

FLAHERTY & CRUMRINE/CLAYMORE TOTAL RETURN FUND INC

Form N-30B-2

April 25, 2008

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 29th, is summarized below:

|                                    |        |
|------------------------------------|--------|
| Total Return on Net Asset Value 1: | - 2.0% |
| Total Return on Market Value 2:    | + 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% 3 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 29th, 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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1 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.
- 2 Based on Bloomberg data; distributions are assumed to be reinvested at market price.
  - 3 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.

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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,

/s/ Donald F. Crumrine

/s/ Robert M. Ettinger

Donald F. Crumrine  
Chairman of the Board

Robert M. Ettinger  
President

April 9, 2008

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Flaherty & Crumrine/Claymore Total Return Fund Incorporated  
PORTFOLIO OVERVIEW  
FEBRUARY 29, 2008 (UNAUDITED)  
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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 |

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.

INDUSTRY CATEGORIES % OF PORTFOLIO

[THE FOLLOWING TABLE WAS REPRESENTED BY A PIE CHART IN THE PRINTED MATERIAL.]

|                    |     |
|--------------------|-----|
| Banking            | 29% |
| Utilities          | 26% |
| Insurance          | 20% |
| Financial Services | 8%  |
| Energy             | 7%  |
| REITs              | 4%  |
| Other              | 6%  |

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.

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PREFERRED SECURITIES -- 79.4%  
BANKING -- 28.7%

|    |           |   |
|----|-----------|---|
| \$ | 5,750,000 | Astoria Capital Trust I, 9.75% 11/01/29, Series B .....       |
|    |           | Banco Santander:  |
|    | 381,000   | 6.50% Pfd. ....   |
|    | 214,920   | 6.80% Pfd. ....   |
| \$ | 500,000   | Bank of America Corp., 8.00% .....                            |
| \$ | 8,965,000 | Capital One Capital III, 7.686% 08/15/36 .....                |
| \$ | 6,800,000 | CBG Florida REIT Corporation, 7.114%, 144A**** .....          |
|    | 52,000    | Citigroup Capital VIII, 6.95% Pfd. 09/15/31 .....             |
|    | 88,250    | Citigroup, Inc., 8.125% Pfd., Series AA .....                 |
|    | 40,000    | Citizens Funding Trust I, 7.50% Pfd. 09/15/66 .....           |
|    | 40,000    | Cobank, ACB, 7.00% Pfd., 144A**** .....                       |
|    | 22,800    | Colonial Capital Trust IV, 7.875% Pfd. ....                   |
| \$ | 6,263,000 | Comerica Capital Trust II, 6.576% 02/20/37 .....              |
|    | 7,000     | FBOP Corporation, Adj. Rate Pfd., 144A**** .....              |
| \$ | 400,000   | First Empire Capital Trust I, 8.234% 02/01/27 .....           |
| \$ | 1,900,000 | First Hawaiian Capital I, 8.343% 07/01/27, Series B .....     |
| \$ | 100,000   | First Tennessee Capital I, 8.07% 01/06/27, Series A .....     |
|    | 2         | FT Real Estate Securities Company, 9.50% Pfd., 144A**** ..... |
| \$ | 1,000,000 | HBOS PLC, 6.657%, 144A**** .....                              |
| \$ | 855,000   | HSBC USA Capital Trust II, 8.38% 05/15/27, 144A**** .....     |
| \$ | 662,000   | JPMorgan Chase Capital XXIII, Adj. Rate 05/15/47 .....        |
|    | 82,000    | Keycorp Capital IX, 6.75% Pfd. 12/15/66 .....                 |
|    | 4,995     | National City Capital Trust II, 6.625% Pfd. 11/15/36 .....    |
|    | 40,000    | National City Corporation, 9.875% Pfd. ....                   |
| \$ | 3,000,000 | National City Preferred Capital Trust I, 12.00% .....         |
|    | 151,059   | PFGI Capital Corporation, 7.75% Pfd. ....                     |
| \$ | 1,000,000 | PNC Preferred Funding Trust III, 8.70%, 144A**** .....        |
| \$ | 700,000   | Regions Financing Trust II, 6.625% 05/15/47 .....             |
|    |           | 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 .....          |
| \$ | 1,000,000 | Sovereign Capital Trust VI, 7.908% 06/13/36 .....             |
|    |           | 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**** .....             |
| \$ | 670,000   | Wachovia Capital Trust V, 7.965% 06/01/27, 144A**** .....     |

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Flaherty & Crumrine/Claymore Total Return Fund Incorporated  
PORTFOLIO OF INVESTMENTS (CONTINUED)  
FEBRUARY 29, 2008 (UNAUDITED)  
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PREFERRED SECURITIES -- (CONTINUED)  
 BANKING -- (CONTINUED)

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|    |           |   |
|----|-----------|---|
|    |           | Wachovia Corporation:   |
| \$ | 2,000,000 | 7.98% .....   |
|    | 80,000    | 8.00% Pfd., Series J .....                                    |
|    | 145,100   | Wachovia Preferred Funding, 7.25% Pfd., Series A .....        |
| \$ | 2,000,000 | Washington Mutual Preferred Funding IV, 9.75%, 144A**** ..... |
| \$ | 2,800,000 | Webster Capital Trust IV, 7.65% 06/15/37 .....                |

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FINANCIAL SERVICES -- 6.2%

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|    |           |   |
|----|-----------|---|
|    |           | CIT Group, Inc.:  |
|    | 13,900    | 5.189% Pfd., Series B .....   |
| \$ | 3,250,000 | 6.10% 03/15/67 .....  |
|    | 60,000    | 6.35% Pfd., Series A .....  |
|    | 23,898    | First Republic Bank, 7.25% Pfd. ....                                      |
|    | 2,000     | First Republic Preferred Capital Corporation, 10.50% Pfd., 144A**** ..... |
|    |           | Goldman Sachs:  |
|    | 28,000    | Cabco Trust Capital I, Adj. Rate Pfd. 02/15/34 .....                      |
|    | 1,500     | STRIPES Custodial Receipts, Pvt. ....                                     |
| \$ | 3,000,000 | Gulf Stream-Compass 2005 Composite Notes, 144A**** .....                  |
|    | 100,000   | Lehman Brothers Holdings, Inc., 7.95% Pfd. ....                           |
|    |           | Merrill Lynch:  |
|    | 160,000   | 6.25% Pfd. ....   |
|    | 80,000    | Adj. Rate Pfd., Series 5 .....  |
|    | 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 .....                           |

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INSURANCE -- 15.1%

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|    |           |   |
|----|-----------|---|
|    | 189,680   | ACE Ltd., 7.80% Pfd., Series C .....              |
| \$ | 2,305,000 | AMBAC Financial Group, Inc., 6.15% 02/15/37 ..... |
| \$ | 9,511,000 | AON Capital Trust A, 8.205% 01/01/27 .....        |
|    |           | Arch Capital Group Ltd.:                          |
|    | 28,650    | 7.875% Pfd., Series B .....                       |
|    | 47,100    | 8.00% Pfd., Series A .....                        |
| \$ | 3,000,000 | AXA SA, 6.379%, 144A**** .....                    |
|    |           | Axis Capital Holdings:                            |
|    | 58,350    | 7.25% Pfd., Series A .....                        |
|    | 56,600    | 7.50% Pfd., Series B .....                        |

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PREFERRED SECURITIES -- (CONTINUED)  
INSURANCE -- (CONTINUED)

|    |           |   |
|----|-----------|---|
|    | 160,000   | Delphi Financial Group, 7.376% Pfd. 05/15/37 .....      |
| \$ | 5,220,000 | Everest Re Holdings, 6.60% 05/15/37 .....               |
| \$ | 6,500,000 | Liberty Mutual Group, 7.80% 03/15/37, 144A**** .....    |
| \$ | 300,000   | PartnerRe Finance II, 6.44% 12/01/66 .....              |
|    | 109,000   | Scottish Re Group Ltd., 7.25% Pfd. ....                 |
| \$ | 3,615,000 | USF&G Capital, 8.312% 07/01/46, 144A**** .....          |
| \$ | 1,500,000 | ZFS Finance USA Trust V, 6.50% 05/09/37, 144A**** ..... |

UTILITIES -- 21.7%

|    |           |   |
|----|-----------|---|
|    | 33,700    | Baltimore Gas & Electric Company, 6.70% Pfd., Series 1993 ..... |
|    | 347,000   | Calenergy Capital Trust III, 6.50% Pfd. 09/01/27 .....          |
| \$ | 500,000   | COMED Financing II, 8.50% 01/15/27, Series B .....              |
| \$ | 2,375,000 | COMED Financing III, 6.35% 03/15/33 .....                       |
| \$ | 4,500,000 | Dominion Resources Capital Trust I, 7.83% 12/01/27 .....        |
| \$ | 750,000   | Dominion Resources, Inc., 7.50% .....                           |
|    | 145,000   | Entergy Arkansas, Inc., 6.45% Pfd. ....                         |
|    | 50,000    | Entergy Louisiana, Inc., 6.95% Pfd. ....                        |
|    | 133,500   | FPC Capital I, 7.10% Pfd., Series A .....                       |
|    |           | FPL Group Capital, Inc.:  |
| \$ | 750,000   | 6.35% 10/01/66 .....  |
| \$ | 750,000   | 6.65% 06/15/67 .....  |
|    | 30,445    | Indianapolis Power & Light Company, 5.65% Pfd. ....             |
|    |           | Interstate Power & Light Company:                               |
|    | 86,300    | 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 .....              |
| \$ | 3,250,000 | Puget Sound Energy, Inc., 6.974% 06/01/67 .....                 |
|    | 130,550   | 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. ....             |
|    | 101,200   | Virginia Power Capital Trust, 7.375% Pfd. 07/30/42 .....        |
| \$ | 5,200,000 | Wisconsin Energy Corporation, 6.25% 05/15/67 .....              |
|    | 85,137    | Wisconsin Power & Light Company, 6.50% Pfd. ....                |

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Flaherty & Crumrine/Claymore Total Return Fund Incorporated  
PORTFOLIO OF INVESTMENTS (CONTINUED)  
FEBRUARY 29, 2008 (UNAUDITED)  
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PREFERRED SECURITIES -- (CONTINUED)

ENERGY -- 2.3%

|    |           |  |
|----|-----------|--|
| \$ | 1,400,000 | Enbridge Energy Partners LP, 8.05% 10/01/37 .....  |
|    |           | Enterprise Products Partners:                      |
| \$ | 4,000,000 | 7.034% 01/15/68 .....                              |
| \$ | 2,000,000 | 8.375% 08/01/66 .....                              |
|    | 500       | Kinder Morgan GP, Inc., 8.33% Pfd., 144A**** ..... |

REAL ESTATE INVESTMENT TRUST (REIT) -- 3.5%

|  |         |  |
|--|---------|--|
|  | 80,000  | Duke Realty Corporation, 8.375% Pfd., Series O ..... |
|  |         | PS Business Parks, Inc.:                             |
|  | 25,400  | 6.70% Pfd., Series P .....                           |
|  | 5,700   | 6.875% Pfd., Series I .....                          |
|  | 4,500   | 7.00% Pfd., Series H .....                           |
|  | 58,120  | 7.20% Pfd., Series M .....                           |
|  | 24,038  | 7.375% Pfd., Series O .....                          |
|  | 52,500  | 7.60% Pfd., Series L .....                           |
|  | 34,500  | 7.95% Pfd., Series K .....                           |
|  |         | Public Storage, Inc.:                                |
|  | 21,650  | 6.45% Pfd., Series F .....                           |
|  | 105,080 | 6.625% Pfd., Series M .....                          |
|  | 22,100  | 6.75% Pfd., Series E .....                           |
|  | 30,000  | 6.85% Pfd., Series Y .....                           |
|  | 15,020  | 7.25% Pfd., Series K .....                           |

MISCELLANEOUS INDUSTRIES -- 1.7%

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

U.S. GOVERNMENT SECURITIES -- 0.2%

|  |        |                             |
|--|--------|-----------------------------|
|  | 25,000 | Fannie Mae, 8.25% Pfd. .... |
|--|--------|-----------------------------|

TOTAL PREFERRED SECURITIES

(Cost \$271,821,396) .....



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CORPORATE DEBT SECURITIES -- 17.2%

FINANCIAL SERVICES -- 1.4%

\$ 4,812,159 Lehman Brothers, Guaranteed Note, Variable Rate, 12/16/16, 144A\*\*\*\* .....

INSURANCE -- 4.7%

15,000 AAG Holding Company, Inc., 7.25% Pfd.....  
 20,000 American Financial Group, Inc., 7.125% 02/03/34, Senior Note .....

\$ 7,577,000 Liberty Mutual Insurance, 7.697% 10/15/97, 144A\*\*\*\* .....

\$ 7,000,000 UnumProvident Corporation, 7.25% 03/15/28, Senior Notes .....

UTILITIES -- 4.4%

27,200 Corp-Backed Trust Certificates, 7.875% 02/15/32, Series Duke Capital .....

\$ 1,000,000 Duke Capital Corporation, 8.00% 10/01/19, Senior Notes .....

Entergy Louisiana LLC:  
 \$ 7,062,000 6.30% 09/01/35, 1st Mortgage .....

9,200 7.60% 04/01/32, 1st Mortgage .....

\$ 1,015,000 Westar Energy, Inc., 5.95% 01/01/35 .....

\$ 4,000,000 Wisconsin Electric Power Company, 6.875% 12/01/95 .....

ENERGY -- 4.6%

\$ 2,500,000 KN Energy, Inc., 7.45% 03/01/98 .....

328,300 Nexen, Inc., 7.35% Subordinated Notes .....

\$ 4,000,000 Noble Energy, Inc., 7.25% 08/01/97 .....

MISCELLANEOUS INDUSTRIES -- 2.1%

16,500 Corp-Backed Trust Certificates, 7.00% 11/15/28, Series Sprint .....

19,625 Ford Motor Company, 7.50% 06/10/43, Senior Notes .....

\$ 4,265,000 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 .....

TOTAL CORPORATE DEBT SECURITIES

(Cost \$57,763,074) .....

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 Flaherty & Crumrine/Claymore Total Return Fund Incorporated  
 PORTFOLIO OF INVESTMENTS (CONTINUED)  
 FEBRUARY 29, 2008 (UNAUDITED)  
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OPTION CONTRACTS -- 0.2%

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 100 April Call Options on June U.S. Treasury Bond Futures, Expiring 03/20/08 .....  
 200 June Call Options on June U.S. Treasury Bond Futures, Expiring 05/23/08 .....  
 556 June Put Options on June U.S. Treasury Bond Futures, Expiring 05/23/08 .....

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 TOTAL OPTION CONTRACTS  
 (Cost \$391,006) .....

MONEY MARKET FUND -- 2.0%

-----  
 6,421,577 BlackRock Provident Institutional, TempFund .....

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 TOTAL MONEY MARKET FUND  
 (Cost \$6,421,577) .....

SECURITIES LENDING COLLATERAL -- 0.3%

-----  
 983,280 BlackRock Institutional Money Market Trust .....

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 TOTAL SECURITIES LENDING COLLATERAL  
 (Cost \$983,280) .....

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 TOTAL INVESTMENTS (Cost \$337,380,333\*\*\*) .....

OTHER ASSETS AND LIABILITIES (Net) .....

TOTAL NET ASSETS AVAILABLE TO COMMON STOCK AND PREFERRED STOCK .....

AUCTION MARKET PREFERRED STOCK (AMPS) REDEMPTION VALUE .....

TOTAL NET ASSETS AVAILABLE TO COMMON STOCK .....

\* 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

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 Flaherty & Crumrine/Claymore Total Return Fund Incorporated  
 PORTFOLIO OF INVESTMENTS (CONTINUED)  
 FEBRUARY 29, 2008 (UNAUDITED)  
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OPEN OPTION CONTRACTS WRITTEN

| CONTRACTS | CONTRACT DESCRIPTION  |
|-----------|---|
| 100       | April Call Options on June U.S. Treasury Bond Futures,<br>Expiring 03/20/08, Strike Price 120 ..... |
| 200       | June Call Options on June U.S. Treasury Bond Futures,<br>Expiring 05/23/08, Strike Price 118 .....  |
| -----     |   |
|           | TOTAL OPEN OPTION CONTRACTS WRITTEN (premiums received: \$539,201) .....                            |

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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, 2007 THROUGH FEBRUARY 29, 2008 (UNAUDITED)  
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OPERATIONS:

Net investment income .....

Net realized gain/(loss) on investments sold during the period .....

Change in net unrealized appreciation/depreciation of investments .....

Distributions to AMPS\* Shareholders from net investment income, including changes in accumulated distributions .....

NET DECREASE IN NET ASSETS RESULTING FROM OPERATIONS .....

DISTRIBUTIONS:

Dividends paid from net investment income to Common Stock Shareholders(2) .....

TOTAL DISTRIBUTIONS TO COMMON STOCK SHAREHOLDERS .....

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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 DECREASE IN NET ASSETS AVAILABLE TO COMMON STOCK FOR THE PERIOD .....

NET ASSETS AVAILABLE TO COMMON STOCK:

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

\* Auction Market Preferred Stock.

- (1) 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.
- (2) May include income earned, but not paid out, in prior fiscal year.

Flaherty & Crumrine/Claymore Total Return Fund Incorporated  
FINANCIAL HIGHLIGHTS(1)  
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 .....

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 .....

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 .....

(1) 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\*.

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 | NYSE<br>CLOSING PRICE | DIVIDEND<br>REINVESTMENT<br>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                                 |

(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.

Flaherty & Crumrine/Claymore Total Return Fund Incorporated  
 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:

- o Level 1 - quoted prices in active markets for identical securities
- o Level 2 - other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risk, etc.)
- o 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<br>IN SECURITIES<br>(MARKET VALUE) | OTHER FINANCIAL<br>INSTRUMENTS<br>(UNREALIZED<br>APPRECIATION/<br>DEPRECIATION)* |
|--|--|--|
| Level 1 - Quoted Prices - Investments .....            | \$ 78,274,780                                  | \$ --  |
| Level 1 - Quoted Prices - Written Options ...          | (787,500)                                      | --   |
| Level 2 - Other Significant Observable<br>Inputs ..... | 224,594,661                                    | --   |
| Level 3 - Significant Unobservable Inputs ...          | 6,873,681                                      | --   |
| TOTAL .....  | \$ 308,955,622                                 | \$ --  |

\* 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.

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 Flaherty & Crumrine/Claymore Total Return Fund Incorporated  
 NOTES TO FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)  
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Following is a reconciliation of Level 3 investments for which significant unobservable inputs were used to determine fair value:

OTHER FINANCIAL  
INSTRUMENTS

|   | INVESTMENTS<br>IN SECURITIES<br>(MARKET VALUE) | (UNREALIZED<br>APPRECIATION/<br>DEPRECIATION) |
|---|--|---|
| BALANCE AS OF 11/30/07 .....                              | \$ 6,945,554                                   | \$ --   |
| Accrued discounts/premiums .....                          | --   | --  |
| Realized gain (loss) .....                                | --   | --  |
| Change in unrealized appreciation<br>(depreciation) ..... | (71,873)                                       | --  |
| Net purchases (sales) .....                               | --   | --  |
| Transfers in and/or out of Level 3 .....                  | --   | --  |
| BALANCE AS OF 2/29/08 .....                               | \$ 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

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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.

Flaherty & Crumrine/Claymore  
[LOGO] =====  
TOTAL RETURN FUND

Quarterly  
Report

February 29, 2008

[www.fcclaymore.com](http://www.fcclaymore.com)