

FLAHERTY & CRUMRINE/CLAYMORE TOTAL RETURN FUND INC

Form N-30B-2

October 29, 2008

FLAHERTY & CRUMRINE/CLAYMORE TOTAL RETURN FUND

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

Stating the obvious, we are facing extraordinary and unprecedented times in the financial markets. The events that ultimately culminated in the government's massive financial rescue plan have impacted the market for preferred securities particularly hard. As a result, for the quarter ended August 31, 2008, the Fund's common shareholders experienced a total return on net asset value of -11.0%, subsequent to the quarter-end and through the date of this letter, the net asset value has continued to decline significantly.

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

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

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

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

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

Sincerely,

/s/ Donald F. Crumrine

/s/ Robert M. Ettinger

Donald F. Crumrine  
Chairman of the Board

Robert M. Ettinger  
President

October 16, 2008

Flaherty & Crumrine/Claymore Total Return Fund Incorporated

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PORTFOLIO OVERVIEW

AUGUST 31, 2008 (UNAUDITED)

FUND STATISTICS ON 8/31/08

Net Asset Value	\$	14.84
Market Price	\$	13.15
Discount		11.39%
Yield on Market Price		12.46%
Common Stock Shares Outstanding		9,776,333

MOODY'S RATINGS % OF PORTFOLIO

AA	5.6%
A	19.2%
BBB	52.0%
BB	17.4%
Below "BB"	0.1%
Not Rated	3.3%
Below Investment Grade*	12.4%

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

(PIE CHART)

INDUSTRY CATEGORIES % OF PORTFOLIO

Banking	33%
Utilities	26%
Insurance	21%
Financial Services	7%
Energy	5%
REITs	3%
Other	5%

TOP 10 HOLDINGS BY ISSUER % OF PORTFOLIO

Midamerican Energy	6.5%
Liberty Mutual Group	4.6%
Banco Santander	4.6%
AON Corp	3.5%
Wachovia Corp	2.8%
Sovereign Bancorp	2.7%
Dominion Resources	2.6%

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Merrill Lynch	2.5%
Unum Group	2.5%
Astoria Financial	2.3%

% OF PORTFOLIO\*\*

Holdings Generating Qualified Dividend Income (QDI) for Individuals	30%
Holdings Generating Income Eligible for the Corporate Dividend Received Deduction (DRD)	24%

\*\*\*\*\*  
 \*\* 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.

Flaherty & Crumrine/Claymore Total Return Fund Incorporated  
 PORTFOLIO OF INVESTMENTS  
 AUGUST 31, 2008 (UNAUDITED)

SHARES/\$ PAR		VAL
-----		-----
PREFERRED SECURITIES -- 88.6%		
	BANKING -- 32.6%	
\$ 5,750,000	Astoria Capital Trust I, 9.75% 11/01/29, Series B .....	\$ 5,78
	Banco Santander:	
366,000	6.50% Pfd. ....	7,33
196,620	6.80% Pfd. ....	4,21
\$ 7,500,000	Capital One Capital III, 7.686% 08/15/36 .....	5,56
\$ 10,000,000	CBG Florida REIT Corporation, 7.114%, 144A**** .....	3,12
	Citigroup, Inc.:	
56,975	8.125% Pfd., Series AA .....	1,12
202,800	8.50% Pfd., Series F .....	4,36
40,000	Citizens Funding Trust I, 7.50% Pfd. 09/15/66 .....	50
40,000	Cobank, ACB, 7.00% Pfd., 144A**** .....	1,31
7,200	Colonial Capital Trust IV, 7.875% Pfd. 10/01/33 .....	11
\$ 7,000,000	Comerica Capital Trust II, 6.576% 02/20/37 .....	3,98
7,000	FBOP Corporation, Adj. Rate Pfd., 144A**** .....	3,85
\$ 400,000	First Empire Capital Trust I, 8.234% 02/01/27 .....	37
\$ 1,900,000	First Hawaiian Capital I, 8.343% 07/01/27, Series B .....	1,83
\$ 100,000	First Tennessee Capital I, 8.07% 01/06/27, Series A .....	6
\$ 600,000	First Union Capital II, 7.95% 11/15/29 .....	55
2	FT Real Estate Securities Company, 9.50% Pfd., 144A**** .....	1,84
\$ 1,000,000	HBOS PLC, 6.657%, 144A**** .....	62
\$ 855,000	HSBC USA Capital Trust II, 8.38% 05/15/27, 144A**** .....	83
143,750	HSBC USA, Inc., 6.50% Pfd., Series H .....	3,24

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\$ 4,000,000	JPMorgan Chase & Co., 7.90%, Series I .....	3,64
82,000	Keycorp Capital IX, 6.75% Pfd. 12/15/66 .....	1,23
54,995	National City Corporation, 9.875% Pfd. ....	1,08
\$ 2,500,000	National City Preferred Capital Trust I, 12.00% .....	1,55
151,059	PFGI Capital Corporation, 7.75% Pfd. ....	2,38
\$ 3,500,000	PNC Preferred Funding Trust III, 8.70%, 144A**** .....	3,35
\$ 1,000,000	Regions Financing Trust II, 6.625% 05/15/47 .....	52
93,100	Sovereign Bancorp, 7.30% Pfd., Series C .....	1,49
191,525	Sovereign Capital Trust V, 7.75% Pfd. 05/22/36 .....	3,50
2,000	Sovereign REIT, 12.00% Pfd., Series A, 144A**** .....	1,90
	U.S. Bancorp, Auction Pass-Through Trust, Cl. B:	
15	Series 2006-5, Variable Rate Pfd., 144A**** .....	
15	Series 2006-6, Variable Rate Pfd., 144A**** .....	

3

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PORTFOLIO OF INVESTMENTS (CONTINUED)

AUGUST 31, 2008 (UNAUDITED)

SHARES/\$ PAR		VAL
-----		-----
PREFERRED SECURITIES -- (CONTINUED)		
BANKING -- (CONTINUED)		
Wachovia Corporation:		
\$ 2,000,000	7.98% .....	\$ 1,52
195,000	8.00% Pfd., Series J .....	3,63
84,900	Wachovia Preferred Funding, 7.25% Pfd., Series A .....	1,43
\$ 2,800,000	Webster Capital Trust IV, 7.65% 06/15/37 .....	1,80
\$ 2,000,000	Wells Fargo Capital XIII, 7.70% .....	1,91
30,000	Wells Fargo Capital XIV, 8.625% Pfd. 09/14/68 .....	77
		-----
		82,46
		-----
FINANCIAL SERVICES -- 5.8%		
CIT Group, Inc.:		
13,900	5.189% Pfd., Series B .....	64
\$ 3,250,000	6.10% 03/15/67 .....	1,32
68,800	6.35% Pfd., Series A .....	96
23,898	First Republic Bank, 7.25% Pfd. ....	47
2,000	First Republic Preferred Capital Corporation, 10.50% Pfd., 144A**** .....	2,11
Goldman Sachs:		
29,100	Adj. Rate Pfd., Series D .....	45
28,000	Cabco Trust Capital I, Adj. Rate Pfd. 02/15/34 .....	39
1,500	STRIPES Custodial Receipts, Pvt .....	
\$ 3,000,000	Gulf Stream-Compass 2005 Composite Notes, 144A**** .....	2,20
Lehman Brothers Holdings, Inc.:		
20,000	5.67% Pfd., Series D .....	54
85,000	7.95% Pfd. ....	1,32
Merrill Lynch:		
160,000	6.25% Pfd. ....	2,84
80,000	Adj. Rate Pfd., Series 5 .....	94

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20,000	Fixed Income Pass-Through 2007-A, Cl. B, Adj Rate Pfd., 144A****	
3,000	Series II STRIPES Custodial Receipts, Pvt	
11,000	SLM Corporation, Adj. Rate Pfd., Series B	44
		-----
		14,68
		-----
	INSURANCE -- 15.5%	
\$ 2,305,000	AMBAC Financial Group, Inc., 6.15% 02/15/37	81
\$ 9,511,000	AON Capital Trust A, 8.205% 01/01/27	8,90
	Arch Capital Group Ltd.:	
28,650	7.875% Pfd., Series B	66
47,100	8.00% Pfd., Series A	1,08

4

Flaherty & Crumrine/Claymore Total Return Fund Incorporated

PORTFOLIO OF INVESTMENTS (CONTINUED)

AUGUST 31, 2008 (UNAUDITED)

SHARES/\$ PAR		VAL
-----		-----
	PREFERRED SECURITIES -- (CONTINUED)	
	INSURANCE -- (CONTINUED)	
	Axis Capital Holdings:	
23,030	7.25% Pfd., Series A	\$ 50
66,600	7.50% Pfd., Series B	5,21
160,000	Delphi Financial Group, 7.376% Pfd. 05/15/37	2,80
\$ 5,500,000	Everest Re Holdings, 6.60% 05/15/37	3,64
\$ 845,000	Great West Life & Annuity Insurance, 7.153% 05/16/46, 144A****	70
	Liberty Mutual Group:	
\$ 6,500,000	7.80% 03/15/37, 144A****	4,85
\$ 1,000,000	10.75% 06/15/58, 144A****	91
\$ 1,000,000	MetLife Capital Trust X, 9.25% 04/08/38, 144A****	1,01
114,000	MetLife, Inc., 6.50% Pfd., Series B	2,39
\$ 300,000	PartnerRe Finance II, 6.44% 12/01/66	23
109,000	Scottish Re Group Ltd., 7.25% Pfd.	23
\$ 3,615,000	USF&G Capital, 8.312% 07/01/46, 144A****	3,88
\$ 1,500,000	ZFS Finance USA Trust V, 6.50% 05/09/37, 144A****	1,29
		-----
		39,14
		-----
	UTILITIES -- 26.4%	
33,700	Baltimore Gas & Electric Company, 6.70% Pfd., Series 1993	3,32
365,000	Calenergy Capital Trust III, 6.50% Pfd. 09/01/27	16,36
\$ 2,375,000	COMED Financing III, 6.35% 03/15/33	1,93
115,000	Constellation Energy Group, Inc., 8.625% Pfd. 06/15/63, Series A	2,88
\$ 4,500,000	Dominion Resources Capital Trust I, 7.83% 12/01/27	4,50
\$ 2,250,000	Dominion Resources, Inc., 7.50%	2,04
145,000	Entergy Arkansas, Inc., 6.45% Pfd.	3,58
50,000	Entergy Louisiana, Inc., 6.95% Pfd.	4,98

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91,200	FPC Capital I, 7.10% Pfd., Series A .....	2,13
	FPL Group Capital, Inc.:	
\$ 750,000	6.35% 10/01/66 .....	63
\$ 350,000	6.65% 06/15/67 .....	29
\$ 1,000,000	7.30% 09/01/67, Series D .....	92
2,500	Georgia Power Company, 6.50% Pfd., Series 07-A .....	24
30,445	Indianapolis Power & Light Company, 5.65% Pfd. ....	2,63
	Interstate Power & Light Company:	
85,100	7.10% Pfd., Series C .....	2,12
38,600	8.375% Pfd., Series B .....	1,04
\$ 5,000,000	PECO Energy Capital Trust IV, 5.75% 06/15/33 .....	4,04
\$ 4,250,000	Puget Sound Energy, Inc., 6.974% 06/01/67 .....	3,56
15,000	Southern California Edison, 6.00% Pfd., Series C .....	1,37

5

Flaherty & Crumrine/Claymore Total Return Fund Incorporated

PORTFOLIO OF INVESTMENTS (CONTINUED)

AUGUST 31, 2008 (UNAUDITED)

SHARES/\$ PAR		VAL
-----		-----
PREFERRED SECURITIES -- (CONTINUED)		
UTILITIES -- (CONTINUED)		
\$ 1,500,000	Southern Union Company, 7.20% 11/01/66 .....	\$ 1,19
5,000	Union Electric Company, \$7.64 Pfd. ....	48
5,000	Virginia Electric & Power Company, \$6.98 Pfd. ....	49
\$ 4,500,000	Wisconsin Energy Corporation, 6.25% 05/15/67 .....	3,73
85,137	Wisconsin Power & Light Company, 6.50% Pfd. ....	2,11
		-----
		66,66
		-----
	ENERGY -- 3.1%	
\$ 4,900,000	Enbridge Energy Partners LP, 8.05% 10/01/37 .....	4,36
\$ 4,000,000	Enterprise Products Partners, 7.034% 01/15/68 .....	3,47
		-----
		7,84
		-----
	REAL ESTATE INVESTMENT TRUST (REIT) -- 3.2%	
125,000	Duke Realty Corporation, 8.375% Pfd., Series O .....	2,95
	PS Business Parks, Inc.:	
45,400	6.70% Pfd., Series P .....	84
5,700	6.875% Pfd., Series I .....	10
4,500	7.00% Pfd., Series H .....	8
58,120	7.20% Pfd., Series M .....	1,16
26,938	7.375% Pfd., Series O .....	54
57,900	7.60% Pfd., Series L .....	1,19
	Public Storage, Inc.:	
22,100	6.75% Pfd., Series E .....	46
30,000	6.85% Pfd., Series Y .....	63
		-----
		7,99
		-----
	MISCELLANEOUS INDUSTRIES -- 2.0%	

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1,395	Centaur Funding Corporation, 9.08% Pfd. 04/21/20, 144A**** ..	1,35
40,000	Ocean Spray Cranberries, Inc., 6.25% Pfd., 144A**** .....	3,61
		-----
		4,96
		-----
	TOTAL PREFERRED SECURITIES	
	(Cost \$277,910,830) .....	223,76
		-----

6

Flaherty & Crumrine/Claymore Total Return Fund Incorporated

PORTFOLIO OF INVESTMENTS (CONTINUED)

AUGUST 31, 2008 (UNAUDITED)

SHARES/\$ PAR		VAL
-----		-----
	CORPORATE DEBT SECURITIES -- 9.1%	
	BANKING -- 0.1%	
15,600	Colonial Bancgroup, Inc., 8.875% Pfd. 03/15/38 .....	\$ 28
		-----
		28
		-----
	FINANCIAL SERVICES -- 1.4%	
\$ 4,726,012	Lehman Brothers, Guaranteed Note, Variable Rate, 12/16/16, 144A**** .....	3,57
		-----
		3,57
		-----
	INSURANCE -- 5.0%	
15,000	AAG Holding Company, Inc., 7.25% Pfd. ....	30
\$ 7,577,000	Liberty Mutual Insurance, 7.697% 10/15/97, 144A**** .....	5,96
\$ 7,000,000	UnumProvident Corporation, 7.25% 03/15/28, Senior Notes .....	6,31
		-----
		12,58
		-----
	ENERGY -- 1.5%	
\$ 4,000,000	Noble Energy, Inc., 7.25% 08/01/97 .....	3,75
		-----
		3,75
		-----
	MISCELLANEOUS INDUSTRIES -- 1.1%	
16,500	Corp-Backed Trust Certificates, 7.00% 11/15/28, Series Sprint .....	27
9,625	Ford Motor Company, 7.50% 06/10/43, Senior Notes .....	11
	Pulte Homes, Inc.:	
25,844	7.375% 06/01/46 .....	49
\$ 2,160,000	7.875% 06/15/32 .....	1,85
		-----
		2,73
		-----
	TOTAL CORPORATE DEBT SECURITIES	
	(Cost \$27,527,701) .....	22,94

OPTION CONTRACTS -- 0.2%		
263	December Put Options on December U.S. Treasury Bond Futures, Expiring 11/21/08 .....	41
		-----
	TOTAL OPTION CONTRACTS (Cost \$459,219) .....	41
		-----

7

Flaherty & Crumrine/Claymore Total Return Fund Incorporated

PORTFOLIO OF INVESTMENTS (CONTINUED)

AUGUST 31, 2008 (UNAUDITED)

SHARES/\$ PAR			VAL
-----			-----
MONEY MARKET FUND -- 1.0%			
2,551,540	BlackRock Provident Institutional, TempFund .....		\$ 2,55
			-----
	TOTAL MONEY MARKET FUND (Cost \$2,551,540) .....		2,55
			-----
TOTAL INVESTMENTS (Cost \$308,449,290***)	.....	98.9%	249,67
OTHER ASSETS AND LIABILITIES (Net)	.....	1.1%	2,87
		-----	-----
TOTAL NET INVESTMENTS	.....	100.0%++	\$252,54
		-----	-----
LOAN PRINCIPAL BALANCE	.....		(68,00
			-----
AUCTION MARKET PREFERRED STOCK (AMPS) REDEMPTION VALUE	.....		(39,50
			-----
TOTAL NET ASSETS AVAILABLE TO COMMON STOCK	.....		\$145,04
			=====

\* Securities eligible for the Dividends Received Deduction and distributing Qualified Dividend Income.

\*\* Securities distributing Qualified Dividend Income only.

\*\*\* Aggregate cost of securities held.

\*\*\*\* Securities exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be resold in transactions exempt from registration to qualified institutional buyers. These securities have been determined to be liquid under the guidelines established by the Board of Directors.

(1) All or a portion of this security is pledged as collateral for the Fund's loan. The total value of such securities was \$156,337,129 at August 31, 2008.



- (2) Foreign Issuer.
- + Non-income producing.
- ++ The percentage shown for each investment category is the total value of that category as a percentage of total net investments.

ABBREVIATIONS:

- PFD. -- Preferred Securities
- PVT. -- Private Placement Securities

8

Flaherty & Crumrine/Claymore Total Return Fund Incorporated  
 STATEMENT OF CHANGES IN NET ASSETS AVAILABLE TO COMMON STOCK(1)  
 FOR THE PERIOD FROM DECEMBER 1, 2007 THROUGH AUGUST 31, 2008 (UNAUDITED)

	VA -----
<b>OPERATIONS:</b>	
Net investment income .....	\$ 14,7
Net realized gain/(loss) on investments sold during the period .....	(10,0
Change in net unrealized appreciation/depreciation of investments .....	(37,0
Distributions to AMPS* Shareholders from net investment income, including changes in accumulated undeclared distributions .....	(3,7
	-----
NET DECREASE IN NET ASSETS RESULTING FROM OPERATIONS .....	(36,1
<b>DISTRIBUTIONS:</b>	
Dividends paid from net investment income to Common Stock Shareholders(2) .....	(11,5
	-----
TOTAL DISTRIBUTIONS TO COMMON STOCK SHAREHOLDERS .....	(11,5
<b>FUND SHARE TRANSACTIONS:</b>	
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 DECREASE IN NET ASSETS AVAILABLE TO COMMON STOCK FOR THE PERIOD .....	\$ (47,6
	=====
<b>NET ASSETS AVAILABLE TO COMMON STOCK:</b>	
Beginning of period .....	\$192,7
Net decrease in net assets during the period .....	(47,6
	-----
End of period .....	\$145,0
	=====

-----  
 \* Auction Market Preferred Stock.

(1) These tables summarize the nine months ended August 31, 2008 and should be

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read in conjunction with the Fund's audited financial statements, including footnotes, in its Annual Report dated November 30, 2007.

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

9

Flaherty & Crumrine/Claymore Total Return Fund Incorporated  
 FINANCIAL HIGHLIGHTS(1)  
 FOR THE PERIOD FROM DECEMBER 1, 2007 THROUGH AUGUST 31, 2008 (UNAUDITED)  
 FOR A COMMON STOCK SHARE OUTSTANDING THROUGHOUT THE PERIOD.

PER SHARE OPERATING PERFORMANCE:

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

INVESTMENT OPERATIONS:

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

DISTRIBUTIONS TO AMPS\* SHAREHOLDERS:

From net investment income .....  
 Total from investment operations .....

DISTRIBUTIONS TO COMMON STOCK SHAREHOLDERS:

From net investment income .....  
 Total distributions to Common Stock Shareholders .....

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

Market value, end of period ..... \$

Common Stock shares outstanding, end of period ..... 9,7

RATIOS TO AVERAGE NET ASSETS AVAILABLE TO COMMON STOCK SHAREHOLDERS:

Net investment income+ .....  
 Operating expenses(2) .....

SUPPLEMENTAL DATA:++

Portfolio turnover rate .....  
 Total net investments, end of period (in 000's) ..... \$ 2  
 Ratio of operating expenses(2) to total net investments .....

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

(2) Includes interest expense.

\* Auction Market Preferred Stock.

\*\* Annualized.

\*\*\* Not annualized.

- + The net investment income ratios reflect income net of operating expenses, including interest expense, and payments to AMPS Shareholders.
- ++ Information presented under heading Supplemental Data includes AMPS and loan principal balance.

10

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

	TOTAL DIVIDENDS PAID	NET ASSET VALUE	NYSE CLOSING PRICE	DIVIDEND REINVESTMENT PRICE (1)
	-----	-----	-----	-----
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
March 31, 2008 .....	0.1300	17.21	15.69	15.84
April 30, 2008 .....	0.1300	17.47	15.94	16.10
May 31, 2008 .....	0.1300	17.12	15.99	15.88
June 30, 2008 .....	0.1300	16.10	14.98	14.59
July 31, 2008 .....	0.1365	14.94	13.24	13.27
August 31, 2008 .....	0.1365	14.84	13.15	13.28

-----  
 (1) Whenever the net asset value per share of the Fund's Common Stock is less than or equal to the market price per share on the reinvestment date, new shares issued will be valued at the higher of net asset value or 95% of the then current market price. Otherwise, the reinvestment shares of common stock will be purchased in the open market.

11

Flaherty & Crumrine/Claymore Total Return Fund Incorporated

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

1. AGGREGATE INFORMATION FOR FEDERAL INCOME TAX PURPOSES

At August 31, 2008 the aggregate cost of securities for federal income tax purposes was \$309,296,824, the aggregate gross unrealized appreciation for all securities in which there is an excess of value over tax cost was \$2,230,921 and the aggregate gross unrealized depreciation for all securities in which there is an excess of tax cost over value was \$61,856,000.

2. ADDITIONAL ACCOUNTING STANDARDS

STATEMENT OF FINANCIAL ACCOUNTING STANDARDS NO. 157 "FAIR VALUE MEASUREMENTS" ("SFAS 157")

In September 2006, the Financial Accounting Standards Board issued SFAS 157

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

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

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

VALUATION INPUTS -----	INVESTMENTS IN SECURITIES (MARKET VALUE) -----	OTHER FINANCIAL INSTRUMENTS (UNREALIZED APPRECIATION/ DEPRECIATION) * -----
Level 1 - Quoted Prices - Investments .....	\$ 59,224,235	\$--
Level 2 - Other Significant Observable Inputs .....	184,669,202	--
Level 3 - Significant Unobservable Inputs .....	5,778,308 -----	-- ---
TOTAL .....	\$249,671,745	\$--

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

Flaherty & Crumrine/Claymore Total Return Fund Incorporated

NOTES TO FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

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

INVESTMENTS IN SECURITIES (MARKET VALUE) -----	OTHER FINANCIAL INSTRUMENTS (UNREALIZED APPRECIATION/ DEPRECIATION) -----
---	--

BALANCE AS OF 11/30/07 .....	\$ 6,945,554	\$--
Accrued discounts/premiums .....	--	--
Realized gain/(loss) .....	--	--
Change in unrealized appreciation/(depreciation) ...	(1,167,246)	--
Net purchases/(sales) .....	--	--
Transfers in and/or out of Level 3 .....	--	--
	-----	---
BALANCE AS OF 8/31/08 .....	\$ 5,778,308	\$--

3. SUBSEQUENT EVENTS

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

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

The Funds are subject to several different asset coverage requirements that arise from the use of leverage by the Fund. The decline in asset values has resulted in the Fund not meeting these asset coverage requirements at various points in time since the end of the fiscal quarter. According to these requirements, the Fund may not declare, set aside, or pay a common stock dividend unless the asset coverage requirements are met. As a result, the Fund delayed the payment of the September common stock dividend until October 6, 2008 when the asset coverage requirements could be met. To meet the requirements and pay the delayed dividend and future dividends, the Fund has been selling assets to raise cash, and has applied much of the proceeds to the reduction of leverage or invested in higher quality short-term securities in anticipation of future reductions in leverage. As of October 16, 2008, the outstanding leverage balance consisted of \$39.5 million in auction market preferred stock and \$39.5 million in borrowings under the committed financing agreement, a reduction in total leverage balance of \$28.5 million since the end of the 3rd fiscal quarter and a reduction of \$49.5 million since the end of the 2nd fiscal quarter. The Fund may be adversely impacted by the reduction in leverage. Updated information on the status of these requirements may be found on the Fund website at [www.fcclaymore.com](http://www.fcclaymore.com).

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(FLAHERTY & CRUMRINE/CLAYMORE LOGO)  
TOTAL RETURN FUND

Quarterly Report

August 31, 2008

www.fcclaymore.com

DIRECTORS

Donald F. Crumrine, CFA  
Chairman of the Board  
David Gale  
Morgan Gust  
Karen H. Hogan  
Robert F. Wulf, CFA

OFFICERS

Donald F. Crumrine, CFA  
Chief Executive Officer  
Robert M. Ettinger, CFA  
President  
R. Eric Chadwick, CFA  
Chief Financial Officer,  
Vice President and Treasurer  
Chad C. Conwell  
Chief Compliance Officer,  
Vice President and Secretary  
Bradford S. Stone  
Vice President and  
Assistant Treasurer  
Laurie C. Lodolo  
Assistant Compliance Officer,  
Assistant Treasurer and  
Assistant Secretary

INVESTMENT ADVISER

Flaherty & Crumrine Incorporated  
e-mail: flaherty@pfdincome.com

SERVICING AGENT

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

QUESTIONS CONCERNING YOUR SHARES OF FLAHERTY & CRUMRINE/CLAYMORE 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 --

PNC Global Investment Servicing  
(U.S.) 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.