

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.

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**** | |

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Flaherty & Crumrine/Claymore Total Return Fund Incorporated

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 |

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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 |

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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 |
| | | ----- |

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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 |

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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

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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 AUGUST 31, 2008 (UNAUDITED)

| | VA ----- |
|---|-------------|
| OPERATIONS: | |
| 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 |
| DISTRIBUTIONS: | |
| Dividends paid from net investment income to Common Stock Shareholders(2) | (11,5 |
| | ----- |
| TOTAL DISTRIBUTIONS TO COMMON STOCK SHAREHOLDERS | (11,5 |
| 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 | \$ (47,6 |
| | ===== |
| NET ASSETS AVAILABLE TO COMMON STOCK: | |
| 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.

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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.

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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.

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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

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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.

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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
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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

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