FLAHERTY & CRUMRINE/CLAYMORE TOTAL RETURN FUND INC
Form N-CSRS
July 28, 2010

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF REGISTERED MANAGEMENT
INVESTMENT COMPANIES

Investment Company Act file number 811-21380

Flaherty & Crumrine/Claymore Total Return Fund Incorporated
(Exact name of registrant as specified in charter)

301 E. Colorado Boulevard, Suite 720
Pasadena, CA 91101
(Address of principal executive offices) (Zip code)

Donald F. Crumrine
Flaherty & Crumrine Incorporated
301 E. Colorado Boulevard, Suite 720
Pasadena, CA 91101
(Name and address of agent for service)

registrant's telephone number, including area code: 626-795-7300

Date of fiscal year end: November 30

Date of reporting period: May 31, 2010

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

A registrant is required to disclose the information specified by Form N-CSR, and the Commission will make this information public. A registrant is not required to respond to the collection of information contained in Form N-CSR unless the Form displays a currently valid Office of Management and Budget ("OMB") control number. Please direct comments concerning the accuracy of the information collection burden estimate and any suggestions for reducing the burden to Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549. The OMB has reviewed this collection of information under the clearance requirements of 44 U.S.C. Section 3507.

ITEM 1. REPORTS TO STOCKHOLDERS.

The Report to Shareholders is attached herewith.

FLAHERTY & CRUMRINE/CLAYMORE TOTAL RETURN FUND

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

After several quarters of extreme volatility, the Fund's second fiscal quarter performance was relatively tame. During the three month period ending May 31, 2010, the total return on net asset value of the Fund was +1.9%. Over the same period, the total return based on the market price of the Fund's shares was +2.8%. The following table presents the Fund's performance over longer time periods as well as the returns on two broad investment measures, one for common stocks and one for corporate bonds.

TOTAL RETURN ON NET ASSET VALUE
FOR PERIODS ENDED MAY 31, 2010

	ACTUAL RETURNS			AVERAGE ANNUALIZED RETURN		
	THREE MONTHS	SIX MONTHS	ONE YEAR	THREE YEARS	FIVE YEARS	LIFE O FUND(1
Flaherty & Crumrine/Claymore Total Return Fund	1.9%	13.0%	65.1%	-0.7%	1.7%	3.1%
Barclays Capital U.S. Aggregate Index(2) ...	1.8%	2.1%	8.4%	6.9%	5.3%	5.4%
S&P 500 Index(3)	-0.9%	0.4%	21.0%	-8.7%	0.3%	3.4%

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(1) Since inception on August 26, 2003.

(2) The Barclays Capital U.S. Aggregate Index represents securities that are SEC-registered, taxable, and dollar denominated. The index covers the U.S. investment grade fixed rate bond market, with index components for government and corporate securities, mortgage pass-through securities, and asset-backed securities. It is generally considered to be representative of the domestic, investment-grade, fixed-rate, taxable bond market. Unless otherwise noted, index returns reflect the reinvestment of dividends and capital gains, if any, but do not reflect fees, brokerage commissions or other expenses of investing. This index was formerly known as the Lehman Brothers U.S. Aggregate Index.

(3) The S&P 500 is a capitalization-weighted index of 500 stocks. The index is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

Conditions in the market for preferred securities have largely stabilized in recent months, though to varying degrees for different market sectors. Issues of companies in industries other than financial services (primarily utilities) have performed consistently well, with far less price volatility than witnessed in prior quarters. Prices on financial issues (primarily banks and insurance companies) bounced around a bit more, but in light of the continued effects of the financial crisis, this is to be expected.

When markets seem calm on the surface, there is usually something to be wary of lurking below. At present, we don't need to look too far. The items we consider most relevant to the Fund are discussed in greater detail in the discussion section below. These include the overhaul of financial regulation, changes to standards for capital, and turmoil in the Euro-zone. We continue to believe that the Fund is well positioned to weather each.

As managers of your Fund, our job revolves around evaluating risk.

Investment decisions, like most decisions, essentially boil down to evaluating risk and then determining what risk is worth.(1) When it comes to preferred securities, we think we have an edge in both; the preferred market is our primary focus and has been for a very long time.

The financial crisis pulled back the curtain on the national system of money and banking, and exposed a number of problems. In our view, the most fundamental cause of the crisis was a severe imbalance between risk and opportunity. More specifically, an asymmetry existed between those bearing risk and those reaping rewards. As a result, a lot of really bad decisions were made, and when the proverbial chickens came home to roost, the entire financial system laid an egg.

Many of these ill-fated decisions involved inappropriate use of leverage. The poster child for debt-run-amok was, of course, the residential real estate market. However, abuse of leverage wasn't limited to residential real estate--easy access to cheap money fueled a widespread borrowing binge, with individuals, corporations and governments spending too much time at the "cheap money" punchbowl.

Leverage is an important component of the Fund's investment strategy as well, so we understand the challenges of operating a business funded in part with borrowed money. Fortunately, the Fund is designed to use leverage prudently, with limitations on the amount of debt employed at any point in time. Because of these restrictions, the Fund avoided many of the severe problems faced by other borrowers. That's not to say it hasn't been challenging. When asset prices fell, the Fund was required to reduce leverage proportionately by selling securities at prices that were severely depressed; conversely, as prices recovered, we have been able to borrow additional sums for the purpose of buying additional preferred securities at attractive prices.

The bottom line for shareholders is that the Fund is working as intended-a steady improvement in the Fund's investment portfolio over the past few quarters, along with effective use of relatively inexpensive leverage, enabled the Fund to raise the monthly distribution to shareholders to $0.125 from $0.116, an increase of 7.8%. This is in addition to the dividend increase last December of 5.5%.

More information is always available on the Fund's website at www.fcclaymore.com.

Sincerely,

/s/ Donald F. Crumrine	/s/ Robert M. Ettinger
Donald F. Crumrine Chairman of the Board	Robert M. Ettinger President

July 14, 2010

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(1) Readers interested in the subject may want to read "Against the Gods, the Remarkable Story of Risk" by Peter L. Bernstein, an excellent discussion of the history of risk and risk analysis.

DISCUSSION TOPICS

THE FUND'S PORTFOLIO RESULTS AND COMPONENTS OF TOTAL RETURN ON NAV

The table below reflects the performance of each investment technique available for use by the Fund to achieve its objective, namely: (a) investing in a portfolio of securities; (b) possibly hedging that portfolio against significant increases in long-term interest rates (although no hedge positions were in place during the six months ended May 31st); and (c) utilizing leverage to enhance returns to shareholders. Next, we compute the impact of the Fund's operating expenses. All of the parts are summed to determine the total return on the Fund's NAV.

COMPONENTS OF FLC'S TOTAL RETURN ON NAV
FOR THE SIX MONTHS ENDED MAY 31, 2010

	SIX MONTHS*
Total Return on Unleveraged Securities Portfolio (including principal and income)	+9.4%
Return from Interest Rate Hedging Strategy	0.0%
Impact of Leverage (including leverage expense)	+4.3%
Expenses (excluding leverage expense)	-0.7%
TOTAL RETURN ON NAV	+13.0%

* Actual, not annualized.

The recovery in preferred security valuations continued over the Fund's fiscal year-to-date, but at a slower pace than during 2009. However, over this recent six month period the Fund's investment portfolio outperformed all sectors of the preferred securities market, as can be seen by comparing total return on the Fund's portfolio (the first row of the above table) to the results of various Bank of America Merrill Lynch preferred indices in the following table.

TOTAL RETURNS OF BANK OF AMERICA MERRILL LYNCH PREFERRED SECURITIES INDICES*
FOR THE SIX MONTHS ENDED MAY 31, 2010

	SIX MONTHS
BofA Merrill Lynch 8% Capped DRD Preferred Stock Index(SM)	+8.1%
BofA Merrill Lynch 8% Capped Hybrid Preferred Securities Index(SM)	+7.3%
BofA Merrill Lynch 8% Capped Corporate U.S. Capital Securities Index(SM)	+8.0%
BofA Merrill Lynch Adjustable Preferred Stock, 7% Constrained Index(SM)	+2.5%

* The Bank of America Merrill Lynch 8% Capped DRD Preferred Stock Index(SM) includes investment grade preferred securities issued by both corporations and government agencies that qualify for the corporate dividend received deduction with issuer concentration capped at a maximum of 8%. The Bank of America Merrill Lynch 8% Capped Hybrid Preferred Securities Index(SM) includes taxable, fixed-rate, U.S. dollar-denominated investment-grade, preferred securities listed on a U.S. exchange with issuer concentration

capped at 8%. The Bank of America Merrill Lynch 8% Capped Corporate U.S. Capital Securities Index(SM) includes investment grade fixed rate or fixed-to-floating rate $1,000 par securities that receive some degree of equity credit from the rating agencies or their regulators with issuer concentration capped at a maximum of 8%. The Bank of America Merrill Lynch Adjustable Preferred Stock, 7% Constrained Index(SM) includes adjustable rate preferred securities issued by U.S. corporations and government agencies with issuer concentration capped at a maximum of 7%. All index returns include interest and dividend income and, unlike the Fund's returns, are unmanaged and do not reflect any expenses.

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The Fund's NAV performance (bottom line of the first table) demonstrates continued success of the strategy of using a moderate amount of leverage to enhance return on the Fund's portfolio sufficiently to cover its expenses and permit the NAV of the Fund to still outperform the unleveraged preferred market indices.

TOTAL RETURN ON MARKET PRICE OF FUND SHARES

While our focus is primarily on managing the Fund's investment portfolio, an investor's actual return is comprised of monthly dividend payments plus changes in the market price of Fund shares. Even following very strong results during the prior fiscal year, the market price continued to recover during the current fiscal year-to-date, producing a total return of +27.0% on the market price of Fund shares over the past six months.

In a perfect world, the market price of Fund shares would closely track the Fund's net asset value. As can be seen from the graph below, this often is not the case. Since the Fund's inception, its market price has generally been moderately below its NAV (in market parlance, "trading at a discount"), and dropped well below the underlying value of each Fund share during the depths of the financial crisis 1 1/2 years ago. However, more recently the market price has traded much more in line with the underlying value of its shares, and as of June 30, 2010 traded at a premium to NAV.

FLAHERTY & CRUMRINE/CLAYMORE TOTAL RETURN FUND (FLC)
PREMIUM/DISCOUNT OF MARKET PRICE TO NAV THROUGH 06/30/2010

(PERFORMANCE GRAPH)

8/29/03	0.0491
9/5/03	0.0477
9/12/03	0.0408
9/19/03	0.0362
9/26/03	0.0249
10/3/03	0.0275
10/10/03	0.0305
10/17/03	0.0428
10/24/03	0.0377
10/31/03	0.0466
11/7/03	0.0678
11/14/03	0.0453
11/21/03	0.0482
11/28/03	0.0341
12/5/03	0.036

12/12/03	0.0365
12/19/03	0.0287
12/26/03	0.0477
1/2/04	0.0444
1/9/04	0.0373
1/16/04	0.064
1/23/04	0.0465
1/30/04	0.0467
2/6/04	0.0647
2/13/04	0.0581
2/20/04	0.0597
2/27/04	0.0461
3/5/04	0.0312
3/12/04	0.0487
3/19/04	0.0486
3/26/04	0.0444
4/2/04	0.066
4/9/04	0.0363
4/16/04	0.0107
4/23/04	0.0017
4/30/04	-0.0325
5/7/04	-0.0729
5/14/04	-0.033
5/21/04	-0.0305
5/28/04	0.0017
6/4/04	0.0034
6/11/04	-0.0056
6/18/04	0.006
6/25/04	-0.031
7/2/04	0.0039
7/9/04	0.0009
7/16/04	-0.0191
7/23/04	-0.027
7/30/04	-0.0253
8/6/04	0.0077
8/13/04	-0.0072
8/20/04	-0.006
8/27/04	-0.0085
9/3/04	0.0115
9/10/04	-0.0021
9/17/04	0.0188
9/24/04	-0.0195
10/1/04	-0.0063
10/8/04	-0.0117
10/15/04	-0.0004
10/22/04	0.0198
10/29/04	0.021
11/5/04	0.0244
11/12/04	0.0055
11/19/04	0.0147
11/26/04	0.0214
12/3/04	0.0228
12/10/04	0.0163
12/17/04	0.0266
12/24/04	0.0197
12/31/04	0.0299
1/7/05	0.025
1/14/05	0.0145
1/21/05	0.0066
1/28/05	0.0004
2/4/05	0.0053
2/11/05	-0.0037

2/18/05	-0.0353
2/25/05	-0.028
3/4/05	-0.0291
3/11/05	-0.0379
3/18/05	-0.071
3/25/05	-0.0939
4/1/05	-0.0907
4/8/05	-0.0967
4/15/05	-0.0987
4/22/05	-0.0953
4/29/05	-0.0873
5/6/05	-0.0793
5/13/05	-0.0827
5/20/05	-0.0736
5/27/05	-0.0716
6/3/05	-0.0771
6/10/05	-0.0655
6/17/05	-0.0603
6/24/05	-0.0781
7/1/05	-0.0642
7/8/05	-0.0601
7/15/05	-0.0559
7/22/05	-0.0757
7/29/05	-0.0632
8/5/05	-0.0678
8/12/05	-0.0767
8/19/05	-0.0696
8/26/05	-0.0712
9/2/05	-0.0618
9/9/05	-0.0463
9/16/05	-0.0531
9/23/05	-0.0571
9/30/05	-0.0983
10/7/05	-0.0971
10/14/05	-0.1032
10/21/05	-0.098
10/28/05	-0.0873
11/4/05	-0.0888
11/11/05	-0.0945
11/18/05	-0.1144
11/25/05	-0.1089
12/2/05	-0.1157
12/9/05	-0.1334
12/16/05	-0.1596
12/23/05	-0.1469
12/30/05	-0.1518
1/6/06	-0.1196
1/13/06	-0.1079
1/20/06	-0.0947
1/27/06	-0.0955
2/3/06	-0.0971
2/10/06	-0.0855
2/17/06	-0.0899
2/24/06	-0.0885
3/3/06	-0.0764
3/10/06	-0.1242
3/17/06	-0.1178
3/24/06	-0.101
3/31/06	-0.116
4/7/06	-0.1166
4/14/06	-0.1465
4/21/06	-0.128

4/28/06	-0.1231
5/5/06	-0.1334
5/12/06	-0.1309
5/19/06	-0.133
5/26/06	-0.1255
6/2/06	-0.1116
6/9/06	-0.1114
6/16/06	-0.105
6/23/06	-0.1089
6/30/06	-0.1281
7/7/06	-0.1323
7/14/06	-0.1218
7/21/06	-0.1132
7/28/06	-0.1023
8/4/06	-0.0895
8/11/06	-0.0695
8/18/06	-0.0806
8/25/06	-0.0899
9/1/06	-0.086
9/8/06	-0.0885
9/15/06	-0.0804
9/22/06	-0.1009
9/29/06	-0.1069
10/6/06	-0.0895
10/13/06	-0.0844
10/20/06	-0.0833
10/27/06	-0.078
11/3/06	-0.0929
11/10/06	-0.0871
11/17/06	-0.0843
11/24/06	-0.0719
12/1/06	-0.0567
12/8/06	-0.0522
12/15/06	-0.0437
12/22/06	-0.0543
12/29/06	-0.0657
1/5/07	-0.0532
1/12/07	-0.0521
1/19/07	-0.0564
1/26/07	-0.0533
2/2/07	-0.0555
2/9/07	-0.0533
2/16/07	-0.0716
2/23/07	-0.0693
3/2/07	-0.0747
3/9/07	-0.0692
3/16/07	-0.0684
3/23/07	-0.0231
3/30/07	-0.0227
4/5/07	-0.0206
4/13/07	-0.0224
4/20/07	-0.0429
4/27/07	-0.0521
5/4/07	-0.0587
5/11/07	-0.0623
5/18/07	-0.0527
5/25/07	-0.0786
6/1/07	-0.0664
6/8/07	-0.0754
6/15/07	-0.0802
6/22/07	-0.095
6/29/07	-0.0832

7/6/07	-0.0876
7/13/07	-0.0852
7/20/07	-0.0971
7/27/07	-0.0937
8/3/07	-0.1017
8/10/07	-0.1121
8/17/07	-0.136
8/24/07	-0.1229
8/31/07	-0.113
9/7/07	-0.1049
9/14/07	-0.0859
9/21/07	-0.097
9/28/07	-0.1197
10/5/07	-0.1154
10/12/07	-0.1296
10/19/07	-0.1425
10/26/07	-0.1238
11/2/07	-0.1273
11/9/07	-0.1368
11/16/07	-0.1477
11/23/07	-0.1539
11/30/07	-0.1375
12/7/07	-0.1195
12/14/07	-0.1185
12/21/07	-0.1169
12/28/07	-0.1122
1/4/08	-0.1142
1/11/08	-0.0879
1/18/08	-0.094
1/25/08	-0.0648
2/1/08	-0.0759
2/8/08	-0.0619
2/15/08	-0.0726
2/22/08	-0.0705
2/29/08	-0.0751
3/7/08	-0.0458
3/14/08	-0.0714
3/20/08	-0.0873
3/28/08	-0.0914
4/4/08	-0.1074
4/11/08	-0.1037
4/18/08	-0.0941
4/25/08	-0.061
5/2/08	-0.0851
5/9/08	-0.0867
5/16/08	-0.0727
5/23/08	-0.0717
5/30/08	-0.066
6/6/08	-0.0767
6/13/08	-0.0598
6/20/08	-0.0816
6/27/08	-0.0842
6/30/08	-0.0696
7/3/08	-0.1145
7/11/08	-0.0909
7/18/08	-0.0841
7/25/08	-0.1027
8/1/08	-0.1127
8/8/08	-0.1128
8/15/08	-0.1061
8/22/08	-0.1044
8/29/08	-0.1139

9/5/08	-0.1186
9/12/08	-0.0953
9/19/08	-0.1644
9/26/08	-0.2156
10/3/08	-0.2808
10/10/08	-0.5297
10/17/08	-0.2229
10/24/08	-0.2394
10/31/08	-0.0733
11/7/08	-0.1705
11/14/08	-0.2197
11/21/08	-0.3503
11/28/08	-0.1911
12/5/08	-0.2959
12/12/08	-0.2721
12/19/08	-0.2035
12/26/08	-0.1712
12/31/08	-0.1544
1/2/09	-0.0972
1/9/09	-0.1273
1/16/09	-0.143
1/23/09	-0.0941
1/30/09	-0.0615
2/6/09	-0.0658
2/13/09	-0.0867
2/20/09	-0.1449
2/27/09	-0.1158
3/6/09	-0.2896
3/13/09	-0.1444
3/20/09	-0.2222
3/27/09	-0.1461
3/31/09	-0.1646
4/3/09	-0.1241
4/9/09	-0.1212
4/17/09	-0.0824
4/24/09	-0.1102
5/1/09	-0.0956
5/8/09	-0.1166
5/15/09	-0.1328
5/22/09	-0.0954
5/29/09	-0.128
6/5/09	-0.0766
6/12/09	-0.0618
6/19/09	-0.0847
6/26/09	-0.0794
6/30/09	-0.0633
7/2/09	-0.0824
7/10/09	-0.0962
7/17/09	-0.008
7/24/09	-0.0351
7/31/09	-0.0955
8/7/09	-0.0424
8/14/09	-0.0579
8/21/09	-0.0495
8/28/09	-0.0984
8/31/09	-0.0926
9/4/09	-0.0762
9/11/09	-0.0755
9/18/09	-0.039
9/25/09	-0.0711
9/30/09	-0.0556
10/2/09	-0.0663

10/9/09	-0.0392
10/16/09	-0.0538
10/23/09	-0.0674
10/30/09	-0.1024
11/6/09	-0.0744
11/13/09	-0.0792
11/20/09	-0.0973
11/27/09	-0.0849
11/30/09	-0.089
12/4/09	-0.0752
12/11/09	-0.0565
12/18/09	-0.0474
12/24/09	-0.0156
12/31/09	-0.0301
1/8/10	-0.0333
1/15/10	-0.0385
1/22/10	-0.0266
1/29/10	-0.0419
2/5/10	-0.0252
2/12/10	-0.0292
2/19/10	0.0091
2/26/10	0.0154
3/5/10	0.016
3/12/10	0.0088
3/19/10	0.0181
3/26/10	0.0037
3/31/10	-0.0105
4/1/10	0.0031
4/9/10	-0.0091
4/16/10	-0.0409
4/23/10	-0.018
4/30/10	0.0217
5/7/10	-0.0482
5/14/10	0.0087
5/21/10	0.0051
5/28/10	0.0245
6/4/10	0.0128
6/11/10	0.0586
6/18/10	0.0629
6/25/10	0.0537
6/30/10	0.0538

Based on a closing price of $16.64 on June 30th, the current distribution rate on market price of the Fund's shares (assuming the current monthly distribution of $0.125 does not change) is 9.0%. In our opinion, this distribution rate is very competitive with comparable alternative investment opportunities.

PREFERRED MARKET CONDITIONS

Conditions in the preferred securities market have improved markedly since the depth of the financial crisis in March 2009. And despite the uncertainties discussed elsewhere in this report, the preferred market is alive and well. Along the path to improvement, however, there have been some bone-rattling bumps. The preferred market began and ended this past quarter in pretty good shape, but in-between we experienced (and survived!)

a pretty significant jolt. We expect that this pattern of generally rising preferred prices, punctuated by sharp setbacks and above-average volatility, will be the hallmark of the preferred market in 2010.

We judge the health of the market by two primary measures: relative price performance (compared to other segments of the credit markets), and overall liquidity (how easy is it to buy and sell securities without impacting prices).

In our opinion, preferred securities continue to offer investors attractive levels of income and potential for price appreciation when compared to other types of fixed-income investments. During the darkest days of the market collapse (late 2008 to early 2009) preferred prices were weaker than every other fixed-income product except junk bonds. The gap has narrowed appreciably over the past year, but preferred securities still offer good relative value to investors.

Not only do preferreds look attractive versus broader credit markets, but the broader credit markets also appear undervalued versus other types of investments. Measures of cash flows into and out of mutual funds indicate demand for higher yielding fixed-income products is strong. This is no surprise. With high levels of volatility and uncertainty about the stock market, huge deficits faced by state and local municipalities, and money-market fund yields hovering around zero, many investors have turned to corporate bonds and preferred securities.

Liquidity, the other measure of market health, is also relatively good at present, but some explanation is required. The preferred securities market is never highly liquid, at least by the standards of most other securities markets. A large-cap, exchange-traded common stock may trade hundreds or thousands of times each day, with tiny bid-offer spreads; in the preferred universe, most trades require greater effort. But relative to historical measures of liquidity, the preferred market has been reasonably active recently.

Things were not quite as rosy during the first couple weeks of May. Preferred securities traded down significantly, as fears over the potential for a European debt crisis intensified. Prices fell despite surprisingly strong economic data in the United States, where the bulk of preferred issuers are domiciled. As discussed below, the European Union took dramatic steps to stem the crisis, and the market heaved a sigh of relief. Debt burdens remain high throughout developed markets, however, leaving conditions ripe for renewed market turbulence at some point down the road.

Preferred market participants are also scratching their collective heads as legislators and regulators address the role of certain types of preferred securities in the capital structure of financial institutions. The outcome could have far-reaching implications for the market, and our thoughts are discussed more fully below. Despite the uncertainty, we view the range of outcomes to be mostly positive for investors in preferred securities. Just be prepared for more bumps in the road.

FINANCIAL REGULATION

The Senate is poised to vote on financial regulatory reform legislation, the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank). While the vote in the Senate is likely to be very close, the House has already approved it and we expect that Dodd-Frank will be enacted. The legislation will make significant changes to both the operations and capitalization of financial companies. Below we discuss the key features and implications of the bill for preferred investors.

First, Dodd-Frank will set capital standards for financial institutions.

The bill largely leaves decisions about capital up to the relevant regulators, with the important constraint that capital requirements be set NO LOWER than they are today. In addition, capital requirements will apply to average rather than period-end

assets. At most financial institutions, average assets tend to be higher than end-of-period assets. Thus, Dodd-Frank will raise effective capital requirements for most financial companies and make it more difficult to lower them in the future. For preferred investors, this is good news.

Second, Dodd-Frank contains a provision that will make trust preferred securities (TruPS) ineligible as Tier 1 capital. (Tier 1 capital is one of the primary measures of capital for a financial company; it includes common equity, retained earnings, qualifying preferred capital, and certain regulatory assets.) For banks with less than $15 billion in assets as of December 31, 2009, TruPS issued before May 19, 2010 will retain Tier 1 capital eligibility permanently. For banks over that size, their TruPS will remain Tier 1 eligible until January 1, 2013; Tier 1 eligibility will phase out over the following three years (presumably, 75% eligibility in 2013, 50% in 2014, and 25% in 2015), with no Tier 1 credit by January 1, 2016. All TruPS issued on or after May 19, 2010 will not receive Tier 1 capital treatment, regardless of the size of the issuing bank. (There has been no public issuance of TruPS since that date.) This is mixed news for preferred investors. Banks are more likely to call TruPS that are no longer eligible as Tier 1 capital, and most TruPS allow issuers to call them at par if they no longer qualify as Tier 1 capital. That's potentially good news for TruPS that trade below par, but it's bad news for the small number of issues that trade at a premium. The provision may also be negative for traditional non-cumulative preferred stock, which will continue to count as Tier 1 capital, since supply might increase substantially if financial companies decide to replace TruPS with traditional preferreds.

Third, Dodd-Frank will restrict the activities of financial institutions in a number of ways. For preferred investors, two of the most important are (1) the "Volker Rule" limiting proprietary trading and investments in hedge funds and private equity and (2) the requirements for derivatives activities. Without getting into specifics, we see these provisions as reducing both the risks that financial institutions can take and the profits they can generate. The former is good for preferred investors, while the latter could be negative if it cuts deeply enough into profitability - since preferred investors ultimately are paid out of earnings. At this point, it appears that the bill takes moderate ground on both of these provisions, although we can't say definitively until regulators write the rules enforcing the provisions. On balance, we think these limitations on bank activities will benefit preferred investors.

Overall, we think Dodd-Frank will force banks to hold more capital, take less risk, or both. When we combine that with regulators' desire for banks to hold a higher proportion of high-quality capital (i.e., common equity), we see it as decidedly good news for preferred investors. We may need to reassess that conclusion when regulators turn the legislation into final rules. However, for now we are cautiously optimistic about the impact of Dodd-Frank on preferreds.

CHANGES TO CAPITAL STANDARDS

While the U.S. Congress is moving to pass Dodd-Frank, regulators here and abroad are formulating new capital standards for banks. These new rules, Basel III, will replace current Basel II guidelines that, in retrospect, permitted banks to operate with inadequate capital as markets became stressed. While the new rules are still being negotiated, two things are clear. First, banks will need to hold higher levels of capital than under Basel II, partly because certain asset classes will carry higher "risk weights" and partly because required capital ratios have increased or will increase.

Second, the "quality" of capital will improve, with a particular emphasis on the strongest form of capital, common equity. As preferred investors, we have always paid a great deal of attention to the composition of capital at the companies in which we invest, and we are happy to see regulators do the same. Over time, this should result in banks with higher common equity ratios and less reliance on preferred and hybrid securities

(in percentage terms). That no doubt will prompt changes to the preferred market, with shrinkage in some areas, expansion in others, and eventually emergence of some new forms of hybrid capital. While these changes may generate some volatility in the preferred market, we expect they will offer plenty of opportunities as well.

EUROZONE DEBT PROBLEMS

One of the major challenges facing credit markets today is the sovereign debt situation in Europe. The global recession caused government budget deficits to swell almost everywhere. Portugal, Ireland, Italy, Greece, and Spain (the so-called PIIGS countries) each ran high budget deficits in 2009 (over 9% of GDP, except for Italy, which posted a deficit of 5.3% of GDP), with the prospect of still-sizable deficits for years to come. Markets became worried about these countries' ability to repay their debt, resulting in sharply higher long-term interest rates in those countries (especially Greece), which only intensified the problems they face in bringing their debt under control.

Normally, a country has three "levers" it can pull to help address its fiscal imbalance: the exchange rate, monetary policy, and fiscal policy. As members of the European Monetary Union (EMU), however, individual countries don't control the first two. That leaves fiscal policy as the only real tool for reestablishing fiscal balance - and markets came to doubt that the PIIGS could move quickly enough to right the ship.

With Greece on the verge of a liquidity crisis - it had debt coming due without the cash to repay it or market access to refinance it - the EMU and International Monetary Fund (IMF) combined to offer a E110 billion assistance package to Greece in exchange for commitments from Greece to sharply reduce its deficit. This averted an immediate crisis, but markets quickly turned on the other high-deficit countries. Within days, European officials launched a more comprehensive set of proposals to address the widening crisis. In addition to the E110 billion assistance package for Greece, officials announced a massive increase in the debt stabilization fund for EU nations. The E750 billion plan consists of E440 billion in loans from Euro-zone governments, E60 billion from an EU emergency fund, and E250 billion from the IMF. In addition, the European Central Bank has begun purchasing EU government debt in order to provide liquidity to the markets, and the U.S. Federal Reserve reinstated foreign exchange swap lines to give foreign central banks access to U.S. dollars.

All of these concerns about Europe have weighed on the preferred securities market for two broad reasons. First, investors worry about the direct exposure that companies may have to these countries. On that score, the Fund has no direct exposure to foreign sovereign debt, and we cannot identify any investments with material exposure to Greece, the weakest of the EMU sovereigns. However, some of the companies in the Fund's portfolio do have material exposure to Spain, Italy, and (to a lesser extent) Portugal - although we still would characterize the Fund's exposure to those issuers as modest.

The second broad concern facing investors is the possibility that sovereign debt problems could lead to a breakup of the EMU and the Euro. Given the interconnectedness of the global financial system, breakup of the EMU would be highly disruptive to say the least, and there is no doubt it would negatively affect the preferred market. While we think this is an extremely low probability scenario, until markets have concluded it's a "no chance" scenario, we have to keep our eye on it. The creation of the debt stabilization fund and renewed budget restraint in high-deficit countries gives us comfort that sovereign risks are moving in the right direction.

Flaherty & Crumrine/Claymore Total Return Fund Incorporated

PORTFOLIO OVERVIEW

MAY 31, 2010 (UNAUDITED)

FUND STATISTICS

FUND STATISTICS	
Net Asset Value	$ 15.53
Market Price	$ 15.91
Premium	2.45%
Yield on Market Price	9.43%
Common Stock Shares Outstanding	9,784,099

MOODY'S RATINGS	% OF NET ASSETS+
A	6.4%
BBB	68.5%
BB	19.7%
Below "BB"	2.0%
Not Rated*	1.3%
Below Investment Grade**	17.9%

* Does not include net other assets and liabilities of 2.1%.

** Below investment grade by both Moody's and S&P.

(PIE CHART)

INDUSTRY CATEGORIES	% OF NET ASSETS+

Banking	38%
Utilities	26%
Insurance	25%
Energy	5%
Financial Services	1%
Other	5%

TOP 10 HOLDINGS BY ISSUER	% OF NET ASSETS+
Liberty Mutual Group	5.6%
Banco Santander	4.9%
Capital One Financial	4.2%
PNC Financial Services	3.8%
Comerica	3.5%
Dominion Resources	3.4%
Unum Group	3.0%
Axis Capital	2.6%
Enbridge Energy Partners	2.5%
Wells Fargo	2.4%

	% OF NET ASSETS***+
Holdings Generating Qualified Dividend Income (QDI) for Individuals	25%
Holdings Generating Income Eligible for the Corporate Dividends Received Deduction (DRD)	16%

*** 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.

\+ Net Assets includes assets attributable to the use of leverage.

Flaherty & Crumrine/Claymore Total Return Fund Incorporated

PORTFOLIO OF INVESTMENTS

MAY 31, 2010 (UNAUDITED)

SHARES/$ PAR	
PREFERRED SECURITIES -- 91.7%	
	BANKING -- 38.3%
$ 4,850,000	Astoria Capital Trust I, 9.75% 11/01/29, Series B ....

444,755	Banco Santander, 10.50% Pfd., Series 10 ....
	Barclays Bank PLC:
$ 3,600,000	6.278% ....
65,000	6.625% Pfd., Series 2 ....
10,000	7.75% Pfd., Series 4 ....
50,000	8.125% Pfd., Series 5 ....
10,000	BB&T Capital Trust V, 8.95% Pfd. ....
131,500	BB&T Capital Trust VI, 9.60% Pfd. ....
7,500	BB&T Capital Trust VII, 8.10% Pfd. ....
$ 7,000,000	Capital One Capital III, 7.686% 08/15/36 ....
$ 1,500,000	Capital One Capital V, 10.25% 08/15/39 ....
$ 1,643,000	Capital One Capital VI, 8.875% 05/15/40 ....
$ 10,000,000	Colonial BancGroup, 7.114%, 144A**** ....
$ 9,670,000	Comerica Capital Trust II, 6.576% 02/20/37 ....
7,000	FBOP Corporation, Adj. Rate Pfd., 144A**** ....
$ 1,200,000	Fifth Third Capital Trust IV, 6.50% 04/15/37 ....
21,200	Fifth Third Capital Trust VII, 8.875% Pfd., 05/15/68 ....
2,000	First Republic Preferred Capital Corporation, 10.50% Pfd., 144A**** ....
3,900	First Tennessee Bank, Adj. Rate Pfd., 144A**** ....
$ 500,000	First Tennessee Capital I, 8.07% 01/06/27, Series A ....
$ 600,000	First Union Capital II, 7.95% 11/15/29 ....
$ 1,000,000	First Union Institutional Capital I, 8.04% 12/01/26 ....
$ 500,000	Fleet Capital Trust II, 7.92% 12/11/26 ....
2	FT Real Estate Securities Company, 9.50% Pfd., 144A**** ....
	Goldman Sachs:
$ 5,200,000	Capital II, 5.793% ....
1,500	STRIPES Custodial Receipts, Pvt. ....
$ 1,000,000	HSBC USA Capital Trust II, 8.38% 05/15/27, 144A**** ....
	HSBC USA, Inc.:
132,000	Adj. Rate Pfd., Series D ....
75,000	6.50% Pfd., Series H ....
$ 1,200,000	JPMorgan Chase Capital XXVII, 7.00% 11/01/39, Series AA ....
67,400	Keycorp Capital X, 8.00% Pfd. ....
$ 1,000,000	Lloyds Banking Group PLC, 6.657%, 144A**** ....
25,000	Morgan Stanley Capital Trust VIII, 6.45% Pfd. 04/15/67 ....
$ 2,500,000	National City Preferred Capital Trust I, 12.00% ....
$ 800,000	NB Capital Trust IV, 8.25% 04/15/27 ....

The accompanying notes are an integral part of the financial statements.

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Flaherty & Crumrine/Claymore Total Return Fund Incorporated

PORTFOLIO OF INVESTMENTS (CONTINUED)

MAY 31, 2010 (UNAUDITED)

SHARES/$ PAR	
PREFERRED SECURITIES -- (CONTINUED)	
	BANKING -- (CONTINUED)
151,059	PFGI Capital Corporation, 7.75% Pfd. ....
54,995	PNC Financial Services, 9.875% Pfd., Series F ....
$ 1,000,000	PNC Preferred Funding Trust III, 8.70%, 144A**** ....

96,800	Sovereign Capital Trust V, 7.75% Pfd. 05/22/36 ....
3,000	Sovereign REIT, 12.00% Pfd., Series A, 144A**** ....
$ 1,500,000	Wachovia Capital Trust III, 5.80% ....
75,637	Wachovia Preferred Funding, 7.25% Pfd., Series A ....
$ 2,800,000	Webster Capital Trust IV, 7.65% 06/15/37 ....
$ 1,000,000	Wells Fargo Capital XV, 9.75% ....
	FINANCIAL SERVICES -- 1.1%
$ 250,000	Ameriprise Financial, Inc., 7.518% 06/01/66 ....
$ 3,000,000	Gulf Stream-Compass 2005 Composite Notes, 144A**** ....
15,000	Heller Financial, Inc., 6.687% Pfd., Series C ....
	Lehman Brothers Holdings, Inc.:
20,000	5.67% Pfd., Series D ....
85,000	7.95% Pfd. ....
	INSURANCE -- 20.0%
$ 1,550,000	Ace Capital Trust II, 9.70% 04/01/30 ....
$ 1,775,000	AON Corporation, 8.205% 01/01/27 ....
	Arch Capital Group Ltd.:
25,750	7.875% Pfd., Series B ....
21,100	8.00% Pfd., Series A ....
$ 1,550,000	AXA SA, 6.463%, 144A**** ....
66,600	Axis Capital Holdings, 7.50% Pfd., Series B ....
160,000	Delphi Financial Group, 7.376% Pfd. 05/15/37 ....
$ 5,645,000	Everest Re Holdings, 6.60% 05/15/37 ....
	Liberty Mutual Group:
$ 2,500,000	7.80% 03/15/37, 144A**** ....
$ 7,300,000	10.75% 06/15/58, 144A**** ....
$ 4,750,000	MetLife Capital Trust X, 9.25% 04/08/38, 144A**** ....
	Principal Financial Group:
99,800	6.518% Pfd., Series B ....
19,750	5.563% Pfd., Series A ....

The accompanying notes are an integral part of the financial statements.

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Flaherty & Crumrine/Claymore Total Return Fund Incorporated

PORTFOLIO OF INVESTMENTS (CONTINUED)

MAY 31, 2010 (UNAUDITED)

SHARES/$ PAR	
PREFERRED SECURITIES -- (CONTINUED)	
	INSURANCE -- (CONTINUED)
109,000	Scottish Re Group Ltd., 7.25% Pfd. ....
$ 1,750,000	Stancorp Financial Group, 6.90% 06/01/67 ....
$ 3,615,000	USF&G Capital, 8.312% 07/01/46, 144A**** ....
$ 1,800,000	XL Capital Ltd., 6.50%, Series E ....

	UTILITIES -- 25.8%
33,700	Baltimore Gas & Electric Company, 6.70% Pfd., Series 1993 ....
105,000	Calenergy Capital Trust III, 6.50% Pfd. 09/01/27 ....
$ 3,700,000	COMED Financing III, 6.35% 03/15/33 ....
66,170	Constellation Energy Group, 8.625% Pfd. 06/15/63, Series A ....
$ 2,500,000	Dominion Resources Capital Trust I, 7.83% 12/01/27 ....
	Dominion Resources, Inc.:
$ 3,500,000	7.50% ....
66,000	8.375% Pfd., Series A ....
83,000	Entergy Arkansas, Inc., 6.45% Pfd. ....
55,000	Entergy Louisiana, Inc., 6.95% Pfd. ....
39,623	FPC Capital I, 7.10% Pfd., Series A ....
	FPL Group Capital, Inc.:
$ 2,500,000	6.65% 06/15/67 ....
$ 1,975,000	7.30% 09/01/67, Series D ....
55,000	Georgia Power Company, 6.50% Pfd., Series 2007A ....
30,445	Indianapolis Power & Light Company, 5.65% Pfd. ....
$ 4,000,000	PECO Energy Capital Trust IV, 5.75% 06/15/33 ....
$ 6,000,000	Puget Sound Energy, Inc., 6.974% 06/01/67 ....
	Southern California Edison:
7,000	6.00% Pfd., Series C ....
10,000	6.125% Pfd. ....
$ 4,850,000	Southern Union Company, 7.20% 11/01/66 ....
5,000	Union Electric Company, $7.64 Pfd. ....
$ 3,405,000	Wisconsin Energy Corporation, 6.25% 05/15/67 ....
	ENERGY -- 4.8%
$ 6,000,000	Enbridge Energy Partners LP, 8.05% 10/01/37 ....

The accompanying notes are an integral part of the financial statements.

Flaherty & Crumrine/Claymore Total Return Fund Incorporated

PORTFOLIO OF INVESTMENTS (CONTINUED)

MAY 31, 2010 (UNAUDITED)

SHARES/$ PAR	
PREFERRED SECURITIES -- (CONTINUED)	
	ENERGY -- (CONTINUED)
	Enterprise Products Partners:
$ 650,000	7.00% 06/01/67 ....
$ 4,750,000	8.375% 08/01/66, Series A ....
	MISCELLANEOUS INDUSTRIES -- 1.7%

40,000	Ocean Spray Cranberries, Inc., 6.25% Pfd., 144A**** ....
$ 1,000,000	Stanley Works, 5.902% 12/01/45 ....
	TOTAL PREFERRED SECURITIES
	(Cost $225,589,128) ....
CORPORATE DEBT SECURITIES -- 6.1%	
	FINANCIAL SERVICES -- 0.4%
15,000	Ameriprise Financial, Inc., 7.75% 06/15/39 ....
$ 4,726,012	Lehman Brothers, Guaranteed Note, Variable Rate, 12/16/16, 144A**** ....
	INSURANCE -- 4.3%
$ 3,400,000	Liberty Mutual Insurance, 7.697% 10/15/97, 144A**** ....
$ 7,000,000	UnumProvident Corporation, 7.25% 03/15/28, Senior Notes ....
	MISCELLANEOUS INDUSTRIES -- 1.2%
16,500	Corp-Backed Trust Certificates, 7.00% 11/15/28, Series Sprint ....
	Pulte Homes, Inc.:
25,844	7.375% 06/01/46 ....
$ 2,160,000	7.875% 06/15/32 ....
	REAL ESTATE INVESTMENT TRUST (REIT) -- 0.2%
$ 500,000	Duke Realty LP, 8.25% 08/15/19 ....
	TOTAL CORPORATE DEBT SECURITIES
	(Cost $18,647,164) ....

The accompanying notes are an integral part of the financial statements.

Flaherty & Crumrine/Claymore Total Return Fund Incorporated

PORTFOLIO OF INVESTMENTS (CONTINUED)

MAY 31, 2010 (UNAUDITED)

SHARES/$ PAR	
COMMON STOCK -- 0.2%	
	BANKING -- 0.2%
13,500	CIT,Group, Inc. ....
	TOTAL COMMON STOCK

(Cost $2,533,093)		
MONEY MARKET FUND -- 0.1%		
203,220 BlackRock Provident Institutional, T-Fund		
TOTAL MONEY MARKET FUND		
(Cost $203,220)		
TOTAL INVESTMENTS (Cost $246,972,605***)	98.1%	
OTHER ASSETS AND LIABILITIES (Net)	1.9%	
NET ASSETS BEFORE LOAN	100.0%+++	
LOAN PRINCIPAL BALANCE		
TOTAL NET ASSETS AVAILABLE TO COMMON STOCK		

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* 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. At May 31, 2010, these securities amounted to $39,964,160 or 17.1% of net assets before the loan. 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 $175,727,581 at May 31, 2010.

(2) Foreign Issuer.

\+ Non-income producing.

++ The issuer has filed for bankruptcy protection. As a result, the Fund may not be able to recover the principal invested and also does not expect to receive income on this security going forward.

+++ The percentage shown for each investment category is the total value of that category as a percentage of total net assets before the loan.

ABBREVIATIONS:

PFD. -- Preferred Securities
PVT. -- Private Placement Securities
REIT -- Real Estate Investment Trust
STRIPES -- Structured Residual Interest Preferred Enhanced Securities

The accompanying notes are an integral part of the financial statements.

STATEMENT OF ASSETS AND LIABILITIES

MAY 31, 2010 (UNAUDITED)

ASSETS:		
Investments, at value (Cost $246,972,605)		$228,783,872
Receivable for investments sold		1,095,542
Dividends and interest receivable		3,580,228
Prepaid expenses		91,529
Total Assets		233,551,171
LIABILITIES:		
Loan Payable	$81,300,000	
Dividends payable to Common Stock Shareholders	51,823	
Investment advisory fees payable	112,977	
Administration, Transfer Agent and Custodian fees payable	32,437	
Servicing agent fees payable	7,308	
Professional fees payable	57,077	
Directors' fees payable	1,176	
Accrued expenses and other payables	14,203	
Total Liabilities		81,577,001
NET ASSETS AVAILABLE TO COMMON STOCK		$151,974,170
NET ASSETS AVAILABLE TO COMMON STOCK consist of:		
Undistributed net investment income		$ 847,148
Accumulated net realized loss on investments sold		(61,388,369
Unrealized depreciation of investments		(18,188,733
Par value of Common Stock		97,841
Paid-in capital in excess of par value of Common Stock		230,606,283
Total Net Assets Available to Common Stock		$151,974,170
NET ASSET VALUE PER SHARE OF COMMON STOCK:		
Common Stock (9,784,099 shares outstanding)		$ 15.53

The accompanying notes are an integral part of the financial statements.

Flaherty & Crumrine/Claymore Total Return Fund Incorporated

STATEMENT OF OPERATIONS

FOR THE SIX MONTHS ENDED MAY 31, 2010 (UNAUDITED)

INVESTMENT INCOME:	
Dividends+	$ 3,894,579
Interest	5,401,994
Total Investment Income	9,296,573

EXPENSES:		
Investment advisory fees	$642,988	
Servicing agent fees	38,844	
Administrator's fees	108,021	
Professional fees	63,007	
Insurance expenses	78,047	
Transfer Agent fees	23,594	
Directors' fees	36,500	
Custodian fees	15,628	
Compliance fees	19,694	
Interest expense	521,170	
Other	54,143	
Total Expenses		1,601,636
NET INVESTMENT INCOME		7,694,937
REALIZED AND UNREALIZED GAIN/(LOSS) ON INVESTMENTS		
Net realized loss on investments sold during the period		(177,016)
Change in net unrealized appreciation/depreciation of investments		10,636,240
NET REALIZED AND UNREALIZED GAIN ON INVESTMENTS		10,459,224
NET INCREASE IN NET ASSETS TO COMMON STOCK RESULTING FROM OPERATIONS		$18,154,161

\+ For Federal income tax purposes, a significant portion of this amount may not qualify for the inter-corporate dividends received deduction ("DRD") or as qualified dividend income ("QDI") for individuals.

The accompanying notes are an integral part of the financial statements.

Flaherty & Crumrine/Claymore Total Return Fund Incorporated

STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE TO COMMON STOCK

	SIX MONTHS END MAY 31, 2010 (UNAUDITED)
OPERATIONS:	
Net investment income	$ 7,694,937
Net realized loss on investments sold during the period	(177,016
Change in net unrealized appreciation/depreciation of investments	10,636,240
Distributions to AMPS* Shareholders from net investment income, including changes in accumulated undeclared distributions	--
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	18,154,161
DISTRIBUTIONS:	
Dividends paid from net investment income to Common Stock Shareholders(1)	(6,894,225

TOTAL DISTRIBUTIONS TO COMMON STOCK SHAREHOLDERS	(6,894,225
FUND SHARE TRANSACTIONS:	
Increase from shares issued under the Dividend Reinvestment and Cash Purchase Plan	124,829
NET INCREASE IN NET ASSETS AVAILABLE TO COMMON STOCK RESULTING FROM FUND SHARE TRANSACTIONS	124,829
NET INCREASE IN NET ASSETS AVAILABLE TO COMMON STOCK FOR THE PERIOD	$ 11,384,765
NET ASSETS AVAILABLE TO COMMON STOCK:	
Beginning of period	$140,589,405
Net increase in net assets during the period	11,384,765
End of period (including undistributed net investment income of $847,148 and $46,436, respectively)	$151,974,170

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* Auction Market Preferred Stock.

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

The accompanying notes are an integral part of the financial statements.

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Flaherty & Crumrine/Claymore Total Return Fund Incorporated

STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED MAY 31, 2010 (UNAUDITED)

INCREASE/(DECREASE) IN CASH	
CASH FLOWS FROM OPERATING ACTIVITIES:	
Net increase in net assets resulting from operations	$ 18,154,161
ADJUSTMENTS TO RECONCILE NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS TO NET CASH USED IN OPERATING ACTIVITIES:	
Purchase of investment securities	(35,545,280)
Proceeds from disposition of investment securities	21,420,423
Sale of short-term investment securities, net	2,328,632
Cash received from litigation claim	42,970
Increase in dividends and interest receivable	(198,992)
Increase in receivable for investments sold	(1,095,542)
Increase in prepaid expenses	(28,633)
Net amortization/(accretion) of premium/(discount)	(259,052)
Decrease in accrued expenses and other liabilities	(539)
Unrealized appreciation/depreciation on securities	(10,636,240)
Net realized loss from investments sold	177,016
Net cash used by operating activities	(5,641,076)
CASH FLOWS FROM FINANCING ACTIVITIES:	
Proceeds from loan	12,400,000
Proceeds from shares reinvested	124,829

Increase in dividend payable to common stock shareholders	10,472
Distributions to common stock shareholders from net investment income	(6,894,225)
Net cash provided in financing activities	5,641,076
Net increase/(decrease) in cash	--
CASH:	
Beginning of the period	--
End of the period	$ --
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:	
Interest paid during the period	515,903

The accompanying notes are an integral part of the financial statements.

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Flaherty & Crumrine/Claymore Total Return Fund Incorporated

FINANCIAL HIGHLIGHTS

FOR A COMMON STOCK SHARE OUTSTANDING THROUGHOUT EACH PERIOD.

Contained below is per share operating performance data, total investment returns, ratios to average net assets and other supplemental data. This information has been derived from information provided in the financial statements and market price data for the Fund's shares.

	SIX MONTHS ENDED MAY 31, 2010 (UNAUDITED)	YEAR ENDE		
		2009	2008	
PER SHARE OPERATING PERFORMANCE:				
Net asset value, beginning of period	$ 14.38	$ 9.00	$ 19.71	$
INVESTMENT OPERATIONS:				
Net investment income	0.79	1.43	1.91	
Net realized and unrealized gain/(loss) on investments ...	1.07	5.33	(10.62)	
DISTRIBUTIONS TO AMPS* SHAREHOLDERS:				
From net investment income	--	(0.06)	(0.44)	
Total from investment operations	1.86	6.70	(9.15)	
DISTRIBUTIONS TO COMMON STOCK SHAREHOLDERS:				
From net investment income	(0.71)	(1.32)	(1.53)	
From return of capital	--	--	(0.03)	
Total distributions to Common Stock Shareholders	(0.71)	(1.32)	(1.56)	
Net asset value, end of period	$ 15.53	$ 14.38	$ 9.00	$
Market value, end of period	$ 15.91	$ 13.10	$ 7.28	$

Total investment return based on net asset value**	12.99%****	83.69%	(48.17%)	
Total investment return based on market value**	27.06%****	106.87%	(51.39%)	
RATIOS TO AVERAGE NET ASSETS AVAILABLE TO COMMON STOCK SHAREHOLDERS:				
Total net assets, end of period (in 000's)	$151,974	$140,589	$ 88,002	$1
Operating expenses including interest expense(1)	2.10%***	2.92%	2.67%	
Operating expenses excluding interest expense	1.42%***	1.70%	1.91%	
Net investment income + ...	10.08%***	13.34%	--	
Net investment income, including payments to AMPS Shareholders + ...	--	12.76%	9.37%	
SUPPLEMENTAL DATA: ++				
Portfolio turnover rate	10%****	37%	46%	
Net assets before loan, end of period (in 000's)	$233,274	$209,489	$157,002	$3
Ratio of operating expenses including interest expense(1)(2) to net assets before loan and AMPS ...	1.41%***	1.83%	1.54%	
Ratio of operating expenses excluding interest expense(2) to net assets before loan and AMPS	0.95%***	1.07%	1.10%	

* Auction Market Preferred Stock.

** Assumes reinvestment of distributions at the price obtained by the Fund's Dividend Reinvestment and Cash Purchase Plan.

*** Annualized.

**** Not Annualized.

\+ The net investment income ratios reflect income net of operating expenses, including interest expense.

++ Information presented under heading Supplemental Data includes AMPS and loan principal balance.

(1) See Note 7.

(2) Does not include distributions to AMPS Shareholders.

The accompanying notes are an integral part of the financial statements.

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, 2009........	$0.1160	$14.97	$14.52	$14.64
January 29, 2010.........	0.1160	15.52	14.87	14.98
February 26, 2010........	0.1160	15.58	15.82	15.58
March 31, 2010...........	0.1160	16.17	16.00	16.17

April 30, 2010...........	0.1160	16.57	16.93	16.57
May 28, 2010.............	0.1250	15.53	15.91	15.53

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(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.

The accompanying notes are an integral part of the financial statements.

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Flaherty & Crumrine/Claymore Total Return Fund Incorporated

FINANCIAL HIGHLIGHTS (CONTINUED)

SENIOR SECURITIES

DATE	TOTAL AMPS* SHARES OUTSTANDING (1)	ASSET COVERAGE PER AMPS SHARE (2)	INVOLUNTARY LIQUIDATION PREFERENCE PER AMPS SHARE (3)	TOTAL DEBT OUTSTANDING END OF PERIOD (000S) (4)	ASSET COVERAGE PER $1,000 OF DEBT (5)
05/31/10**	--	N/A	N/A	$81,300	$2,869
11/30/09	--	N/A	N/A	68,900	3,040
11/30/08	1,580	$80,704	$25,000	N/A	N/A
11/30/07	5,140	62,506	25,000	N/A	N/A
11/30/06	5,140	69,301	25,000	N/A	N/A
11/30/05	5,140	67,650	25,000	N/A	N/A

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(1) See note 6.

(2) Calculated by subtracting the Fund's total liabilities (excluding the AMPS) from the Fund's total assets and dividing that amount by the number of AMPS shares outstanding.

(3) Excludes accumulated undeclared dividends.

(4) See note 7.

(5) Calculated by subtracting the Fund's total liabilities (excluding the loan) from the Fund's total assets and dividing that amount by the loan outstanding in 000's.

* Auction Market Preferred Stock.

** Unaudited.

The accompanying notes are an integral part of the financial statements.

Flaherty & Crumrine/Claymore Total Return Fund Incorporated

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

1. ORGANIZATION

Flaherty & Crumrine/Claymore Total Return Fund Incorporated (the "Fund") was incorporated as a Maryland corporation on July 18, 2003, and commenced operations on August 29, 2003 as a diversified, closed-end management investment company under the Investment Company Act of 1940, as amended (the "1940 Act"). The Fund's primary investment objective is to provide its common shareholders with high current income. The Fund's secondary investment objective is capital appreciation.

2. SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies consistently followed by the Fund in the preparation of its financial statements. The preparation of the financial statements is in conformity with U.S. generally accepted accounting principles ("US GAAP") and requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities in the financial statements and the reported amounts of increases and decreases in net assets from operations during the reporting period. Actual results could differ from those estimates.

PORTFOLIO VALUATION: The net asset value of the Fund's Common Stock is determined by the Fund's Administrator no less frequently than on the last business day of each week and month in accordance with the policies and procedures approved by the Board of Directors of the Fund. It is determined by dividing the value of the Fund's net assets available to Common Stock by the number of shares of Common Stock outstanding. The value of the Fund's net assets available to Common Stock is deemed to equal the value of the Fund's total assets less (i) the Fund's liabilities and (ii) the aggregate liquidation value of any outstanding preferred stock.

The Fund's preferred and debt securities are valued on the basis of current market quotations provided by independent pricing services or dealers approved by the Board of Directors of the Fund. Each quotation is based on the mean of the bid and asked prices of a security. In determining the value of a particular preferred or debt security, a pricing service or dealer may use information with respect to transactions in such investments, quotations, market transactions in comparable investments, various relationships observed in the market between investments, and/or calculated yield measures based on valuation technology commonly employed in the market for such investments. Common stocks that are traded on stock exchanges are valued at the last sale price or official close price on the exchange, as of the close of business on the day the securities are being valued or, lacking any sales, at the last available mean price. Futures contracts and option contracts on futures contracts are valued on the basis of the settlement price for such contracts on the primary exchange on which they trade. Investments in over-the-counter derivative instruments, such as interest rate swaps and options thereon ("swaptions"), are valued using prices supplied by a pricing service, or if such prices are unavailable, prices provided by a single broker or dealer that is not the counterparty or, if no such prices are available, at a price at which the counterparty to the contract would repurchase the instrument or terminate the contract. Investments for which market quotations are not readily available or for which management determines that the prices are not reflective of current market conditions are valued at fair value as determined in good faith by or under the direction of the Board of Directors of the Fund, including reference to valuations of other securities which are comparable in quality, maturity and type.

Flaherty & Crumrine/Claymore Total Return Fund Incorporated

NOTES TO FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

Investments in money market instruments and all debt and preferred securities which mature in 60 days or less are valued at amortized cost. Investments in money market funds are valued at the net asset value of such funds.

FAIR VALUE MEASUREMENT: The inputs and valuation techniques used to measure fair value of the Fund's investments are summarized into three levels as described in the hierarchy 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 investments as of May 31, 2010 is as follows:

	TOTAL VALUE AT MAY 31, 2010	LEVEL 1 QUOTED PRICE	LEVEL 2 SIGNIFICANT OBSERVABLE INPUTS	LEVEL 3 SIGNIFICANT UNOBSERVABLE INPUTS
Preferred Securities				
Banking	$ 89,315,417	$49,215,950	$ 40,054,247	$ 45,220
Financial Services	2,683,315	--	1,659,745	1,023,570
Insurance	46,542,511	12,562,945	33,979,566	--
Utilities	60,136,633	7,972,067	52,164,566	--
Energy	11,188,036	--	11,188,036	--
Miscellaneous Industries	3,914,213	--	3,914,213	--
Corporate Debt Securities	14,303,862	1,259,975	12,445,574	598,313
Common Stock				
Banking	496,665	496,665	--	--
Money Market Fund	203,220	203,220	--	--
Total Investments	$228,783,872	$71,710,822	$155,405,947	$1,667,103

Flaherty & Crumrine/Claymore Total Return Fund Incorporated

NOTES TO FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

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

		PREFERRED SECURITIES		
	TOTAL INVESTMENTS	BANKING	FINANCIAL SERVICES	CORPORATE DEBT SECURITIES
BALANCE AS OF 11/30/09	$1,237,309	$38,500	$ 703,050	$495,759
Accrued discounts/premiums	--	--	--	--
Realized gain/(loss)	--	--	--	--
Change in unrealized appreciation/ (depreciation)	429,794	6,720	320,520	102,554
Net purchases/(sales)	--	--	--	--
Transfers in and/or out of Level 3	--	--	--	--
BALANCE AS OF 05/31/10	$1,667,103	$45,220	$1,023,570	$598,313

As of May 31, 2010, total change in unrealized gain/(loss) on Level 3 securities still held at period-end and included in the change in net assets was $429,794. Total unrealized gain/(loss) for all securities (including Level 1 and Level 2) can be found on the accompanying Statement of Operations.

SECURITIES TRANSACTIONS AND INVESTMENT INCOME: Securities transactions are recorded as of the trade date. Realized gains and losses from securities sold are recorded on the specific identified cost basis. Dividend income is recorded on ex-dividend dates. Interest income is recorded on the accrual basis. The Fund also amortizes premiums and accretes discounts on fixed income securities using the effective yield method.

OPTIONS: In the normal course of pursuing its investment objectives, the Fund is subject to interest rate risk and may purchase or write options to hedge against this risk. Purchases of options are recorded as an investment, the value of which is marked-to-market at each valuation date. When the Fund enters into a closing sale transaction, the Fund will record a gain or loss depending on the difference between the purchase and sale price. The risks associated with purchasing options and the maximum loss the Fund would incur are limited to the purchase price originally paid.

When the Fund writes an option, an amount equal to the premium received by the Fund is recorded as a liability, the value of which is marked-to-market at each valuation date. When a written option expires, the Fund realizes a gain equal to the amount of the premium originally received. When the Fund enters into a closing purchase transaction, the Fund realizes a gain (or loss if the cost of the closing purchase transaction exceeds the premium received when the option was written) without regard to any unrealized gain or loss on the underlying security, and the liability related to such option is eliminated. When a call option is exercised, the Fund realizes a gain or loss from the sale of the underlying security and the proceeds from such sale are increased by the amount of the premium originally received. When a put option is exercised, the amount of the premium originally received will reduce the cost of the security which the Fund purchased upon exercise.

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Flaherty & Crumrine/Claymore Total Return Fund Incorporated

NOTES TO FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

The risk in writing a call option is that the Fund may forego the opportunity for profit if the market price of the underlying security increases and the option is exercised. The risk in writing a put option is that the Fund may incur a loss if the market price of the underlying security decreases and the option is exercised. There were no purchased or written options for the six months ended May 31, 2010.

REPURCHASE AGREEMENTS: The Fund may engage in repurchase agreement transactions. The Fund's investment adviser reviews and approves the eligibility of the banks and dealers with which the Fund may enter into repurchase agreement transactions. The value of the collateral underlying such transactions is at least equal at all times to the total amount of the repurchase obligations, including interest. The Fund maintains possession of the collateral through its custodian and, in the event of counterparty default, the Fund has the right to use the collateral to offset losses incurred. There is the possibility of loss to the Fund in the event the Fund is delayed or prevented from exercising its rights to dispose of the collateral securities.

FEDERAL INCOME TAXES: The Fund intends to continue to qualify as a regulated investment company by complying with the requirements under subchapter M of the Internal Revenue Code of 1986, as amended, applicable to regulated investment companies and intends to distribute substantially all of its taxable net investment income to its shareholders. Therefore, no federal income tax provision is required.

Management has analyzed the Fund's tax positions taken on Federal income tax returns for all open tax years (November 30, 2009, 2008, 2007 and 2006), and has concluded that no provision for federal income tax is required in the Fund's financial statements. The Fund's major tax jurisdictions are federal and California. The Fund's federal and state income and federal excise tax returns for tax years for which the applicable statutes of limitations have not expired are subject to examination by the Internal Revenue Service and state departments of revenue.

DIVIDENDS AND DISTRIBUTIONS TO SHAREHOLDERS: The Fund expects to declare dividends on a monthly basis to shareholders of Common Stock ("Shareholders"). Distributions to Shareholders are recorded on the ex-dividend date. Any net realized short-term capital gains will be distributed to Shareholders at least annually. Any net realized long-term capital gains may be distributed to Shareholders at least annually or may be retained by the Fund as determined by the Fund's Board of Directors. Capital gains retained by the Fund are subject to tax at the capital gains corporate tax rate. Subject to the Fund qualifying as a regulated investment company, any taxes paid by the Fund on such net realized long-term capital gains may be used by the Fund's Shareholders as a credit against their own tax liabilities. The Fund may pay distributions in excess of the Fund's net investment company taxable income and this excess would be a tax-free return of capital distributed from the Fund's assets.

Income and capital gain distributions are determined and characterized in accordance with income tax regulations which may differ from US GAAP. These differences are primarily due to (1) differing treatments of income and gains on various investment securities held by the Fund, including timing differences,

(2) the attribution of expenses against certain components of taxable investment income, and (3) federal regulations requiring proportionate allocation of income and gains to all classes of shareholders.

Distributions from net realized gains for book purposes may include short-term capital gains, which are included as ordinary income for tax purposes and may exclude amortization of premium on certain fixed income securities, which are not reflected in ordinary income for tax purposes. The tax character of distributions paid, including changes in accumulated undeclared distributions to AMPS shareholders, during 2010 and 2009 were as follows:

	DISTRIBUTIONS PAID IN FISCAL YEAR 2010		DISTRIBUTIONS PAID IN FISCAL YEAR 2009	
	ORDINARY INCOME	LONG-TERM CAPITAL GAINS	ORDINARY INCOME	LONG-TERM CAPITAL GAINS
Common	N/A	N/A	$12,904,760	$0
Preferred	N/A	N/A	$ 611,215	$0

As of November 30, 2009, the components of distributable earnings (i.e., ordinary income and capital gain/loss) available to Common and Preferred Stock Shareholders, on a tax basis, were as follows:

CAPITAL (LOSS) CARRYFORWARD	UNDISTRIBUTED ORDINARY INCOME	UNDISTRIBUTED LONG-TERM GAIN	NET UNREALIZED APPRECIATION/(DEPRECIATION)
$(60,781,458)	$534,075	$0	$(29,384,112)

At November 30, 2009, the composition of the Fund's $60,781,458 accumulated realized capital losses was $573,838, $8,529,240, $943,555, $1,648,329, $3,780,448, $26,133,604 and $19,172,444 incurred in 2003, 2004, 2005, 2006, 2007, 2008 and 2009, respectively. These losses may be carried forward and offset against any future capital gains through 2011, 2012, 2013, 2014, 2015, 2016 and 2017, respectively.

EXCISE TAX: The Internal Revenue Code of 1986, as amended, imposes a 4% nondeductible excise tax on the Fund to the extent the Fund does not distribute by the end of any calendar year at least (1) 98% of the sum of its net investment income for that year and its capital gains (both long-term and short-term) for its fiscal year and (2) certain undistributed amounts from previous years. The Fund paid $25,543 of Federal excise taxes attributable to calendar year 2009 in March 2010.

ADDITIONAL ACCOUNTING STANDARDS: In January 2010, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2010-06, "Improving Disclosures about Fair Value Measurements". ASU No. 2010-06 amends FASB Accounting Standards Codification Topic 820, Fair Value Measurements and Disclosures, to require additional disclosures regarding fair value measurements. Certain disclosures required by ASU No. 2010-06 are effective for interim and annual reporting periods beginning after December 15, 2009, and other required disclosures are effective for fiscal years beginning after December 15, 2010, and for interim periods within those fiscal years. Management is currently evaluating the impact ASU No. 2010-06 will have on its financial statement disclosures.

3. INVESTMENT ADVISORY FEE, SERVICING AGENT FEE, ADMINISTRATION FEE, TRANSFER AGENT FEE, CUSTODIAN FEE, DIRECTORS' FEES AND CHIEF COMPLIANCE OFFICER FEE

Flaherty & Crumrine Incorporated (the "Adviser") serves as the Fund's investment adviser. The Fund pays the Adviser a monthly fee at an annual rate of 0.575% of the first $200 million of the Fund's average weekly total managed assets, 0.50% of the next $300 million of the Fund's average weekly total managed assets, and 0.45% of the Fund's average weekly total managed assets above $500 million.

For purposes of calculating the fees payable to the Adviser, Servicing Agent, Administrator and Custodian, the Fund's average weekly total managed assets means the total assets of the Fund (including any assets attributable to any Fund auction market preferred stock that may be outstanding or otherwise attributable to the use of leverage) minus the sum of accrued liabilities (other than debt, if any, representing financial leverage). For purposes of determining total managed assets, the liquidation preference of any outstanding preferred shares issued by the Fund is not treated as a liability.

Claymore Securities, Inc. (the "Servicing Agent") serves as the Fund's shareholder servicing agent. As compensation for its services, the Fund pays the Servicing Agent a fee computed and paid monthly at the annual rate of 0.025% of the first $200 million of the Fund's average weekly total managed assets, 0.10% of the next $300 million of the Fund's average weekly total managed assets and 0.15% of the Fund's average weekly total managed assets above $500 million.

PNC Global Investment Servicing (U.S.) Inc. ("PNC") serves as the Fund's Administrator. As Administrator, PNC calculates the net asset value of the Fund's shares attributable to Common Stock and generally assists in all aspects of the Fund's administration and operation. As compensation for PNC's services as Administrator, the Fund pays PNC a monthly fee at an annual rate of 0.10% of the first $200 million of the Fund's average weekly total managed assets, 0.04% of the next $300 million of the Fund's average weekly total managed assets, 0.03% of the next $500 million of the Fund's average weekly total managed assets and 0.02% of the Fund's average weekly total managed assets above $1 billion.

PNC also serves as the Fund's Common Stock dividend-paying agent and registrar (Transfer Agent). As compensation for PNC's services, the Fund pays PNC a fee at an annual rate of 0.02% of the first $150 million of the Fund's average weekly net assets attributable to Common Stock, 0.0075% of the next $350 million of the Fund's average weekly net assets attributable to Common Stock, and 0.0025% of the Fund's average weekly net assets attributable to Common Stock above $500 million, plus certain out-of-pocket expenses. For purposes of calculating such fee, the Fund's average weekly net assets attributable to the Common Stock are deemed to be the average weekly value of the Fund's total assets minus the sum of the Fund's liabilities. For this calculation, the Fund's liabilities are deemed to include the aggregate liquidation preference of any outstanding preferred shares and the loan principal balance.

PFPC Trust Company ("PFPC Trust") serves as the Fund's Custodian. PFPC Trust is an indirect subsidiary of PNC Financial Services. As compensation for PFPC Trust's services as custodian, the Fund pays PFPC Trust a monthly fee at the annual rate of 0.01% of the first $200 million of the Fund's average weekly total managed assets, 0.008% of the next $300 million of the Fund's average weekly total managed assets, 0.006% of the next $500 million of the Fund's average weekly total managed assets, and 0.005% of the Fund's average weekly total managed assets above $1 billion.

The Fund currently pays each Director who is not a director, officer or employee of the Adviser a fee of $9,000 per annum, plus $750 for each in-person meeting of the Board of Directors or Audit Committee, $500 for each in-person meeting of the Nominating Committee, and $250 for each telephone meeting. The Audit Committee Chairman receives an additional annual fee of $3,000. The Fund also reimburses all Directors for travel and out-of-pocket expenses incurred in connection with such meetings.

The Fund currently pays the Adviser a fee of $37,500 per annum for Chief Compliance Officer services and reimburses out-of-pocket expenses incurred in connection with providing services in this role.

4. PURCHASES AND SALES OF SECURITIES

For the six months ended May 31, 2010 the cost of purchases and proceeds from sales of securities excluding short-term investments, aggregated $35,545,280 and $21,420,423, respectively.

At May 31, 2010, the aggregate cost of securities for federal income tax purposes was $247,531,744, the aggregate gross unrealized appreciation for all securities in which there is an excess of value over tax cost was $18,318,473 and the aggregate gross unrealized depreciation for all securities in which there is an excess of tax cost over value was $37,066,345.

5. COMMON STOCK

At May 31, 2010, 240,000,000 shares of $0.01 par value Common Stock were authorized.

Common Stock transactions were as follows:

	SIX MONTHS ENDED 05/31/10	
	SHARES	AMOUNT

Shares issued under the Dividend Reinvestment and Cash Purchase Plan	7,766	$124,829

6. AUCTION MARKET PREFERRED STOCK (AMPS)

The Fund's Articles of Incorporation authorize the issuance of up to 10,000,000 shares of $0.01 par value preferred stock. Prior to July 9, 2009, the Fund had preferred stock issued in the form of AMPS. The AMPS was senior to the Common Stock and resulted in the financial leveraging of the Common Stock. As of July 9, 2009, the Fund redeemed and cancelled the last remaining shares of AMPS and does not currently have any issued and outstanding shares of preferred stock.

The Fund redeemed AMPS shares as detailed in the table below. Shares were redeemed at a redemption price equal to the liquidation preference of $25,000 per share, plus the amount of accumulated but unpaid dividends for each redemption date, respectively. After these redemptions, borrowings from its debt facility were the Fund's sole source of leverage.

REDEMPTION DATE	$ AMOUNT OF AMPS
May 21, 2008	$44,500,000
June 12, 2008	44,500,000
April 15, 2009	5,250,000
April 16, 2009	5,250,000
June 24, 2009	14,500,000
July 9, 2009	14,500,000

7. COMMITTED FINANCING AGREEMENT

The Fund entered into a committed financing agreement ("Financing Agreement") on May 1, 2008 which allowed the Fund to borrow up to an initial limit of $91 million on a secured basis. The primary use of the initial proceeds was to redeem a portion of the outstanding shares of AMPS (See Note 6), although the Fund will use the borrowing facility in the normal course of business as financial leverage. Such leveraging tends to magnify both the risks and opportunities to Shareholders. On August 28, 2009, the Financing Agreement was amended to allow for changes in the committed amount. As of May 31, 2010, the committed amount, and amount borrowed, under the Financing Agreement was $81.3

million.

Under the original terms of the Financing Agreement, the lender charged an annualized rate of 0.60% on the undrawn (committed) balance ("Commitment Fee"), and the Overnight London Interbank Offered Rate ("Overnight LIBOR") plus 0.70% on the drawn (borrowed) balance. The terms of the Financing Agreement were subsequently renegotiated and became effective as of October 20, 2008. Under the new terms of the Financing Agreement, the lender charges an annualized rate of 1.00% on the undrawn (committed) balance, and Three-Month London Interbank Offered Rate - reset every three months - plus 1.10% on the drawn (borrowed) balance. For the six months ended May 31, 2010, the daily weighted average annualized interest rate on the drawn balance was 1.371% and the average daily loan balance was $75,157,692. In addition, the Fund paid the lender an arrangement fee (at the origination of the facility on May 1, 2008) equal to 0.25% of the committed amount of $91 million. The arrangement fee was amortized to expense over a period of six months. LIBOR rates may vary in a manner unrelated to the income received on the Fund's assets, which could have either a beneficial or detrimental impact on net investment income and gains available to Shareholders.

The Fund is required to meet certain asset coverage requirements under the Financing Agreement and under the 1940 Act. In accordance with the asset coverage requirements, at least two-thirds of the Fund's assets are expected to be pledged as collateral assuming the full committed amount is drawn. Securities pledged as collateral are identified in the portfolio of investments. If the Fund fails to meet these requirements, or maintain other financial covenants required under the Financing Agreement, the Fund may be required to repay immediately, in part or in full, the amount borrowed under the Financing Agreement. Additionally, failure to meet the foregoing requirements or covenants could restrict the Fund's ability to pay dividends to Shareholders and could necessitate sales of portfolio securities at inopportune times. The Financing Agreement has no stated maturity, but may be terminated by either party without cause with six months' advance notice.

8. PORTFOLIO INVESTMENTS, CONCENTRATION AND INVESTMENT QUALITY

The Fund invests primarily in a diversified portfolio of preferred and debt securities. This includes fully taxable preferred securities and traditional preferred stocks eligible for the inter-corporate dividends received deduction ("DRD"). Under normal market conditions, at least 50% of the value of the Fund's total assets will be invested in preferred securities. Also, under normal market conditions, the Fund invests at least 25% of its total assets in securities issued by companies in the utilities industry and at least 25% of its total assets in securities issued by companies in the banking industry. The Fund's portfolio may therefore be subject to greater risk and market fluctuation than a portfolio of securities representing a broader range of investment alternatives.

The Fund may invest up to 25% of its assets at the time of purchase in securities rated below investment grade. These securities must be rated at least either "Ba3" by Moody's Investors Service, Inc. or "BB-" by Standard & Poor's or, if unrated, judged to be comparable in quality by the Adviser, in any case, at the time of purchase. However, these securities must be issued by an issuer having a class of senior debt rated investment grade outstanding.

The Fund may invest up to 15% of its total assets in common stocks, which total includes those convertible securities that trade in close relationship to the underlying common stock of an issuer. Certain of its investments in hybrid, i.e., fully taxable, preferred securities will be considered debt securities to the extent that, in the opinion of the Adviser, such investments are deemed to be debt-like in key characteristics. Typically, a security will not be considered debt-like (a) if an issuer can defer payment of income for eighteen months or more without triggering an event of default and (b) if such issue is a junior and fully subordinated liability of an issuer or its ultimate guarantor.

In addition to foreign money market securities, the Fund may invest up to 30% of its total assets in the securities of companies organized or having their principal place of business outside the United States. All foreign securities held by the Fund will be denominated in U.S. dollars.

9. SPECIAL INVESTMENT TECHNIQUES

The Fund may employ certain investment techniques in accordance with its fundamental investment policies. These may include the use of when-issued and delayed delivery transactions. Securities purchased or sold on a when-issued or delayed delivery basis may be settled within 45 days after the date of the transaction. Such transactions may expose the Fund to credit and market valuation risk greater than that associated with regular trade settlement procedures. The Fund may also enter into transactions, in accordance with its investment policies, involving any or all of the following: short sales of securities, purchases of securities on margin, futures contracts, interest rate swaps, swap futures, options on futures contracts, options on securities, swaptions and certain credit derivative transactions, including, but not limited to, the purchase and sale of credit protection. As in the case of when-issued securities, the use of over-the-counter derivatives, such as interest rate swaps, swaptions, and credit default swaps may expose the Fund to greater credit, operations, liquidity, and valuation risk than is the case with regulated, exchange traded

futures and options. These transactions are used for hedging or other appropriate risk-management purposes, or, under certain other circumstances, to increase return. No assurance can be given that such transactions will achieve their desired purposes or will result in an overall reduction of risk to the Fund.

10. SECURITIES LENDING

The Fund may lend up to 15% of its total assets (including the value of the loan collateral) to certain qualified brokers in order to earn additional income. The Fund receives compensation in the form of fees or interest earned on the investment of any cash collateral received. The Fund also continues to receive interest and dividends on the securities loaned. The Fund receives collateral in the form of cash or securities with a market value at least equal to the market value of the securities on loan, including accrued interest. In the event of default or bankruptcy by the borrower, the Fund could experience delays and costs in recovering the loaned securities or in gaining access to the collateral. The Fund has the right under the lending agreement to recover the securities from the borrower on demand. As of May 31, 2010 there were no securities on loan by the Fund.

11. SUBSEQUENT EVENTS

Management has evaluated the impact of all subsequent events on the Fund through the date the financial statements were issued, and has determined that there was the following subsequent event:

On July 1, 2010, The PNC Financial Services Group, Inc. sold the outstanding stock of PNC Global Investment Servicing Inc. to The Bank of New York Mellon Corporation. At the closing of the sale, PNC Global Investment Servicing (U.S.) Inc. changed its name to BNY Mellon Investment Servicing (US) Inc. PFPC Trust Company will not change its name until a later date to be announced.

DIVIDEND REINVESTMENT AND CASH PURCHASE PLAN

Under the Fund's Dividend Reinvestment and Cash Purchase Plan (the "Plan"), a shareholder whose Common Stock is registered in his or her own name will have all distributions reinvested automatically by PNC as agent under the Plan, unless the shareholder elects to receive cash. Distributions with respect to shares registered in the name of a broker-dealer or other nominee (that is, in "street name") may be reinvested by the broker or nominee in additional shares under the Plan, but only if the service is provided by the broker or nominee, unless the shareholder elects to receive distributions in cash. A shareholder who holds Common Stock registered in the name of a broker or other nominee may not be able to transfer the Common Stock to another broker or nominee and continue to participate in the Plan. Investors who own Common Stock registered in street name should consult their broker or nominee for details regarding reinvestment.

The number of shares of Common Stock distributed to participants in the Plan in lieu of a cash dividend is determined in the following manner. Whenever the market price per share of the Fund's Common Stock is equal to or exceeds the net asset value per share on the valuation date, participants in the Plan will be issued new shares valued at the higher of net asset value or 95% of the then current market value. Otherwise, PNC will buy shares of the Fund's Common Stock in the open market, on the New York Stock Exchange ("NYSE") or elsewhere, on or shortly after the payment date of the dividend or distribution and continuing until the ex-dividend date of the Fund's next distribution to holders of the Common Stock or until it has expended for such purchases all of the cash that would otherwise be payable to the participants. The number of purchased shares that will then be credited to the participants' accounts will be based on the average per share purchase price of the shares so purchased, including brokerage commissions. If PNC commences purchases in the open market and the then current market price of the shares (plus any estimated brokerage commissions) subsequently exceeds their net asset value most recently determined before the completion of the purchases, PNC will attempt to terminate purchases in the open market and cause the Fund to issue the remaining dividend or distribution in shares. In this case, the number of shares received by the participant will be based on the weighted average of prices paid for shares purchased in the open market and the price at which the Fund issues the remaining shares. These remaining shares will be issued by the Fund at the higher of net asset value or 95% of the then current market value.

Plan participants are not subject to any charge for reinvesting dividends or capital gains distributions. Each Plan participant will, however, bear a proportionate share of brokerage commissions incurred with respect to PNC's open market purchases in connection with the reinvestment of dividends or capital gains distributions. For the six months ended May 31, 2010, $319 in brokerage commissions were incurred.

The automatic reinvestment of dividends and capital gains distributions will not relieve Plan participants of any income tax that may be payable on the dividends or capital gains distributions. A participant in the Plan will be treated for Federal income tax purposes as having received, on the dividend payment date, a dividend or distribution in an amount equal to the cash that the participant could have received instead of shares.

ADDITIONAL INFORMATION (UNAUDITED) (CONTINUED)

In addition to acquiring shares of Common Stock through the reinvestment of cash dividends and distributions, a shareholder may invest any further amounts from $100 to $3,000 semi-annually at the then current market price in shares purchased through the Plan. Such semi-annual investments are subject to any brokerage commission charges incurred.

A shareholder whose Common Stock is registered in his or her own name may terminate participation in the Plan at any time by notifying PNC in writing, by completing the form on the back of the Plan account statement and forwarding it to PNC, or by calling PNC directly. A termination will be effective immediately if notice is received by PNC not less than 10 days before any dividend or distribution record date. Otherwise, the termination will be effective, and only with respect to any subsequent dividends or distributions, on the first day after the dividend or distribution has been credited to the participant's account in additional shares of the Fund. Upon termination and according to a participant's instructions, PNC will either (a) issue certificates for the whole shares credited to the shareholder's Plan account and a check representing any fractional shares or (b) sell the shares in the market. Shareholders who hold Common Stock registered in the name of a broker or other nominee should consult their broker or nominee to terminate participation.

The Plan is described in more detail in the Fund's Plan brochure. Information concerning the Plan may be obtained from PNC at 1-800-331-1710.

ADDITIONAL COMPENSATION AGREEMENT

The Adviser has agreed to compensate Merrill Lynch from its own resources at an annualized rate of 0.15% of the Fund's total managed assets for certain services, including after-market support services designed to maintain the visibility of the Fund.

PROXY VOTING POLICIES AND PROXY VOTING RECORD ON FORM N-PX

The Fund files Form N-PX with its complete proxy voting record for the 12 months ended June 30th no later than August 31st of each year. The Fund filed its latest Form N-PX with the Securities and Exchange Commission ("SEC") on

August 21, 2009. This filing as well as the Fund's proxy voting policies and procedures are available (i) without charge, upon request, by calling the Fund's transfer agent at 1-800-331-1710 and (ii) on the SEC's website at www.sec.gov. In addition, the Fund's proxy voting policies and procedures are available on the Fund's website at www.fcclaymore.com.

PORTFOLIO SCHEDULE ON FORM N-Q

The Fund files a complete schedule of portfolio holdings with the SEC for the first and third fiscal quarters on Form N-Q, the latest of which was filed for the quarter ended February 28, 2010. The Fund's Form N-Q is available on the SEC's website at www.sec.gov or may be viewed and obtained from the SEC's Public Reference Room in Washington D.C. Information on the operation of the Public Reference Section may be obtained by calling 1-800-SEC-0330.

PORTFOLIO MANAGEMENT TEAM

In managing the day-to-day operations of the Fund, the Adviser relies on the expertise of its team of money management professionals, consisting of Messrs. Crumrine, Ettinger, Stone and Chadwick. The professional backgrounds of each member of the management team are included in the "Information about Fund Directors and Officers" section of this report.

MEETING TO SHAREHOLDERS

On April 22, 2010, the Fund held its Annual Meeting of Shareholders (the "Annual Meeting") for the following purpose: Election of Directors of the Fund (the "Proposal"). The Proposal was approved by shareholders and the results of the voting are as follows:

PROPOSAL 1: ELECTION OF DIRECTORS.

NAME	FOR	WITHHELD
Donald F. Crumrine..	7,680,567	576,145
Robert F. Wulf	7,663,376	593,336

David Gale, Morgan Gust and Karen H. Hogan continue to serve in their capacities as Directors of the Fund.

INFORMATION ABOUT FUND DIRECTORS AND OFFICERS

The business and affairs of the Fund are managed under the direction of the Fund's Board of Directors. Information pertaining to the Directors and officers of the Fund is set forth below.

NAME, ADDRESS, AND AGE	POSITION(S) HELD WITH FUND	TERM OF OFFICE AND LENGTH OF TIME SERVED*	PRINCIPAL OCCUPATION(S) DURING PAST FIVE YEARS	NUMBE FUN IN F COMP OVER B DIRE
NON-INTERESTED DIRECTORS:				
DAVID GALE Delta Dividend Group, Inc. 220 Montgomery Street Suite 426 San Francisco, CA 94104 Age: 61	Director	Class I Director since August 2003	President of Delta Dividend Group, Inc. (investments)	4
MORGAN GUST 301 E. Colorado Boulevard Suite 720 Pasadena, CA 91101 Age: 63	Director	Class II Director since August 2003	Owner and operator of various entities engaged in agriculture and real estate; Former President of Giant Industries, Inc. (petroleum refining and marketing) from March 2002 through June 2007	4
KAREN H. HOGAN+ 301 E. Colorado Boulevard Suite 720 Pasadena, CA 91101 Age: 49	Director	Class II Director since July 2005	Active Committee Member and Volunteer to several non-profit organizations; from September 1985 to January 1997, Senior Vice President of Preferred Stock Origination at Lehman Brothers and previously, Vice President of New Product Development	4

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* The Fund's Board of Directors is divided into three classes, each class having a term of three years. Each year the term of office of one class expires and the successor or successors elected to such class serve for a three year term.The three year term for