

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

CORNERSTONE TOTAL RETURN FUND INC  
Form N-CSRS  
September 04, 2009

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)

305 MADISON AVENUE, SUITE 740                      NEW YORK, NEW YORK                      10165  
-----

(Address of principal executive offices)

(Zip code)

Frank J. Maresca

ULTIMUS FUND SOLUTIONS, LLC 305 MADISON AVENUE, SUITE 740                      NEW YORK, NY 10165  
-----

(Name and address of agent for service)

Registrant's telephone number, including area code: (212) 652-6155  
-----

Date of fiscal year end:                      DECEMBER 31, 2009  
-----

Date of reporting period:                      JUNE 30, 2009  
-----

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
William A. Clark	Vice President
Frank J. Maresca	Treasurer

	STOCK TRANSFER AGENT AND REGISTRAR
INVESTMENT MANAGER Cornerstone Advisors, Inc. One West Pack Square Suite 1650 Asheville, NC 28801	American Stock Transfer & Trust Co. 59 Maiden Lane New York, NY 10038

	INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM
ADMINISTRATOR Ultimus Fund Solutions, LLC 305 Madison Avenue New York, NY 10165	Tait, Weller & Baker LLP 1818 Market Street Suite 2400 Philadelphia, PA 19103

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

#### EXECUTIVE OFFICES

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

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.

CRF  
LISTED  
ALTERNEXT.

---

CORNERSTONE TOTAL  
RETURN FUND, INC.

SEMI-ANNUAL REPORT  
JUNE 30, 2009

---

CONTENTS

Portfolio Summary

1

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

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
Description of Dividend Reinvestment Plan	14
Investment Management Agreement Approval Disclosure	16
Proxy Voting and Portfolio Holdings Information	17
Privacy Policy Notice	17
Summary of General Information	18
Shareholder Information	18

=====

-----

CORNERSTONE TOTAL RETURN FUND, INC.  
 PORTFOLIO SUMMARY - AS OF JUNE 30, 2009 (UNAUDITED)

-----

SECTOR ALLOCATION

Sector	Percent of Net Assets
Information Technology	17.0
Healthcare	13.2
Energy	11.4
Consumer Staples	10.9
Financials	10.6
Closed-End Funds	9.9
Industrials	8.6
Consumer Discretionary	7.7
Utilities	3.4
Telecommunication Services	3.0
Materials	2.8

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

Other 1.5

TOP TEN HOLDINGS, BY ISSUER

Holding	Sector	Percent of Net Assets
1. Exxon Mobil Corporation	Energy	4.4
2. Johnson & Johnson	Healthcare	3.1
3. Adams Express Company (The)	Closed-End Funds	2.6
4. Wal-Mart Stores, Inc.	Consumer Staples	2.5
5. International Business Machines Corporation	Information Technology	2.3
6. Google, Inc. - Class A	Information Technology	2.2
7. JPMorgan Chase & Company	Financials	2.2
8. Oracle Corporation	Information Technology	2.0
9. Wells Fargo & Company	Financials	1.8
10. AT&T, Inc.	Telecommunication Services	1.8

1

CORNERSTONE TOTAL RETURN FUND, INC.  
SUMMARY SCHEDULE OF INVESTMENTS - JUNE 30, 2009 (UNAUDITED)

Description	No. of Shares	Value
EQUITY SECURITIES - 98.90%		
CLOSED-END FUNDS - 9.86%		
Adams Express Company (The) (a)	59,400	\$ 498,960
H&Q Healthcare Investors *	14,400	154,800
Liberty All-Star Equity Fund	37,000	127,650
Liberty All-Star Growth Fund	86,075	234,985
NFJ Dividend, Interest & Premium Strategy Fund	19,000	224,960
Zweig Fund, Inc. (The)	91,000	257,530
Other Closed-End Funds (b)		382,211
		1,881,096
CONSUMER DISCRETIONARY - 7.68%		
McDonald's Corporation	3,100	178,219
NIKE, Inc. - Class B	2,500	129,450

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

Other Consumer Discretionary ^ (b)		1,158,288
		-----
		1,465,957
		-----
CONSUMER STAPLES - 10.87%		
Coca-Cola Company (The)	5,000	239,950
CVS Caremark Corporation	4,175	133,057
PepsiCo, Inc.	3,000	164,880
Philip Morris International, Inc.	3,700	161,394
Procter & Gamble Company (The)	6,472	330,719
Wal-Mart Stores, Inc.	10,000	484,400
Other Consumer Staples (b)		559,367
		-----
		2,073,767
		-----
ENERGY - 11.37%		
Chevron Corporation	5,068	335,755
Devon Energy Corporation ^	2,500	136,250
Exxon Mobil Corporation	12,000	838,920
Occidental Petroleum Corporation	2,500	164,525
Schlumberger Ltd.	3,000	162,330
Other Energy ^ (b)		530,963
		-----
		2,168,743
		-----
Description	No. of Shares	Value
FINANCIALS - 10.55%		
Bank of America Corporation	10,521	\$ 138,877
Goldman Sachs Group, Inc. (The)	1,000	147,440
JPMorgan Chase & Company	12,200	416,142
Travelers Companies, Inc. (The)	3,092	126,896
Wells Fargo & Company	14,000	339,640
Other Financials ^ (b)		844,456
		-----
		2,013,451
		-----
HEALTHCARE - 13.17%		
Abbott Laboratories	3,000	141,120
Amgen, Inc. *	3,000	158,820
Baxter International, Inc.	2,500	132,400
Gilead Sciences, Inc. *	3,000	140,520
Johnson & Johnson	10,500	596,400
Medtronic, Inc.	4,500	157,005
Pfizer, Inc.	12,000	180,000
Other Health Care ^ (b)		1,007,025
		-----
		2,513,290
		-----
INDUSTRIALS - 8.60%		
CSX Corporation	5,000	173,150
Danaher Corporation	2,500	154,350
General Electric Company	28,000	328,160
Lockheed Martin Corporation ^	2,500	201,625
United Parcel Service, Inc. - Class B	4,000	199,960
United Technologies Corporation	4,400	228,624
Other Industrials ^ (b)		354,191
		-----
		1,640,060
		-----

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

INFORMATION TECHNOLOGY - 16.95%		
Apple, Inc. *	2,000	284,860
Cisco Systems, Inc. *	13,000	242,320
Google, Inc. - Class A *	1,000	421,590
Intel Corporation	16,000	264,800
International Business Machines Corporation	4,200	438,563
Microsoft Corporation	14,000	332,780

=====  
See accompanying notes to financial statements.

2

-----  
CORNERSTONE TOTAL RETURN FUND, INC.  
SUMMARY SCHEDULE OF INVESTMENTS - JUNE 30, 2009 (UNAUDITED) (CONCLUDED)  
-----

Description	No. of Shares	Value
-----		
INFORMATION TECHNOLOGY (CONTINUED)		
Oracle Corporation	17,600	\$ 376,992
QUALCOMM, Inc.	3,800	171,760
Other Information Technology ^ (b)		702,355
		----- 3,236,020 -----
MATERIALS - 2.75%		
Monsanto Company	2,000	148,680
Other Materials ^ (b)		376,766
		----- 525,446 -----
REAL ESTATE INVESTMENT TRUST - 0.70%		
Other Real Estate Investment Trust (b)		132,792
		-----
TELECOMMUNICATION SERVICES - 2.98%		
AT&T, Inc.	13,589	337,551
Verizon Communications, Inc. 7,500		230,475
		----- 568,026 -----
UTILITIES - 3.42%		
Exelon Corporation	2,500	128,025
Other Utilities ^ (b)		525,174
		----- 653,199 -----
TOTAL EQUITY SECURITIES		
(cost - \$21,109,323)		18,871,847
		-----
SHORT-TERM INVESTMENTS - 10.28%		
MONEY MARKET SECURITY - 1.22%		
JPMorgan U.S. Government Money Market Fund	232,747	232,747
		-----

Description	Principal Amount (000s)	Value
-----		

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

REPURCHASE AGREEMENTS - 9.06%		
J.P. Morgan Securities Inc.+++		
(Agreement dated 6/30/2009		
to be repurchased at		
\$1,728,103) (b)	\$ 1,728	\$ 1,728,092
		-----
TOTAL SHORT-TERM INVESTMENTS		
(cost - \$1,960,839)		1,960,839
		-----
TOTAL INVESTMENTS - 109.18%		
(cost - \$23,070,162)		20,832,686
		-----
LIABILITIES IN EXCESS OF		
OTHER ASSETS - (9.18)%		(1,751,509)
		-----
NET ASSETS - 100.00%		\$ 19,081,177
		=====

- (a) Affiliated investment. The Fund holds 2.62% (based on net assets) of Adams Express Company. A director of the Fund also serves as a director to such company. During the six months ended June 30, 2009 the Fund sold 13,600 of this security. There were no purchases during this period.
- (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, 2009.
- \* Non-income producing security.
- ^ Security or a portion thereof is out on loan.
- + The maturity date for all repurchase agreements held was July 1, 2009, with interest rates ranging from 0.12% to 0.24% and collateralized by \$1,779,662 in United States Treasury Bills maturing August 13, 2009. Stated interest rate, before rebate earned by borrower of securities on loan.
- ++ Represents investment purchased with collateral received for securities on loan.

=====

See accompanying notes to financial statements.

3

-----

CORNERSTONE TOTAL RETURN FUND, INC.  
STATEMENT OF ASSETS AND LIABILITIES - JUNE 30, 2009 (UNAUDITED)

-----

ASSETS

Investments, at value, including collateral for securities on loan of \$1,728,092:	
Unaffiliated issuers (cost - \$22,377,472) (1)	\$ 20,333,726
Affiliated issuer (cost - \$692,690)	498,960
	-----
Total investments (cost - \$23,070,162)	20,832,686
Receivables:	



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

Dividends	21,428
Foreign reclaims	18,770
Prepaid expenses	4,763
	-----
Total Assets	20,877,647
	-----

LIABILITIES

Payables:

Upon return of securities loaned	1,728,092
Directors' fees	12,750
Investment management fees (net of fee waivers)	11,550
Other accrued expenses	44,078
	-----
Total Liabilities	1,796,470
	-----

NET ASSETS (applicable to 2,809,209 shares of common stock outstanding)	\$ 19,081,177
	=====

NET ASSET VALUE PER SHARE (\$19,081,177 / 2,809,209)	\$ 6.79
	=====

NET ASSETS CONSISTS OF

Capital stock, \$0.001 par value; 2,809,209 shares issued and outstanding (15,000,000 shares authorized)	\$ 2,809
Paid-in capital	28,609,373
Accumulated net realized loss on investments and foreign currency related transactions	(7,293,529)
Net unrealized depreciation in value of investments and translation of foreign currency	(2,237,476)
	-----
Net assets applicable to shares outstanding	\$ 19,081,177
	=====

-----  
 (1) Includes securities out on loan to brokers with a market value of \$1,616,697.

=====  
 See accompanying notes to financial statements.

4

-----  
 CORNERSTONE TOTAL RETURN FUND, INC.  
 STATEMENT OF OPERATIONS - FOR THE SIX MONTHS ENDED JUNE 30, 2009 (UNAUDITED)  
 -----

INVESTMENT INCOME

Income:	
Dividends (including \$5,825 earned from affiliated issuers)	\$ 280,234
Securities lending	707
	-----

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

Total Investment Income	280,941	-----
Expenses:		
Legal and audit fees	199,773	
Investment management fees	94,313	
Directors' fees	29,483	
Printing	18,348	
Administration fees	18,054	
Accounting fees	17,179	
Transfer agent fees	14,047	
Custodian fees	4,959	
Stock exchange listing fees	2,480	
Insurance	2,521	
Miscellaneous	1,488	-----
Total Expenses	402,645	
Less: Management fee waivers	(62,127)	
Less: Fees paid indirectly	(18,731)	-----
Net Expenses	321,787	-----
Net Investment Loss	(40,846)	-----
NET REALIZED AND UNREALIZED GAIN/(LOSS) ON INVESTMENTS		
Net realized loss from unaffiliated investments	(2,117,416)	
Net realized loss from affiliated investments	(107,268)	
Capital gain distributions from regulated investment companies and real estate investment trust	10,898	
Net change in unrealized depreciation in value of investments and translation of foreign currency	2,198,832	-----
Net realized and unrealized loss on investments and foreign currency	(14,954)	-----
NET DECREASE IN NET ASSETS RESULTING FROM OPERATIONS	\$ (55,800)	=====

See accompanying notes to financial statements.

5

-----  
CORNERSTONE TOTAL RETURN FUND, INC.  
STATEMENT OF CHANGES IN NET ASSETS (UNAUDITED)  
-----

For the Six  
Months Ended  
June 30, 2009  
(unaudited)  
-----

For the Year En  
December 31, 2  
-----

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

### DECREASE IN NET ASSETS

#### Operations:

Net investment income/(loss)	\$ (40,846)	\$ 334,663
Net realized loss from investments	(2,224,684)	(2,348,430)
Capital gain distributions from regulated investment companies and real estate investment trust	10,898	40,178
Net change in unrealized appreciation/(depreciation) in value of investments	2,198,832	(12,967,513)
	-----	-----
Net decrease in net assets resulting from operations	(55,800)	(14,941,102)
	-----	-----

#### Dividends and distributions to shareholders:

Net investment income	--	(334,663)
Return-of-capital	(2,643,339)	(10,218,473)
	-----	-----
Total dividends and distributions to shareholders	(2,643,339)	(10,553,136)
	-----	-----

#### Capital stock transactions:

Cash in lieu of fractional shares from the reverse stock split	--	(542)
Proceeds from 35,505 and 102,212 shares newly issued and/or from treasury in reinvestment of dividends and distributions, respectively	275,696	1,588,319
	-----	-----
Total Capital stock transactions	275,696	1,587,777
	-----	-----

Total decrease in net assets	(2,423,443)	(23,906,461)
	-----	-----

### NET ASSETS

Beginning of period	21,504,620	45,411,081
	-----	-----
End of period	\$ 19,081,177	\$ 21,504,620
	=====	=====

=====  
See accompanying notes to financial statements.

6

-----  
CORNERSTONE TOTAL RETURN FUND, INC.  
FINANCIAL HIGHLIGHTS (UNAUDITED)  
-----

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.

-----

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

	For the Six Months Ended June 30, 2009 (unaudited)	For the Years		
		2008	2007	2006
PER SHARE OPERATING PERFORMANCE				
Net asset value, beginning of period	\$ 7.75	\$ 17.00	\$ 20.28	\$ 20.28
Net investment income/(loss) #	(0.01)	0.12	0.14	0.14
Net realized and unrealized gain/(loss) on investments and foreign currency related transactions	(0.01)	(5.64)	0.64	0.64
Net increase/(decrease) in net assets resulting from operations and foreign currency related transactions	(0.02)	(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	(0.95)	(3.77)	(4.08)	(4.08)
Total dividends and distributions to shareholders	(0.95)	(3.89)	(4.28)	(4.28)
Capital stock transactions:				
Anti-dilutive effect due to shares issued in reinvestment of dividends and distributions	0.01	0.16	0.22	0.22
Net asset value, end of period	\$ 6.79	\$ 7.75	\$ 17.00	\$ 20.28
Market value, end of period	\$ 10.06	\$ 7.60	\$ 19.60	\$ 30.00
Total investment return (a)	49.50% (b)	(49.30)%	(40.97)%	6.00%
RATIOS/SUPPLEMENTAL DATA				
Net assets, end of year (000 omitted)	\$ 19,081	\$ 21,505	\$ 45,411	\$ 52,000
Ratio of expenses to average net assets, net of fee waivers, if any (c)	3.47% (e)	1.67%	1.49%	1.49%
Ratio of expenses to average net assets, excluding fee waivers, if any (d)	4.34% (e)	1.94%	1.53%	1.53%
Ratio of expenses to average net assets, net of fee waivers, if any (d)	3.67% (e)	1.77%	1.52%	1.52%
Ratio of net investment income/(loss) to average net assets	(0.44)% (e)	0.98%	0.74%	0.74%
Portfolio turnover rate	7.65% (b)	15.61%	11.00%	11.00%

\* 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.

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

- (c) Expenses are net of fees paid indirectly.
- (d) Expenses exclude the reduction for fees paid indirectly.
- (e) Annualized.

=====  
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 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 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.

In May 2009, the Financial Accounting Standards Board ("FASB") issued FASB Statement No. 165, "SUBSEQUENT EVENTS." The Fund has adopted FAS 165 with these financial statements.

FAS 165 requires the Fund to recognize in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the Statement of Assets and Liabilities. For nonrecognized subsequent events that must be disclosed to keep the financial statements from being misleading, the Fund will be required to disclose the nature of the event as well as an estimate of its financial effect, or a statement that such an estimate cannot be made. In addition, FAS 165 requires the Fund to disclose the date through which the subsequent events have been evaluated. Management has evaluated any matters requiring such disclosure through the date when such financial statements were issued (August 31, 2009). Other than disclosures contained in these notes to the financial statements, subsequent events after such date have not been evaluated with respect to the impact on 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

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

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 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, 2009, 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

=====  
8

-----  
CORNERSTONE TOTAL RETURN FUND, INC.  
NOTES TO FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)  
-----

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. Management has evaluated the implications of FAS 161 and its impact on the financial statements are not 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 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.

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

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.

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 adopted FIN 48 on June 29, 2007 and reviewed any uncertain tax positions for open tax years 2005 through 2008 and for the period ended June 30, 2009. The Fund has initiated discussions 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 outcome of this matter is currently uncertain including, whether ultimately it might negatively affect the tax status of the Fund. The Fund will continue to monitor this matter closely and is pursuing a potential resolution with the Internal Revenue Service by seeking to obtain a closing letter

=====  
9

-----  
CORNERSTONE TOTAL RETURN FUND, INC.  
NOTES TO FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)  
-----

that, if successful, will avoid a material negative tax impact to the Fund. 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 this pronouncement.

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

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

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.

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
- 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)

=====  
10

-----  
CORNERSTONE TOTAL RETURN FUND, INC.  
NOTES TO FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)  
-----

The inputs or methodology used in 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 June 30, 2009 in valuing the Fund's investments carried at value:

VALUATION INPUTS	INVESTMENTS IN SECURITIES	OTHER FINANCIAL INSTRUMENTS*
Level 1 - Quoted Prices		
Equity Investments	\$18,871,847	--



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

Short-term Investments	1,960,839	--
Level 2 - Other Significant Observable Inputs	--	--
Level 3 - Significant Unobservable Inputs	--	--
	-----	-----
Total	\$20,832,686	--
	=====	=====

\* 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 June 30, 2009.

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. During the six months ended June 30, 2009, Cornerstone voluntarily agreed to waive its management fees from the Fund to the extent that the Fund's net monthly operating expenses (including basic legal fees but excluding other legal and extraordinary expenses) exceed a rate of 0.125% of average net assets. For the six months ended June 30, 2009, Cornerstone earned \$94,313 for investment management services, of which it waived \$62,127. Effective July 1, 2009, the Investment Manager suspended it's voluntary fee waiver.

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. Ultimus has agreed to discount the annual minimum fee to \$30,000 and such discount will remain in place until amended fee is agreed upon.

FUND ACCOUNTING AGREEMENT

Under the terms of the Fund Accounting Agreement, Ultimus calculates the net asset value per share and 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. Included in the Statement of Operations, under the caption Fees paid indirectly, are expense offsets of \$18,731 arising from credits earned on portfolio transactions executed with brokers, pursuant to directed brokerage arrangements.

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

-----  
CORNERSTONE TOTAL RETURN FUND, INC.  
NOTES TO FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)  
-----

NOTE E. AFFILIATED

INVESTMENTS Transactions in affiliates for the six months ended June 30, 2009 were as follows:

	ADAMS EXPRESS COMPANY -----	PETROLEUM & RESOURCES CORPORATION -----
Market value at beginning of period	\$ 586,190 =====	\$ 58,170 =====
Shares at beginning of period	73,000	3,000
Shares purchased during the period	--	--
Shares sold during the period	(13,600)	(3,000)
Shares at end of period	59,400 =====	-- =====
Dividend income earned during the period	5,585 =====	240 =====
Cost of purchases during the period	-- =====	-- =====
Proceeds from sales during the period	110,433 =====	57,019 =====
Net realized loss during the period	(63,487) =====	(43,781) =====
Market value at end of period	\$ 498,960 =====	\$ -- =====

NOTE F. INVESTMENT IN SECURITIES

For the six months ended June 30, 2009, purchases and sales of securities, other than short-term investments, were \$1,472,117 and \$3,812,181 respectively.

NOTE G. SHARES OF COMMON STOCK

The Fund has 15,000,000 shares of common stock authorized and 2,809,209 shares outstanding at June 30, 2009. Transactions in common stock for the six months ended June 30, 2009 were as follows:

Shares at beginning of period	2,773,704
Shares newly issued in reinvestment of dividends and distributions	35,505 -----
Shares at end of period	2,809,209 =====

NOTE H. SHARE REPURCHASE PROGRAM

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

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, 2009. 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 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) (CONTINUED)  
-----

The value of securities on loan to brokers at June 30, 2009, was \$1,616,697. During the six months ended June 30, 2009, the Fund earned \$707 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 dividends and distributions paid during the year ended December 31, 2008 for the Fund was ordinary income of \$334,663 and return-of-capital \$10,218,473.

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").

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

At December 31, 2008, the Fund had a capital loss carryforward for U.S. federal income tax purposes of \$4,814,930, of which \$1,170,157 expires in 2009, \$425,706 expires in 2011, \$358,321 expires in 2012, \$420,772 expires in 2013, \$57,090 expires in 2014, and \$2,382,884 expires in 2016.

At June 30, 2009, 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 appreciation from investments were \$23,070,162, \$1,851,819, \$(4,089,295), and \$(2,237,476), respectively.

=====

13

### 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 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 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

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

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

=====  
14

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 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

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

transactions can be performed online at [www.amstock.com](http://www.amstock.com) or by calling the toll free number 877-864-4833.

=====  
15

INVESTMENT MANAGEMENT AGREEMENT 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 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 Agreement occurred at an in person meeting of the Board held on February 13, 2009.

In determining whether to approve the Agreement, the Board requested and received extensive materials and information from the Investment Manager to assist them in considering the approval of the continuance of the Agreement. Based on their review of the information requested and provided, and the discussions with management of the Investment Manager, the Board determined that the approval 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 to the Board 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 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 favorably received the Investment Manager's continued commitment to voluntarily waive its management fees from the Fund to the extent that monthly operating expenses exceed 0.125% of average net assets calculated monthly (including basic legal fees but excluding other legal and extraordinary expenses). 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, and was advised by independent legal counsel with respect to its deliberations. 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

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

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 comparable closed-end funds, 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.

=====  
16

### 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 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 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: 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

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

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.

=====  
17

SUMMARY OF GENERAL INFORMATION (UNAUDITED)

Cornerstone Total Return Fund, Inc. is a closed-end, diversified investment company whose shares trade on the NYSE Alternext US LLC. 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 managed by Cornerstone Advisors, Inc.

SHAREHOLDER INFORMATION (UNAUDITED)

The Fund is listed on the NYSE Alternext US 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 thereon. 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.  
-----

=====  
18

This page intentionally left blank.



This page intentionally left blank.

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

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

ITEM 6. SCHEDULE OF INVESTMENTS.

(a)

CORNERSTONE TOTAL RETURN FUND, INC.  
SCHEDULE OF INVESTMENTS - JUNE 30, 2009 (UNAUDITED)

DESCRIPTION	NO. OF SHARES	VALUE
EQUITY SECURITIES - 98.90%		
CLOSED-END FUNDS - 9.86%		
Adams Express Company (The) (a)	59,400	\$ 498,960
BlackRock Income Trust	9,896	61,751
Clough Global Equity Fund	4,000	47,200
H&Q Healthcare Investors *	14,400	154,800
H&Q Life Sciences Investors *	9,000	78,030
Japan Equity Fund	13,000	64,870
Liberty All-Star Equity Fund	37,000	127,650
Liberty All-Star Growth Fund	86,075	234,985
LMP Capital & Income Fund, Inc.	5,000	43,000
NFJ Dividend, Interest & Premium Strategy Fund	19,000	224,960
Zweig Fund, Inc. (The)	91,000	257,530
Zweig Total Return Fund, Inc. (The)	26,000	87,360
		-----
		1,881,096
		-----
CONSUMER DISCRETIONARY - 7.68%		
Amazon.com, Inc. *	1,500	125,490
Apollo Group, Inc. - Class A *	1,000	71,120
Bed Bath & Beyond, Inc. *	2,500	76,875
Comcast Corporation - Special Class A	4,250	59,925
Comcast Corporation - Class A	2,012	29,154
DIRECTV Group, Inc. (The) ^ *	4,000	98,840
Ford Motor Company ^ *	5,000	30,350
Home Depot, Inc. (The)	5,000	118,150
Lowe's Companies, Inc.	5,000	97,050
Mattel, Inc.	1,500	24,075
McDonald's Corporation	3,100	178,219
News Corporation - Class B ^	2,500	26,425
NIKE, Inc. - Class B	2,500	129,450
Omnicom Group, Inc. ^	1,000	31,580
Pulte Homes, Inc. ^	2,500	22,075
Staples, Inc.	3,150	63,536
Time Warner Cable, Inc. ^ *	669	21,187
Time Warner, Inc.	2,666	67,157
TJX Companies, Inc. (The)	2,500	78,650
Walt Disney Company (The)	5,000	116,649
		-----
		1,465,957
		-----
CONSUMER STAPLES - 10.87%		
Altria Group, Inc.	5,000	81,950
Archer-Daniels-Midland Company	1,500	40,155
Coca-Cola Company (The)	5,000	239,950

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

CORNERSTONE TOTAL RETURN FUND, INC.  
SCHEDULE OF INVESTMENTS - JUNE 30, 2009 (UNAUDITED) (CONTINUED)

### CONSUMER STAPLES (CONTINUED)

Colgate-Palmolive Company	1,000	70,740
ConAgra Foods, Inc.	2,500	47,650
CVS Caremark Corporation	4,175	133,057
H.J. Heinz Company	2,700	96,390
Kraft Foods, Inc. - Class A	2,828	71,662
Kroger Company (The)	3,600	79,380
PepsiCo, Inc.	3,000	164,880
Philip Morris International, Inc.	3,700	161,394
Procter & Gamble Company (The)	6,472	330,719
Sara Lee Corporation	2,500	24,400
Walgreen Company	1,600	47,040
Wal-Mart Stores, Inc.	10,000	484,400

-----  
2,073,767  
-----

### ENERGY - 11.37%

Apache Corporation ^	1,000	72,150
Chevron Corporation	5,068	335,755
Devon Energy Corporation ^	2,500	136,250
El Paso Corporation	5,000	46,150
EOG Resources, Inc.	1,000	67,920
Exxon Mobil Corporation	12,000	838,920
Halliburton Company	2,500	51,750
Occidental Petroleum Corporation	2,500	164,525
Peabody Energy Corporation ^	2,500	75,400
Schlumberger Ltd.	3,000	162,330
Spectra Energy Corporation ^	2,500	42,300
Transocean Ltd. *	1,000	74,290
Williams Companies, Inc.	2,500	39,025
XTO Energy, Inc.	1,625	61,978

-----  
2,168,743  
-----

### FINANCIALS - 10.55%

AFLAC, Inc.	1,500	46,635
Aon Corporation ^	2,500	94,675
Bank of America Corporation	10,521	138,877
Bank of New York Mellon Corporation (The)	2,800	82,068
BB&T Corporation ^	2,000	43,960
Charles Schwab Corporation (The)	4,200	73,668
Chubb Corporation (The)	1,000	39,880
Goldman Sachs Group, Inc. (The)	1,000	147,440
Hudson City Bancorp, Inc.	2,500	33,225
JPMorgan Chase & Company	12,200	416,142
Loews Corporation	2,000	54,800

CORNERSTONE TOTAL RETURN FUND, INC.  
SCHEDULE OF INVESTMENTS - JUNE 30, 2009 (UNAUDITED) (CONTINUED)

### FINANCIALS (CONTINUED)

MetLife, Inc.	1,500	45,015
Morgan Stanley	2,000	57,020
Northern Trust Corporation	1,000	53,680
PNC Financial Services Group, Inc.	1,000	38,810
Regions Financial Corporation	2,500	10,100

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

T. Rowe Price Group, Inc.	1,000	41,670
Travelers Companies, Inc. (The)	3,092	126,896
U.S. Bancorp	5,000	89,600
Unum Group	2,500	39,650
Wells Fargo & Company	14,000	339,640
		-----
		2,013,451
		-----
HEALTH CARE - 13.17%		
Abbott Laboratories	3,000	141,120
Aetna, Inc.	4,000	100,200
Amgen, Inc. *	3,000	158,820
Baxter International, Inc.	2,500	132,400
Bristol-Myers Squibb Company	4,000	81,240
Celgene Corporation *	1,000	47,840
Eli Lilly & Company	2,500	86,600
Express Scripts, Inc. *	1,200	82,500
Gilead Sciences, Inc. *	3,000	140,520
Johnson & Johnson	10,500	596,400
McKesson Corporation	2,500	110,000
Medco Health Solutions, Inc. ^ *	1,000	45,610
Medtronic, Inc.	4,500	157,005
Merck & Company, Inc.	2,500	69,900
Pfizer, Inc.	12,000	180,000
St. Jude Medical, Inc. *	2,500	102,750
Stryker Corporation	2,000	79,480
UnitedHealth Group, Inc.	3,500	87,430
Wyeth	2,500	113,475
		-----
		2,513,290
		-----
INDUSTRIALS - 8.60%		
Caterpillar, Inc. ^	2,500	82,600
CSX Corporation	5,000	173,150
Danaher Corporation	2,500	154,350
Emerson Electric Company	2,500	81,000
General Dynamics Corporation	1,000	55,390
General Electric Company	28,000	328,160
Illinois Tool Works, Inc.	1,000	37,340
Lockheed Martin Corporation ^	2,500	201,625
CORNERSTONE TOTAL RETURN FUND, INC.		
SCHEDULE OF INVESTMENTS - JUNE 30, 2009 (UNAUDITED) (CONTINUED)		
INDUSTRIALS (CONTINUED)		
Republic Services, Inc. ^	1,125	27,461
United Parcel Service, Inc. - Class B	4,000	199,960
United Technologies Corporation	4,400	228,624
Waste Management, Inc.	2,500	70,400
		-----
		1,640,060
		-----
INFORMATION TECHNOLOGY - 16.95%		
Agilent Technologies, Inc. ^ *	2,500	50,775
Apple, Inc. *	2,000	284,860
Automatic Data Processing, Inc.	2,500	88,600
CA, Inc.	2,500	43,575
Cisco Systems, Inc. *	13,000	242,320
Corning, Inc.	3,000	48,180
EMC Corporation *	5,500	72,050

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

Google, Inc. - Class A *	1,000	421,590
Hewlett-Packard Company	2,500	96,625
Intel Corporation	16,000	264,800
International Business Machines Corporation	4,200	438,563
Intuit, Inc. ^ *	2,500	70,400
Microsoft Corporation	14,000	332,780
Oracle Corporation	17,600	376,992
Paychex, Inc. ^	2,500	63,000
QUALCOMM, Inc.	3,800	171,760
Texas Instruments, Inc. ^	4,000	85,200
Western Union Company (The)	2,000	32,800
Xilinx, Inc.	2,500	51,150
		-----
		3,236,020
		-----
MATERIALS - 2.75%		
Dow Chemical Company (The)	2,000	32,280
E.I. Du Pont de Nemours & Company	2,800	71,736
Freeport-McMoRan Copper & Gold, Inc. ^ *	2,500	125,275
Monsanto Company	2,000	148,680
Newmont Mining Corporation	1,000	40,870
Praxair, Inc.	1,500	106,605
		-----
		525,446
		-----
REAL ESTATE INVESTMENT TRUST - 0.70%		
Simon Property Group, Inc. ^	2,582	132,792
TELECOMMUNICATION SERVICES - 2.98%		
AT&T, Inc.	13,589	337,551
Verizon Communications, Inc.	7,500	230,475
		-----
		568,026
		-----
CORNERSTONE TOTAL RETURN FUND, INC.		
SCHEDULE OF INVESTMENTS - JUNE 30, 2009 (UNAUDITED) (CONTINUED)		
UTILITIES - 3.42%		
Dominion Resources, Inc. ^	2,000	66,840
Duke Energy Corporation ^	6,600	96,294
Exelon Corporation	2,500	128,025
FirstEnergy Corporation	2,500	96,875
FPL Group, Inc.	1,000	56,860
NiSource, Inc.	2,500	29,150
Southern Company (The)	2,500	77,900
Xcel Energy, Inc.	5,500	101,255
		-----
		653,199
		-----
TOTAL EQUITY SECURITIES (cost - \$21,109,323)		18,871,847
		-----
SHORT-TERM INVESTMENTS - 10.28%		
MONEY MARKET SECURITY - 1.22%		
JPMorgan U.S. Government Money Market Fund	232,747	232,747
		-----

PRINCIPAL  
AMOUNT (000's)

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

-----		
REPURCHASE AGREEMENTS - 9.06%		
J.P. Morgan Securities, Inc.+++ (Agreement dated 6/30/2009 to be repurchased at \$111,395, 0.12%, 7/1/2009, collateralized by \$114,978 in United States Treasury Bill)	\$	111            111,394
J.P. Morgan Securities, Inc.+++ (Agreement dated 6/30/2009 to be repurchased at \$1,616,708, 0.24%, 7/1/2009, collateralized by \$1,664,684 in United States Treasury Bill)		1,617            1,616,698
		-----
		\$ 1,728,092
		-----
TOTAL SHORT-TERM INVESTMENTS (cost - \$1,960,839)		1,960,839
TOTAL INVESTMENTS - 109.18% (cost - \$23,070,162)		20,832,686
		-----
LIABILITIES IN EXCESS OF OTHER ASSETS - (9.18)%		(1,751,509)
		-----
NET ASSETS - 100.00%		\$ 19,081,177
		=====

CORNERSTONE TOTAL RETURN FUND, INC.  
SCHEDULE OF INVESTMENTS - JUNE 30, 2009 (UNAUDITED) (CONTINUED)

(a) Affiliated investment. The Fund holds 2.62% (based on net assets) of Adams Express Company. A director of the Fund also serves as a director to such company. During the six months ended June 30, 2009 the Fund sold 13,600 shares of this security. There were no purchases during this period.

\* Non-income producing security

^ Security or a portion thereof is out on loan.

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

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

See accompanying notes to financial statements.

(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) There has not been a change in any of the Portfolio Managers identified in response to this Item in the registrant's most recent

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

annual report on Form N-CSR.

### 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.

### 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

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

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 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, Chairman and President  
(Principal Executive Officer)

Date              SEPTEMBER 4, 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.

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

Ralph W. Bradshaw, Chairman and President  
(Principal Executive Officer)

Date              SEPTEMBER 4, 2009  
-----

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

Frank J. Maresca, Treasurer  
(Principal Financial Officer)



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

Date        SEPTEMBER 4, 2009  
-----

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