

FLAHERTY & CRUMRINE/CLAYMORE TOTAL RETURN FUND INC

Form N-30B-2

April 21, 2006

FLAHERTY & CRUMRINE/CLAYMORE TOTAL RETURN FUND

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

The first fiscal quarter of 2006 was a mixed bag for FLC. On the plus side, for the three-month period ended February 28, 2006, the Fund produced a total return on net asset value of +2.9%. Despite this strong investment performance, net income available to shareholders has declined, and the Fund reduced its monthly dividend by 8.9% (from \$0.14/share to \$0.1275/share) beginning with the March distribution. The primary focus of the Fund is income, so the decision to reduce the dividend was difficult, but necessary.

The total return calculation mentioned above has two basic components--net income earned and net change in principal value. Recently, the latter has done well while the former has come under some pressure.

Net income earned, the amount of investment income left over after payments on the Fund's Auction Market Preferred Stock ("AMPS") and other expenses, is what the Fund can pay out in monthly distributions to common shareholders. Although investment income has increased recently, payments to AMPS Shares have risen at a faster pace. As a result, the Fund could not continue to distribute common dividends at the same rate.

The AMPS rate is closely correlated to other short-term interest rates, all of which have moved up in concert with the Federal Reserve's efforts to influence the pace of economic activity. Two years ago, the Fund was paying roughly 1% to "borrow" money via its AMPS shares; these rates are now closer to 4.7%. Despite this jump in rates, the use of leverage continues to add incremental income for common shares because the money we obtain from leverage is being invested in securities with much higher yields.

The other component of total return, principal change, normally is not distributed to common shareholders, but instead is reflected by changes in the Fund's net asset value. During the fiscal period, the Fund's NAV rose 1.0%.

One last comment on total return--whatever the breakdown between net income and principal change, the entire amount belongs to common shareholders. In addition, the two tend to "merge" over time. For example, if principal value increases and the Fund can realize gains, the Fund will have more money to invest and can generate additional income. Or, shareholders can use the income they receive to purchase additional shares via the Dividend Reinvestment Plan to increase the value of their investment.

As readers may recall from previous discussions of market conditions, the preferred securities market has two main segments--issues that pay interest and those that pay dividends. We refer to the first type as "hybrid" preferred securities and the second as "traditional" preferred stock.

Demand for hybrid preferred securities has been strong for some time; the supply of new issues, however, has been plentiful. During the period there were thirty new issues with a market value of \$13.2 BILLION. As expected, many of these new issues were structured like the "ECAP" issues we discussed in our last letter (and on the Fund's website). Even with this sizable amount of new supply, the performance of this segment kept pace with most other types of fixed-income securities during the quarter.

Many of the recent hybrid preferred securities have terms and features

that require very close scrutiny. While the basic structure of the enhanced capital security is now fairly well established, with each new issue we are observing small but important differences. This evolutionary process is typical of new structures--our job is to dissect each issue until we fully understand every twist and turn.

Investor demand for traditional preferred stock has also been consistently strong for some time now; however new issue supply has not kept up--during the fiscal quarter there were only two new issues totaling a meager \$300 million. As a result of this imbalance, this segment has slowly and steadily outperformed other types of fixed-income securities. The traditional preferred component of FLC is relatively small, but it made a meaningful contribution to overall investment performance.

The Fund's hedge positions are intended to provide shareholders with some protection against significant increases in long-term interest rates. Over the course of the fiscal quarter, long-term interest rates barely moved, so the hedging strategy had little impact on the Fund's performance. The Fund's hedging strategy did benefit from the "flat" U.S. Treasury yield curve, since the cost of our hedges tends to be lower in this environment.

We hope investors will take advantage of the Fund's website, WWW.FCCLAYMORE.COM. It contains a wide range of useful and up-to-date information about the Fund. In addition, some of the topics mentioned above are analyzed in greater depth in the Frequently Asked Questions section of the website.

Sincerely,

/s/ Donald F. Crumrine

/s/ Robert M. Ettinger

Donald F. Crumrine
Chairman of the Board

Robert M. Ettinger
President

April 17, 2006

Flaherty & Crumrine/Claymore Total Return Fund Incorporated
PORTFOLIO OVERVIEW
FEBRUARY 28, 2006 (UNAUDITED)

FUND STATISTICS ON 02/28/06

| | | |
|---------------------------|----|-----------|
| Net Asset Value | \$ | 22.62 |
| Market Price | \$ | 20.69 |
| Discount | | 8.53% |
| Yield on Market Price | | 8.12% |
| Common Shares Outstanding | | 9,776,333 |

| MOODY'S RATINGS | % OF PORTFOLIO |
|-----------------|----------------|
| AAA | 0.3% |
| AA | 1.7% |
| A | 28.2% |
| BBB | 48.8% |
| BB | 13.2% |

Edgar Filing: FLAHERTY & CRUMRINE/CLAYMORE TOTAL RETURN FUND INC - Form N-30B-2

| | |
|-------------------------|-------|
| B | 1.6% |
| Not Rated | 5.4% |
| ----- | |
| Below Investment Grade* | 14.2% |

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

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

| INDUSTRY CATEGORIES | % OF PORTFOLIO |
|---------------------|----------------|
| ----- | |
| Banks | 32% |
| Utilities | 26% |
| Insurance | 18% |
| REITs | 9% |
| Financial Services | 6% |
| Other | 5% |
| Oil and Gas | 4% |

| TOP 10 HOLDINGS BY ISSUER | % OF PORTFOLIO |
|---------------------------|----------------|
| ----- | |
| Wachovia Corp | 4.2% |
| J.P. Morgan Chase | 3.8% |
| North Fork Bancorporation | 3.2% |
| Dominion Resources | 3.1% |
| PS Business Parks | 2.9% |
| Nexen, Inc. | 2.6% |
| Interstate Power | 2.3% |
| TXU Corp | 2.2% |
| Merrill Lynch | 2.2% |
| UnumProvident | 2.1% |

% OF P

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

** 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.

Edgar Filing: FLAHERTY & CRUMRINE/CLAYMORE TOTAL RETURN FUND INC - Form N-30B-2

SHARES/\$ PAR

PREFERRED SECURITIES -- 77.1%
BANKING -- 32.2%

| | | |
|----|-----------|--|
| \$ | 5,750,000 | Astoria Capital Trust I, 9.75% 11/01/29 Capital Security, Series B |
| | 10,900 | BAC Capital Trust II, 7.00% Pfd. |
| | 25,000 | BAC Capital Trust III, 7.00% Pfd. |
| | 50,900 | Bank One Capital Trust VI, 7.20% Pfd. |
| \$ | 2,500,000 | Barclays Bank PLC, Adj. Rate Pfd. |
| \$ | 6,500,000 | Chase Capital I, 7.67% 12/01/26 Capital Security |
| | 40,000 | Cobank, ACB, 7.00% Pfd., 144A**** |
| | 20,000 | Colonial Capital Trust IV, 7.875% Pfd. |
| | 11,000 | Comerica (Imperial) Capital Trust I, 7.60% Pfd. |
| | 4,000 | FBOP Corporation, Adj. Rate Pfd., 144A**** |
| \$ | 2,000,000 | First Chicago NBD Capital A, 7.95% 12/01/26 Capital Security, 144A**** |
| \$ | 400,000 | First Empire Capital Trust I, 8.234% 02/01/27 Capital Security |
| \$ | 1,900,000 | First Hawaiian Capital I, 8.343% 07/01/27 Capital Security, Series B |
| \$ | 2,000,000 | First Midwest Capital Trust I, 6.95% Pfd. 12/01/33, Capital Security |
| | 160,000 | First Republic Bank, 6.25% Pfd. |
| \$ | 1,000,000 | Fleet Capital Trust II, 7.92% 12/11/26 Capital Security |
| | 18,000 | Fleet Capital Trust VII, 7.20% Pfd. |
| | 2 | FT Real Estate Securities Company, 9.50% Pfd., 144A**** |
| \$ | 7,100,000 | GreenPoint Capital Trust I, 9.10% 06/01/27 Capital Security |
| \$ | 4,500,000 | HBOS Capital Funding LP, 6.85% Pfd. |
| \$ | 855,000 | HSBC Capital Trust II, 8.38% 05/15/27 Capital Security, 144A**** |
| \$ | 3,000,000 | Haven Capital Trust I, 10.46% 02/01/27 Capital Security |
| | 4,200 | Household Capital Trust VI, 8.25% Pfd. |
| \$ | 2,944,000 | J.P. Morgan Capital Trust I, 7.54% 01/15/27 Capital Security |
| \$ | 6,000,000 | Keycorp Institutional Capital A, 7.826% 12/01/26 Capital Security, Series A |
| | 10 | Marshall & Ilsley Investment II, 8.875% Pfd., 144A**** |
| \$ | 2,500,000 | North Fork Capital Trust I, 8.70% 12/15/26 Capital Security |
| \$ | 810,000 | North Fork Capital Trust II, 8.00% 12/15/27 Capital Security |
| | 141,059 | PFGI Capital Corporation, 7.75% Pfd. |
| \$ | 4,000,000 | RBS Capital Trust B, 6.80% Pfd. |
| \$ | 1,600,000 | Republic New York Capital I, 7.75% 11/15/26 Capital Security |
| \$ | 716,000 | Republic New York Capital II, 7.53% 12/04/26 Capital Security |
| | | Roslyn Real Estate: |
| | 25 | 8.95% Pfd., Series C, 144A**** |
| | 10 | Adj. Rate Pfd., Series D, 144A**** |
| \$ | 5,050,000 | Union Planters Capital Trust, 8.20% 12/15/26 Capital Security |
| | 19,000 | USB Capital V, 7.25% Pfd. |
| | 6,500 | USB Capital VIII, 6.35% Pfd., 12/29/65 |
| \$ | 5,000,000 | Wachovia Capital Trust I, 7.64% 01/15/27 Capital Security, 144A**** |

4

Flaherty & Crumrine/Claymore Total Return Fund Incorporated
PORTFOLIO OF INVESTMENTS (CONTINUED)
FEBRUARY 28, 2006 (UNAUDITED)

SHARES/\$ PAR

PREFERRED SECURITIES -- (CONTINUED)
 BANKING -- (CONTINUED)

| | | | |
|----|-----------|--|-------|
| \$ | 670,000 | Wachovia Capital Trust V, 7.965% 06/01/27 Capital Security, 144A**** | ..... |
| | 307,500 | Wachovia Preferred Funding, 7.25% Pfd., Series A | ..... |
| \$ | 2,500,000 | Washington Mutual Preferred Funding, Variable Rate Pfd. 03/29/49, 144A**** | ..... |
| \$ | 4,000,000 | Webster Capital Trust I, 9.36% 01/29/27 Capital Security, 144A**** | ..... |
| | 7,900 | Wells Fargo Capital Trust IV, 7.00% Pfd. | ..... |

FINANCIAL SERVICES -- 4.4%

| | | | |
|----|-----------|--|-------|
| | 84,500 | CIT Group Inc., 6.35% Pfd., Series A | ..... |
| \$ | 3,000,000 | Gulf Stream-Compass 2005 Composite Notes, 144A**** | ..... |
| | 9,700 | Merrill Lynch Capital Trust III, 7.00% Pfd. | ..... |
| | 162,750 | Merrill Lynch Capital Trust V, 7.28% Pfd. | ..... |
| | 3,000 | Merrill Lynch Series II STRIPES Custodial Receipts, Pvt. | ..... |
| | 17,200 | Morgan Stanley Capital Trust II, 7.25% Pfd. | ..... |
| | 15,000 | Morgan Stanley Capital Trust IV, 6.25% Pfd. | ..... |
| | 66,800 | Morgan Stanley Capital Trust VI, 6.60% Pfd. | ..... |

INSURANCE -- 13.8%

| | | | |
|----|-----------|---|-------|
| | 15,000 | AAG Holding Company, Inc., 7.25% Pfd. | ..... |
| | 177,380 | ACE Ltd., 7.80% Pfd., Series C | ..... |
| | 30,000 | Aegon NV, 6.50% Pfd. | ..... |
| \$ | 5,920,000 | AON Capital Trust A, 8.205% 01/01/27 Capital Security | ..... |
| | 30,600 | Arch Capital Group Ltd., 8.00% Pfd. | ..... |
| | | Axis Capital Holdings: | |
| | 25,550 | 7.25% Pfd., Series A | ..... |
| | 27,900 | Variable Rate Pfd., Series B | ..... |
| | 70,900 | Berkley W.R. Capital Trust II, 6.75% 07/26/45 | ..... |
| | 29,400 | Endurance Specialty Holdings, 7.75% Pfd. | ..... |
| | 191,700 | Everest Re Capital Trust II, 6.20% Pfd., Series B | ..... |
| | | ING Groep NV: | |
| | 36,000 | 7.05% Pfd. | ..... |
| | 67,500 | 7.20% Pfd. | ..... |
| | 10,000 | PartnerRe Ltd., 6.50% Pfd., Series D | ..... |
| | 200,000 | Principal Financial Group, 6.518% Pfd. | ..... |
| | 120,600 | Renaissancere Holdings Ltd., 6.08% Pfd., Series C | ..... |
| | 119,000 | Scottish Re Group Ltd., 7.25% Pfd. | ..... |
| | 40,000 | St. Paul Capital Trust I, 7.60% Pfd. | ..... |

Flaherty & Crumrine/Claymore Total Return Fund Incorporated
 PORTFOLIO OF INVESTMENTS (CONTINUED)
 FEBRUARY 28, 2006 (UNAUDITED)

SHARES/\$ PAR

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

| | | |
|----|-----------|--|
| \$ | 1,906,000 | Sun Life Canada Capital Trust, 8.526% Capital Security, 144A**** |
| \$ | 4,815,000 | USF&G Capital, 8.312% 07/01/46 Capital Security, 144A**** |
| | 30,000 | XL Capital Ltd., 7.625% Pfd., Series B |

 UTILITIES -- 16.0%

| | | |
|----|-----------|---|
| \$ | 357,000 | AGL Capital Trust, 8.17% 06/01/37 Capital Security |
| | 45,700 | Baltimore Gas & Electric Company, 6.70% Pfd., Series 1993 |
| \$ | 2,750,000 | COMED Financing II, 8.50% 01/15/27 Capital Security, Series B |
| \$ | 2,500,000 | Dominion Resources Capital Trust I, 7.83% 12/01/27 Capital Security |
| \$ | 6,750,000 | Dominion Resources Capital Trust III, 8.40% 01/15/31 |
| | 20,000 | Duquesne Light Company, 6.50% Pfd. |
| | 20,000 | Energy East Capital Trust I, 8.25% Pfd. |
| | 1,008 | Entergy Arkansas, Inc., 7.40% Pfd. |
| | 50,000 | Entergy Louisiana, Inc., 6.95% Pfd., 144A**** |
| | 70,000 | FPC Capital I, 7.10% Pfd., Series A |
| \$ | 4,500,000 | Houston Light & Power Capital Trust II, 8.257%, 02/01/37 Capital Security |
| | 30,445 | Indianapolis Power & Light Company, 5.65% Pfd. |
| | | Interstate Power & Light Company: |
| | 90,000 | 7.10% Pfd., Series C |
| | 38,600 | 8.375% Pfd., Series B |
| \$ | 5,000,000 | PECO Energy Capital Trust IV, 5.75% 06/15/33 Capital Security |
| | 16,200 | PSEG Funding Trust II, 8.75% Pfd. |
| | | Puget Sound Energy Capital Trust: |
| \$ | 1,800,000 | 8.231% 06/01/27 Capital Security, Series B |
| | 14,100 | 8.40% Pfd. 06/30/41 |
| | 22,500 | Southern California Edison, 6.00% Pfd. |
| | 151,100 | Southern Union Company, 7.55% Pfd. |
| | 10,000 | Southwest Gas Capital II, 7.70% Pfd. |
| | 5,000 | Union Electric Company, \$7.64 Pfd. |
| | 18,000 | Vectren Utility Holdings, 7.25% Pfd. 10/15/31 |
| | 85,137 | Wisconsin Power & Light Company, 6.50% Pfd. |

 OIL AND GAS -- 0.8%

| | | |
|--|-------|--|
| | 2,750 | EOG Resources, Inc., 7.195% Pfd., Series B |
|--|-------|--|

SHARES/\$ PAR

PREFERRED SECURITIES -- (CONTINUED)

REAL ESTATE INVESTMENT TRUST (REIT) -- 9.0%

| | |
|---------|--|
| 35,000 | AMB Property Corporation, 7.00% Pfd., REIT, Series O |
| | BRE Properties, Inc.: |
| 6,000 | 6.75% Pfd., REIT, Series C |
| 44,000 | 6.75% Pfd., REIT, Series D |
| 38,750 | Carramerica Realty Corporation, 7.50% Pfd., REIT, Series E |
| | Duke Realty Corporation: |
| 45,000 | 6.50% Pfd., REIT, Series K |
| 6,700 | 6.60% Pfd., REIT, Series L |
| 15,849 | 6.625% Pfd., REIT, Series J |
| 53,050 | 6.95% Pfd., REIT, Series M |
| 85,000 | Equity Residential Properties, 8.29% Pfd., REIT, Series K |
| | PS Business Parks, Inc.: |
| 57,000 | 6.875% Pfd., REIT, Series I |
| 81,900 | 7.00% Pfd., REIT, Series H |
| 174,500 | 7.20% Pfd., REIT, Series M |
| 44,500 | 7.60% Pfd., REIT, Series L |
| 45,000 | 7.95% Pfd., REIT, Series K |
| | Public Storage, Inc.: |
| 25,100 | 6.18% Pfd. REIT, Series D |
| 122,850 | 6.45% Pfd., REIT, Series F |
| 32,400 | 6.60% Pfd., REIT, Series C |
| 6,500 | 7.125% Pfd., REIT |
| 44,200 | 7.50% Pfd., REIT, Series V |
| 1,400 | 7.625% Pfd., REIT, Series T |
| 48,600 | 8.00% Pfd., REIT, Series R |
| 125,000 | Regency Centers Corporation, 7.25% Pfd., REIT |
| 5,000 | Vornado Realty Trust, 6.625% Pfd., REIT, Series I |

MISCELLANEOUS INDUSTRIES -- 0.9%

| | |
|--------|---|
| 40,000 | Ocean Spray Cranberries, Inc., 6.25% Pfd., 144A**** |
|--------|---|

TOTAL PREFERRED SECURITIES
(Cost \$263,017,332)

Flaherty & Crumrine/Claymore Total Return Fund Incorporated
PORTFOLIO OF INVESTMENTS (CONTINUED)
FEBRUARY 28, 2006 (UNAUDITED)

SHARES/\$ PAR

Edgar Filing: FLAHERTY & CRUMRINE/CLAYMORE TOTAL RETURN FUND INC - Form N-30B-2

CORPORATE DEBT SECURITIES -- 21.6%
FINANCIAL SERVICES -- 1.3%

\$ 4,902,500 Lehman Brothers, Guaranteed Note, Variable Rate, 12/16/16, 144A****

INSURANCE -- 4.4%

20,000 American Financial Group, Inc., 7.125% 02/03/34, Senior Note
\$ 107,000 Liberty Mutual Group, 6.50% 03/15/35, 144A****
\$ 2,984,000 Liberty Mutual Insurance, 7.697% 10/15/97 144A****
\$ 3,700,000 OneAmerica Financial Partners, 7.00% 10/15/33, 144A****
\$ 7,000,000 UnumProvident Corporation, 7.25% 03/15/28, Senior Notes

OIL AND GAS -- 2.6%

356,200 Nexen, Inc., 7.35% Subordinated Notes

UTILITIES -- 10.0%

27,200 Corp-Backed Trust Certificates, 7.875% 02/15/32, Series Duke Capital
\$ 5,000,000 Duke Capital Corporation, 8.00% 10/01/19, Senior Notes
\$ 4,000,000 Duquesne Light Holdings, 6.25% 08/15/35
5,000 Entergy Mississippi, Inc., 7.25%, 1st Mortgage
\$ 4,000,000 Indianapolis Power & Light Company, 6.60% 01/01/34, 1st Mortgage, 144A****
\$ 4,000,000 Interstate Power & Light Company, 6.45% 10/15/33, Senior Notes
\$ 5,670,000 Oncor Electric Delivery Company, 7.25% 01/15/33
\$ 2,500,000 PSEG Power LLC, 8.625% 04/15/31
\$ 1,200,000 TXU Corporation, 6.50% 11/15/24
\$ 4,000,000 Wisconsin Electric Power Company, 6.875% 12/01/95

MISCELLANEOUS -- 3.3%

19,625 Ford Motor Company, 7.50% 06/10/43, Senior Notes
\$ 6,265,000 General Motors Corporation, 8.80% 03/01/21
42,300 Maytag Corporation, 7.875% 08/01/31

8

Flaherty & Crumrine/Claymore Total Return Fund Incorporated
PORTFOLIO OF INVESTMENTS (CONTINUED)
FEBRUARY 28, 2006 (UNAUDITED)

SHARES/\$ PAR

CORPORATE DEBT SECURITIES -- (CONTINUED)
 MISCELLANEOUS -- (CONTINUED)

| | | |
|----|--------------------|--|
| | Pulte Homes, Inc.: | |
| \$ | 3,550,000 | 6.375% 05/15/33, Senior Notes |
| \$ | 1,450,000 | 7.875% 06/15/32, Senior Notes |
| \$ | 605,000 | Verizon Maryland, 7.15% 05/01/23 |

TOTAL CORPORATE DEBT SECURITIES
 (Cost \$76,071,341)

OPTION CONTRACTS -- 0.5%

| | | |
|--|-------|---|
| | 375 | April Put Options on June U.S. Treasury Bond Futures, Expiring 03/24/06 |
| | 345 | June Call Options on June U.S. Treasury Bond Futures, Expiring 05/26/06 |
| | 585 | June Put Options on June U.S. Treasury Bond Futures, Expiring 05/26/06 |
| | 1,370 | June Put Options on June U.S. Treasury Bond Futures, Expiring 05/26/06 |

TOTAL OPTION CONTRACTS
 (Cost \$1,960,292)

Flaherty & Crumrine/Claymore Total Return Fund Incorporated
 PORTFOLIO OF INVESTMENTS (CONTINUED)
 FEBRUARY 28, 2006 (UNAUDITED)

SHARES/\$ PAR

MONEY MARKET FUND -- 0.3%

| | | |
|--|-----------|---|
| | 1,005,768 | BlackRock Provident Institutional, TempFund |
|--|-----------|---|

TOTAL MONEY MARKET FUND
 (Cost \$1,005,768)

SECURITIES LENDING COLLATERAL -- 0.3%

| | | |
|--|-----------|--|
| | 1,099,800 | Institutional Money Market Trust |
|--|-----------|--|

TOTAL SECURITIES LENDING COLLATERAL
 (Cost \$1,099,800)

| | |
|---|-------|
| TOTAL INVESTMENTS (Cost \$343,154,533***) | 99.8% |
| OTHER ASSETS AND LIABILITIES (Net) | 0.2% |

TOTAL NET ASSETS AVAILABLE TO COMMON STOCK AND PREFERRED STOCK

AUCTION MARKET PREFERRED STOCK (AMPS) REDEMPTION VALUE

TOTAL NET ASSETS AVAILABLE TO COMMON STOCK

-
- * Securities eligible for the Dividends Received Deduction and distributing Qualified Dividend Income.
 - ** Securities distributing Qualified Dividend Income only.
 - *** Aggregate cost of securities held.
 - **** Securities exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be resold in transactions exempt from registration to qualified institutional buyers. These securities have been determined to be liquid under the guidelines established by the Board of Directors.
- (1) Foreign Issuer
 - (2) All or a portion of this security has been pledged as collateral for written option positions.
 - (3) Security on loan.
- + Non-income producing.
 - ++ The percentage shown for each investment category is the total value of that category as a percentage of net assets available to Common and Preferred Stock.

ABBREVIATIONS:

REIT -- Real Estate Investment Trust

PFD. -- Preferred Securities

PVT. -- Private Placement Securities

OPEN OPTION CONTRACTS WRITTEN

CONTRACTS CONTRACT DESCRIPTION

345 June Call Options on June U.S. Treasury Bond Futures,
 Expiring 05/26/06, Strike Price 112

TOTAL OPEN OPTION CONTRACTS WRITTEN (premiums received: \$737,628)

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

OPERATIONS:

Net investment income
 Net realized gain/(loss) on investments sold during the period
 Change in net unrealized appreciation/depreciation of investments held
 during the period
 Distributions to Auction Market Preferred Stock (AMPS) Shareholders from net
 investment income, including changes in accumulated undeclared distributions

 NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS

DISTRIBUTIONS:

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

 TOTAL DISTRIBUTIONS TO COMMON STOCK SHAREHOLDERS

FUND SHARE TRANSACTIONS:

Increase from shares issued under the Dividend Reinvestment
 and Cash Purchase Plan

 NET INCREASE IN NET ASSETS AVAILABLE TO COMMON STOCK RESULTING
 FROM FUND SHARE TRANSACTIONS

NET INCREASE IN NET ASSETS AVAILABLE TO COMMON STOCK
 FOR THE PERIOD

 NET ASSETS AVAILABLE TO COMMON STOCK:

Beginning of period
 Net increase in net assets during the period

 End of period

-
- (1) These tables summarize the three months ended February 28, 2006 and should be read in conjunction with the Fund's audited financial statements, including footnotes, in its Annual Report dated November 30, 2005.
 - (2) May include income earned, but not paid out, in prior fiscal year.

Edgar Filing: FLAHERTY & CRUMRINE/CLAYMORE TOTAL RETURN FUND INC - Form N-30B-2

PER SHARE OPERATING PERFORMANCE:

Net asset value, beginning of period

INVESTMENT OPERATIONS:

Net investment income

Net realized and unrealized gain/(loss) on investments

DISTRIBUTIONS TO AMPS* SHAREHOLDERS:

From net investment income

From net realized capital gains

Total from investment operations

DISTRIBUTIONS TO COMMON STOCK SHAREHOLDERS:

From net investment income

From net realized capital gains

Total distributions to Common Stock Shareholders

Net asset value, end of period

Market value, end of period

Common shares outstanding, end of period

RATIOS TO AVERAGE NET ASSETS AVAILABLE TO COMMON STOCK SHAREHOLDERS:

Net investment income+

Operating expenses

SUPPLEMENTAL DATA:++

Portfolio turnover rate

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

Ratio of operating expenses to total average net assets available to

Common and Preferred Stock

(1) These tables summarize the three months ended February 28, 2006 and should be read in conjunction with the Fund's audited financial statements, including footnotes, in its Annual Report dated November 30, 2005.

* Auction Market Preferred Stock.

** Annualized.

*** Not annualized.

+ The net investment income ratios reflect income net of operating expenses and payments to AMPS* Shareholders.

++ Information presented under heading Supplemental Data includes AMPS*.

| | TOTAL DIVIDENDS PAID | NET ASSET VALUE | NYSE CLOSING PRICE | DIVIDEND REINVESTMENT PRICE (1) |
|-------------------------|----------------------------|--------------------|-----------------------|---------------------------------------|
| | ----- | ----- | ----- | ----- |
| December 31, 2005 | \$0.1400 | \$22.59 | \$19.16 | \$19.39 |
| January 31, 2006 | 0.1400 | 22.58 | 20.43 | 20.52 |
| February 28, 2006 | 0.1400 | 22.62 | 20.69 | 20.87 |

 (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 payment date, new shares issued will be valued at the higher of net asset value or 95% of the then current market price. Otherwise, the reinvestment shares of Common Stock will be purchased in the open market.

 Flaherty & Crumrine/Claymore Total Return Fund Incorporated
 NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

1. AGGREGATE INFORMATION FOR FEDERAL INCOME TAX PURPOSES

At February 28, 2006, the aggregate cost of securities for federal income tax purposes was \$344,122,046, the aggregate gross unrealized appreciation for all securities in which there is an excess of value over tax cost was \$8,840,392 and the aggregate gross unrealized depreciation for all securities in which there is an excess of tax cost over value was \$4,617,515.

[This page intentionally left blank]

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

Quarterly
 Report

February 28, 2006

www.fcclaymore.com

DIRECTORS

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

OFFICERS

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

INVESTMENT ADVISER

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

QUESTIONS CONCERNING YOUR SHARES OF FLAHERTY &
CRUMRINE/CLAYMORE TOTAL RETURN FUND?

- o If your shares are held in a Brokerage Account, contact your Broker.
- o If you have physical possession of your shares in certificate form, contact the Fund's Transfer Agent & Shareholder Servicing Agent --

PFPC Inc.
P.O. Box 43027
Providence, RI 02940-3027
1-800-331-1710

THIS REPORT IS SENT TO SHAREHOLDERS OF FLAHERTY & CRUMRINE/CLAYMORE TOTAL RETURN FUND INCORPORATED FOR THEIR INFORMATION. IT IS NOT A PROSPECTUS, CIRCULAR OR REPRESENTATION INTENDED FOR USE IN THE PURCHASE OR SALE OF SHARES OF THE FUND OR OF ANY SECURITIES MENTIONED IN THIS REPORT.