

FLAHERTY & CRUMRINE TOTAL RETURN FUND INC
Form DEF 14A
March 12, 2019

SCHEDULE 14A

PROXY STATEMENT

PURSUANT TO SECTION 14(A) OF THE SECURITIES EXCHANGE ACT OF 1934

Filed by Registrant

Filed by Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential for Use of the Commission Only as permitted by Rule 14a-6(e)(2)

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to Rule 14a-11c or Rule 14a-12

Flaherty & Crumrine Total Return Fund Incorporated

(Name of Registrant as Specified in Its Charter)

(Name of Person(s) Filing Proxy Statement)

Payment of Filing Fee (Check the appropriate box):

No fee required

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11

(1) Title of each class of securities to which transaction applies: _____

(2) Aggregate number of securities to which transaction applies: _____

Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11. (Set forth (3) the amount on which the filing fee is calculated and state how it was determined): _____

(4) Proposed maximum aggregate value of transaction: _____

(5) Total fee paid: _____

Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount previously paid: _____

(2) Form, Schedule or Registration Statement No.: _____

(3) Filing Party: _____

(4) Date Filed: _____

FLAHERTY & CRUMRINE PREFERRED INCOME FUND INCORPORATED	(NYSE: PFD)
FLAHERTY & CRUMRINE PREFERRED INCOME OPPORTUNITY FUND INCORPORATED	(NYSE: PFO)
FLAHERTY & CRUMRINE PREFERRED SECURITIES INCOME FUND INCORPORATED	(NYSE: FFC)
FLAHERTY & CRUMRINE TOTAL RETURN FUND INCORPORATED	(NYSE: FLC)
FLAHERTY & CRUMRINE DYNAMIC PREFERRED AND INCOME FUND INCORPORATED	(NYSE: DFP)

301 E. Colorado Boulevard, Suite 720
Pasadena, California 91101

NOTICE OF ANNUAL MEETINGS OF SHAREHOLDERS

To Be Held on April 23, 2019

To the Shareholders:

Notice is hereby given that the Annual Meetings of Shareholders of Flaherty & Crumrine Preferred Income Fund Incorporated, Flaherty & Crumrine Preferred Income Opportunity Fund Incorporated, Flaherty & Crumrine Preferred Securities Income Fund Incorporated, Flaherty & Crumrine Total Return Fund Incorporated and Flaherty & Crumrine Dynamic Preferred and Income Fund Incorporated (each, a “Fund” and collectively, the “Funds”), each a Maryland corporation, will be held at the offices of Flaherty & Crumrine Incorporated, 301 E. Colorado Boulevard, Suite 720, Pasadena, California 91101 at 8:00 a.m. PT, on April 23, 2019, for the following purposes:

Each Fund:

1. To elect Directors of each Fund (Proposal 1).
2. To transact such other business as may properly come before the Annual Meetings or any adjournments or postponements thereof.

Your vote is important!

The Board of Directors of each Fund has fixed the close of business on January 23, 2019 as the record date for the determination of shareholders of each Fund entitled to notice of and to vote at the Annual Meetings and any adjournments or postponements thereof.

By Order of the Boards of Directors,

Chad C. Conwell

March 12, 2019

Secretary

Important Notice Regarding the Availability of Proxy Materials for the Annual Meetings to Be Held on April 23, 2019

The notice of Annual Meetings, joint proxy statement, proxy cards and each Fund's annual report, including audited financial statements for the fiscal year ended November 30, 2018, are available to you on the Funds' website - www.preferredincome.com or upon request, without charge, by writing to BNY Mellon c/o Computershare, P.O. Box 30170, College Station, Texas 77842-3170, or by calling 1-866-351-7446. You are encouraged to review all of the information contained in the proxy materials before voting.

To obtain directions to attend the Annual Meetings and vote in person, please call 1-626-795-7300.

SEPARATE PROXY CARDS ARE ENCLOSED FOR EACH FUND IN WHICH YOU OWN SHARES. YOUR VOTE IS IMPORTANT REGARDLESS OF THE SIZE OF YOUR HOLDINGS IN THE FUND. WHETHER OR NOT YOU PLAN TO ATTEND THE MEETING, WE ASK THAT YOU PLEASE VOTE PROMPTLY. INSTRUCTIONS FOR THE PROPER VOTING AND/OR EXECUTION OF PROXIES ARE SET FORTH ON THE INSIDE COVER. SHAREHOLDERS MAY SUBMIT VOTING INSTRUCTIONS BY SIGNING AND DATING THE PROXY CARD OR VOTING INSTRUCTION FORM AND RETURNING IT IN THE ACCOMPANYING POSTAGE-PAID ENVELOPE.

INSTRUCTIONS FOR SIGNING PROXY CARDS

The following general rules for signing proxy cards may be of assistance to you and may minimize the time and expense to the Fund(s) involved in validating your vote if you fail to sign your proxy card(s) properly.

1. *Individual Accounts:* Sign your name exactly as it appears in the registration on the proxy card(s).
2. *Joint Accounts:* Either party may sign, but the name of the party signing should conform exactly to a name shown in the registration.
3. *All Other Accounts:* The capacity of the individual signing the proxy card should be indicated unless it is reflected in the form registration. For example:

<u>Registration</u>	<u>Valid Signature</u>
Corporate Accounts	
(1) ABC Corp.	ABC Corp.
(2) ABC Corp.	John Doe, Treasurer
(3) ABC Corp. c/o John Doe, Treasurer	John Doe
(4) ABC Corp. Profit Sharing Plan	John Doe, Trustee
Trust Accounts	
(1) ABC Trust	Jane B. Doe, Trustee
(2) Jane B. Doe, Trustee u/t/d 12/28/78	Jane B. Doe
Custodian or Estate Accounts	
(1) John B. Smith, Cust., f/b/o John B. Smith, Jr. UGMA	John B. Smith
(2) John B. Smith, Executor, Estate of Jane Smith	John B. Smith, Executor

ANNUAL MEETINGS OF SHAREHOLDERS

April 23, 2019

JOINT PROXY STATEMENT

This document is a joint proxy statement (“Joint Proxy Statement”) for Flaherty & Crumrine Preferred Income Fund Incorporated (“Preferred Income Fund” or “PFD”), Flaherty & Crumrine Preferred Income Opportunity Fund Incorporated (“Preferred Income Opportunity Fund” or “PFO”), Flaherty & Crumrine Preferred Securities Income Fund Incorporated (“Preferred Securities Income Fund” or “FFC”), Flaherty & Crumrine Total Return Fund Incorporated (“Total Return Fund” or “FLC”) and Flaherty & Crumrine Dynamic Preferred and Income Fund Incorporated (“Dynamic Preferred Income Fund” or “DFP”) (each, a “Fund” and collectively, the “Funds”). This Joint Proxy Statement is furnished in connection with the solicitation of proxies by each Fund’s Board of Directors (each, a “Board” and collectively, the “Boards”) to be voted at the Annual Meetings of Shareholders for each Fund to be held at 8:00 a.m. on April 23, 2019, at the offices of Flaherty & Crumrine Incorporated, 301 E. Colorado Boulevard, Suite 720, Pasadena, California 91101 and at any adjournments or postponements thereof (each, an “Annual Meeting” and collectively, the “Annual Meetings”).

This Joint Proxy Statement and the accompanying Notice of Annual Meetings and proxy card for each Fund in which you own shares were mailed on or about March 12, 2019 to shareholders of record as of the close of business on January 23, 2019. Proxy solicitations will be made, beginning on or about March 12, 2019, primarily by mail, but proxy solicitations may also be made by telephone, facsimile, e-mail, or personal interviews conducted by officers of each Fund, Flaherty & Crumrine Incorporated (“Flaherty & Crumrine”), the investment adviser of each Fund, BNY Mellon Investment Servicing (US) Inc. (“BNY Mellon”), the transfer agent of each Fund, and The Bank of New York Mellon (“BNYM”), the administrator of each Fund. With respect to FFC, FLC and DFP, proxy solicitations may also be made by Destra Capital Advisors LLC, the servicing agent for FFC, FLC and DFP. No proxy solicitation firm will be used in connection with the Joint Proxy Statement. The Funds will evenly split the expenses incurred in connection with the preparation of this Joint Proxy Statement. Each Fund will pay for its respective expenses incurred in connection with printing and mailing of the Joint Proxy Statement and its enclosures to shareholders. Each Fund also will reimburse brokerage firms and others for their expenses in forwarding solicitation material to the beneficial owners of its shares.

THE ANNUAL REPORT OF EACH FUND, INCLUDING AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2018, IS AVAILABLE UPON REQUEST, WITHOUT CHARGE, BY WRITING TO BNY MELLON C/O COMPUTERSHARE, P.O. BOX 30170, COLLEGE STATION, TEXAS 77842-3170, OR BY CALLING 1-866-351-7446. EACH FUND’S ANNUAL REPORT IS ALSO AVAILABLE ON THE FUNDS’ WEBSITE (WWW.PREFERREDINCOME.COM), THE SECURITIES AND EXCHANGE COMMISSION’S (“SEC”) WEBSITE (WWW.SEC.GOV) OR, FOR FFC, FLC AND DFP ONLY, BY CALLING DESTRA CAPITAL ADVISORS LLC AT 1-877-855-3434.

References to the websites above or herein do not incorporate their content into this Joint Proxy Statement.

Important Notice Regarding the Availability of Proxy Materials for the Annual Meetings to Be Held on April 23, 2019

The notice of Annual Meetings, Joint Proxy Statement, proxy cards and each Fund's annual report, including audited financial statements for the fiscal year ended November 30, 2018, are available to you on the Funds' website - www.preferredincome.com. You are encouraged to review all of the information contained in the proxy materials before voting. To obtain directions to attend the Annual Meetings, and vote in person, please call 1-626-795-7300.

SEPARATE PROXY CARDS ARE ENCLOSED FOR EACH FUND IN WHICH YOU OWN SHARES. YOUR VOTE IS IMPORTANT REGARDLESS OF THE SIZE OF YOUR HOLDINGS IN THE FUND. WHETHER OR NOT YOU PLAN TO ATTEND THE MEETING, WE ASK THAT YOU PLEASE VOTE PROMPTLY. INSTRUCTIONS FOR THE PROPER VOTING AND/OR EXECUTION OF PROXIES ARE SET FORTH ON THE INSIDE COVER. SHAREHOLDERS MAY SUBMIT VOTING INSTRUCTIONS BY SIGNING AND DATING THE PROXY CARD OR VOTING INSTRUCTION FORM AND RETURNING IT IN THE ACCOMPANYING POSTAGE-PAID ENVELOPE.

If the enclosed proxy card(s) are properly executed and returned in time to be voted at the relevant Annual Meeting(s), the Shares (as defined below) represented thereby will be voted in accordance with the instructions marked thereon. Unless instructions to the contrary are marked thereon, a proxy will be voted “FOR” Proposal 1 at the relevant Annual Meeting. Any shareholder who has given a proxy has the right to revoke it at any time prior to its exercise either by attending the relevant Annual Meeting and voting his or her Shares in person or by submitting a letter of revocation or a later-dated proxy to the appropriate Fund delivered at the above address prior to the date of the Annual Meetings.

Under the bylaws of each Fund, the presence in person or by proxy of the holders of a majority of the outstanding shares of the Fund entitled to vote shall be necessary and sufficient to constitute a quorum for the transaction of business (a “Quorum”) at that Fund’s Annual Meeting. In the event that a Quorum is not present at the relevant Annual Meeting, or in the event that a Quorum is present but sufficient votes to approve any of the proposals are not received, the Chair of the Annual Meeting may adjourn the meeting without assigning a specific date or from time to time to a date not more than 120 days after the original record date without notice other than announcement at the Annual Meeting. At such adjourned meeting at which a Quorum shall be present, any business may be transacted which might have been transacted at the meeting as originally notified. A shareholder vote may be taken on a proposal in the Joint Proxy Statement relating to the applicable Annual Meeting prior to any such adjournment if sufficient votes have been received for approval of that proposal. Once a Quorum has been established at the relevant Annual Meeting, shareholders may continue to transact business, notwithstanding the withdrawal of shareholders and the loss of a Quorum.

Each Fund has one class of capital stock outstanding: common stock, par value \$0.01 per share (the “Common Stock” or the “Shares”). Each Share is entitled to one vote at the relevant Annual Meeting with respect to matters to be voted on, with pro rata voting rights for any fractional Shares. On the record date, January 23, 2019, the following number of Shares of each Fund were issued and outstanding:

Name of Fund	Shares Outstanding
Flaherty & Crumrine Preferred Income Fund Incorporated (PFD)	11,198,614
Flaherty & Crumrine Preferred Income Opportunity Fund Incorporated (PFO)	12,561,571
Flaherty & Crumrine Preferred Securities Income Fund Incorporated (FFC)	44,252,635
Flaherty & Crumrine Total Return Fund Incorporated (FLC)	9,958,104
Flaherty & Crumrine Dynamic Preferred and Income Fund Incorporated (DFP)	19,161,549

To the knowledge of each Fund and its Board, the following shareholder(s), or “group” as that term is defined in Section 13(d) of the Securities Exchange Act of 1934, as amended (the “1934 Act”), is the beneficial owner or owner of record of more than 5% of the relevant Fund’s outstanding Shares as of January 23, 2019*:

Name and Address of Beneficial/Record Owner	Title of Class	Amount and Nature of Ownership	Percent of Class
Cede & Co.** Depository Trust Company 55 Water Street, 25 th Floor New York, New York 10041	Common Stock	PFD – (record)	97.95 %
		PFO – (record)	98.08 %
		FFC – (record)	99.87 %
		FLC – (record)	99.86 %
		DFP – (record)	99.96 %
Bank of America Corporation	Common Stock	FLC – (beneficial)	5.50 %

* As of January 23, 2019, the Directors and officers, as a group, owned less than 1% of the Shares of each Fund.

** A nominee partnership of The Depository Trust Company.

Information obtained from a Schedule 13G/A filed by Bank of America Corporation, on behalf of itself and its wholly owned subsidiary, Merrill Lynch, Pierce, Fenner & Smith, Incorporated (“BofA”) with the SEC reporting share ownership as of December 31, 2018. Based on that filing, BofA does not have sole or shared voting power, but has shared power to dispose or to direct the disposition of 544,192 Shares.

This Joint Proxy Statement is being used in order to reduce the preparation, printing, handling and postage expenses that would result from the use of a separate proxy statement for each Fund. At each Fund’s Annual Meeting, shareholders of the Fund will vote as a single class. Shareholders of each Fund will vote separately for each of PFD, PFO, FFC, FLC and DFP on the proposal(s) on which shareholders of that Fund are entitled to vote at the relevant Annual Meeting. A separate proxy card is enclosed for each Fund in which a shareholder owns Shares. Thus, if the proposal at the relevant Annual Meeting is approved by shareholders of one or more Funds and not approved by shareholders of one or more other Funds, the proposal will be implemented for the Fund or Funds that approved the proposal and will not be implemented for any Fund that did not approve the proposal. It is therefore essential that shareholders complete, date and sign each enclosed proxy card. Shareholders of each Fund are entitled to vote on the proposal(s) pertaining to that Fund.

PROPOSAL 1: ELECTION OF DIRECTORS

At the Annual Meetings, shareholders are being asked to consider the election of Directors of each Fund. The Board of each Fund 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 term of three years and until their successors are duly elected and qualify.

Nominees for the Boards of Directors

Each Nominee named below is currently a Director of each Fund and has consented to serve as a Director for the Fund(s) for which he/she is nominated if elected at the relevant Annual Meeting. If a designated Nominee declines or otherwise becomes unavailable for election, however, the proxy confers discretionary power on the persons named therein to vote in favor of a substitute nominee or nominees. Each Nominee has been nominated for a term of three years to expire at each Fund's 2022 Annual Meeting of Shareholders and until his/her successor is duly elected and qualifies. Shareholders of each Fund's Common Stock are entitled to elect the Nominees for election to the Board of the relevant Fund.

Fund Nominees For Election

PFD R. Eric Chadwick and Morgan Gust
PFO R. Eric Chadwick and Karen H. Hogan
FFC R. Eric Chadwick and Karen H. Hogan
FLC R. Eric Chadwick and Karen H. Hogan
DFP R. Eric Chadwick and Morgan Gust

Information About Each Director's or Nominee for Election as Director's Experience, Qualifications, Attributes or Skills

Directors or Nominees for Election as Directors of the Funds, together with information as to their positions with the Funds, principal occupations and other board memberships for the past five years, are shown below.

Name, Address, and Age	Current Position(s) Held with Fund	Term of Office and Length of Time Served*	Principal Occupation(s) During Past Five Years	Number of Funds In Fund Complex Overseen by Director**	Other Public Company Board Memberships During Past Five Years
NON-INTERESTED					
DIRECTORS:					
Morgan Gust 301 E. Colorado Boulevard Suite 720 Pasadena, CA 91101 Age: 71	Lead Independent Director and Nominating and Governance Committee Chair	Class II Director FFC – since inception FLC – since inception	Majority owner and Executive Manager of various entities engaged in commercial farming, agriculture and real estate.	5	CoBiz, Financial, Inc. (financial services) through September 2015
David Gale 301 E. Colorado Boulevard	Director	Class III Director PFD – since inception PFO – since inception DFP – since inception	President of Delta Dividend Group, Inc. (investments).	5	None

Suite 720
Pasadena, CA 91101
Age: 69

1997
PFO – since
1997

FFC – since
inception

FLC - since
inception

**Class II
Director**

DFP – since
inception

Name, Address, and Age	Current Position(s) Held with Fund	Term of Office and Length of Time Served*	Principal Occupation(s) During Past Five Years	Number of Funds In Fund Complex Overseen by Director**	Other Public Company Board Memberships During Past Five Years
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NON-INTERESTED

DIRECTORS:

		Class I Director†				
Karen H. Hogan 301 E. Colorado Boulevard Suite 720 Pasadena, CA 91101 Age: 57	Director and Audit Committee Chair	DFP – since October 2016	Board Member, IKAR, a non-profit organization; Active Committee Member and Volunteer to several non-profit organizations.	5	None	
		Class II Director†PFD –				since October 2016
		Class III Director†				PFO – since October 2016
		FFC – since October 2016				
		FLC – since October 2016				

INTERESTED

DIRECTOR and OFFICER:

R. Eric Chadwick⁽¹⁾ 301 E. Colorado Boulevard Suite 720 Pasadena, CA 91101 Age: 43	Director, Chairman of the Board, Chief Executive Officer and President	Class II Director	Portfolio Manager of Flaherty & Crumrine; President of Flaherty & Crumrine since 2014; Vice President of Flaherty & Crumrine until September 2014.	5	None
		PFO – since 2016			

PFD – since
2016

FFC – since
2016

FLC – since
2016

DFP – since
2016

The Class I Directors of PFD, FFC, FLC and DFP and the Class III Director of PFO will serve until each Fund’s 2020 Annual Meeting of Shareholders and until their successors are duly elected and qualify. The Class II Director of PFD, FFC, FLC and DFP and the Class I Director of PFO will serve until each Fund’s 2021 Annual Meeting of Shareholders and until their successors are duly elected and qualify. The Class II Nominees of PFO and the Class III Nominees of PFD, FFC, FLC and DFP, if elected, will serve until each Fund’s 2022 Annual Meeting of Shareholders and until their successors are duly elected and qualify.

**The Flaherty & Crumrine fund complex (the “Fund Complex”) consists solely of the Funds.

‡ Ms. Hogan served as a Class I Director of PFD from 2005 – 2016, a Class II Director of each of FFC and FLC from 2005 – 2016, a Class II Director of DFP since inception – 2016 and a Class III Director of PFO from 2005 – 2016.

(1) “Interested person” (as defined in the Investment Company Act of 1940, as amended (the “1940 Act”)) of the Funds. Mr. Chadwick is considered an “interested person” because of his affiliation with Flaherty & Crumrine.

Mr. Chadwick was appointed as a Director of the Funds in January 2016 and was elected by each Fund's shareholders to serve in that capacity in April 2016. Each Director, other than Mr. Chadwick, has been a Director of the Funds for at least ten years (or since the Fund's inception, in the case of DFP). Additional information about each Director follows (supplementing the information provided in the table above) that describes some of the specific experiences, qualifications, attributes or skills that each Director possesses which the Boards believe have prepared them to be effective Directors. The Boards believe that Directors should have the ability to critically review, evaluate, question and discuss information provided to them, and interact effectively with Fund management, service providers and counsel. The Boards believe that their members satisfy this standard. Experience relevant to having this ability may be achieved through a Director's educational background; business, professional training or practice (e.g., accounting or law); public service or academic positions; experience from service as a board member (including the Boards of the Funds) or as an executive of investment funds, public companies or significant private or not-for-profit entities or other organizations; and/or other life experiences. The charter for the Boards' Nominating and Governance Committees (each a "Nominating Committee" and collectively, the "Nominating Committees") contains certain other factors considered by the Nominating Committees in identifying and evaluating potential Director nominees. To assist them in evaluating matters under federal and state law, the Independent Directors (defined below) are counseled by their own independent legal counsel, who participates in Board meetings and interacts with Flaherty & Crumrine, and also may benefit from information provided by the Funds' and Flaherty & Crumrine's counsel. Both counsel to the Independent Directors and counsel to the Funds and Flaherty & Crumrine have significant experience advising funds and fund directors. The Boards and their committees have the ability to engage other experts as appropriate. The Boards evaluate their performance on an annual basis.

R. Eric Chadwick – Mr. Chadwick was appointed as a Director and Chair of the Board of each Fund in January 2016. Mr. Chadwick has been the President of each Fund since April 2015 and, previously, the Chief Financial Officer since 2004 (or in the case of DFP, from its inception). Mr. Chadwick is also the President of Flaherty & Crumrine and has served as a portfolio manager of PFD and PFO since 1999 and as portfolio manager of each of FFC, FLC and DFP since each Fund's inception.

David Gale – In addition to his tenure as a Director of the Funds, Mr. Gale has been President and Chief Executive Officer of Delta Dividend Group, Inc., a San Francisco-based investment management firm, since 1992. Prior to joining Delta Dividend Group, Inc., Mr. Gale was a Principal with Morgan Stanley from 1983 to 1990, and a Managing Director of Lehman Brothers Holdings Inc. from 1990 to 1992. Mr. Gale previously served as a director of Emmis Communications.

Morgan Gust – In addition to his tenure as a Director of the Funds, Mr. Gust is a majority owner and executive manager of various entities engaged in commercial farming, agriculture and real estate. From 1990 to 2007, Mr. Gust served in various capacities, including President, Executive Vice President, General Counsel and Corporate Secretary of Giant Industries, Inc., a New York Stock Exchange listed public company engaging in petroleum refining and marketing. Mr. Gust previously served as lead director of CoBiz Financial, Inc., a publicly traded bank holding company. He is also a member of the Arizona State Bar. Mr. Gust was designated the Lead Independent Director of each Fund in October 2016. He also serves as the Chair of the Nominating Committee of each Fund's Board.

Karen H. Hogan – In addition to her tenure as a Director of the Funds, Ms. Hogan serves on the Board of IKAR, a non-profit organization, and as a committee member and active volunteer of several charitable and non-profit organizations. From 1985 to 1997, Ms. Hogan served as Senior Vice President of Preferred Stock Origination, and previously Vice President of New Product Development, at Lehman Brothers Holdings Inc. Ms. Hogan also served as a director and audit committee member of New World Coffee, Inc. Ms. Hogan currently serves as Chair of the Audit Committee of each Fund's Board.

Board Composition and Leadership Structure

The 1940 Act requires that at least 40% of the Funds' Directors not be "interested persons" (as defined in the 1940 Act) of the Funds, and therefore not affiliated with Flaherty & Crumrine ("Independent Directors"). To rely on certain exemptive rules under the 1940 Act, a majority of the Funds' Directors must be Independent Directors and, for certain important matters, such as the approval of investment advisory agreements or transactions with affiliates, the 1940 Act or the rules thereunder require the approval of a majority of the Independent Directors. Currently, three of the Funds' four Directors are Independent Directors. The Chair of the Boards is an interested person of each Fund. The three Independent Directors interact directly with the Chair and other senior management of Flaherty & Crumrine at scheduled meetings and between meetings as appropriate. Independent Directors have been designated to chair the Audit Committees and the Nominating Committees. The Board of each Fund has appointed Mr. Morgan Gust as the Lead Independent Director. The Boards have determined that their leadership structures and composition, in which the Chair of the Boards is an "interested person" of the Funds, the Funds have a Lead Independent Director and 75% of the Directors are Independent Directors, are appropriate in light of the services that Flaherty & Crumrine provides to the Funds.

Boards' Oversight Role in Management

The Boards' role in management of the Funds is oversight. As is the case with virtually all investment companies (as distinguished from operating companies), service providers to the Funds, primarily Flaherty & Crumrine, have responsibility for the day-to-day management of the Funds, which includes responsibility for risk management (including management of investment performance and investment risk, valuation risk, issuer and counterparty credit risk, compliance risk and operational risk). As part of their oversight, the Boards, acting at their scheduled meetings, or the Chair, acting between Board meetings, regularly interacts with and receives reports from senior personnel of service providers, including the Funds' and Flaherty & Crumrine's Chief Compliance Officer and portfolio management personnel. The Boards' Audit Committees (which consist of all the Independent Directors) meet during their scheduled meetings, and between meetings the Audit Committee Chairs maintain contact, with the Funds' independent registered public accounting firm and the Funds' Chief Financial Officer. The Boards also receive periodic presentations from senior personnel of Flaherty & Crumrine regarding risk management generally, as well as periodic presentations regarding specific operational, compliance or investment areas, such as business continuity, personal trading, valuation and credit. The Boards have adopted policies and procedures designed to address certain risks to the Funds. In addition, Flaherty & Crumrine and other service providers to the Funds have adopted a variety of policies, procedures and controls designed to address particular risks to the Funds. Different processes, procedures and controls are employed with respect to different types of risks. However, it is not possible to eliminate all of the risks applicable to the Funds. The Boards also receive reports from counsel to the Funds and Flaherty & Crumrine and the Independent Directors' own independent legal counsel regarding regulatory, compliance and governance matters. The Boards' oversight role does not make the Boards guarantors of the Funds' investments or activities.

Beneficial Ownership of Shares in Funds and Fund Complex for each Director and Nominee for Election as Director

Set forth in the table below is the dollar range of equity securities in each Fund and the aggregate dollar range of equity securities in the Flaherty & Crumrine Fund Complex beneficially owned by each Director and Nominee for Election as Director.

Aggregate Dollar Range of Equity

Name of Director or Nominee
 Dollar Range of Equity Securities in All Registered Investment Securities Held in a Company Overseen by Director in Family or Fund*(1) of Investment Companies*(2)

NON-INTERESTED DIRECTORS/NOMINEES:

PFD PFO FFC FLC DFPTOTAL

Morgan D D D C E
 Gust

David D D D C E
 Gale

Karen H. C C C C D
 Hogan

INTERESTED DIRECTOR:

R. Eric E E E E E
 Chadwick

* Key to Dollar Ranges

- A. None
- B. \$1 - \$10,000
- C. \$10,001 - \$50,000
- D. \$50,001 - \$100,000
- E. over \$100,000

All Shares were valued as of December 31, 2018.

This information has been furnished by each Director/Nominee as of

(1) December 31, 2018. "Beneficial ownership" is determined in accordance with Rule 16a-1(a)(2) under the 1934 Act.

(2) The Directors, Nominees and executive officers of each Fund, as a group, own less than 1% of each Fund as of December 31, 2018.

Officers of the Funds

The following table provides information concerning each of the Fund's officers.

Name, Address and Age	Current Position(s) Held with Funds	Term of Office and Length of Time Served*	Principal Occupation During Past Five Years
Chad C. Conwell 301 E. Colorado Boulevard	Chief Compliance Officer, Vice President and	PFD – since 2005 PFO – since 2005 FFC – since 2005	Executive Vice President of Flaherty & Crumrine since September 2014; Chief Compliance Officer and Chief

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Suite 720
Pasadena, CA 91101
Age: 46

Secretary

FLC – since 2005
DFP – since
inception

Legal Officer of Flaherty & Crumrine;
Vice President of Flaherty & Crumrine