- o 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.