

CORNERSTONE TOTAL RETURN FUND INC  
Form N-CSRS  
September 08, 2008

=====

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)

383 Madison Avenue, New York, New York

10179

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

(Zip code)

Kayadti A. Madison  
383 Madison Avenue, New York, New York 10179

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

Registrant's telephone number, including area code: (212) 272-3550

Date of fiscal year end: December 31, 2008

Date of reporting period: June 30, 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.

=====

ITEM 1. REPORTS TO STOCKHOLDERS.

The report of Cornerstone Total Return Fund, Inc. (the "Registrant") to

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

stockholders for the semi-annual period ended June 30, 2008 follows.

=====  
CORNERSTONE TOTAL  
RETURN FUND, INC.

SEMI-ANNUAL REPORT  
JUNE 30, 2008  
=====

## CONTENTS

Portfolio Summary	1
Summary Schedule of Investments	2
Statement of Assets and Liabilities	4
Statement of Operations	5
Statement of Changes in Net Assets	6
Financial Highlights	7
Notes to Financial Statements	8
Result of Annual Meeting of Stockholders	13
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

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

=====

-----

CORNERSTONE TOTAL RETURN FUND, INC.  
 PORTFOLIO SUMMARY - AS OF JUNE 30, 2008 (UNAUDITED)

-----

SECTOR ALLOCATION

Sector	Percent of Net Assets
Information Technology	15.8
Energy	14.5
Financials	11.4
Healthcare	10.8
Industrials	10.4
Consumer Staples	10.0
Closed-End Funds	8.0
Consumer Discretionary	7.7
Materials	3.8
Utilities	3.4
Telecommunication Services	3.0
Other	1.2

TOP TEN HOLDINGS, BY ISSUER

Holding	Sector	Percent of Net Assets
1. Exxon Mobil Corporation	Energy	5.0
2. General Electric Company	Industrials	3.4
3. Chevron Corporation	Energy	2.8
4. Johnson & Johnson	Healthcare	2.8
5. Apple Computer, Inc.	Information Technology	2.4
6. Wal-Mart Stores, Inc.	Consumer Staples	2.3
7. Microsoft Corporation	Information Technology	2.3
8. Adams Express Company	Closed-End Funds	2.2
9. AT&T Inc.	Telecommunication Services	2.2

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

-----  
 10. Dreman/Claymore Dividend & Income Fund                      Closed-End Funds                      1.9  
 -----

=====

1

-----  
 CORNERSTONE TOTAL RETURN FUND, INC.  
 SUMMARY SCHEDULE OF INVESTMENTS - JUNE 30, 2008 (UNAUDITED)  
 -----

Description	No. of Shares	Value
-----		
EQUITY SECURITIES - 99.38%		
CLOSED-END FUNDS - 8.01%		
Adams Express Company (a)	67,400	\$ 798,690
Dreman/Claymore Dividend & Income Fund	53,500	679,450
Other Closed-End Funds (a) (b)		1,372,755
		-----
		2,850,895
CONSUMER DISCRETIONARY - 7.66%		
McDonald's Corporation	5,100	286,722
Walt Disney Company (The)	11,000	343,200
Other Consumer Discretionary (b)		2,094,525
		-----
		2,724,447
CONSUMER STAPLES - 10.04%		
Coca-Cola Company (The)	8,000	415,840
PepsiCo, Inc.	5,000	317,950
Philip Morris International Inc.	7,700	380,303
Procter & Gamble Company (The)	8,472	515,182
Wal-Mart Stores, Inc.	14,500	814,900
Other Consumer Staples (b)		1,129,357
		-----
		3,573,532
ENERGY - 14.48%		
Chevron Corporation	10,068	998,041
Devon Energy Corporation	2,500	300,400
Exxon Mobil Corporation ^	20,000	1,762,601
Peabody Energy Corporation	2,500	220,125
Schlumberger Limited ^	5,000	537,150
Weatherford International Ltd. *	5,000	247,950
XTO Energy, Inc.	3,125	214,094
Other Energy (b)		870,290
		-----
		5,150,651
FINANCIALS - 11.36%		
American International Group, Inc. ^	8,331	220,438
Bank of America Corporation	17,521	418,226
Goldman Sachs Group, Inc. (The) ^	3,000	524,700
JPMorgan Chase & Co.	18,200	624,442

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

Description	No. of Shares	Value
FINANCIALS (CONTINUED)		
Travelers Companies, Inc. (The)	5,092	\$ 220,993
Wells Fargo & Company	14,000	332,500
Other Financials (b)		1,701,745
		-----
		4,043,044
		-----
HEALTHCARE - 10.83%		
Gilead Sciences, Inc. *	7,000	370,650
Johnson & Johnson	15,500	997,270
Medtronic, Inc.	4,500	232,875
Merck & Co. Inc. ^	10,700	403,283
Pfizer Inc.	12,000	209,640
Other Healthcare (b)		1,638,962
		-----
		3,852,680
		-----
INDUSTRIALS - 10.45%		
CSX Corporation	5,000	314,050
General Dynamics Corporation ^	2,500	210,500
General Electric Company	45,000	1,201,050
Lockheed Martin Corporation ^	2,500	246,650
United Parcel Service, Inc., Class B	4,000	245,880
United Technologies Corporation	4,400	271,480
Other Industrials (b)		1,228,518
		-----
		3,718,128
		-----
INFORMATION TECHNOLOGY - 15.79%		
Apple Computer, Inc. ^ *	5,000	837,200
Cisco Systems, Inc. *	19,000	441,940
Google Inc. *	1,000	526,420
Hewlett-Packard Company	7,500	331,575
International Business Machines Corporation	3,200	379,296
Microsoft Corporation	29,500	811,545
Oracle Corporation *	23,600	495,600
QUALCOMM Inc.	6,800	301,716
Texas Instruments Incorporated ^	11,000	309,760
Other Information Technology (b)		1,181,285
		-----
		5,616,337
		-----

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

2

-----  
CORNERSTONE TOTAL RETURN FUND, INC.  
SUMMARY SCHEDULE OF INVESTMENTS - JUNE 30, 2008 (UNAUDITED) (CONCLUDED)  
-----

No. of

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

Description	Shares	Value
-----		
MATERIALS - 3.76%		
Air Products & Chemicals, Inc.	2,500	\$ 247,150
Freeport-McMoRan Copper & Gold, Inc.	2,500	292,975
Monsanto Company	3,546	448,356
Other Materials (b)		349,137
		-----
		1,337,618
		-----
REAL ESTATE INVESTMENT TRUST - 0.63%		
Simon Property Group, Inc. ^	2,500	224,725
		-----
TELECOMMUNICATION SERVICES - 2.98%		
AT&T Inc.	23,589	794,713
Verizon Communications Inc.	7,500	265,500
		-----
		1,060,213
		-----
UTILITIES - 3.39%		
American Electric Power Company, Inc.	5,500	221,265
Dominion Resources, Inc.	5,000	237,450
Other Utilities (b)		745,923
		-----
		1,204,638
		-----
TOTAL EQUITY SECURITIES		
(cost - \$31,436,813)		35,356,908
		-----
SHORT-TERM INVESTMENTS - 11.62%		
MONEY MARKET SECURITY - 0.63%		
JPMorgan U.S. Government Money Market Fund	222,427	222,427
		-----
	Principal	
	Amount	
	(000's)	Value
-----		
REPURCHASE AGREEMENTS - 10.99%		
Bear, Stearns & Co. Inc. +		
(Agreements dated		
6/30/2008 to be		
repurchased at \$3,912,140) (c)	\$ 3,912	\$ 3,911,885
		-----
TOTAL SHORT-TERM INVESTMENTS		
(cost - \$4,134,312)		4,134,312
		-----
TOTAL INVESTMENTS - 111.00%		
(cost - \$35,571,125)		39,491,220
		-----
LIABILITIES IN EXCESS OF		
OTHER ASSETS - (11.00)%		(3,914,758)
		-----
NET ASSETS - 100.00%		\$ 35,576,462
		=====
-----		

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

- ^ Security or a portion thereof is out on loan.
- \* Non-income producing security.
- + Includes investments purchased with collateral received for securities on loan.
- (a) Affiliated investment. The Fund holds 2.24% and 0.37% (based on net assets) of Adams Express Company and Petroleum & Resources Corporation, respectively. A director of the Fund also serves as a director to such companies. During the six months ended June 30, 2008, 3,000 shares of Adams Express Company were sold. There were no other purchases or sales of these securities.
- (b) Represents issues 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, 2008.
- (c) At June 30, 2008, the maturity date for all repurchase agreements held was July 1, 2008, with interest rates ranging from 1.25% to 2.50% and collateralized by \$4,022,429 in U.S. Treasury Bonds maturing April 15, 2028.

=====

See accompanying notes to financial statements.

3

-----

CORNERSTONE TOTAL RETURN FUND, INC.  
STATEMENT OF ASSETS AND LIABILITIES - JUNE 30, 2008 (UNAUDITED)

-----

ASSETS

Investments, at value, including collateral for securities on loan of \$3,911,885:	
Unaffiliated issuers (cost - \$34,610,250) (1)	\$ 38,561,760
Affiliated issuers (cost - \$960,875)	929,460
	-----
Total investments (cost - \$35,571,125)	39,491,220
Receivables:	
Dividends	45,152
Foreign reclaims	22,943
Interest	1,050
Prepaid expenses	4,952
	-----
Total Assets	39,565,317
	-----

LIABILITIES

Payables:	
Due to custodian	604
Upon return of securities loaned	3,911,885
Investment management fees	30,902
Directors' fees	14,869
Other accrued expenses	30,595
	-----
Total Liabilities	3,988,855
	-----
NET ASSETS (applicable to 5,427,065 shares of common stock outstanding)	\$ 35,576,462

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

	=====
NET ASSET VALUE PER SHARE (\$35,576,462 / 5,427,065)	\$ 6.56
	=====
NET ASSETS CONSISTS OF	
Capital stock, \$0.01 par value;	
5,427,065 shares issued and outstanding	
(15,000,000 shares authorized)	\$ 54,270
Paid-in capital	47,872,581
Accumulated net realized loss on investments and foreign currency related transactions	(16,276,850)
Net unrealized appreciation in value of investments and translation of foreign currency	3,926,461
	-----
Net assets applicable to shares outstanding	\$ 35,576,462
	=====

-----  
(1) Includes securities out on loan to brokers with a market value of  
\$3,816,641.

-----  
See accompanying notes to financial statements.  
4

-----  
CORNERSTONE TOTAL RETURN FUND, INC.  
STATEMENT OF OPERATIONS - FOR THE SIX MONTHS ENDED JUNE 30, 2008 (UNAUDITED)  
-----

INVESTMENT INCOME

Income:	
Dividends (including \$5,992 earned from affiliated issuers)	\$ 466,632
Interest	4,277
Securities lending	4,372
	-----
Total Investment Income	475,281
	-----
Expenses:	
Investment management fees	196,784
Directors' fees	28,821
Administration fees	25,233
Legal and audit fees	20,730
Accounting fees	15,142
Printing	14,910
Transfer agent fees	14,885
Custodian fees	5,968
Insurance	2,573
Stock exchange listing fees	1,708
Miscellaneous	1,243
	-----
Total Expenses	327,997
Less: Management fee waivers	(12,643)



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

Less: Fees paid indirectly	(14,301)
	-----
Net Expenses	301,053
	-----
Net Investment Income	174,228
	-----
 NET REALIZED AND UNREALIZED GAIN/(LOSS) ON INVESTMENTS	
 AND FOREIGN CURRENCY RELATED TRANSACTIONS	
Net realized loss from investments	(1,069,485)
Capital gain distributions from regulated investment companies	13,366
Net change in unrealized appreciation in value of investments and translation of foreign currency	(4,608,207)
	-----
Net realized and unrealized loss on investments and foreign currency related transactions	(5,664,326)
	-----
 NET DECREASE IN NET ASSETS RESULTING FROM OPERATIONS	 \$ (5,490,098)
	=====

=====

See accompanying notes to financial statements.

5

-----

CORNERSTONE TOTAL RETURN FUND, INC.  
STATEMENT OF CHANGES IN NET ASSETS

-----

	For the Six Months Ended June 30, 2008 (unaudited)	For the Year Ended December 31, 2007
	-----	-----
 DECREASE IN NET ASSETS		
 Operations:		
Net investment income	\$ 174,228	\$ 365,282
Net realized gain/(loss) from investments and foreign currency related transactions	(1,069,485)	31,417
Capital gain distributions from regulated investment companies	13,366	116,984
Net change in unrealized appreciation in value of investments and translation of foreign currency	(4,608,207)	1,514,360
	-----	-----
Net increase/(decrease) in net assets resulting from operations	(5,490,098)	2,028,043
	-----	-----
 Dividends and distributions to shareholders:		
Net investment income	(174,228)	(363,469)
Net realized capital gains	--	(150,214)
Return-of-capital	(5,062,317)	(10,698,032)

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

Total dividends and distributions to shareholders	(5,236,545)	(11,211,715)
Capital stock transactions:		
Proceeds from 83,927 and 175,264 shares newly issued in reinvestment of dividends and distributions, respectively	892,024	2,215,523
Total decrease in net assets	(9,834,619)	(6,968,149)
NET ASSETS		
Beginning of period	45,411,081	52,379,230
End of period	\$ 35,576,462	\$ 45,411,081

See accompanying notes to financial statements.

6

CORNERSTONE TOTAL RETURN FUND, INC.  
FINANCIAL HIGHLIGHTS

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

	For the Six Months Ended June 30, 2008 (unaudited)	2007	2006	2005	
PER SHARE OPERATING PERFORMANCE					
Net asset value, beginning of period	\$ 8.50	\$ 10.14	\$ 10.91	\$ 12.78	\$
Net investment income #	0.03	0.07	0.09	0.06	
Net realized and unrealized gain/(loss) on investments and foreign currency related transactions	(1.05)	0.32	1.25	0.18	
Net increase/(decrease) in net assets resulting					

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

from operations	(1.02)	0.39	1.34	0.24	
	-----	-----	-----	-----	-----
Dividends and distributions to shareholders:					
Net investment income	(0.03)	(0.07)	(0.09)	(0.06)	
Net realized capital gains	--	(0.03)	--	--	
Return-of-capital	(0.94)	(2.04)	(2.02)	(2.05)	
	-----	-----	-----	-----	-----
Total dividends and distributions to shareholders	(0.97)	(2.14)	(2.11)	(2.11)	
	-----	-----	-----	-----	-----
Capital stock transactions:					
Anti-dilutive effect due to shares issued in reinvestment of dividends and distributions	0.05	0.11	--	--	
	-----	-----	-----	-----	-----
Net asset value, end of period	\$ 6.56	\$ 8.50	\$ 10.14	\$ 10.91	\$
	=====	=====	=====	=====	=====
Market value, end of period	\$ 12.35	\$ 9.80	\$ 19.62	\$ 14.65	\$
	=====	=====	=====	=====	=====
Total investment return (a)	38.01%	(40.97)%	64.15%	(2.07)%	
	=====	=====	=====	=====	=====
RATIOS/SUPPLEMENTAL DATA					
Net assets, end of period (000 omitted)	\$ 35,576	\$ 45,411	\$ 52,379	\$ 54,194	\$
Ratio of expenses to average net assets, net of fee waivers, if any (b)	1.52%(d)	1.49%	1.44%	1.47%	
Ratio of expenses to average net assets, excluding fee waivers, if any (c)	1.66%(d)	1.53%	1.50%	1.52%	
Ratio of expenses to average net assets, net of fee waivers, if any (c)	1.60%(d)	1.52%	1.50%	1.50%	
Ratio of net investment income to average net assets	0.88%(d)	0.74%	0.82%	0.53%	
Portfolio turnover rate	7.35%	11.00%	11.29%	9.84%	

# 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) Expenses are net of fees paid indirectly.

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

(d) Annualized

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

7

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

-----  
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.

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

Readily marketable securities traded in the over-the counter market, including listed securities whose primary market is believed by Cornerstone Advisors, Inc. (the "Investment 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, 2008, the Fund held no securities valued in good faith by the Board of Directors. The net asset value per share of the Fund is calculated weekly and on the last business day of the month with the exception of those days on which the American Stock Exchange, 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

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

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 has not yet been determined.

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 Advisors, Inc. (the Fund's "Investment Manager" or

=====  
8

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

"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 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 2004 through 2007. The Fund has initiated discussions with the Internal Revenue Service's National Office regarding a technical tax issue relating to whether the Fund's historic dividend reinvestment plan may have resulted in a violation of certain Sub-Chapter 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

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

Internal Revenue Service 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

=====

9

-----

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

-----

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 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

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

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)

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, 2008 in valuing the Fund's investments carried at value:

VALUATION INPUTS	INVESTMENTS IN SECURITIES	OTHER FINANCIAL INSTRUMENTS*
Level 1 - Quoted Prices	\$ 35,356,908	--
Level 2 - Other Significant Observable Inputs	4,134,312	--
Level 3 - Significant Unobservable Inputs	--	--
Total	\$ 39,491,220	--

\* 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, 2008.

10

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

NOTE D. AGREEMENTS

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, 2008, 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 expenses) exceed a rate of 0.125% of average net assets. For the six months ended June 30, 2008, Cornerstone earned \$196,784 for investment management services, of which it waived \$12,643. The

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

Investment Manager may discontinue such undertaking at any time during the fiscal year without notice to fund shareholders.

Included in the Statement of Operations, under the caption Fees PAID INDIRECTLY, are expense offsets of \$14,301 arising from credits earned on portfolio transactions executed with a broker, pursuant to a directed brokerage arrangement.

The Fund paid or accrued approximately \$12,418 for the six months ended June 30, 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

For the six months ended June 30, 2008, purchases and sales of securities, other than short-term investments, were \$2,931,513 and \$7,090,938 respectively.

### NOTE F. SHARES OF COMMON STOCK

The Fund has 15,000,000 shares of common stock authorized and 5,427,065 shares outstanding at June 30, 2008. As of that date, three individuals that control Cornerstone owned 21,913 shares in the Fund.

Transactions in common stock for the period ended June 30, 2008 were as follows:

Shares at beginning of period	5,343,138
Shares newly issued in reinvestment of dividends and distributions	83,927
	-----
Shares at end of period	5,427,065
	=====

### NOTE G. SHARE REPURCHASE PROGRAM

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

=====



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

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 June 30, 2008, was \$3,816,641. During the six months ended June 30, 2008, the Fund earned \$4,372 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 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 years ended December 31, for the Fund were as follows:

ORDINARY INCOME		RETURN-OF-CAPITAL	
2007	2006	2007	2006
\$513,683	\$428,197	\$10,698,032	\$10,248,116

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, 2007, the Fund incurred Post-October losses in the amount of \$287,816.

At December 31, 2007, the Fund had a capital loss carryforward for U.S. federal income tax purposes of \$14,881,286, of which \$12,449,240 expires in 2008, \$1,170,157 expires in 2009, \$425,706 expires in 2011, \$358,321 expires in 2012, \$420,772 expires in 2013 and \$57,090 expires in 2014.

At June 30, 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 appreciation from investments were \$35,600,706, \$7,739,651, \$(3,849,137), and \$3,890,514, respectively.

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

On April 15, 2008, the Annual Meeting of Stockholders of Cornerstone Total Return Fund, Inc. was held and the following matter was voted upon based on 5,360,139 shares of common stock outstanding on February 19, 2008:

(1) To approve the re-election of six Directors until the 2009 Annual Meeting.

NAME OF DIRECTORS	FOR	WITHHOLD
Ralph W. Bradshaw	4,469,627	192,438
Thomas H. Lenagh	4,463,543	198,522
Edwin Meese III	4,448,534	213,531
Scott B. Rogers	4,463,998	198,067
Andrew A. Strauss	4,465,705	196,360
Glenn W. Wilcox, Sr.	4,464,287	197,778

=====

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 American Stock Exchange, 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

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

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

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

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

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

=====

14

DESCRIPTION OF DIVIDEND REINVESTMENT PLAN (UNAUDITED) (CONCLUDED)

certificates for whole shares owned.

The Agent will distribute all proxy solicitation materials to participating shareholders.

In the case of shareholders, such as banks, brokers or nominees, that hold shares for others who are beneficial owners participating in the Plan, the Agent will administer the Plan on the basis of the number of shares certified from time to time by the record shareholder as representing the total amount of shares registered in the shareholder's name and held for the account of beneficial owners participating in the Plan. Neither the Agent nor the Fund shall have any responsibility or liability beyond the exercise of ordinary care for any action taken or omitted pursuant to the Plan, nor shall they have any duties, responsibilities or liabilities except such as expressly set forth

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

herein.

Neither shall they be liable hereunder for any act done in good faith or for any good faith omissions to act, including, without limitation, failure to terminate a participants account prior to receipt of written notice of his or her death or with respect to prices at which shares are purchased or sold for the participants account and the terms on which such purchases and sales are made, subject to applicable provisions of the federal securities laws.

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

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

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

=====  
15

INVESTMENT MANAGEMENT AGREEMENT APPROVAL DISCLOSURE (UNAUDITED)

The Board of Directors including, the Independent Directors, (the "Board") of Cornerstone Total Return Fund, Inc. (the "Fund") considers the approval of the 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 a meeting of the Board held on February 15, 2008.

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,

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

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 company 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 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 of those present at the meeting (including a separate vote of 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 (212) 272-3550 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 (212) 272-3550.

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

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

### 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 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 American Stock Exchange, 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 American Stock Exchange, 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.

=====

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 and Secretary
William A. Clark	Vice President
Kayadti A. Madison	Treasurer

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

ADMINISTRATOR	INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM
Bear Stearns Funds Management Inc., a J.P. Morgan Company	Tait, Weller & Baker LLP
383 Madison Avenue	1818 Market Street
New York, NY 10179	Suite 2400 Philadelphia, PA 19103

CUSTODIAN	LEGAL COUNSEL
Custodial Trust Company	Blank Rome LLP
101 Carnegie Center	405 Lexington Avenue
Princeton, NJ 08540	New York, NY 10174

EXECUTIVE OFFICES  
383 Madison Avenue  
New York, NY 10179



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

For shareholder inquiries, registered shareholders should call (800) 937-5449.  
For general inquiries, please call (212) 272-3550.

LOGO  
AMERICAN  
STOCK EXCHANGE (R)  
LISTED  
CRF

ITEM 2. CODE OF ETHICS.

Not applicable.

ITEM 3. AUDIT COMMITTEE FINANCIAL EXPERT.

Not applicable.

ITEM 4. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

Not applicable.

ITEM 5. AUDIT COMMITTEE OF LISTED REGISTRANTS.

Not applicable.

ITEM 6. INVESTMENTS.

(a)

=====

CORNERSTONE TOTAL RETURN FUND, INC.  
SCHEDULE OF INVESTMENTS -- JUNE 30, 2008 (UNAUDITED)

=====

Description	No. of Shares	Value
EQUITY SECURITIES - 99.38%		
CLOSED-END FUNDS - 8.01%		
Adams Express Company (a)	67,400	\$ 798,690
Alpine Global Premier Properties Fund	3,000	32,550
Boulder Growth & Income Fund Inc.	7,700	56,672
Boulder Total Return Fund, Inc.	7,500	135,375
Central Europe and Russia Fund, Inc. (The) ^	2,500	131,850
Denali Fund (The)	8,500	146,200
Dreman/Claymore Dividend & Income Fund	53,500	679,450
H&Q Healthcare Investors ^	11,400	167,238
H&Q Life Sciences Investors ^	6,000	68,520
Japan Equity Fund *	13,000	91,000
Liberty All-Star Growth Fund, Inc.	39,075	182,090
Petroleum & Resources Corporation (a)	3,000	130,770
Templeton Emerging Markets Fund	3,000	59,550
Zweig Fund, Inc. ^	37,000	170,940
		-----

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

		2,850,895
		-----
CONSUMER DISCRETIONARY - 7.66%		
Amazon.com, Inc. *	2,500	183,325
Bed Bath & Beyond Inc. *	2,500	70,250
Best Buy Co., Inc. ^	2,500	99,000
Comcast Corporation, Class A ^	9,012	170,958
Comcast Corporation, Special Class A	4,250	79,730
DIRECTV Group, Inc. (The) *	4,000	103,640
Ford Motor Company *	14,000	67,340
Gap, Inc. (The)	3,000	50,010
Goodyear Tire & Rubber Company (The) *	2,500	44,575
Home Depot, Inc. (The)	5,000	117,100
Johnson Controls, Inc. ^	2,500	71,700
Lowe's Companies, Inc. ^	5,000	103,750
Marriott International, Inc., Class A	2,000	52,480
Mattel, Inc.	4,500	77,040
McDonald's Corporation	5,100	286,722
News Corporation, Class B ^	7,500	115,125
NIKE, Inc., Class B	2,500	149,025
Omnicom Group Inc. ^	3,000	134,640
Pulte Homes, Inc. ^	2,500	24,075
Staples, Inc.	3,150	74,812
Starbucks Corporation *	2,500	39,350
Tata Motors Limited ^ ADR	2,500	25,125
Time Warner Inc. ^	11,000	162,800
TJX Companies, Inc. (The)	2,500	78,675
Walt Disney Company (The)	11,000	343,200
		-----
		2,724,447
		-----
CONSUMER STAPLES - 10.04%		
Altria Group, Inc.	7,700	158,312
Coca-Cola Company (The)	8,000	415,840
Colgate-Palmolive Company	2,500	172,750
ConAgra Foods, Inc.	2,500	48,200
CVS Corporation	4,175	165,205
H.J. Heinz Company	2,700	129,195
Kraft Foods Inc, Class A	5,328	151,582
Kroger Co. (The)	3,600	103,932
PepsiCo, Inc.	5,000	317,950
Philip Morris International Inc.	7,700	380,303
Procter & Gamble Company (The)	8,472	515,182
Sara Lee Corporation	2,500	30,625
Sysco Corporation ^	2,500	68,775
Walgreen Co.	3,100	100,781
Wal-Mart Stores, Inc.	14,500	814,900
		-----
		3,573,532
		-----
ENERGY - 14.48%		
Apache Corporation	1,000	139,000
Chesapeake Energy Corporation	2,500	164,900
Chevron Corporation	10,068	998,041
Devon Energy Corporation	2,500	300,400
El Paso Corporation.	5,000	108,700
Exxon Mobil Corporation ^	20,000	1,762,601
Halliburton Company ^	2,500	132,675
Peabody Energy Corporation	2,500	220,125
Schlumberger Limited ^	5,000	537,150

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

Spectra Energy Corporation	2,500	71,850
Transocean Inc. ^	1,000	152,390
Weatherford International Ltd. *	5,000	247,950
Williams Companies, Inc. (The)	2,500	100,775
XTO Energy, Inc.	3,125	214,094
		-----
		5,150,651
		-----
FINANCIALS - 11.36%		
AFLAC Incorporated	1,500	94,200
American Express Company ^	3,500	131,845
American International Group, Inc. ^	8,331	220,438
Ameriprise Financial, Inc.	1,220	49,617
Aon Corporation	2,500	114,850
Bank of America Corporation	17,521	418,226
Bank of New York Mellon Corporation	4,800	181,584
BB&T Corporation ^	2,000	45,540
Charles Schwab Corporation (The) ^	8,200	168,428
Chubb Corporation (The) ^	2,000	98,020
Fannie Mae ^	3,000	58,530
Freddie Mac	2,500	41,000
Goldman Sachs Group, Inc. (The) ^	3,000	524,700
Hartford Financial Services Group, Inc. (The)	2,500	161,425
Hudson City Bancorp, Inc.	2,500	41,700
JPMorgan Chase & Co.	18,200	624,442
KeyCorp ^	5,000	54,900
Metlife, Inc. ^	3,000	158,310
Morgan Stanley ^	1,700	61,319
State Street Corporation	1,600	102,384
Travelers Companies, Inc. (The)	5,092	220,993
UnumProvident Corporation	2,500	51,125
Wachovia Corporation ^	5,600	86,968
Wells Fargo & Company	14,000	332,500
		-----
		4,043,044
		-----
HEALTHCARE - 10.83%		
Aetna Inc.	4,000	162,120
Baxter International Inc. ^	2,500	159,850
Bristol-Myers Squibb Company ^	4,000	82,120
Celgene Corporation ^ *	2,500	159,675
Gilead Sciences, Inc. *	7,000	370,650
Johnson & Johnson	15,500	997,270
Laboratory Corporation of America Holdings *	2,500	174,075
McKesson Corporation ^	2,500	139,775
Medco Health Solutions, Inc. ^ *	1,562	73,726
Medtronic, Inc.	4,500	232,875
Merck & Co. Inc. ^	10,700	403,283
Pfizer Inc.	12,000	209,640
Schering-Plough Corporation	4,400	86,636
St. Jude Medical, Inc. *	2,500	102,200
Stryker Corporation	2,000	125,760
UnitedHealth Group Incorporated	3,500	91,875
Waters Corporation ^ *	2,500	161,250
Wyeth	2,500	119,900
		-----
		3,852,680
		-----
INDUSTRIALS - 10.45%		
Allied Waste Industries, Inc. ^ *	2,500	31,550

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

Boeing Company (The) ^	1,400	92,008
Caterpillar Inc.	2,500	184,550
CSX Corporation	5,000	314,050
Danaher Corporation	2,500	193,250
Deere & Company ^	2,000	144,260
General Dynamics Corporation ^	2,500	210,500
General Electric Company	45,000	1,201,050
Illinois Tool Works Inc.	2,500	118,775
Lockheed Martin Corporation ^	2,500	246,650
Raytheon Company	2,500	140,700
Rockwell Automation, Inc.	2,500	109,325
Textron Inc.	2,500	119,825
United Parcel Service, Inc., Class B	4,000	245,880
United Technologies Corporation	4,400	271,480
Waste Management, Inc.	2,500	94,275
		-----
		3,718,128
		-----
INFORMATION TECHNOLOGY - 15.79%		
Agilent Technologies Inc. *	2,500	88,850
Apple Computer, Inc. ^ *	5,000	837,200
Automatic Data Processing, Inc.	2,500	104,750
Cisco Systems, Inc. *	19,000	441,940
Corning Incorporated	6,000	138,300
eBay Inc. *	6,500	177,645
EMC Corporation *	8,000	117,520
Google Inc. *	1,000	526,420
Hewlett-Packard Company	7,500	331,575
Intel Corporation	8,000	171,840
International Business Machines Corporation	3,200	379,296
Intuit Inc. *	2,500	68,925
Microsoft Corporation	29,500	811,545
Nokia ADR	2,500	61,250
NVIDIA Corporation ^ *	3,750	70,200
Oracle Corporation *	23,600	495,600
Paychex, Inc.	2,500	78,200
QUALCOMM Inc.	6,800	301,716
Texas Instruments Incorporated ^	11,000	309,760
Xerox Corporation ^	3,000	40,680
Xilinx, Inc.	2,500	63,125
		-----
		5,616,337
		-----
MATERIALS - 3.76%		
Air Products & Chemicals, Inc.	2,500	247,150
Alcoa Inc. ^	3,000	106,860
Dow Chemical Company (The) ^	3,500	122,185
E. I. du Pont de Nemours and Company	2,800	120,092
Freeport-McMoRan Copper & Gold, Inc.	2,500	292,975
Monsanto Company	3,546	448,356
		-----
		1,337,618
		-----
REAL ESTATE INVESTMENT TRUST - 0.63%		
Simon Property Group, Inc. ^	2,500	224,725
		-----
TELECOMMUNICATION SERVICES - 2.98%		
AT&T Inc.	23,589	794,713
Verizon Communications Inc.	7,500	265,500

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

		----- 1,060,213 -----
UTILITIES - 3.39%		
AES Corporation (The) *	3,000	57,630
Alleghany Energy Inc.	2,500	125,275
American Electric Power Company, Inc.	5,500	221,265
Dominion Resources, Inc.	5,000	237,450
Duke Energy Corporation	6,600	114,708
FirstEnergy Corp.	2,500	205,825
NiSource Inc.	2,500	44,800
Southern Company (The) ^	2,500	87,300
Xcel Energy, Inc.	5,500	110,385
		----- 1,204,638 -----
TOTAL EQUITY SECURITIES (cost - \$31,436,813)		----- 35,356,908 -----
SHORT-TERM INVESTMENTS - 11.62%		
MONEY MARKET SECURITY - 0.63%		
JPMorgan U.S. Government Money Market Fund	222,427	222,427
		-----
	Principal Amount (000's)	
	-----	
REPURCHASE AGREEMENTS - 10.99%		
Bear, Stearns & Co. Inc. + ++ (Agreements dated 6/30/2008 to be repurchased at \$3,445,581, 2.50%, 7/1/2008, collateralized by \$3,540,402 in United States Treasury Bonds)	\$ 3,445	3,445,342
Bear, Stearns & Co. Inc. + ++ (Agreements dated 6/30/2008 to be repurchased at \$466,559, 1.25%, 7/1/2008, collateralized by \$482,027 in United States Treasury Bonds)	467	466,543
		----- 3,911,885 -----
TOTAL SHORT-TERM INVESTMENTS (cost - \$4,134,312)		----- 4,134,312 -----
TOTAL INVESTMENTS - 111.00% (cost - \$35,571,125)		----- 39,491,220 -----
LIABILITIES IN EXCESS OF OTHER ASSETS - (11.00)%		----- (3,914,758) -----
NET ASSETS - 100.00%		----- \$ 35,576,462 =====

-----  
(a) Affiliated investment. The Fund holds 2.24% and 0.37% (based on net assets) of Adams Express Company and Petroleum & Resources Corporation, respectively. A director of the Fund also serves as a director to such companies. During the six months ended June 30, 2008, 3,000 shares of Adams Express Company were sold. There were no other purchases or sales of these securities.

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

^ Security or a portion thereof is out on loan.  
\* Non-income producing security.  
ADR American Depositary Receipt  
+ Stated interest rate, before rebate earned by borrower of securities on loan.  
++ Represents investment purchased with collateral received for securities on loan.

(b) Not applicable.

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

Not applicable.

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

Not applicable.

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 second fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting.

ITEM 12. EXHIBITS.

(a) (1) Not applicable.

(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.

SIGNATURES

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

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  
-----

Name: Ralph W. Bradshaw  
Title: Principal Executive Officer  
Date: September 8, 2008

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 Total Return Fund, Inc.

By: /S/ RALPH W. BRADSHAW  
-----

Name: Ralph W. Bradshaw  
Title: Principal Executive Officer  
Date: September 8, 2008

By: /S/ KAYADTI A. MADISON  
-----

Name: Kayadti A. Madison  
Title: Principal Financial Officer  
Date: September 8, 2008