

Edgar Filing: CORNERSTONE TOTAL RETURN FUND INC - Form N-CSRS

CORNERSTONE TOTAL RETURN FUND INC  
Form N-CSRS  
September 02, 2010

OMB APPROVAL

-----  
OMB Number: 3235-0570

Expires: August 31, 2011

Estimated average burden  
hours per response: 18.9  
-----

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 811-02363  
-----

CORNERSTONE TOTAL RETURN FUND, INC.

(Exact name of registrant as specified in charter)

260 MADISON AVENUE, 8th FLOOR NEW YORK, NEW YORK 10165

-----  
(Address of principal executive offices)

(Zip code)

Frank J. Maresca

ULTIMUS FUND SOLUTIONS, LLC, 260 MADISON AVENUE, 8th FLOOR NEW YORK, NY 10016

-----  
(Name and address of agent for service)

Registrant's telephone number, including area code: (646) 881-4985  
-----

Date of fiscal year end: DECEMBER 31, 2010  
-----

Date of reporting period: JUNE 30, 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

## Edgar Filing: CORNERSTONE TOTAL RETURN FUND INC - Form N-CSRS

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, 450 Fifth Street, NW, Washington, DC 20549-0609. The OMB has reviewed this collection of information under the clearance requirements of 44 U.S.C. ss. 3507.

### ITEM 1. REPORTS TO STOCKHOLDERS.

=====

#### Directors and Corporate Officers

Ralph W. Bradshaw	Chairman of the Board of Directors and President
Thomas H. Lenagh	Director
Edwin Meese III	Director
Scott B. Rogers	Director
Andrew A. Strauss	Director
Glenn W. Wilcox, Sr.	Director
Gary A. Bentz	Chief Compliance Officer, Secretary, and Assistant Treasurer
Frank J. Maresca	Treasurer

INVESTMENT MANAGER	STOCK TRANSFER AGENT AND REGISTRAR
Cornerstone Advisors, Inc.	American Stock Transfer & Trust Co.
1075 Hendersonville Road	59 Maiden Lane
Suite 250	New York, NY 10038
Asheville, NC 28803	

ADMINISTRATOR	INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM
Ultimus Fund Solutions, LLC	Tait, Weller & Baker LLP
260 Madison Avenue	1818 Market Street
8th Floor	Suite 2400
New York, NY 10016	Philadelphia, PA 19103

CUSTODIAN	LEGAL COUNSEL
JPMorgan Chase Bank, N.A.	Blank Rome LLP
14201 North Dallas Pkwy.	405 Lexington Avenue
Second Floor	New York, NY 10174
Dallas, TX 75254	

EXECUTIVE OFFICES  
260 Madison Avenue

Edgar Filing: CORNERSTONE TOTAL RETURN FUND INC - Form N-CSRS

8th Floor  
New York, NY 10016

For shareholder inquiries, registered shareholders should call (800) 937-5449.  
For general inquiries, please call (513) 326-3597.

CRF  
LISTED  
NYSE  
AMEX (TM)

=====

CORNERSTONE TOTAL  
RETURN FUND, INC.

SEMI-ANNUAL REPORT

JUNE 30, 2010

=====

CONTENTS

Portfolio Summary	1
Summary Schedule of Investments	2
Statement of Assets and Liabilities	4
Statement of Operations	5
Statement of Changes in Net Assets	6
Financial Highlights	7
Notes to Financial Statements	8

## Edgar Filing: CORNERSTONE TOTAL RETURN FUND INC - Form N-CSRS

Results of Annual Meeting of Stockholders	14
Investment Management Agreement Approval Disclosure	15
Description of Dividend Reinvestment Plan	16
Proxy Voting and Portfolio Holdings Information	18
Privacy Policy Notice	18
Summary of General Information	19
Shareholder Information	19

-----  
-----  
CORNERSTONE TOTAL RETURN FUND, INC.

PORTFOLIO SUMMARY - AS OF JUNE 30, 2010 (UNAUDITED)  
-----

### SECTOR ALLOCATION

Sector	Percent of Net Assets
Information Technology	17.5
Financials	13.6
Consumer Staples	11.3
Healthcare	11.0
Energy	10.1
Industrials	9.9
Consumer Discretionary	9.9
Closed-End Funds	8.4
Utilities	3.0
Materials	2.8
Telecommunication Services	2.5

### TOP TEN HOLDINGS, BY ISSUER

Holding	Sector	Percent of Net Assets
1. Exxon Mobil Corporation	Energy	3.3

Edgar Filing: CORNERSTONE TOTAL RETURN FUND INC - Form N-CSRS

2. Adams Express Company (The)	Closed-End Funds	3.1
3. Apple, Inc.	Information Technology	3.0
4. JPMorgan Chase & Company	Financials	2.6
5. Google, Inc. - Class A	Information Technology	2.6
6. Procter & Gamble Company (The)	Consumer Staples	2.3
7. General Electric Company	Industrials	2.0
8. Wal-Mart Stores, Inc.	Consumer Staples	2.0
9. Johnson & Johnson	Healthcare	1.9
10. Microsoft Corporation	Information Technology	1.9

1

CORNERSTONE TOTAL RETURN FUND, INC.

SUMMARY SCHEDULE OF INVESTMENTS - JUNE 30, 2010 (UNAUDITED)

Description	No. of Shares	Value
EQUITY SECURITIES - 99.99%		
CLOSED-END FUNDS - 8.37%		
CORE - 3.99%		
Adams Express Company (The) (a)	59,400	\$ 536,382
Other Core (b)		144,748
		681,130
HIGH CURRENT YIELD (LEVERAGED) - 0.35%		
Other High Current Yield (Leveraged) (b)		59,390
OPTION ARBITRAGE/OPTIONS STRATEGIES - 0.97%		
NFJ Dividend, Interest & Premium Strategy Fund	12,000	165,720
REAL ESTATE - 0.79%		
Other Real Estate (b)		135,090
SECTOR EQUITY - 1.88%		
John Hancock Bank and Thrift Opportunity Fund	14,200	203,628
Other Sector Equity (b)		116,970
		320,598

## Edgar Filing: CORNERSTONE TOTAL RETURN FUND INC - Form N-CSRS

U.S. MORTGAGE - 0.39%  
 Total U.S. Mortgage (b) 66,897

TOTAL CLOSED-END FUNDS 1,428,825

CONSUMER DISCRETIONARY - 9.88%  
 DIRECTV Group, Inc. (The) - Class A \* 4,000 135,680  
 Home Depot, Inc. (The) 5,000 140,350  
 McDonald's Corporation 2,000 131,740  
 NIKE, Inc. - Class B 2,500 168,875  
 Walt Disney Company (The) 5,000 157,500  
 Other Consumer Discretionary (b) 952,417

1,686,562

CONSUMER STAPLES - 11.29%  
 Coca-Cola Company (The) 5,000 250,600  
 H.J. Heinz Company 2,700 116,694  
 PepsiCo, Inc. 2,000 121,900

Description	No. of Shares	Value
-------------	------------------	-------

CONSUMER STAPLES (CONTINUED)  
 Philip Morris International, Inc. 3,500 \$ 160,440  
 Procter & Gamble Company (The) 6,472 388,191  
 Walgreen Company 4,100 109,470  
 Wal-Mart Stores, Inc. 7,000 336,490  
 Other Consumer Staples (b) 443,720

1,927,505

ENERGY - 10.13%  
 Chevron Corporation 3,500 237,510  
 Devon Energy Corporation 2,500 152,300  
 Exxon Mobil Corporation 10,000 570,700  
 Occidental Petroleum Corporation 4,000 308,600  
 Schlumberger Ltd. 3,000 166,020  
 Other Energy (b) 294,685

1,729,815

FINANCIALS - 13.57%  
 Bank of America Corporation 16,521 237,407  
 Goldman Sachs Group, Inc. (The) 1,500 196,905  
 JPMorgan Chase & Company 12,200 446,642  
 Travelers Companies, Inc. (The) 3,092 152,281  
 Wells Fargo & Company 5,000 128,000  
 Other Financials (b) 1,156,732

2,317,967

HEALTHCARE - 11.02%  
 Abbott Laboratories 3,000 140,340  
 Amgen, Inc. \* 3,000 157,800  
 Express Scripts, Inc. \* 2,400 112,848  
 Johnson & Johnson 5,500 324,830  
 McKesson Corporation 2,500 167,900  
 Medtronic, Inc. 4,500 163,215

Edgar Filing: CORNERSTONE TOTAL RETURN FUND INC - Form N-CSRS

Pfizer, Inc.	12,462	177,708
Other Health Care (b)		637,565
		-----
		1,882,206
		-----
INDUSTRIALS - 9.90%		
3M Company	1,500	118,485
General Electric Company	24,000	346,080
Illinois Tool Works, Inc. 3,500	144,480	

-----  
See accompanying notes to financial statements

2

-----  
CORNERSTONE TOTAL RETURN FUND, INC.

SUMMARY SCHEDULE OF INVESTMENTS - JUNE 30, 2010 (UNAUDITED)

Description	No. of Shares	Value
-----		
INDUSTRIALS (CONTINUED)		
Lockheed Martin Corporation	2,500	\$ 186,250
Union Pacific Corporation	2,500	173,775
Other Industrials (b)		721,331
		-----
		1,690,401
		-----
INFORMATION TECHNOLOGY - 17.50%		
Apple, Inc. *	2,000	503,059
Cisco Systems, Inc. *	13,000	277,030
Google, Inc. - Class A *	1,000	444,950
Hewlett-Packard Company	5,000	216,400
Intel Corporation	11,000	213,950
International Business Machines Corporation	2,200	271,656
Microsoft Corporation	14,000	322,140
Oracle Corporation	12,600	270,396
Other Information Technology (b)		470,696
		-----
		2,990,277
		-----
MATERIALS - 2.77%		
E.I. Du Pont de Nemours & Company	4,800	166,032
Freeport-McMoRan Copper & Gold, Inc.	2,500	147,825
Other Materials (b)		158,955
		-----
		472,812
		-----
REAL ESTATE INVESTMENT TRUST - 0.01%		
Total Real Estate Investment Trust (b)		1,292
		-----
TELECOMMUNICATION SERVICES - 2.50%		
AT&T, Inc.	11,089	268,243
Centurytel, Inc.	4,000	133,240
Other Telecommunication Services (b)		26,250

Edgar Filing: CORNERSTONE TOTAL RETURN FUND INC - Form N-CSRS

-----  
427,733  
-----

Description	No. of Shares	Value
-----		
UTILITIES - 3.05%		
Southern Company (The)	3,500	\$ 116,480
Xcel Energy, Inc.	5,500	113,355
Other Utilities (b)		290,150
		-----
		519,985
		-----
TOTAL EQUITY SECURITIES		
(cost - \$19,019,628)		17,075,380
		-----
SHORT-TERM INVESTMENT - 0.34%		
MONEY MARKET FUND - 0.34%		
JPMorgan U.S. Government Money Market Fund		
(cost - \$ 57,228)	57,228	57,228
		-----
TOTAL INVESTMENTS - 100.33%		
(cost - \$19,076,856)		17,132,608
		-----
LIABILITIES IN EXCESS OF OTHER ASSETS - (0.33)%		(56,352)
		-----
NET ASSETS - 100.00%		\$17,076,256
		=====

-----

(a) Affiliated investment. The Fund holds 3.14 % (based on net assets) of Adams Express Company. A director of the Fund also serves as a director to such company. There were no purchases or sales of this security during the six months ended June 30, 2010.

(b) Represents issuers not identified as a top 50 holding in terms of market value and issues or issuers not exceeding 1% of net assets individually or in the aggregate, respectively, as of June 30, 2010.

\* Non-income producing security.

-----  
See accompanying notes to financial statements.

3

-----  
CORNERSTONE TOTAL RETURN FUND, INC.

STATEMENT OF ASSETS AND LIABILITIES - JUNE 30, 2010 (UNAUDITED)

-----  
ASSETS

Investments, at value

Unaffiliated issuers (cost - \$18,384,166)	\$ 16,596,226
Affiliated issuer (cost - \$692,690)	536,382

Edgar Filing: CORNERSTONE TOTAL RETURN FUND INC - Form N-CSRS

Total investments (cost - \$19,076,856)	17,132,608
Receivables:	
Dividends	24,259
Prepaid expenses	3,457
Total Assets	17,160,324
LIABILITIES	
Payables:	
Investment management fees	19,992
Directors' fees	13,331
Administration fees	2,559
Other accrued expenses	48,186
Total Liabilities	84,068
NET ASSETS (applicable to 2,863,271 shares of common stock outstanding)	\$ 17,076,256
NET ASSET VALUE PER SHARE (\$17,076,256 (div) 2,863,271)	\$ 5.96
NET ASSETS CONSISTS OF	
Capital stock, \$0.001 par value; 2,863,271 shares issued and outstanding (15,000,000 shares authorized)	\$ 2,863
Paid-in capital 23,228,616	
Accumulated net realized loss on investments	(4,210,975)
Net unrealized depreciation in value of investments	(1,944,248)
Net assets applicable to shares outstanding	\$ 17,076,256

See accompanying notes to financial statements.

4

CORNERSTONE TOTAL RETURN FUND, INC.

STATEMENT OF OPERATIONS - FOR THE SIX MONTHS ENDED JUNE 30, 2010 (UNAUDITED)

INVESTMENT INCOME

Income:

Dividends (including \$2,970 earned from affiliated issuers)	\$ 207,903
Securities lending	290
Total Investment Income	208,193

Expenses:

Investment management fees	97,159
Directors' fees	27,273
Legal and audit fees	24,958
Printing	18,348

Edgar Filing: CORNERSTONE TOTAL RETURN FUND INC - Form N-CSRS

Accounting fees	17,305
Administration fees	14,877
Transfer agent fees	11,433
Custodian fees	4,959
Insurance	3,222
Stock exchange listing fees	2,480
Miscellaneous	1,188
	-----
Total Expenses	223,202
Less: Fees paid indirectly	(6,872)
	-----
Net Expenses	216,330
	-----
Net Investment Loss	(8,137)
	-----

NET REALIZED AND UNREALIZED GAIN/(LOSS) ON INVESTMENTS

Net realized loss from unaffiliated investments	(314,627)
Capital gain distributions from regulated investment companies	27,530
Net change in unrealized depreciation in value of investments	(1,192,915)
	-----
Net realized and unrealized loss on investments	(1,480,012)
	-----

NET DECREASE IN NET ASSETS RESULTING FROM OPERATIONS \$ (1,488,149)  
=====

-----  
See accompanying notes to financial statements.

5

-----  
CORNERSTONE TOTAL RETURN FUND, INC.

STATEMENT OF CHANGES IN NET ASSETS  
-----

	For the Six Months Ended June 30, 2010 (Unaudited)	For the Year Ended December 31, 2009
	-----	-----
INCREASE/(DECREASE) IN NET ASSETS		
Operations:		
Net investment loss	\$ (8,137)	\$ (46,373)
Net realized loss from investments	(287,097)	(12,396)
Net change in unrealized depreciation in value of investments	(1,192,915)	3,681,512
	-----	-----
Net increase/(decrease) in net assets resulting from operations	(1,488,149)	3,622,743
	-----	-----
Distributions to shareholders:		
Return-of-capital	(2,073,260)	(5,317,678)
	-----	-----
Total distributions to shareholders	(2,073,260)	(5,317,678)

Edgar Filing: CORNERSTONE TOTAL RETURN FUND INC - Form N-CSRS

Capital stock transactions:		
Proceeds from 24,713 and 64,854 shares newly issued in reinvestment of distributions, respectively	237,726	590,254
Total decrease in net assets	(3,323,683)	(1,104,681)
NET ASSETS		
Beginning of period	20,399,939	21,504,620
End of period	\$17,076,256	\$20,399,939

See accompanying notes to financial statements.

6

CORNERSTONE TOTAL RETURN FUND, INC.

FINANCIAL HIGHLIGHTS

Contained below is per share operating performance data for a share of common stock outstanding, total investment return, ratios to average net assets and other supplemental data for each period indicated. This information has been derived from information provided in the financial statements and market price data for the Fund's shares.

	For the Six Months Ended June 30, 2010 (Unaudited)	2009	For the Years Ended December 2008	2007	2006
PER SHARE OPERATING PERFORMANCE					
Net asset value, beginning of period	\$ 7.19	\$ 7.75	\$ 17.00	\$ 20.28	\$ 20.28
Net investment income/(loss) (#)	--	(0.02)	0.12	0.14	0.14
Net realized and unrealized gain/(loss) on investments	(0.52)	1.31	(5.64)	0.64	0.64
(Net increase/(decrease) in net assets resulting) from operations	(0.52)	1.29	(5.52)	0.78	0.78
Dividends and distributions to shareholders:					
Net investment income	--	--	(0.12)	(0.14)	(0.14)
Net realized capital gains	--	--	--	(0.06)	(0.06)
Return-of-capital	(0.73)	(1.90)	(3.77)	(4.08)	(4.08)
Total dividends and distributions to shareholders	(0.73)	(1.90)	(3.89)	(4.28)	(4.28)
Capital stock transactions:					
Anti-dilutive effect due to shares issued in					

Edgar Filing: CORNERSTONE TOTAL RETURN FUND INC - Form N-CSRS

reinvestment of dividends and distributions	0.02	0.05	0.16	0.22	
	-----	-----	-----	-----	-----
Net asset value, end of period	\$ 5.96	\$ 7.19	\$ 7.75	\$ 17.00	\$ 2
	=====	=====	=====	=====	=====
Market value, end of period	\$ 10.00	\$ 10.29	\$ 7.60	\$ 19.60	\$ 3
	=====	=====	=====	=====	=====
Total investment return(a)	4.77%(b)	66.98%	(49.30)%	(40.97)%	6
	=====	=====	=====	=====	=====
RATIOS/SUPPLEMENTAL DATA					
Net assets, end of year (000 omitted)	\$17,076	\$20,400	\$21,505	\$45,411	\$52
(Ratio of expenses to average net assets,) net of fee waivers, if any (c) (d)	2.26%(e)	2.76%	1.67%	1.49%	
(Ratio of expenses to average net assets,) excluding fee waivers, if any (d) (f)	2.34%(e)	3.20%	1.94%	1.53%	
(Ratio of expenses to average net assets,) net of fee waivers, if any (d) (f)	2.34%(e)	2.88%	1.77%	1.52%	
(Ratio of net investment income to) average net assets	(0.09)%(e)	(0.24)%	0.98%	0.74%	
Portfolio turnover rate	8.42%(b)	13.24%	15.61%	11.00%	1

\* Effective December 23, 2008, a reverse stock split of 1:2 occurred. All per share amounts have been restated according to the terms of the split.  
# Based on average shares outstanding.

(a) Total investment return at market value is based on the changes in market price of a share during the period and assumes reinvestment of dividends and distributions, if any, at actual prices pursuant to the Fund's dividend reinvestment plan. Total investment return does not reflect brokerage commissions.

(b) Not annualized

(c) Expenses are net of fees paid indirectly.

(d) Expenses do not include expenses of investment companies in which the Fund invests.

(e) Annualized

(f) Expenses exclude the reduction for fees paid indirectly.

See accompanying notes to financial statements.

7

CORNERSTONE TOTAL RETURN FUND, INC.

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

NOTE A. ORGANIZATION

Cornerstone Total Return Fund, Inc. (the "Fund") was incorporated in New York on

## Edgar Filing: CORNERSTONE TOTAL RETURN FUND INC - Form N-CSRS

March 16, 1973 and commenced investment operations on May 15, 1973. Its investment objective is to seek capital appreciation with current income as a secondary objective by investing primarily in U.S. and non-U.S. companies. The Fund is registered under the Investment Company Act of 1940, as amended, as a closed-end, diversified management investment company.

### NOTE B. SIGNIFICANT ACCOUNTING POLICIES

**MANAGEMENT ESTIMATES:** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make certain estimates and assumptions that may affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

**SUBSEQUENT EVENTS:** The Fund has evaluated the need for additional disclosures and/or adjustments resulting from subsequent events through the date its financial statements were issued. Based on this evaluation, no additional disclosures or adjustments were required to such financial statements.

**PORTFOLIO VALUATION:** Investments are stated at value in the accompanying financial statements. Readily marketable portfolio securities listed on the NYSE are valued, except as indicated below, at the last sale price reflected on the consolidated tape at the close of the NYSE on the business day as of which such value is being determined. If there has been no sale on such day, the securities are valued at the mean of the closing bid and asked prices on such day. If no bid or asked prices are quoted on such day or if market prices may be unreliable because of events occurring after the close of trading, then the security is valued by such method as the Board of Directors shall determine in good faith to reflect its fair market value. Readily marketable securities not listed on the NYSE but listed on other domestic or foreign securities exchanges are valued in a like manner. Portfolio securities traded on more than one securities exchange are valued at the last sale price on the business day as of which such value is being determined as reflected on the consolidated tape at the close of the exchange representing the principal market for such securities. Securities trading on the Nasdaq Stock Market, Inc. ("NASDAQ") are valued at the closing price.

Readily marketable securities traded in the over-the counter market, including listed securities whose primary market is believed by Cornerstone Advisors, Inc. (the "Investment Manager" or "Cornerstone") to be over-the-counter, are valued at the mean of the current bid and asked prices as reported by the NASDAQ or, in the case of securities not reported by the NASDAQ or a comparable source, as the Board of Directors deem appropriate to reflect their fair market value. Where securities are traded on more than one exchange and also over-the-counter, the securities will generally be valued using the quotations the Board of Directors believes reflect most closely the value of such securities.

At June 30, 2010 the Fund held no securities valued in good faith by the Board of Directors. The net asset value per share of the Fund is calculated weekly and on the last business day of the month with the exception of those days on which the NYSE Amex LLC is closed.

The Fund is exposed to financial market risks, including the valuations of its investment portfolio. For the six months ended June 30, 2010, the Fund did not engage in derivative instruments and other hedging activities.

**REPURCHASE AGREEMENTS:** The Fund has agreed to purchase securities from financial institutions subject to the seller's agreement to repurchase them at an agreed-upon time and price ("repurchase agreements"). The financial institutions with whom the Fund enters into repurchase agreements are banks and broker/dealers, which Cornerstone considers creditworthy. The seller under a repurchase agreement will be required to maintain the value of

CORNERSTONE TOTAL RETURN FUND, INC.

NOTES TO FINANCIAL STATEMENTS (UNAUDITED), (CONTINUED)

the securities as collateral, subject to the agreement at not less than the repurchase price plus accrued interest. Cornerstone monitors the mark-to-market of the value of the collateral, and, if necessary, requires the seller to maintain additional securities, so that the value of the collateral is not less than the repurchase price. Default by or bankruptcy of the seller would, however, expose the Fund to possible loss because of adverse market action or delays in connection with the disposition of the underlying securities.

**INVESTMENT TRANSACTIONS AND INVESTMENT INCOME:** Investment transactions are accounted for on the trade date. The cost of investments sold is determined by use of the specific identification method for both financial reporting and income tax purposes. Interest income is recorded on an accrual basis; dividend income is recorded on the ex-dividend date.

**RISKS ASSOCIATED WITH INVESTMENTS IN OTHER CLOSED-END FUNDS:** Closed-end investment companies are subject to the risks of investing in the underlying securities. The Fund, as a holder of the securities of the closed-end investment company, will bear its pro rata portion of the closed-end investment company's expenses, including advisory fees. These expenses are in addition to the direct expenses of the Fund's own operations.

**TAXES:** No provision is made for U.S. federal income or excise taxes as it is the Fund's intention to continue to qualify as a regulated investment company and to make the requisite distributions to its shareholders which will be sufficient to relieve it from all or substantially all U.S. federal income and excise taxes.

The Accounting for Uncertainty in Income Taxes Topic of the FASB Accounting Standards Codification defines the threshold for recognizing the benefits of tax-return positions in the financial statements as "more-likely-than-not" to be sustained by the taxing authority and requires measurement of a tax position meeting the more-likely-than-not criterion, based on the largest benefit that is more than 50 percent likely to be realized. The Fund's policy is to classify interest and penalties associated with underpayment of federal and state income taxes, if any, as income tax expense on its Statement of Operations. As of June 30, 2010, the Fund does not have any interest or penalties associated with the underpayment of any income taxes. Management reviewed any uncertain tax positions for open tax years 2006 through 2009 and for the period ended June 30, 2010. There was no material impact to the financial statements or, other than as described below, the disclosures thereto as a result of the adoption of this pronouncement. The Fund and the Investment Manager have entered into a closing letter with the Internal Revenue Service's New York Regional Office regarding a technical tax issue relating to whether the Fund's historic dividend reinvestment plan may have resulted in a violation of certain Subchapter M requirements of the Internal Revenue Code for certain prior tax years. The closing letter avoids any potential material negative tax impact to the Fund. Pursuant to the closing letter, the Investment Manager paid any settlement amount owed to the Internal Revenue Service.

**DISTRIBUTIONS TO SHAREHOLDERS:** Effective January 2002, the Fund initiated a

## Edgar Filing: CORNERSTONE TOTAL RETURN FUND INC - Form N-CSRS

fixed, monthly distribution to shareholders. On November 29, 2006, this distribution policy was updated to provide for the annual resetting of the monthly distribution amount per share based on the Fund's net asset value on the last business day in each October. The terms of the distribution policy will be reviewed and approved at least annually by the Fund's Board of Directors and can be modified at their discretion. To the extent that these distributions exceed the current earnings of the Fund, the balance will be generated from sales of portfolio securities held by the Fund, which will either be short-term or long-term capital gains or a tax-free return-of-capital. To the extent these distributions are not represented by net investment income and capital gains, they will not represent yield or investment return on the Fund's investment portfolio. The Fund plans to maintain this distribution policy even if regulatory requirements would make part of a return-of-capital, necessary to maintain the distribution, taxable to shareholders and to disclose that portion of the distribution that is classified as ordinary income. Although it has no

---

9

---

CORNERSTONE TOTAL RETURN FUND, INC.

NOTES TO FINANCIAL STATEMENTS (UNAUDITED), (CONTINUED)

---

current intention to do so, the Board may terminate this distribution policy at any time and such termination may have an adverse effect on the market price for the Fund's common shares. The Fund determines annually whether to distribute any net realized long-term capital gains in excess of net realized short-term capital losses, including capital loss carryovers, if any. To the extent that the Fund's taxable income in any calendar year exceeds the aggregate amount distributed pursuant to this distribution policy, an additional distribution may be made to avoid the payment of a 4% U.S. federal excise tax, and to the extent that the aggregate amount distributed in any calendar year exceeds the Fund's taxable income, the amount of that excess may constitute a return-of-capital for tax purposes. A return-of-capital distribution reduces the cost basis of an investor's shares in the Fund. Dividends and distributions to shareholders are recorded by the Fund on the ex-dividend date.

**MANAGED DISTRIBUTION RISK:** Under the managed distribution policy, the Fund makes monthly distributions to shareholders at a rate that may include periodic distributions of its net income and net capital gains, ("Net Earnings"), or from return-of-capital. If, for any fiscal year where total cash distributions exceeded Net Earnings (the "Excess"), the Excess would decrease the Fund's total assets and, as a result, would have the likely effect of increasing the Fund's expense ratio. There is a risk that the total Net Earnings from the Fund's portfolio would not be great enough to offset the amount of cash distributions paid to Fund shareholders. If this were to be the case, the Fund's assets would be depleted, and there is no guarantee that the Fund would be able to replace the assets. In addition, in order to make such distributions, the Fund may have to sell a portion of its investment portfolio at a time when independent investment judgment might not dictate such action. Furthermore, such assets used to make distributions will not be available for investment pursuant to the Fund's investment objective.

### NOTE C. FAIR VALUE

As required by the Fair Value Measurement and Disclosures Topic of the FASB Accounting Standards Codification, the Fund has performed an analysis of all assets and liabilities measured at fair value to determine the significance and

## Edgar Filing: CORNERSTONE TOTAL RETURN FUND INC - Form N-CSRS

character of all inputs to their fair value determination.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into the following three broad categories.

- o Level 1 - quoted unadjusted prices for identical instruments in active markets to which the Fund has access at the date of measurement.
- o Level 2 - quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets. Level 2 inputs are those in markets for which there are few transactions, the prices are not current, little public information exists or instances where prices vary substantially over time or among brokered market makers.
- o Level 3 - model derived valuations in which one or more significant inputs or significant value drivers are unobservable. Unobservable inputs are those inputs that reflect the Fund's own assumptions that market participants would use to price the asset or liability based on the best available information.

-----

10

-----

CORNERSTONE TOTAL RETURN FUND, INC.

NOTES TO FINANCIAL STATEMENTS (UNAUDITED), (CONTINUED)

-----

The following is a summary of the inputs used as of June 30, 2010 in valuing the Fund's investments carried at value:

VALUATION INPUTS	INVESTMENTS IN SECURITIES	OTHER FINANCIAL INSTRUMENTS*
Level 1 - Quoted Prices		
Equity Investments	\$17,075,380	--
Short-Term Investments	57,228	--
Level 2 - Other Significant		
Observable Inputs	--	--
Level 3 - Significant		
Unobservable Inputs	--	--
	-----	-----
Total	\$17,132,608	--
	=====	=====

-----  
\* Other financial instruments include futures, forwards and swap contracts.

During the period ended June 30, 2010, the Fund did not have any significant transfers in and out of Level 1 or Level 2. The Fund did not have any assets or liabilities that were measured at fair value on a recurring basis using significant unobservable inputs (Level 3) at June 30, 2010.

RECENT ACCOUNTING PRONOUNCEMENT: In January 2010, the FASB Accounting Standards Board issued Accounting Standards Update ("ASU") No. 2010-06 "Improving

## Edgar Filing: CORNERSTONE TOTAL RETURN FUND INC - Form N-CSRS

Disclosures about Fair Value Measurements". ASU 2010-06 amends FASB Accounting Standards Codification Topic, 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 has evaluated the impact ASU No. 2010-06 and has determined that it is not expected to have a significant impact on its financial statement disclosures.

### NOTE D. AGREEMENTS

Certain officers of the Fund are also officers of Cornerstone or Ultimus Fund Solutions, LLC ("Ultimus"). Such officers are paid no fees by the Fund for serving as officers of the Fund.

#### INVESTMENT MANAGEMENT AGREEMENT

Cornerstone serves as the Fund's Investment Manager with respect to all investments. As compensation for its investment management services, Cornerstone receives from the Fund, an annual fee, calculated weekly and paid monthly, equal to 1.00% of the Fund's average weekly net assets. For the six months ended June 30, 2010, Cornerstone earned \$97,159 for investment management services.

Included in the Statement of Operations, under the caption Fees paid indirectly, are expense offsets of \$6,872 arising from credits earned on portfolio transactions executed with brokers, pursuant to directed brokerage arrangements.

#### ADMINISTRATION AGREEMENT

Under the terms of the Administration Agreement, Ultimus supplies executive, administrative and regulatory services for the Fund. Ultimus supervises the preparation of reports to stockholders for the Fund, reports to and filings with the Securities and Exchange Commission and materials for meetings of the Board of Directors. For these services, the Fund pays Ultimus a monthly fee at an annual rate of 0.100% of its average daily net assets up to \$250 million and 0.075% of such assets in excess of \$250 million, subject to an annual minimum fee of \$50,000. Currently, Ultimus has agreed to discount the annual minimum fee to \$30,000. This arrangement will remain in place until an amended fee is agreed upon by the Fund and Ultimus.

#### FUND ACCOUNTING AGREEMENT

Under the terms of the Fund Accounting Agreement, Ultimus calculates the net asset value per share and

-----  
11

-----  
CORNERSTONE TOTAL RETURN FUND, INC.

NOTES TO FINANCIAL STATEMENTS (UNAUDITED), (CONTINUED)  
-----

maintains the financial books and records of the Fund. For the performance of these services, the Fund pays Ultimus a base fee of \$2,500 per month plus an asset based fee of 0.010% of the first \$500 million of average daily net assets and 0.005% of such assets in excess of \$500 million.

## Edgar Filing: CORNERSTONE TOTAL RETURN FUND INC - Form N-CSRS

### NOTE E. AFFILIATED INVESTMENTS

Transactions in affiliates for the six month ended June 30, 2010 were as follows:

	ADAMS EXPRESS COMPANY -----
Market value at beginning of period	\$599,940 =====
Shares at beginning of period	59,400
Shares purchased during the period	--
Shares sold during the period	-- -----
Shares at end of period	59,400 -----
Dividend income earned during the period	\$ 2,970 =====
Cost of purchases during the period	--
Proceeds from sales during the period	--
Net realized gain/(loss) during the period	--
Market value at end of period	\$536,382

### NOTE F. INVESTMENT IN SECURITIES

For the six months ended June 30, 2010, purchases and sales of securities, other than short-term investments, were \$1,625,713 and \$3,452,644, respectively.

### NOTE G. SHARES OF COMMON STOCK

The Fund has 15,000,000 shares of common stock authorized and 2,863,271 shares outstanding at June 30, 2010. Transactions in common stock for the six months ended June 30, 2010 were as follows:

Shares at beginning of period	2,838,558
Shares newly issued in reinvestment of dividends and distributions	24,713 -----
Shares at end of period	2,863,271 =====

### NOTE H. SHARE REPURCHASE PROGRAM

As has been done in the past to enhance shareholder value, pursuant to Section 23 of the Investment Company Act of 1940, as amended, the Fund may again in the future purchase shares of its common stock on the open market from time to time, at such times, and in such amounts as may be deemed advantageous to the Fund. Nothing herein shall be considered a commitment to purchase such shares. The Fund had no repurchases during the six months ended June 30, 2010. No limit has been placed on the number of shares to be repurchased by the Fund other than those imposed by federal securities laws.

To the extent such purchases are made they will be in accordance with federal securities laws, with shares repurchased held in treasury for future use by the Fund.

### NOTE I. SECURITIES LENDING

To generate additional income, the Fund may lend up to 33 1/3% of its total

## Edgar Filing: CORNERSTONE TOTAL RETURN FUND INC - Form N-CSRS

assets. The Fund receives payments from borrowers equivalent to the dividends and interest that would have been earned on securities lent while simultaneously seeking to earn interest on the investment of cash collateral. Loans are subject to termination by the Fund or the borrower at any time, and are, therefore, not considered to be illiquid investments. Loans of securities are required at all times to be secured by collateral equal to at least 100% of the market value of securities on loan. However, in the event of default or bankruptcy of the other party to the agreement, realization and/or retention of the collateral may be subject to legal proceedings. In the event that the borrower fails to return securities, and collateral maintained by the lender is insufficient to cover the value of loaned securities, the borrower is obligated to pay the amount of the shortfall (and interest, thereon) to the Fund. However, there can be no assurance the Fund can recover this amount.

-----  
12

-----  
CORNERSTONE TOTAL RETURN FUND, INC.

NOTES TO FINANCIAL STATEMENTS (UNAUDITED), (CONCLUDED)  
-----

The Fund had no securities on loan to brokers at June 30, 2010. During the six months ended June 30, 2010, the Fund earned \$290 in securities lending income which is included under the caption Securities lending in the Statement of Operations.

### NOTE J. FEDERAL INCOME TAXES

Income and capital gains distributions are determined in accordance with federal income tax regulations, which may differ from GAAP. These differences are primarily due to differing treatments of losses deferred due to wash sales and Post-October losses (as later defined), and excise tax regulations. The tax character of distributions paid to stockholders during the years ended December 31, 2009 for the Fund consisted entirely of return-of-capital in the amount of \$5,317,678.

Accounting principles generally accepted in the United States of America require that certain components of net assets relating to permanent differences be reclassified between financial and tax reporting. These reclassifications have no effect on net assets or net asset value per share. Under current tax law, certain capital losses realized after October 31 within a taxable year may be deferred and treated as occurring on the first day of the following tax year ("Post-October losses"). The Fund incurred no such loss.

At December 31, 2009, the Fund had a capital loss carryforward for U.S. federal income tax purposes of \$3,905,676, of which \$425,706 expires in 2011, \$358,321 expires in 2012, \$420,772 expires in 2013, \$57,090 expires in 2014, \$2,382,884 expires in 2016 and \$260,903 expires in 2017.

At June 30, 2010, the identified cost for federal income tax purposes, as well as the gross unrealized appreciation from investments for those securities having an excess of value over cost, gross unrealized depreciation from investments for those securities having an excess of cost over value and the net unrealized depreciation from investments were \$19,076,856, \$1,045,308, \$(2,989,556), and \$(1,944,248), respectively.

RESULTS OF MEETING OF STOCKHOLDERS (UNAUDITED)

On July 20, 2010, the Annual Meeting of Stockholders of the Fund was held and the following matters were voted upon based on 2,859,117 shares of common stock outstanding on June 1, 2010:

- (1) To approve the re-election of six directors until the 2011 Annual Meeting.

Name of Directors	For	Withhold
-----	-----	-----
Ralph W. Bradshaw	2,308,340	102,351
Thomas H. Lenagh	2,302,537	108,155
Edwin Meese III	2,294,189	116,503
Scott B. Rogers	2,306,859	103,832
Andrew A. Strauss	2,298,521	112,170
Glenn W. Wilcox, Sr.	2,305,370	105,322

- (2) To consider and vote upon an advisory proposal from the Board of Directors regarding the Fund's Managed Distribution Plan. Regarding the Fund's Managed Distribution Plan.

	For	Abstain
	-----	-----
2(a) No Managed Distribution Plan	87,857	225,246
2(b) A Low-Level Managed Distribution Plan	85,288	225,998
2(c) A High-Level Managed Distribution Plan	290,704	155,771

INVESTMENT MANAGEMENT AGREEMENT APPROVAL DISCLOSURE (UNAUDITED)

The Board of Directors including, the Independent Directors, (the "Board") of Cornerstone Total Return Fund, Inc. (the "Fund") considers the approval of the continuation of the Investment Management Agreement (the "Agreement") between Cornerstone Advisors, Inc. (the "Investment Manager") and the Fund on an annual basis. The most recent approval of the continuation of the Agreement occurred at an in person meeting of the Board held on February 12, 2010.

The Board requested and received extensive materials and information from the Investment Manager to assist them in considering the approval of the continuance

## Edgar Filing: CORNERSTONE TOTAL RETURN FUND INC - Form N-CSRS

of the Agreement. Based on their review of the materials and information and discussions with management of the Investment Manager, the Board determined that the approval of the continuation of the Agreement was consistent with the best interests of the Fund and its shareholders, and would enable the Fund to continue to receive high quality services at a cost that is appropriate, reasonable, and in the best interests of the Fund and its shareholders. The Board made these determinations on the basis of the following factors, among others: (1) the nature and quality of the services provided by the Investment Manager; (2) the cost to the Investment Manager for providing such services, with special attention to the Investment Manager's profitability (and whether the Investment Manager realizes any economies of scale); (3) the direct and indirect benefits received by the Investment Manager from its relationship with the Fund and the other investment companies advised by the Investment Manager; and (4) comparative information as to the management fees, expense ratios and performance of other similarly situated closed-end investment companies.

The materials provided by the Investment Manager described the services provided by the Investment Manager to the Fund and included an overview of the Investment Manager's investment philosophy, management style and plan, including regarding the Investment Manager's extensive knowledge and experience in the closed-end fund industry. The Board also discussed the knowledge of the Investment Manager with respect to managing the Fund's monthly distribution policy and the extent to which such policy contributes to the market's positive valuation of the Fund. The Board also reviewed and discussed a comparison of the Fund's performance with comparable closed-end funds and a comparison of the Fund's expense ratios and management fees with those comparable funds. Additionally, the Investment Manager presented an analysis of its profitability based on its contractual relationship with the Fund and the other investment companies advised by the Investment Manager.

The Board carefully evaluated this information, taking into consideration many factors including, the overall high quality of the personnel, operations, financial condition, investment management capabilities, methodologies, and performance of the Investment Manager. The Board was advised by independent legal counsel with respect to its deliberations and its duties when considering the Agreement's continuance. Based on its review of the information requested and provided, the Board determined that the management fees payable to the Investment Manager under the Agreement are fair and reasonable in light of the services to be provided, the performance of the Fund, the profitability of the Investment Manager's relationship with the Fund, the comparability of the proposed fee to fees paid by closed-end funds in the Fund's peer group, and the level of quality of investment management personnel. The Board determined that the Agreement is consistent with the best interests of the Fund and its shareholders, and enables the Fund to receive high quality services at a cost that is appropriate, reasonable, and in the best interests of the Fund and its shareholders. Accordingly, in light of the above considerations and such other factors and information it considered relevant, the Board by a unanimous vote (including a separate vote of all the Independent Directors present in person at the meeting) approved the continuance of the Agreement with respect to the Fund.

-----  
15

### DESCRIPTION OF DIVIDEND REINVESTMENT PLAN (UNAUDITED)

Cornerstone Total Return Fund, Inc. (the "Fund") operates a Dividend Reinvestment Plan (the "Plan"), sponsored and administered by American Stock

## Edgar Filing: CORNERSTONE TOTAL RETURN FUND INC - Form N-CSRS

Transfer & Trust Company (the "Agent"), pursuant to which the Fund's income dividends or capital gains or other distributions (each, a "Distribution" and collectively, "Distributions"), net of any applicable U.S. withholding tax, are reinvested in shares of the Fund.

Shareholders automatically participate in the Fund's Plan, unless and until an election is made to withdraw from the Plan on behalf of such participating shareholder. Shareholders who do not wish to have Distributions automatically reinvested should so notify their broker, or if a registered shareholder, the Agent in writing at P.O. Box 922, Wall Street Station, New York, New York 10269-0560. Such written notice must be received by the Agent prior to the record date of the Distribution or the shareholder will receive such Distribution in shares through the Plan. Under the Plan, the Fund's Distributions to shareholders are reinvested in full and fractional shares as described below.

When the Fund declares a Distribution the Agent, on the shareholder's behalf, will (i) receive additional authorized shares from the Fund either newly issued or repurchased from shareholders by the Fund and held as treasury stock ("Newly Issued Shares") or (ii) purchase outstanding shares on the open market, on the NYSE Amex LLC or elsewhere, with cash allocated to it by the Fund ("Open Market Purchases").

The method for determining the number of shares to be received when Distributions are reinvested will vary depending upon whether the net asset value of the Fund's shares is higher or lower than its market price. If the net asset value of the Fund's shares is lower than its market price, the number of Newly Issued Shares received will be determined by dividing the amount of the Distribution either by the Fund's net asset value per share or by 95% of its market price, whichever is higher. If the net asset value of the Fund's shares is higher than its market price, shares acquired by the Agent in Open Market Purchases will be allocated to the reinvesting shareholders based on the average cost of such Open Market Purchases.

Whenever the Fund declares a Distribution and the net asset value of the Fund's shares is higher than its market price, the Agent will apply the amount of such Distribution payable to Plan participants of the Fund in Fund shares (less such Plan participant's pro rata share of brokerage commissions incurred with respect to Open Market Purchases in connection with the reinvestment of such Distribution) to the purchase on the open market of Fund shares for such Plan participant's account. Such purchases will be made on or after the payable date for such Distribution, and in no event more than 30 days after such date except where temporary curtailment or suspension of purchase is necessary to comply with applicable provisions of federal securities laws. The Agent may aggregate a Plan participant's purchases with the purchases of other Plan participants, and the average price (including brokerage commissions) of all shares purchased by the Agent shall be the price per share allocable to each Plan participant.

Participants in the Plan may withdraw from the Plan by providing written notice to the Agent at least 30 days prior to the applicable Distribution payment date. When a Participant withdraws from the Plan, or upon suspension or termination of the Plan at the sole discretion of the Fund's Board of Directors, certificates for whole shares credited to his or her account under the Plan will, upon request, be issued. Whether or not a participant requests that certificates for whole shares be issued, a cash payment will be made for any fraction of a share credited to such account.

The Agent will maintain all shareholder accounts in the Plan and furnish written confirmations of all transactions in the accounts, including information needed by shareholders for personal and tax records. The Agent will hold shares in the account of the Plan participant in non-certificated form in the name of the participant, and each shareholder's proxy will

-----  
16

DESCRIPTION OF DIVIDEND REINVESTMENT PLAN (UNAUDITED), (CONCLUDED)

include those shares purchased pursuant to the Plan. Each participant, nevertheless, has the right to receive certificates for whole shares owned. The Agent will distribute all proxy solicitation materials to participating shareholders.

In the case of shareholders, such as banks, brokers or nominees, that hold shares for others who are beneficial owners participating in the Plan, the Agent will administer the Plan on the basis of the number of shares certified from time to time by the record shareholder as representing the total amount of shares registered in the shareholder's name and held for the account of beneficial owners participating in the Plan.

Neither the Agent nor the Fund shall have any responsibility or liability beyond the exercise of ordinary care for any action taken or omitted pursuant to the Plan, nor shall they have any duties, responsibilities or liabilities except for such as expressly set forth herein. Neither shall they be liable hereunder for any act done in good faith or for any good faith omissions to act, including, without limitation, failure to terminate a participants account prior to receipt of written notice of his or her death or with respect to prices at which shares are purchased or sold for the participants account and the terms on which such purchases and sales are made, subject to applicable provisions of the federal securities laws.

The automatic reinvestment of Distributions will not relieve participants of any federal, state or local income tax that may be payable (or required to be withheld) on such Distributions.

The Fund reserves the right to amend or terminate the Plan. There is no direct service charge to participants with regard to purchases in the Plan.

All correspondence concerning the Plan should be directed to the Agent at P.O. Box 922, Wall Street Station, New York, New York 10269-0560. Certain transactions can be performed online at [www.amstock.com](http://www.amstock.com) or by calling the toll free number 877-864-4833.

-----  
17

PROXY VOTING AND PORTFOLIO HOLDINGS INFORMATION (UNAUDITED)

Information regarding how Cornerstone Total Return Fund, Inc. (the "Fund") voted proxies related to its portfolio securities during the 12-month period ended June 30 of each year as well as the policies and procedures that the Fund uses to determine how to vote proxies relating to its portfolio securities are

## Edgar Filing: CORNERSTONE TOTAL RETURN FUND INC - Form N-CSRS

available by calling (513) 326-3597 or on the website of the Securities and Exchange Commission, <http://www.sec.gov>.

This report incorporates a Summary Schedule of Investments for the Fund. A complete Schedule of Investments for the Fund may be obtained free of charge by contacting the Fund at (513) 326-3597. The Fund files a complete schedule of its portfolio holdings for the first and third quarters of its fiscal year with the SEC on Form N-Q. The Fund's Forms N-Q is available on the SEC's website at <http://www.sec.gov> and may be reviewed and copied at the SEC's Public Reference Room in Washington, DC. Information on the operation of the SEC's Public Reference Room may be obtained by calling (202) 551-8090.

### PRIVACY POLICY NOTICE (UNAUDITED)

The following is a description of Cornerstone Total Return Fund, Inc.'s (the "Fund") policies regarding disclosure of nonpublic personal information that you provide to the Fund or that the Fund collects from other sources. In the event that you hold shares of the Fund through a broker-dealer or other financial intermediary, the privacy policy of the financial intermediary would govern how your nonpublic personal information would be shared with unaffiliated third parties.

CATEGORIES OF INFORMATION THE FUND COLLECTS. The Fund collects the following nonpublic personal information about you:

1. Information from the Consumer: this category includes information the Fund receives from you on or in applications or other forms, correspondence, or conversations (such as your name, address phone number, social security number, assets, income and date of birth); and
2. Information about the Consumer's transactions with the Fund and its affiliates: this category includes information about your transactions with the Fund, its affiliates, or others (such as your account number and balance, payment history, parties to transactions, cost basis information, and other financial information).

CATEGORIES OF INFORMATION THE FUND DISCLOSES. The Fund does not disclose any nonpublic personal information about their current or former shareholders to unaffiliated third parties, except as required or permitted by law. The Fund is permitted by law to disclose all of the information it collects, as described above, to its service providers (such as the Fund's custodian, administrator and transfer agent) to process your transactions and otherwise provide services to you. Confidentiality and Security. The Fund restricts access to your nonpublic personal information to those persons who require such information to provide products or services to you. The Fund maintains physical, electronic and procedural safeguards that comply with federal standards to guard your nonpublic personal information.

-----  
18

### SUMMARY OF GENERAL INFORMATION (UNAUDITED)

Cornerstone Total Return Fund, Inc. is a closed-end, diversified investment company whose shares trade on the NYSE Amex LLC. Its investment objective is to seek capital appreciation with current income as a secondary objective by

Edgar Filing: CORNERSTONE TOTAL RETURN FUND INC - Form N-CSRS

investing primarily in U.S. and non-U.S. companies. The Fund is managed by Cornerstone Advisors, Inc.

SHAREHOLDER INFORMATION (UNAUDITED)

The Fund is listed on the NYSE Amex LLC (symbol "CRF"). The share price is published in: The New York Times (daily) under the designation "Cnrstn TR" and The Wall Street Journal (daily) and Barron's (each Monday) under the designation "CornstnTtlRtn." The net asset value per share is available weekly and may be obtained by contacting the Fund at the general inquiry phone number.

-----  
NOTICE IS HEREBY GIVEN IN ACCORDANCE WITH SECTION 23(C) OF THE INVESTMENT COMPANY ACT OF 1940, AS AMENDED, THAT CORNERSTONE TOTAL RETURN FUND, INC. MAY FROM TIME TO TIME PURCHASE SHARES OF ITS CAPITAL STOCK IN THE OPEN MARKET.  
-----

-----  
This report, including the financial statements herein, is sent to the shareholders of the Fund for their information. The financial information included herein is taken from the records of the Fund without examination by independent registered public accountants who do not express an opinion there on. 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 the report.  
-----

This page intentionally left blank.

Edgar Filing: CORNERSTONE TOTAL RETURN FUND INC - Form N-CSRS

CORNERSTONE TOTAL RETURN FUND, INC.

ITEM 2. CODE OF ETHICS.

Not required

ITEM 3. AUDIT COMMITTEE FINANCIAL EXPERT.

Not required

ITEM 4. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

Not required

ITEM 5. AUDIT COMMITTEE OF LISTED REGISTRANTS.

Not required

ITEM 6. SCHEDULE OF INVESTMENTS.

(a)

CORNERSTONE TOTAL RETURN FUND, INC.  
SCHEDULE OF INVESTMENTS - JUNE 30, 2010 (UNAUDITED)

DESCRIPTION	NO. OF SHARES	VALUE
-----		
EQUITY SECURITIES - 99.99%		
CLOSED-END FUNDS - 8.37%		
CORE - 3.99%		
Adams Express Company (The) (a)	59,400	\$ 536,382
Royce Micro-Cap Trust, Inc.	8,200	60,188
Royce Value Trust, Inc.	8,000	84,560
		-----
		681,130

Edgar Filing: CORNERSTONE TOTAL RETURN FUND INC - Form N-CSRS

HIGH CURRENT YIELD (LEVERAGED) - 0.35%		
First Trust Strategic High Income Fund	8,000	24,560
First Trust Strategic High Income Fund III	9,000	34,830
		59,390
OPTION ARBITRAGE/OPTIONS STRATEGIES - 0.97%		
NFJ Dividend, Interest & Premium Strategy Fund	12,000	165,720
REAL ESTATE - 0.79%		
Cohen & Steers Quality Income Realty Fund, Inc.	13,000	82,290
Cohen & Steers REIT & Preferred Income Fund, Inc.	5,000	52,800
		135,090
SECTOR EQUITY - 1.88%		
Cohen & Steers Infrastructure Fund, Inc.	3,000	37,950
H&Q Life Sciences Investors	9,000	79,020
John Hancock Bank and Thrift Opportunity Fund	14,200	203,628
		320,598
U.S. MORTGAGE - 0.39%		
BlackRock Income Trust, Inc.	9,896	66,897
		1,428,825
TOTAL CLOSED-END FUNDS		
CONSUMER DISCRETIONARY - 9.88%		
Amazon.com, Inc. *	1,000	109,260
Bed Bath & Beyond, Inc. *	2,500	92,700
Comcast Corporation - Class A	2,012	34,948
Comcast Corporation - Special Class A	4,250	69,828
DIRECTV Group, Inc. (The) - Class A *	4,000	135,680
Ford Motor Company *	5,000	50,400
Gap, Inc. (The)	2,500	48,650
Home Depot, Inc. (The)	5,000	140,350
Mattel, Inc.	1,500	31,740

CORNERSTONE TOTAL RETURN FUND, INC.  
SCHEDULE OF INVESTMENTS - JUNE 30, 2010 (UNAUDITED) (CONTINUED)

DESCRIPTION	NO. OF SHARES	VALUE
CONSUMER DISCRETIONARY (CONTINUED)		
McDonald's Corporation	2,000	\$ 131,740
News Corporation - Class B	2,500	34,625
NIKE, Inc. - Class B	2,500	168,875
Starbucks Corporation	2,500	60,750
Target Corporation	1,500	73,755
Time Warner Cable, Inc.	669	34,842
Time Warner, Inc.	2,666	77,074
TJX Companies, Inc. (The)	2,500	104,875
Viacom, Inc. - Class B	1,000	31,370
Walt Disney Company (The)	5,000	157,500

## Edgar Filing: CORNERSTONE TOTAL RETURN FUND INC - Form N-CSRS

Yum! Brands, Inc.	2,500	97,600
		-----
		1,686,562
		-----
CONSUMER STAPLES - 11.29%		
Altria Group, Inc.	5,000	100,200
Coca-Cola Company (The)	5,000	250,600
Coca-Cola Enterprises	2,500	64,650
Colgate-Palmolive Company	1,000	78,760
ConAgra Foods, Inc.	2,500	58,300
General Mills, Inc.	3,000	106,560
H.J. Heinz Company	2,700	116,694
PepsiCo, Inc.	2,000	121,900
Philip Morris International, Inc.	3,500	160,440
Procter & Gamble Company (The)	6,472	388,191
Sara Lee Corporation	2,500	35,250
Walgreen Company	4,100	109,470
Wal-Mart Stores, Inc.	7,000	336,490
		-----
		1,927,505
		-----
ENERGY - 10.13%		
Anadarko Petroleum Corporation	1,000	36,090
Chevron Corporation	3,500	237,510
Consol Energy, Inc.	1,500	50,640
Devon Energy Corporation	2,500	152,300
El Paso Corporation	5,000	55,550
Exxon Mobil Corporation	10,000	570,700
Halliburton Company	2,500	61,375
National Oilwell Varco, Inc.	1,000	33,070
Occidental Petroleum Corporation	4,000	308,600
Schlumberger Ltd.	3,000	166,020
Southwestern Energy Company *	1,500	57,960
		-----
		1,729,815
		-----
FINANCIALS - 13.57%		
AFLAC, Inc.	1,500	64,005
American Express Company	2,000	79,400

CORNERSTONE TOTAL RETURN FUND, INC.  
SCHEDULE OF INVESTMENTS - JUNE 30, 2010 (UNAUDITED) (CONTINUED)

DESCRIPTION	NO. OF SHARES	VALUE
-----		
FINANCIALS (CONTINUED)		
Bank of America Corporation	16,521	\$ 237,407
Bank of New York Mellon Corporation (The)	2,800	69,132
BB&T Corporation	2,000	52,620
Capital One Financial Corporation	2,500	100,750
Chubb Corporation (The)	1,000	50,010
Citigroup, Inc. *	24,000	90,240
Discover Financial Services	1,000	13,980
Franklin Resources, Inc.	1,000	86,190
Goldman Sachs Group, Inc. (The)	1,500	196,905
Hartford Financial Services Group, Inc.	1,000	22,130
Hudson City Bancorp, Inc.	2,500	30,600
JPMorgan Chase & Company	12,200	446,642
Marsh & McLennan Companies, Inc.	4,000	90,200

Edgar Filing: CORNERSTONE TOTAL RETURN FUND INC - Form N-CSRS

MetLife, Inc.	1,500	56,640
Morgan Stanley	2,000	46,420
PNC Financial Services Group, Inc.	1,000	56,500
Prudential Financial, Inc.	1,500	80,490
SunTrust Banks, Inc.	1,500	34,950
Travelers Companies, Inc. (The)	3,092	152,281
U.S. Bancorp	3,500	78,225
Unum Group	2,500	54,250
Wells Fargo & Company	5,000	128,000
		-----
		2,317,967
		-----
HEALTH CARE - 11.02%		
Abbott Laboratories	3,000	140,340
Amgen, Inc. *	3,000	157,800
Bristol-Myers Squibb Company	4,000	99,760
Celgene Corporation *	1,000	50,820
Cigna Corporation	3,000	93,180
Eli Lilly & Company	2,500	83,750
Express Scripts, Inc. *	2,400	112,848
Gilead Sciences, Inc. *	2,000	68,560
Johnson & Johnson	5,500	324,830
McKesson Corporation	2,500	167,900
Medco Health Solutions, Inc. *	1,000	55,080
Medtronic, Inc.	4,500	163,215
Merck & Company, Inc.	2,500	87,425
Pfizer, Inc.	12,462	177,708
Stryker Corporation	1,000	50,060
WellPoint, Inc. *	1,000	48,930
		-----
		1,882,206
		-----
INDUSTRIALS - 9.90%		
3M Company	1,500	118,485

CORNERSTONE TOTAL RETURN FUND, INC.  
SCHEDULE OF INVESTMENTS - JUNE 30, 2010 (UNAUDITED) (CONTINUED)

DESCRIPTION	NO. OF SHARES	VALUE
-----		
INDUSTRIALS (CONTINUED)		
Danaher Corporation	2,000	\$ 74,240
Deere & Company	1,500	83,520
Emerson Electric Company	2,500	109,225
FedEx Corporation	1,500	105,165
General Dynamics Corporation	1,000	58,560
General Electric Company	24,000	346,080
Illinois Tool Works, Inc.	3,500	144,480
Lockheed Martin Corporation	2,500	186,250
Precision Castparts Corporation	1,000	102,920
Republic Services, Inc.	1,125	33,446
Union Pacific Corporation	2,500	173,775
United Parcel Service, Inc. - Class B	1,000	56,890
United Technologies Corporation	1,500	97,365
		-----
		1,690,401
		-----

INFORMATION TECHNOLOGY - 17.50%

Edgar Filing: CORNERSTONE TOTAL RETURN FUND INC - Form N-CSRS

Agilent Technologies, Inc. *	2,500	71,075
AOL, Inc. *	242	5,031
Apple, Inc. *	2,000	503,059
Automatic Data Processing, Inc.	2,500	100,650
CA, Inc.	2,500	46,000
Cisco Systems, Inc. *	13,000	277,030
Corning, Inc.	3,000	48,450
eBay, Inc. *	2,500	49,025
Google, Inc. - Class A *	1,000	444,950
Hewlett-Packard Company	5,000	216,400
Intel Corporation	11,000	213,950
International Business Machines Corporation	2,200	271,656
Intuit, Inc. *	2,500	86,925
Micron Technology, Inc. *	2,000	16,980
Microsoft Corporation	14,000	322,140
Oracle Corporation	12,600	270,396
Texas Instruments, Inc.	2,000	46,560
		-----
		2,990,277
		-----
MATERIALS - 2.77%		
Air Products & Chemicals, Inc.	1,500	97,215
E.I. Du Pont de Nemours & Company	4,800	166,032
Freeport-McMoRan Copper & Gold, Inc.	2,500	147,825
Newmont Mining Corporation	1,000	61,740
		-----
		472,812
		-----
REAL ESTATE INVESTMENT TRUST - 0.01%		
Simon Property Group, Inc.	16	1,292
		-----
CORNERSTONE TOTAL RETURN FUND, INC.		
SCHEDULE OF INVESTMENTS - JUNE 30, 2010 (UNAUDITED) (CONTINUED)		
DESCRIPTION	NO. OF SHARES	VALUE
-----		
TELECOMMUNICATION SERVICES - 2.50%		
AT&T, Inc.	11,089	\$ 268,243
Centurytel, Inc.	4,000	133,240
Qwest Communications International, Inc.	5,000	26,250
		-----
		427,733
		-----
UTILITIES - 3.05%		
AES Corporation (The) *	3,000	27,720
Consolidated Edison, Inc.	1,000	43,100
Dominion Resources, Inc.	2,000	77,480
Duke Energy Corporation	6,600	105,600
NiSource, Inc.	2,500	36,250
Southern Company (The)	3,500	116,480
Xcel Energy, Inc.	5,500	113,355
		-----
		519,985
		-----
TOTAL EQUITY SECURITIES (cost - \$19,019,628)		17,075,380
		-----
SHORT-TERM INVESTMENT - 0.34%		

Edgar Filing: CORNERSTONE TOTAL RETURN FUND INC - Form N-CSRS

MONEY MARKET FUND - 0.34%		
JPMorgan U.S. Government		
Money Market Fund (cost - \$57,228)	57,228	57,228
		-----
TOTAL INVESTMENTS - 100.33% (cost - \$19,076,856)		17,132,608
		-----
LIABILITIES IN EXCESS OF OTHER ASSETS - (0.33)%		(56,352)
		-----
NET ASSETS - 100.00%		\$17,076,256
		=====

-----  
(a) Affiliated investment. The Fund holds 3.14 % (based on net assets) of Adams Express Company. A director of the Fund also serves as a director to such company. There were no purchases or sales of this security during the six months ended June 30, 2010.

\* Non-income producing security.

(b) Not applicable

ITEM 7. DISCLOSURE OF PROXY VOTING POLICIES AND PROCEDURES FOR CLOSED-END MANAGEMENT INVESTMENT COMPANIES.

Not required

ITEM 8. PORTFOLIO MANAGERS OF CLOSED-END MANAGEMENT INVESTMENT COMPANIES.

(a) Not required

(b) William A. Clark has resigned as a Portfolio Manager. As of the date of the filing of this Form N-CSR, Ralph W. Bradshaw is the sole Portfolio Manager of registrant.

ITEM 9. PURCHASES OF EQUITY SECURITIES BY CLOSED-END MANAGEMENT INVESTMENT COMPANY AND AFFILIATED PURCHASERS.

None

ITEM 10. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

There have been no material changes to the procedures by which shareholders may recommend nominees to the registrant's board of directors that have been implemented after the registrant last provided disclosure in response to the requirements of Item 407(c) (2) (iv) of Regulation S-K (17 CFR 229.407) or this Item.

## Edgar Filing: CORNERSTONE TOTAL RETURN FUND INC - Form N-CSRS

### ITEM 11. CONTROLS AND PROCEDURES.

(a) Based on their evaluation of the registrant's disclosure controls and procedures (as defined in Rule 30a-3(c) under the Investment Company Act of 1940) as of a date within 90 days of the filing date of this report, the registrant's principal executive officer and principal financial officer have concluded that such disclosure controls and procedures are reasonably designed and are operating effectively to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to them by others within those entities, particularly during the period in which this report is being prepared, and that the information required in filings on Form N-CSR is recorded, processed, summarized, and reported on a timely basis.

(b) There were no changes in the registrant's internal control over financial reporting (as defined in Rule 30a-3(d) under the Investment Company Act of 1940) that occurred during the second fiscal quarter of the period covered by this report that have materially affected, or are reasonably likely to materially affect, the registrant's internal control over financial reporting.

### ITEM 12. EXHIBITS.

File the exhibits listed below as part of this Form. Letter or number the exhibits in the sequence indicated.

(a)(1) Any code of ethics, or amendment thereto, that is the subject of the disclosure required by Item 2, to the extent that the registrant intends to satisfy the Item 2 requirements through filing of an exhibit: Not required

(a)(2) A separate certification for each principal executive officer and principal financial officer of the registrant as required by Rule 30a-2(a) under the Act (17 CFR 270.30a-2(a)): Attached hereto

(a)(3) Any written solicitation to purchase securities under Rule 23c-1 under the Act (17 CFR 270.23c-1) sent or given during the period covered by the report by or on behalf of the registrant to 10 or more persons: Not applicable

(b) Certifications required by Rule 30a-2(b) under the Act (17 CFR 270.30a-2(b)): Attached hereto

Exhibit 99.CERT                      Certifications required by Rule 30a-2(a) under the Act

Exhibit 99.906CERT                  Certifications required by Rule 30a-2(b) under the Act

### SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this report to be

Edgar Filing: CORNERSTONE TOTAL RETURN FUND INC - Form N-CSRS

signed on its behalf by the undersigned, thereunto duly authorized.

(Registrant) CORNERSTONE TOTAL RETURN FUND, INC.  
-----

By (Signature and Title)\* /S/ RALPH W. BRADSHAW  
-----

Ralph W. Bradshaw, President  
(Principal Executive Officer)

Date SEPTEMBER 2, 2010  
-----

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By (Signature and Title)\* /S/ RALPH W. BRADSHAW  
-----

Ralph W. Bradshaw, President  
(Principal Executive Officer)

Date SEPTEMBER 2, 2010  
-----

By (Signature and Title)\* /S/ FRANK J. MARESCA  
-----

Frank J. Maresca, Treasurer  
(Principal Financial Officer)

Date SEPTEMBER 2, 2010  
-----

\* Print the name and title of each signing officer under his or her signature.