

CORNERSTONE PROGRESSIVE RETURN FUND  
Form N-CSR  
March 06, 2009

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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 811-22066

CORNERSTONE PROGRESSIVE RETURN FUND

(Exact name of registrant as specified in charter)

305 Madison Avenue, New York, New York 10165

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(Address of principal executive offices) (Zip code)

Gary A. Bentz  
305 Madison Avenue, New York, New York 10165

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(Name and address of agent for service)

Registrant's telephone number, including area code: (513) 326-3597

Date of fiscal year end: December 31, 2008

Date of reporting period: December 31, 2008

Form N-CSR is to be used by management investment companies to file reports with the Commission not later than 10 days after the transmission to stockholders of any report that is required to be transmitted to stockholders under Rule 30e-1 under the Investment Company Act of 1940 (17 CFR 270.30e-1).

The Commission may use the information provided on Form N-CSR in its regulatory, disclosure review, inspection, and policymaking roles.

A registrant is required to disclose the information specified by Form N-CSR, and the Commission will make this information public. A registrant is not required to respond to the collection of information contained in Form N-CSR unless the Form displays a currently valid Office of Management and Budget ("OMB") control number. Please direct comments concerning the accuracy of the information collection burden estimate and any suggestions for reducing the burden to Secretary, Securities and Exchange Commission, 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.

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ITEM 1. REPORTS TO STOCKHOLDERS.

The report of Cornerstone Progressive Return Fund (the "Registrant") to stockholders for the period ended December 31, 2008 follows.

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CORNERSTONE PROGRESSIVE RETURN FUND  
ANNUAL REPORT  
DECEMBER 31, 2008

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CORNERSTONE PROGRESSIVE RETURN FUND  
PORTFOLIO SUMMARY - AS OF DECEMBER 31, 2008 (UNAUDITED)

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## SECTOR ALLOCATION

Sector	Percent of Net Assets
Closed-End Funds	18.5
Information Technology	12.9
Healthcare	11.5
Consumer Staples	11.4



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Advent/Claymore Enhanced Growth & Income Fund	49,761	\$ 403,562
Calamos Strategic Total Return Fund	254,700	1,591,875
Clough Global Equity Fund	50,200	477,904
Clough Global Opportunities Fund	129,000	1,167,450
Dreman/Claymore Dividend & Income Fund	228,755	432,347
Eaton Vance Tax-Advantaged Global Dividend Income Fund	47,000	499,140
Eaton Vance Tax-Managed Global Buy-Write Opportunities Fund	70,900	717,508
Eaton Vance Tax-Managed Global Diversified Equity Income Fund	124,550	1,226,817
Gabelli Dividend & Income Trust	49,414	508,964
ING Risk Managed Natural Resources Fund	46,720	618,106
Liberty All-Star Equity Fund	306,100	1,071,350
LMP Capital and Income Fund Inc	101,300	783,049
Other Closed-End Funds ^ (a)		2,885,305
		----- 12,383,377 -----

CONSUMER DISCRETIONARY - 6.68%

McDonald's Corporation	11,000	684,090
Walt Disney Company (The)	25,000	567,250
Other Consumer Discretionary ^ (a)		3,210,979
		----- 4,462,319 -----

CONSUMER STAPLES - 11.41%

Coca-Cola Company (The)	15,000	679,050
Kraft Foods Inc, Class A	18,000	483,300
PepsiCo, Inc.	12,000	657,240
Philip Morris International Inc.	18,337	797,843
Procter & Gamble Company (The)	22,233	1,374,444

Description	No. of Shares	Value
Wal-Mart Stores, Inc.	27,000	\$ 1,513,620
Other Consumer Staples ^ (a)		2,115,135
		----- 7,620,632 -----

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### ENERGY - 10.93%

Chevron Corporation	17,251	1,276,056
ConocoPhillips	8,208	425,174
Exxon Mobil Corporation	43,475	3,470,609
Schlumberger Limited	12,598	533,273
Other Energy ^ (a)		1,594,818
		-----
		7,299,930
		-----

### FINANCIALS - 9.19%

Bank of America Corporation	29,792	419,471
JPMorgan Chase & Co.	35,498	1,119,252
Wells Fargo & Company	30,206	890,473
Other Financials ^ (a)		3,710,295
		-----
		6,139,491
		-----

### HEALTHCARE - 11.53%

Abbott Laboratories	13,229	706,032
Amgen Inc. *	9,119	526,622
Gilead Sciences, Inc. *	13,000	664,820
Johnson & Johnson	33,000	1,974,390
Medtronic, Inc.	16,000	502,720
Other Healthcare ^ (a)		3,329,713
		-----
		7,704,297
		-----

### INDUSTRIALS - 8.83%

Danaher Corporation	8,000	452,880
Emerson Electric Co.	11,000	402,710
General Electric Company	85,918	1,391,872
United Parcel Service, Inc., Class B	9,191	506,975
United Technologies Corporation	10,108	541,789
Other Industrials ^ (a)		2,599,876
		-----
		5,896,102
		-----

### INFORMATION TECHNOLOGY - 12.86%

Apple Inc. *	5,068	432,554
Cisco Systems, Inc. *	52,470	855,261
Google Inc. *	3,032	932,795
Hewlett-Packard Company	18,265	662,837

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See accompanying notes to financial statements.

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CORNERSTONE PROGRESSIVE RETURN FUND  
SUMMARY SCHEDULE OF INVESTMENTS - DECEMBER 31, 2008 (CONCLUDED)

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Description	No. of Shares	Value
INFORMATION TECHNOLOGY (CONTINUED)		
Intel Corporation	48,599	\$ 712,461
International Business Machines Corporation	12,000	1,009,920
Microsoft Corporation	75,913	1,475,749
Oracle Corporation *	45,555	807,690
QUALCOMM Inc.	11,308	405,165
Other Information Technology ^(a)		1,296,057
		-----
		8,590,489
		-----
MATERIALS - 2.25%		
Monsanto Company	10,000	703,500
Other Materials ^(a)		800,742
		-----
		1,504,242
		-----
REAL ESTATE INVESTMENT TRUSTS - 0.69%		
Total Real Estate Investment Trusts (a)		464,400
		-----
TELECOMMUNICATION SERVICES - 3.15%		
AT&T Inc.	48,636	1,386,126
Verizon Communications Inc.	21,000	711,900
Other Telecommunication Services (a)		8,416
		-----
		2,106,442
		-----
UTILITIES - 3.29%		
Southern Company (The)	14,000	518,000
Other Utilities ^(a)		1,678,998
		-----
		2,196,998
		-----
TOTAL EQUITY SECURITIES (cost - \$94,500,544)		66,368,719
		-----
SHORT-TERM INVESTMENTS - 4.35%		
MONEY MARKET SECURITY - 0.82%		
JPMorgan U.S. Government Money Market Fund	546,252	546,252
		-----

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Description	Principal Amount (000s)	Value
-----		
REPURCHASE AGREEMENTS - 3.53%		
J.P. Morgan Securities Inc.+ (Agreements dated 12/31/2008 to be repurchased at \$2,362,700) (b)	\$ 2,363	\$ 2,362,695
		-----
TOTAL SHORT-TERM INVESTMENTS (cost - \$2,908,947)		2,908,947
		-----
TOTAL INVESTMENTS - 103.69% (cost - \$97,409,491)		69,277,666
		-----
LIABILITIES IN EXCESS OF OTHER ASSETS - (3.69)%		(2,466,969)
		-----
NET ASSETS - 100.00%		\$ 66,810,697
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See accompanying notes to financial statements.

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CORNERSTONE PROGRESSIVE RETURN FUND  
STATEMENT OF ASSETS AND LIABILITIES - DECEMBER 31, 2008

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ASSETS

Investments, at value, including collateral for securities on loan of \$2,362,695 (Cost \$97,409,491) (1)	\$ 69,277,666
Receivables:	
Investments sold	521,097
Dividends	194,571
Prepaid expenses	1,489
	-----
Total Assets	69,994,823
	-----

LIABILITIES

Payables:	
Upon return of securities loaned	2,362,695

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Investments purchased	711,863
Investment management fees	55,519
Trustees' fees	20,738
Other accrued expenses	33,311
	-----
Total Liabilities	3,184,126
	-----
NET ASSETS (applicable to 9,336,732 shares of common outstanding)	\$ 66,810,697
	=====
NET ASSET VALUE PER SHARE (\$66,810,697 / 9,336,732)	\$ 7.16
	=====
NET ASSETS CONSIST OF	
Paid-in capital	\$ 114,547,805
Accumulated net realized loss on investments	(19,605,283)
Net unrealized depreciation in value of investments	(28,131,825)
	-----
Net assets applicable to shares outstanding	\$ 66,810,697
	=====

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(1) Includes securities out on loan to brokers with a market value of \$2,340,643.

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See accompanying notes to financial statements.

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CORNERSTONE PROGRESSIVE RETURN FUND  
STATEMENT OF OPERATIONS - FOR THE YEAR ENDED DECEMBER 31, 2008

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INVESTMENT INCOME

Income:

Dividends	\$ 2,682,774
Interest	45,539
Securities lending	27,409
	-----
Total Investment Income	2,755,722
	-----

Expenses:

Investment management fees	1,006,426
Administration fees	100,640
Trustees' fees	80,398
Legal and audit fees	43,909
Accounting fees	37,650
Custodian fees	19,998
Transfer agent fees	13,680
Printing	11,869
Stock exchange listing fees	8,309

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Insurance	5,293
Miscellaneous	3,800
	-----
Total Expenses	1,331,972
Less: Fees paid indirectly	(70,401)
	-----
Net Expenses	1,261,571
	-----
Net Investment Income	1,494,151
	-----

NET REALIZED AND UNREALIZED LOSS ON INVESTMENTS

Net realized loss from investments	(19,608,587)
Capital gain distributions from regulated investment companies and real estate investment trusts	3,304
Net change in unrealized depreciation in value of investments	(23,781,155)
	-----
Net realized and unrealized loss on investments	(43,386,438)
	-----
NET DECREASE IN NET ASSETS RESULTING FROM OPERATIONS	\$ (41,892,287)
	=====

See accompanying notes to financial statements.

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CORNERSTONE PROGRESSIVE RETURN FUND  
STATEMENT OF CHANGES IN NET ASSETS  
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	For the Year Ended December 31, 2008	For Septemb T Decemb
	-----	-----
INCREASE/(DECREASE) IN NET ASSETS		
Operations:		
Net investment income	\$ 1,494,151	\$
Net realized gain/(loss) from investments	(19,608,587)	1,
Capital gain distributions from regulated investment companies and real estate investment trusts	3,304	
Net change in unrealized depreciation in value of investments	(23,781,155)	(4,
	-----	-----
Net decrease in net assets resulting from operations	(41,892,287)	(2,
	-----	-----
Dividends and distributions to shareholders:		
Net investment income	(1,494,151)	(
Net realized capital gains	--	(1,
Return-of-capital	(21,470,420)	(3,
	-----	-----
Total dividends and distributions to shareholders	(22,964,571)	(5,

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Capital stock transactions:		
Proceeds from initial public offering of 8,097,800 shares of common	--	121,
Proceeds from secondary offering of 1,228,865 shares of common	--	18,
Offering expenses associated with the issuance of common shares	--	(
Proceeds from 3,066 and 333 shares newly issued in reinvestment of dividends and distributions, respectively	39,846	
	-----	-----
Net increase in net assets from capital share transactions	39,846	139,
	-----	-----
Total increase/(decrease) in net assets	(64,817,012)	131,
	-----	-----
NET ASSETS		
Beginning of period	131,627,709	
	-----	-----
End of period	\$ 66,810,697	\$ 131,
	=====	=====

\* Commencement of operations.

See accompanying notes to financial statements.

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CORNERSTONE PROGRESSIVE RETURN FUND FINANCIAL HIGHLIGHTS

Contained below is per share operating performance data for a share of common 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 Year Ended December 31, 2008	For the P September 1 throu December
	-----	-----
PER SHARE OPERATING PERFORMANCE		
Net asset value, beginning of period	\$ 14.10	\$ 14.96
	-----	-----
Net investment income #	0.16	0.06
Net realized and unrealized loss on investments	(4.64)	(0.35)
	-----	-----
Net decrease in net assets resulting from operations	(4.48)	(0.29)
	-----	-----

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Dividends and distributions to shareholders:		
Net investment income	(0.16)	(0.06)
Net realized capital gains	--	(0.15)
Return-of-capital	(2.30)	(0.41)
	-----	-----
Total dividends and distributions to shareholders	(2.46)	(0.62)
	-----	-----
Capital share transactions:		
Anti-dilutive effect due to issuance of common shares	--	0.05
Anti-dilutive effect due to shares issued in reinvestment of dividends and distributions	--	0.00
	-----	-----
Total capital share transactions	--	0.05
	-----	-----
Net asset value, end of period	\$ 7.16	\$ 14.10
	=====	=====
Market value, end of period	\$ 7.10	\$ 16.75
	=====	=====
Total investment return (a)	(47.53)%	16.02
	=====	=====

### RATIOS/SUPPLEMENTAL DATA

Net assets, end of period (000 omitted)	\$ 66,811	\$ 131,628
Ratio of expenses to average net assets, net of fees paid indirectly	1.25%	1.29
Ratio of expenses to average net assets, excluding the reduction for fees paid indirectly	1.32%	1.42
Ratio of net investment income to average net assets	1.48%	1.46
Portfolio turnover rate	20.19%	6.77

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- \* Commencement of operations.
  - ^ Based on \$15.00 per share public offering price less \$0.04 per share of offering expenses related to the Fund's initial public offering.
  - # Based on average shares outstanding.
  - + Amount is less than a \$0.01.
  - (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) Annualized.

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See accompanying notes to financial statements.

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### CORNERSTONE PROGRESSIVE RETURN FUND NOTES TO FINANCIAL STATEMENTS

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#### NOTE A. ORGANIZATION

Cornerstone Progressive Return Fund (the "Fund") was organized as a Delaware statutory trust on April 26, 2007 and commenced investment operations on September 10, 2007. Prior to such date it had no operations other than the sale

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and issuance of 6,668 shares at an aggregate purchase price of \$100,020 on July 20, 2007. Its investment objective is to provide long-term total return. 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 accordance 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.

**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 Trustees 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 Adviser" 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 Trustees 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 Trustees believes reflect most closely the value of such securities.

At December 31, 2008, the Fund held no securities valued in good faith by the Board of Trustees. 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 Alternext US LLC is closed.

On March 19, 2008, Financial Accounting Standards Board released Statement of Financial Accounting Standards No. 161, "Disclosures about Derivative Instruments and Hedging Activities" ("FAS 161"). FAS 161 requires qualitative disclosures about objectives and strategies for using derivatives, quantitative disclosures about fair value amounts of and gains and losses on derivative instruments, and disclosures about credit-risk-related contingent features in derivative agreements. The application of FAS 161 is required for fiscal years beginning after November 15, 2008 and interim periods within those fiscal years. At this time, management is evaluating the implications of FAS 161 and its impact on the financial statements is not expected to be material.

**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

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CORNERSTONE PROGRESSIVE RETURN FUND  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
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and broker/dealers, which Cornerstone considers creditworthy. The seller under a repurchase agreement will be required to maintain the value of 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.

**TAXES:** No provision is made for U.S. federal income or excise taxes as it is the Fund's intention 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. In July 2006, the Financial Accounting Standards Board ("FASB") released FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes ("FIN 48"), an interpretation of FASB Statement No. 109. FIN 48 provides guidance for how uncertain tax positions should be recognized, measured, presented and disclosed in the financial statements. FIN 48 requires the accounting and disclosure of tax positions taken or expected to be taken in the course of preparing the Fund's tax returns to determine whether the tax positions are "more likely than not" of being sustained by the applicable tax authority. Tax positions not deemed to meet the more likely than not threshold would be recorded as a tax benefit or expense in the current year. Adoption of FIN 48 is effective during the first required financial reporting period for fiscal years beginning after December 15, 2006. Management has adopted FIN 48 and reviewed any uncertain tax positions for open tax years 2007 and 2008. There was no material impact to the financial statements or, other than as described herein, the disclosures thereto as a result of the adoption of the pronouncement.

**DISTRIBUTIONS TO SHAREHOLDERS:** The Fund makes a level distribution to its shareholders each month pursuant to a managed distribution policy adopted by the Board of Trustees ("Managed Distribution Policy"). 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 portfolio. The level distribution rate may be modified by the Board of Trustees from time to time. If, for any monthly distribution, investment company taxable income, if any (which term includes net short-term capital gain), and net tax-exempt income, if any, is less than the amount of the distribution, the difference will generally be a tax-free return of capital distributed from the Fund's assets. The Fund's final distribution for each calendar year is expected to include any remaining investment company taxable income and net tax exempt income undistributed during the year, as well as all net capital gain realized during the year.

However, if they determine it is appropriate to do so, the Board of Trustees may elect to not distribute realized gains and to pay taxes incurred. In general,

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the total distributions made in any taxable year (other than distributions of net capital gain or return of capital) would be treated as ordinary dividend income to the extent of the Fund's current and accumulated earnings and profits. Distributions in excess of the earnings and profits would first be a tax-free return of capital to the extent of the adjusted tax basis in the shares.

The Managed Distribution Policy described above would result in the payment of approximately the same amount or percentage to the Fund's shareholders each month. These distributions will not be tied to the Fund's investment income and capital gains and will not represent yield or investment return on the Fund's portfolio. Section 19(a) of the 1940 Act and Rule 19a-1 thereunder require the Fund

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CORNERSTONE PROGRESSIVE RETURN FUND  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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to provide a written statement accompanying any such payment that adequately discloses its source or sources, other than net investment income. Thus, if the source of some or all of the dividend or other distribution were the original capital contribution of the shareholder, and the payment amounted to a return of capital, the Fund would be required to provide written disclosure to that effect. Nevertheless, persons who periodically receive the payment of a dividend or other distribution may be under the impression that they are receiving net profits when they are not. Shareholders should read any written disclosure provided pursuant to Section 19(a) and Rule 19a-1 carefully, and should not assume that the source of any distribution from the Fund is net profit.

The Board of Trustees reserves the right to change the monthly distribution policy from time to time.

NOTE C. FAIR VALUE

The Fund adopted Financial Accounting Standards Board Statement of Financial Accounting Standards No. 157, Fair Value Measurements ("FAS 157"), effective January 1, 2008. In accordance with FAS 157, fair value is defined as the price that the Fund would receive upon selling an investment in a timely transaction to an independent buyer in the principal or most advantageous market of the investment. FAS 157 established a three-tier hierarchy to maximize the use of observable market data and minimize the use of unobservable inputs and to establish classification of fair value measurements for disclosure purposes. Inputs refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk, for example, the risk inherent in a particular valuation technique used to measure fair value including such a pricing model and/or the risk inherent in the inputs to the valuation technique. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The three-tier hierarchy of inputs is summarized in the three broad Levels listed below.

- o Level 1 - quoted prices in active markets for identical investments

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- o Level 2 - other significant observable inputs (including quoted prices for similar investments, interest rates, prepayment speeds, credit risk, etc.)
- o Level 3 - significant unobservable inputs (including the Fund's own assumptions in determining the fair value of investments)

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. The following is a summary of the inputs used as of December 31, 2008 in valuing the Fund's investments carried at value:

VALUATION INPUTS	INVESTMENTS IN SECURITIES	OTHER FINANCIAL INSTRUMENTS*
Level 1 - Quoted Prices	\$66,368,719	--
Level 2 - Other Significant Observable Inputs	2,908,947	--
Level 3 - Significant Unobservable Inputs	--	--
Total	\$69,277,666	--

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

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 December 31, 2008.

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### CORNERSTONE PROGRESSIVE RETURN FUND NOTES TO FINANCIAL STATEMENTS (CONTINUED)

#### NOTE D. AGREEMENTS

Cornerstone serves as the Fund's Investment Adviser 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 year ended December 31, 2008, Cornerstone earned \$1,006,426 for investment management services.

Included in the Statement of Operations, under the caption Fees paid indirectly, are expense offsets of \$70,401 arising from credits earned on portfolio transactions executed with a broker, pursuant to a directed brokerage arrangement.

The Fund paid or accrued approximately \$26,001 for the year ended December 31, 2008 for legal services to Blank Rome LLP ("Blank"), counsel to the Fund. Thomas R. Westle, partner of Blank, served as Secretary of the Fund until February 15, 2008.

#### NOTE E. INVESTMENT IN SECURITIES

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For the year ended December 31, 2008, purchases and sales of securities, other than short-term investments, were \$20,420,370 and \$40,864,618 respectively.

### NOTE F. COMMON SHARES OF BENEFICIAL INTEREST

The Fund has 9,336,732 common shares of beneficial interest authorized and outstanding at December 31, 2008. As of that date, two individuals that control Cornerstone owned 9,604 shares in the Fund. Transactions in common shares for the year ended December 31, 2008 were as follows:

Shares at beginning of year	9,333,666
Shares newly issued in reinvestment of dividends and distributions	3,066
	-----
Shares at end of year	9,336,732
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### NOTE G. SHARE REPURCHASE PROGRAM

Pursuant to Section 23 of the Investment Company Act of 1940, as amended, the Fund may purchase shares of its common shares of beneficial interest 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 year ended December 31, 2008. 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 H. SECURITIES LENDING

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

The value of securities on loan to brokers at December 31, 2008 was \$2,340,643. During the year ended December 31, 2008, the Fund earned \$27,409 in securities lending income which is included under the caption SECURITIES LENDING in the Statement of Operations.

### NOTE I. 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

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CORNERSTONE PROGRESSIVE RETURN FUND  
NOTES TO FINANCIAL STATEMENTS (CONCLUDED)  
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deferred due to wash sales and Post- October losses (as later defined), and excise tax regulations. The tax character of dividends and distributions paid during the year ended December 31, 2008 and period September 10, 2007 (commencement of operations) through December 31, 2007 for the Fund were as follows:

ORDINARY INCOME		RETURN-OF-CAPITAL	
2008	2007	2008	2007
----	----	----	----
\$ 1,494,151	\$566,522	\$21,470,420	\$3,647,294
CAPITAL GAINS			
	2008	2007	
	----	----	
	--	\$1,274,327	

At December 31, 2008 the components of the accumulated deficit on a tax basis, for the Fund were as follows:

Capital loss carryforward	\$ (8,177,222)
Net unrealized depreciation	(28,336,360)
Other accumulated loss	(11,223,526)
	-----
Total accumulated deficit	\$(47,737,108)
	=====

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"). For the tax period ended December 31, 2008, the Fund incurred Post-October losses in the amount of \$11,223,526.

At December 31, 2008, the Fund had a capital loss carryforward for U.S. federal income tax purposes of \$8,177,222 which expires in 2016.

At December 31, 2008, 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 \$97,614,026, \$1,758,750, \$(30,095,110), and \$(28,336,360), respectively.

NOTE J. SUBSEQUENT EVENTS

Effective February 13, 2009, Kayadti A. Madison resigned as Treasurer. Effective that same day Gary A. Bentz was appointed as Assistant Treasurer.

Effective February 28, 2009, Ultimus Fund Solutions, LLC replaced Bear Stearns Funds Management Inc. as Fund Administrator and Commonwealth Fund Services, LLC as Fund Accounting agent.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors Cornerstone  
Progressive Return Fund New York, New York

We have audited the accompanying statement of assets and liabilities of Cornerstone Progressive Return Fund, including the schedule of investments as of December 31, 2008, and the related statement of operations for the year then ended, the statements of changes in net assets, and the financial highlights for the year then ended and for the period September 10, 2007 (commencement of operations) to December 31, 2007. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. The Fund is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. Our procedures included confirmation of securities owned as of December 31, 2008, by correspondence with the custodian and brokers. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of Cornerstone Progressive Return Fund, as of December 31, 2008, the results of its operations for the year then ended, the changes in its net assets and the financial highlights for the year then ended and for the period September 10, 2007 (commencement of operations) to December 31, 2007, in conformity with accounting principles generally accepted in the United States of America.

TAIT, WELLER & BAKER LLP

Philadelphia, Pennsylvania  
February 24, 2009

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## 2008 TAX INFORMATION (UNAUDITED)

Cornerstone Progressive Return Fund (the "Fund") is required by Subchapter M of the Internal Revenue Code of 1986, as amended, to advise its shareholders within 60 days of the Fund's year end (December 31, 2008) as to the U.S. federal tax status of the dividends and distributions received by the Fund's shareholders in respect of such fiscal year. The \$22,964,571 in dividend and distributions paid

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to shareholders in respect of such year, is represented by \$1,494,151 of net investment income, and \$21,470,420 of return-of-capital.

As indicated in this notice, significant portions of the Fund's distributions for 2008 were comprised of a return-of-capital; accordingly these distributions do NOT represent yield or investment return on the Fund's portfolio. During the year ended December 31, 2008 the following dividends and distributions per share were paid by the Fund:

SOURCES OF DIVIDENDS AND DISTRIBUTIONS (PER SHARE AMOUNTS)					
PAYMENT DATES:	1/31/08	2/29/08	3/31/08	4/30/08	5/30/08
-----	-----	-----	-----	-----	-----
Ordinary Income(1)	\$ 0.0133	\$ 0.0133	\$ 0.0133	\$ 0.0133	\$ 0.0133
Return-of-Capital(2)	0.1917	0.1917	0.1917	0.1917	0.1917
	-----	-----	-----	-----	-----
Total:	\$ 0.2050	\$ 0.2050	\$ 0.2050	\$ 0.2050	\$ 0.2050
	=====	=====	=====	=====	=====
PAYMENT DATES:	7/31/08	8/29/08	9/30/08	10/31/08	11/28/08
-----	-----	-----	-----	-----	-----
Ordinary Income(1)	\$ 0.0133	\$ 0.0133	\$ 0.0133	\$ 0.0133	\$ 0.0133
Return-of-Capital(2)	0.1917	0.1917	0.1917	0.1917	0.1917
	-----	-----	-----	-----	-----
Total:	\$ 0.2050	\$ 0.2050	\$ 0.2050	\$ 0.2050	\$ 0.2050
	=====	=====	=====	=====	=====

Notes:

- (1) ORDINARY INCOME DIVIDENDS - This is the total per share amount of ordinary income dividends and short-term capital gain distributions included in the amount reported in Box 1a on Form 1099-DIV.
- (2) RETURN-OF-CAPITAL - This is the per share amount of return-of-capital, or sometimes called nontaxable, distributions reported in Box 3 - under the title "Nondividend distributions" - on Form 1099-DIV. This amount should NOT be reported as taxable income on your current return. Rather, it should be treated as a reduction in the original cost basis of your investment in the Fund.

The Fund has met the requirements to pass through all of its (100.00%) ordinary income dividends as qualified dividends, which are subject to a maximum tax rate of 15%. This is reported in Box 1b on Form 1099-DIV. Ordinary income dividends should be reported as dividend income on Form 1040. Please note that to utilize the lower tax rate for qualifying dividend income, shareholders generally must have held their shares in the Fund for at least 61 days during the 121 day period beginning 60 days before the ex-dividend date.

Foreign shareholders will generally be subject to U.S. withholding tax on the amount of the actual ordinary income dividend paid by the Fund.

In general, distributions received by tax-exempt recipients (e.g., IRA's and Keoghs) need not be reported as taxable income for U.S. federal income tax purposes. However, some retirement trusts (E.G., corporate, Keogh and 403(b) (7) plans) may need this information for their annual information reporting.

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Shareholders are strongly advised to consult their own tax advisers with respect to the tax consequences of their investment in the Fund.

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ADDITIONAL INFORMATION REGARDING THE FUND'S TRUSTEES AND CORPORATE OFFICERS (UNAUDITED)

NAME AND ADDRESS* (BIRTH DATE)	POSITION(S) HELD WITH FUND	PRINCIPAL OCCUPATION OVER LAST 5 YEARS	POSITION WITH FUND SINCE	NUMBER PORTFOLIO FUND COM OVERSEEN TRUSTEE
Ralph W. Bradshaw** (Dec. 1950)	Chairman of the Board of Trustees and President	President, Cornerstone Advisors, Inc.; Financial Consultant; President and Director of Cornerstone Total Return Fund, Inc. and Cornerstone Strategic Value Fund, Inc.	2007	3
Thomas H. Lenagh (Nov. 1924)	Trustee; Audit, Nominating and Corporate Governance Committee Member	Independent Financial Adviser; Director of Photonics Products Group; Director of Cornerstone Total Return Fund, Inc. and Cornerstone Strategic Value Fund, Inc.; Director of Adams Express Company and Petroleum and Resources Corporation.	2007	3
Edwin Meese III (Dec. 1931)	Trustee; Audit, Nominating and Corporate Governance Committee Member	Distinguished Fellow, The Heritage Foundation Washington D.C.; Distinguished Visiting Fellow at the Hoover Institution, Stanford University; Senior Adviser, Revelation L.P.; Director of Cornerstone Total Return Fund, Inc. and Cornerstone Strategic Value Fund, Inc.	2007	3
Scott B. Rogers (July 1955)	Trustee; Audit, Nominating and Corporate Governance Committee Member	Chairman, Board of Health Partners, Inc.; Chief Executive Officer, Asheville Buncombe Community Christian Ministry; and President, ABCCM Doctor's Medical Clinic; Appointee, NC Governor's Commission on Welfare to Work; Director of Cornerstone Total Return Fund, Inc. and Cornerstone Strategic Value Fund, Inc.	2007	3

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ADDITIONAL INFORMATION REGARDING THE FUND'S TRUSTEES  
AND CORPORATE OFFICERS (UNAUDITED) (CONTINUED)

NAME AND ADDRESS* (BIRTH DATE)	POSITION(S) HELD WITH FUND	PRINCIPAL OCCUPATION OVER LAST 5 YEARS	POSITION WITH FUND SINCE	NUMBER PORTFOLIO FUND COM OVERSEEN TRUSTEE
Andrew A. Strauss (Nov. 1953)	Trustee; Chairman of Nominating and Corporate Governance Committees and Audit Committee Member	Attorney and senior member of Strauss & Associates, P.A., Attorneys, Asheville and Hendersonville, NC; previous President of White Knight Healthcare, Inc. and LMV Leasing, Inc., a wholly owned subsidiary of Xerox Credit Corporation; Director of Cornerstone Total Return Fund, Inc. and Cornerstone Strategic Value Fund, Inc.	2007	3
Glenn W. Wilcox, Sr. (Dec. 1931)	Trustee; Chairman of Audit Committee, Nominating and Corporate Governance Committee Member	Chairman of the Board, Tower Associates, Inc.; Chairman of the Board and Chief Executive Officer of Wilcox Travel Agency, Inc.; Director of Cornerstone Total Return Fund, Inc. and Cornerstone Strategic Value Fund, Inc.	2007	3

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ADDITIONAL INFORMATION REGARDING THE FUND'S TRUSTEES  
AND CORPORATE OFFICERS (UNAUDITED) (CONCLUDED)

NAME AND ADDRESS* (BIRTH DATE)	POSITION(S) HELD WITH FUND	PRINCIPAL OCCUPATION OVER LAST 5 YEARS	POSITION WITH FUND SINCE	NUMBER PORTFOLIO FUND COM OVERSEEN TRUSTEE
Gary A. Bentz (June 1956)	Chief Compliance	Chairman and Chief Financial Officer of Cornerstone Advisors, Inc.; previous	2007, 2008, 2009	

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Officer, Secretary, and Assistant Treasurer	Director, Vice President and Treasurer of Cornerstone Total Return Fund, Inc. and Cornerstone Strategic Value Fund, Inc., Financial Consultant, C.P.A.; Chief Compliance Officer, Secretary, and Assistant Treasurer of Cornerstone Total Return Fund, Inc. and Cornerstone Strategic Value Fund, Inc.
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William A. Clark (Oct. 1945)	Vice President	Director and Stockholder of Cornerstone 2007 Advisors, Inc.; Vice President and former Director of Cornerstone Strategic Value Fund, Inc. and Cornerstone Total Return Fund, Inc.; Financial Consultant; former Director of Investors First Fund, Inc.
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- \* The mailing address of each Trustee and/or Officer with respect to the Fund's operation is 305 Madison Ave., New York, NY 10165.
- \*\* Designates a trustee who is an "interested person" of the Fund as defined by the Investment Company Act of 1940, as amended. Mr. Bradshaw is an interested person of the Fund by virtue of his current position with the Investment Adviser of the Fund.

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DESCRIPTION OF DIVIDEND REINVESTMENT PLAN (UNAUDITED)

Cornerstone Progressive Return Fund (the "Fund") operates a Dividend Reinvestment Plan (the "Plan"), sponsored and administered by American Stock 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 Alternext US 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

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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 Trustees, 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 include those shares purchased pursuant to the Plan. Each participant, nevertheless, has the right to receive certificates for whole shares owned.

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DESCRIPTION OF DIVIDEND REINVESTMENT PLAN (UNAUDITED) (CONCLUDED)

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 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

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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.

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### PROXY VOTING AND PORTFOLIO HOLDINGS INFORMATION (UNAUDITED)

Information regarding how Cornerstone Progressive Return Fund (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 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 are 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 the Fund's 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: 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

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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.

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SUMMARY OF GENERAL INFORMATION (UNAUDITED)

Cornerstone Progressive Return Fund is a closed-end, diversified investment company whose shares trade on the NYSE Alternext US LLC. Its investment objective is to provide long-term total return. The Fund is managed by Cornerstone Advisors, Inc.

SHAREHOLDER INFORMATION (UNAUDITED)

The Fund is listed on the NYSE Alternext US LLC (symbol "CFP"). The previous week's net asset value per share, market price, and related premium or discount are published each Monday in THE WALL STREET JOURNAL under the designation "CnrnstnPrgrtFd" and BARRON'S under the designation "CornerstoneProgreRet". Such information is available weekly and may be obtained by contacting the Fund at the general inquiry phone number.

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NOTICE IS HEREBY GIVEN IN ACCORDANCE WITH SECTION 23(C) OF THE INVESTMENT COMPANY ACT OF 1940, AS AMENDED, THAT CORNERSTONE PROGRESSIVE RETURN FUND MAY FROM TIME TO TIME PURCHASE ITS SHARES IN THE OPEN MARKET.  
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This report, including the financial statements herein, is sent to the shareholders of the Fund for their information. It is not a prospectus, circular or representation intended for use in the purchase or sale of shares of the Fund or of any securities mentioned in the report.  
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TRUSTEES AND CORPORATE OFFICERS

Ralph W. Bradshaw	Chairman of the Board of Trustees and President
Thomas H. Lenagh	Trustee
Edwin Meese III	Trustee
Scott B. Rogers	Trustee
Andrew A. Strauss	Trustee
Glenn W. Wilcox, Sr.	Trustee
Gary A. Bentz	Chief Compliance Officer, Secretary, and Assistant Treasurer
William A. Clark	Vice President

INVESTMENT MANAGER Cornerstone Advisors, Inc. One West Pack Square Suite 1650 Asheville, NC 28801	STOCK TRANSFER AGENT AND REGISTRAR American Stock Transfer & Trust Co. 59 Maiden Lane New York, NY 10038
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ADMINISTRATOR Ultimus Fund Solutions, LLC 305 Madison Avenue New York, NY 10165	INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM Tait, Weller & Baker LLP 1818 Market Street Suite 2400 Philadelphia, PA 19103
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CUSTODIAN Custodial Trust Company 101 Carnegie Center Princeton, NJ 08540	LEGAL COUNSEL Blank Rome LLP 405 Lexington Avenue New York, NY 10174
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EXECUTIVE OFFICES  
305 Madison Avenue  
New York, NY 10165

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

CFP  
LISTED  
ALTERNEXT

CORNERSTONE PROGRESSIVE RETURN FUND

ITEM 2. CODE OF ETHICS.

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(a) As of the end of the period covered by this report, the Registrant has adopted a code of ethics that applies to the Registrant's principal executive officer, principal accounting officer, and persons performing similar functions.

(c) and (d). During the period covered by this report, there was no amendment to, and no waiver granted from, any provision of the code of ethics that applies to the Registrant's principal executive officer, principal accounting officer, and persons performing similar functions.

(f) (1) Pursuant to Item 12(a) (1), the Registrant is attaching as an exhibit (EX-99.CODE ETH) a copy of its code of ethics that applies to its principal executive officer, principal financial officer, and persons performing similar functions.

(f) (3) The Registrant undertakes to provide to any person without charge, upon request, a copy of its code of ethics. This can be accomplished by calling the Registrant at (513) 326-3597.

### ITEM 3. AUDIT COMMITTEE FINANCIAL EXPERT.

(a) (1) The registrant's board of trustees has determined that it does not have an audit committee financial expert serving on its audit committee.

(a) (2) Not applicable

(a) (3) At this time, the registrant believes that the experience provided by each member of the audit committee together offer the registrant adequate oversight for the registrant's level of financial complexity.

### ITEM 4. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

(a) through (d). The information in the table below is provided for services rendered to the registrant by its independent registered public accounting firm, Tait, Weller & Baker LLP for the Registrant's fiscal years ended December 31, 2008 and December 31, 2007.

	2008	2007
Audit Fees	\$14,100	\$13,600
Audit-related Fees (1)	--	1,000
Tax Fees (2)	3,000	2,700
All Other Fees	--	--
Total	\$17,100	\$17,300

(1) Audit-related fees include charges related to the audit of seed capital.

(2) Tax services in connection with the registrant's excise tax calculations and review of the registrant's applicable tax returns.

(e) (1) Audit Committee Pre-Approval Policies and Procedures.

Before the auditor is (i) engaged by the Registrant to render audit, audit related or permissible non-audit services to the Registrant or (ii) with respect to non-audit services to be provided by the auditor to the Registrant's investment adviser or any entity in the investment Registrant complex, if the nature of the services provided relate directly to the operations or financial reporting of the Registrant, either: (a) the Audit Committee shall pre-approve such engagement; or (b) such engagement shall be entered into pursuant to pre-approval policies and procedures established by the Audit Committee. Any

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such policies and procedures must be detailed as to the particular service and not involve any delegation of the Audit Committee's responsibilities to the Registrant's investment adviser. The Audit Committee may delegate to one or more of its members the authority to grant pre-approvals. The pre-approval policies and procedures shall include the requirement that the decisions of any member to whom authority is delegated under this provision shall be presented to the full Audit Committee at its next scheduled meeting. Under certain limited circumstances, pre-approvals are not required if certain de minimis thresholds are not exceeded, as such thresholds are set forth by the Audit Committee and in accordance with applicable SEC rules and regulations.

(e) (2) None of the services provided to the Registrant described in paragraphs

(b)-(d) of Item 4 were pre-approved by the Audit Committee pursuant to paragraph (c) (7) (i) (C) of Rule 2-01 of regulation S-X.

(f) No disclosures are required by this Item 4(f).

(g) There were no non-audit fees billed by Tait, Weller & Baker LLP for services rendered to the Registrant, the Registrant's investment advisor (not including any sub-advisor whose role is primarily portfolio management and is subcontracted with or overseen by another investment advisor) or any entity controlling, controlled by, or under common control with the investment advisor that provides ongoing services to the Registrant for the Registrant's last fiscal year (December 31, 2008).

(h) No disclosures are required by this Item 4(h).

### ITEM 5. AUDIT COMMITTEE OF LISTED REGISTRANTS.

(a) The Registrant has a separately-designated standing audit committee established in accordance with Section 3(a)(58)(A) of the Securities and Exchange Act of 1934, as amended. Glenn Wilcox (Chair), Edwin Meese, Thomas Lenagh, Andy Strauss and Scott Rogers are the members of the Registrant's audit committee.

(b) Not applicable.

### ITEM 6. SCHEDULE OF INVESTMENTS.

#### CORNERSTONE PROGRESSIVE RETURN FUND SCHEDULE OF INVESTMENTS - DECEMBER 31, 2008

DESCRIPTION	NO. OF SHARES	VALUE
EQUITY SECURITIES - 99.34%		
CLOSED-END FUNDS - 18.53%		
Advent/Claymore Enhanced Growth & Income Fund	49,761	\$ 403,562
BlackRock Enhanced Capital and Income Fund, Inc.	20,300	227,157
Blue Chip Value Fund, Inc.	5,600	13,160
Calamos Strategic Total Return Fund	254,700	1,591,875
Clough Global Allocation Fund	2,300	24,564
Clough Global Equity Fund	50,200	477,904

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Clough Global Opportunities Fund	129,000	1,167,450
Dreman/Claymore Dividend & Income Fund	228,755	432,347
Eaton Vance Tax-Advantaged Dividend Income Fund	8,500	99,025
Eaton Vance Tax-Advantaged Global Dividend Income Fund	47,000	499,140
Eaton Vance Tax-Managed Global Buy-Write Opportunities Fund	70,900	717,508
Eaton Vance Tax-Managed Global Diversified Equity Income Fund	124,550	1,226,817
Gabelli Dividend & Income Trust	49,414	508,964
General American Investors Company, Inc.^	18,600	323,640
H&Q Healthcare Investors	12,900	142,803
H&Q Life Sciences Investors	44,000	380,160
ING Risk Managed Natural Resources Fund	46,720	618,106
John Hancock Bank and Thrift Opportunity Fund ^	4,000	55,080
Liberty All-Star Equity Fund	306,100	1,071,350
Liberty All-Star Growth Fund, Inc.	86,600	225,160
LMP Capital and Income Fund Inc	101,300	783,049
Morgan Stanley High Yield Fund, Inc.	27,600	104,604
Nuveen Diversified Dividend and Income Fund	17,900	112,949
Nuveen Tax-Advantaged Total Return Strategy Fund	7,800	59,124
Reaves Utility Income Fund (The)	31,107	364,263
Royce Value Trust, Inc.	24,000	201,360
SunAmerica Focused Alpha Growth Fund, Inc.	16,000	152,800
Zweig Fund, Inc.	138,700	399,456
		-----
		12,383,377
		-----

### CONSUMER DISCRETIONARY - 6.68%

Amazon.com, Inc. *	5,500	282,040
Best Buy Co., Inc.	2,000	56,220
Coach, Inc. *	4,000	83,080
Comcast Corporation, Class A	19,358	326,763
DIRECTV Group, Inc. (The) * ^	15,000	343,650
Ford Motor Company * ^	15,000	34,350
Gamestop Corporation, Class A *	2,500	54,150
Gap, Inc. (The)	11,000	147,290
Home Depot, Inc. (The)	15,000	345,300
Johnson Controls, Inc.	4,000	72,640
Kohl's Corporation *	3,695	133,759
Lowe's Companies, Inc.	10,000	215,200
McDonald's Corporation	11,000	684,090
NIKE, Inc., Class B ^	5,000	255,000
Omnicom Group Inc.	4,000	107,680
Staples, Inc.	5,000	89,600
Target Corporation	8,114	280,177
Time Warner Inc.	30,000	301,800
TJX Companies, Inc. (The)	4,000	82,280
Walt Disney Company (The)	25,000	567,250
		-----
		4,462,319
		-----

### CONSUMER STAPLES - 11.41%

Altria Group, Inc.	14,422	217,195
Archer-Daniels-Midland Company	4,000	115,320
Coca-Cola Company (The)	15,000	679,050
Colgate-Palmolive Company	5,000	342,700
CVS Caremark Corporation	11,246	323,210
Estee Lauder Companies Inc. (The) ^	3,000	92,880
General Mills, Inc.	3,000	182,250

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H.J. Heinz Company	6,000	225,600
Kraft Foods Inc, Class A	18,000	483,300
Kroger Co. (The)	7,000	184,870
Molson Coors Brewing Company ^	2,000	97,840
PepsiCo, Inc.	12,000	657,240
Philip Morris International Inc.	18,337	797,843
Procter & Gamble Company (The)	22,233	1,374,444
Sysco Corporation	7,000	160,580
Walgreen Company	7,000	172,690
Wal-Mart Stores, Inc.	27,000	1,513,620
		-----
		7,620,632
		-----

### ENERGY - 10.93%

Apache Corporation	3,500	260,855
Chesapeake Energy Corporation	4,244	68,627
Chevron Corporation	17,251	1,276,056
ConocoPhillips	8,208	425,174
Devon Energy Corporation	4,000	262,840
El Paso Corporation	1	8
EOG Resources, Inc.	2,000	133,160
Exxon Mobil Corporation	43,475	3,470,609
Halliburton Company ^	5,163	93,863
National-Oilwell Varco Inc. *	2,500	61,100
Noble Corporation ^	5,117	112,881
Peabody Energy Corporation	5,000	113,750
Schlumberger Limited	12,598	533,273
Southwestern Energy Company *	3,000	86,910
Transocean Ltd. *	2,156	101,871
Williams Companies, Inc. (The)	13,000	188,240
XTO Energy, Inc.	3,139	110,713
		-----
		7,299,930
		-----

### FINANCIALS - 9.19%

AFLAC Inc.	4,000	183,360
American Express Company	6,252	115,975
Aon Corporation	3,000	137,040
Bank of America Corporation	29,792	419,471
BB&T Corporation ^	10,000	274,600
Charles Schwab Corporation (The)	18,000	291,060
Chubb Corporation (The)	7,000	357,000
Citigroup Inc.	40,430	271,285
Franklin Resources, Inc.	5,000	318,900
Goldman Sachs Group, Inc. (The)	3,000	253,170
Hudson City Bancorp, Inc. ^	5,000	79,800
JPMorgan Chase & Co.	35,498	1,119,252
Loews Corporation	5,000	141,250
Manulife Financial Corporation	5,000	85,150
Marsh & McLennan Companies, Inc.	5,500	133,485
MetLife, Inc.	3,194	111,343
Morgan Stanley	10,232	164,121
PNC Financial Services Group, Inc.	4,000	196,000
State Street Corporation	5,081	199,836
T. Rowe Price Group Inc.	2,000	70,880
Travelers Companies, Inc. (The)	5,000	226,000

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U.S. Bancorp	4,000	100,040
Wells Fargo & Company	30,206	890,473
		-----
		6,139,491
		-----
HEALTHCARE - 11.53%		
Abbott Laboratories	13,229	706,032
Aetna Inc.	9,000	256,500
Amgen Inc. *	9,119	526,622
Becton, Dickinson and Company	3,000	205,170
Bristol-Myers Squibb Company	16,418	381,718
Celgene Corporation *	4,000	221,120
Eli Lilly and Company	10,000	402,700
Express Scripts, Inc. * ^	4,078	224,208
Gilead Sciences, Inc. *	13,000	664,820
Johnson & Johnson	33,000	1,974,390
Medco Health Solutions, Inc. *	5,000	209,550
Medtronic, Inc.	16,000	502,720
Pfizer Inc.	8,823	156,255
Schering-Plough Corporation	10,768	183,379
St. Jude Medical, Inc. *	7,000	230,720
Stryker Corporation ^	8,000	319,600
UnitedHealth Group Incorporated	5,179	137,761
Wyeth	7,395	277,387
Zimmer Holdings, Inc. *	3,059	123,645
		-----
		7,704,297
		-----
INDUSTRIALS - 8.83%		
3M Co.	5,067	291,555
Burlington Northern Santa Fe Corporation	2,000	151,420
Caterpillar Inc.	7,000	312,690
CSX Corporation	3,000	97,410
Danaher Corporation	8,000	452,880
Deere & Company ^	3,053	116,991
Emerson Electric Co.	11,000	402,710
General Dynamics Corporation	2,000	115,180
General Electric Company	85,918	1,391,872
Honeywell International Inc.	3,236	106,238
Illinois Tool Works Inc.	3,000	105,150
Lockheed Martin Corporation	4,000	336,320
Norfolk Southern Corporation	7,500	352,875
Raytheon Company	7,161	365,497
United Parcel Service, Inc., Class B	9,191	506,975
United Technologies Corporation	10,108	541,789
Waste Management, Inc. ^	7,500	248,550
		-----
		5,896,102
		-----
INFORMATION TECHNOLOGY - 12.86%		
Agilent Technologies Inc. *	7,000	109,410
Apple Inc. *	5,068	432,554
Automatic Data Processing, Inc.	9,000	354,060
Cisco Systems, Inc. *	52,470	855,261

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Corning Incorporated	10,000	95,300
eBay Inc.*	7,000	97,720
EMC Corporation *	21,000	219,870
Google Inc. *	3,032	932,795
Hewlett-Packard Company	18,265	662,837
Intel Corporation	48,599	712,461
International Business Machines Corporation	12,000	1,009,920
Linear Technology Corporation	2,500	55,300
Microsoft Corporation	75,913	1,475,749
Oracle Corporation *	45,555	807,690
Paychex, Inc.	5,000	131,400
QUALCOMM Inc.	11,308	405,165
SAVVIS, Inc.^*	1	7
Texas Instruments Incorporated	9,000	139,680
Xerox Corporation	5,000	39,850
Xilinx, Inc.	3,000	53,460
		-----
		8,590,489
		-----
MATERIALS - 2.25%		
Air Products and Chemicals, Inc.	2,500	125,675
Dow Chemical Company (The)	7,000	105,630
E. I. du Pont de Nemours and Company	5,500	139,150
Freeport-McMoRan Copper & Gold, Inc.	2,119	51,789
International Paper Company	5,000	59,000
Monsanto Company	10,000	703,500
Nucor Corporation	3,061	141,418
Praxair, Inc.	3,000	178,080
		-----
		1,504,242
		-----
REAL ESTATE INVESTMENT TRUSTS - 0.69%		
Public Storage	2,500	198,750
Simon Property Group, Inc.	5,000	265,650
		-----
		464,400
		-----
TELECOMMUNICATION SERVICES - 3.15%		
AT&T Inc.	48,636	1,386,126
Qwest Communications International Inc.	2,312	8,416
Verizon Communications Inc.	21,000	711,900
		-----
		2,106,442
		-----
UTILITIES - 3.29%		
American Electric Power Company, Inc.	7,000	232,960
Dominion Resources, Inc.	9,000	322,560
Duke Energy Corporation	20,000	300,200
Entergy Corporation	2,000	166,260
Exelon Corporation	3,128	173,948
FPL Group, Inc.	7,000	352,310
Questar Corporation ^	4,000	130,760
Southern Company (The)	14,000	518,000
		-----

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		2,196,998
		-----
TOTAL EQUITY SECURITIES		
(cost - \$94,500,544)		66,368,719
		-----
SHORT-TERM INVESTMENTS - 4.35%		
MONEY MARKET SECURITY - 0.82%		
JPMorgan U.S. Government Money Market Fund	546,252	546,252
		-----
	PRINCIPAL AMOUNT (000'S)	
		-----
REPURCHASE AGREEMENTS - 3.53%		
J.P. Morgan Securities Inc.+ ++ (Agreements dated 12/31/2008 to be repurchased at \$2,360,050, 0.04%, 01/02/2009, collateralized by \$2,430,442 in United States Treasury Bonds)	\$2,360	2,360,045
J.P. Morgan Securities Inc.+ ++ (Agreements dated 12/31/2008 to be repurchased at \$2,650, 0.02%, 01/02/2009, collateralized by \$5,011 in United States Treasury Bonds)	3	2,650
		-----
		2,362,695
		-----
TOTAL SHORT-TERM INVESTMENTS		
(cost - \$2,908,947)		2,908,947
		-----
TOTAL INVESTMENTS - 103.69%		
(cost - \$97,409,491)		69,277,666
		-----
LIABILITIES IN EXCESS OF OTHER ASSETS - (3.69)%		(2,466,969)
		-----
NET ASSETS - 100.00%		\$66,810,697
		=====

^ Security or a portion thereof is out on loan.

\* Non-income producing security.

+ Stated interest rate, before rebate earned by borrower of securities on loan.

++ Represents investment purchased with collateral received for securities on loan.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

TO THE SHAREHOLDERS AND BOARD OF TRUSTEES  
CORNERSTONE PROGRESSIVE RETURN FUND  
NEW YORK, NEW YORK

We have audited the accompanying statement of assets and liabilities of Cornerstone Progressive Return Fund, including the schedule of investments as of December 31, 2008, and the related statement of operations for the year then ended, the statement of changes in net assets, and the financial highlights for the year then ended and for the period September 10, 2007 (commencement of

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operations) to December 31, 2007. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. The Fund is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. Our procedures included confirmation of securities owned as of December 31, 2008, by correspondence with the custodian and brokers. We believe that our audits provides a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of Cornerstone Progressive Return Fund as of December 31, 2008, the results of its operations, the changes in its net assets, and the financial highlights for the year then ended and for the period September 10, 2007 (commencement of operations) to December 31, 2007, in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule of investments in securities as of December 31, 2008 appearing in Item 6 of this Form N-CSR is presented for the purpose of additional analysis and is not a required part of the basic financial statements. This additional information is the responsibility of the Fund's management. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

TAIT, WELLER & BAKER LLP

PHILADELPHIA, PENNSYLVANIA  
FEBRUARY 24, 2009

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

The Registrant and Cornerstone Advisors, Inc. share the same Proxy Voting Policies and Procedures. The respective Proxy Voting Policies and Procedures of the Registrant and Adviser are attached as EXHIBIT99.VOTEREG

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

(a) (1) All information contained in this item and its subparts is as of the date

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of this filing, unless otherwise noted. Ralph W. Bradshaw and William A. Clark are employees of Cornerstone Advisors, Inc. (the Investment Manager) and portfolio managers of the Fund. Mr. Bradshaw and Mr. Clark have acted as the portfolio managers since 2007. Ralph W. Bradshaw's occupation for the last five years is President of Cornerstone Advisors, Inc. and a Financial Consultant. William A. Clark's occupation for the last five years is Director and Stockholder of Cornerstone Advisors, Inc. and Vice President and former Director of Cornerstone Strategic Value Fund, Inc. and Cornerstone Total Return Fund, Inc.

(a) (2) (i) Ralph W. Bradshaw and William A. Clark

(a) (2) (ii) (A) Registered Investment Companies - Ralph W. Bradshaw and William A. Clark each manage two other registered closed-end funds (Cornerstone Strategic Value Fund, Inc. and Cornerstone Total Return Fund, Inc.). As of December 31, 2008, the total assets of Cornerstone Strategic Value Fund, Inc. was \$60.7 million. As of December 31, 2008, the total assets of Cornerstone Total Return Fund, Inc. was \$22.5 million.

(a) (2) (ii) (B) Not applicable

(a) (2) (ii) (C) Not applicable

(a) (2) (iii) None. Ralph W. Bradshaw and William A. Clark manage no accounts where the Advisory Fee is based on the performance of the account.

(a) (2) (iv) None.

(a) (3) As of the most recent fiscal year end December 31, 2008, the compensation paid to both Ralph W. Bradshaw and William A. Clark was fixed.

(a) (4) The dollar range of equity securities owned in the registrant beneficially by each portfolio manager is as follows: for Ralph W. Bradshaw it is in the range of \$10,001-\$50,000 and for William A. Clark it is \$0.

(b) None.

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

None.

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

None.

### ITEM 11. CONTROLS AND PROCEDURES.

(a) The Registrant's principal executive officer and principal financial officer have evaluated the Registrant's disclosure controls and procedures as of a date within 90 days of this filing and have concluded that the Registrant's disclosure controls and procedures are effective, as of such date, in ensuring that information required to be disclosed by the registrant in this Form N-CSR was recorded, processed, summarized, and reported timely.

(b) The Registrant's principal executive officer and principal financial officer are aware of no changes in the Registrant's internal control over financial reporting that occurred during the Registrant's last fiscal half-year that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting.

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ITEM 12. EXHIBITS.

(a) (1) Code of Ethics attached as EX-99.CODE ETH.

(a) (2) Separate certifications of Principal Executive and Financial Officers pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 attached as EX-99.CERT.

(b) Certification of Principal Executive and Financial Officers pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 furnished as EX-99.906 CERT.

(99) Proxy Voting Policies of the Registrant and Adviser attached as EX-99.VOTEREG.

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

By: /S/ RALPH W. BRADSHAW

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Name: Ralph W. Bradshaw  
Title: Principal Executive Officer

Date: March 6, 2009

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.

Cornerstone Progressive Return Fund

By: /S/ RALPH W. BRADSHAW

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Name: Ralph W. Bradshaw  
Title: Principal Executive Officer

Date: March 6, 2009

By: /S/ GARY A. BENTZ

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Name: Gary A. Bentz  
Title: Principal Financial Officer

Date: March 6, 2009