

CORNERSTONE TOTAL RETURN FUND INC  
Form N-CSR  
March 02, 2012

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.

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(Exact name of registrant as specified in charter)

350 Jericho Turnpike, Suite 206 Jericho, New York

11753

(Address of principal executive offices)

(Zip code)

Frank J. Maresca

Ultimus Fund Solutions, LLC 350 Jericho Turnpike, Suite 206 Jericho, New York 11753

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(Name and address of agent for service)

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

Date of fiscal year end: December 31, 2011

Date of reporting period: December 31, 2011

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.

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Cornerstone Total  
Return Fund, Inc.

Annual Report  
December 31, 2011

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Cornerstone Total Return Fund, Inc.  
Portfolio Summary – as of December 31, 2011 (unaudited)

SECTOR ALLOCATION

Sector	Percent of Net Assets
Information Technology	16.9
Energy	10.0
Health Care	9.7
Consumer Staples	9.2
Consumer Discretionary	8.8
Financials	8.0
Industrials	7.9
Closed-End Funds	7.0
Telecommunication Services	2.7
Utilities	2.7
Materials	2.4
Other	14.7

TOP TEN HOLDINGS, BY ISSUER

Holding	Sector	Percent of Net Assets
1. Apple, Inc.	Information Technology	4.5
2. Exxon Mobil Corporation	Energy	3.5
3. Wal-Mart Stores, Inc.	Consumer Staples	2.7
4. Microsoft Corporation	Information Technology	2.6
5. International Business Machines Corporation	Information Technology	2.6
6. Chevron Corporation	Energy	2.2
7. Google, Inc. - Class A	Information	1.8

	Technology	
8. Johnson & Johnson	Health Care	1.6
9. Philip Morris International, Inc.	Consumer Staples	1.5
10. Eaton Vance Risk-Managed Diversified Equity Income Fund	Closed-End Funds	1.5

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Cornerstone Total Return Fund, Inc.

Summary Schedule of Investments – December 31, 2011

Description	No. of Shares	Value
EQUITY SECURITIES – 85.35%		
CLOSED-END FUNDS – 6.97%		
OPTION ARBITRAGE/OPTIONS STRATEGIES – 6.46%		
Eaton Vance Enhanced Equity Income Fund	30,027	\$305,675
Eaton Vance Enhanced Equity Income Fund II	21,175	216,197
Eaton Vance Risk-Managed Diversified Equity Income Fund	51,800	541,310
Eaton Vance Tax-Managed Buy-Write Opportunities Fund	40,300	472,316
Eaton Vance Tax-Managed Diversified Equity Income Fund	51,439	456,264
Other Option Arbitrage/Options Strategies (a)		332,970
		2,324,732
SECTOR EQUITY – 0.51%		
Other Sector Equity (a)		183,390
TOTAL CLOSED-END FUNDS		2,508,122
CONSUMER DISCRETIONARY – 8.80%		
Home Depot, Inc. (The)	7,000	294,280
McDonald's Corporation	4,000	401,320
NIKE, Inc. - Class B	2,000	192,740
Walt Disney Company (The)	5,000	187,500
Other Consumer Discretionary (a)		2,093,174
		3,169,014
CONSUMER STAPLES – 9.21%		
Altria Group, Inc.	7,000	207,550
Coca-Cola Company (The)	7,000	489,790
CVS Caremark Corporation	6,000	244,680
Description	No. of Shares	Value
CONSUMER STAPLES – (continued)		
PepsiCo, Inc.	5,000	\$331,750
Philip Morris International, Inc.	7,000	549,360
Wal-Mart Stores, Inc.	16,000	956,160
Other Consumer Staples (a)		536,630
		3,315,920
ENERGY – 9.99%		
Chevron Corporation	7,500	798,000
ConocoPhillips	5,000	364,350
Exxon Mobil Corporation	15,000	1,271,400
Occidental Petroleum Corporation	4,000	374,800
Other Energy (a)		790,100
		3,598,650
FINANCIALS – 7.98%		
American Express Company	4,000	188,680

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Citigroup, Inc.	9,500	249,945
JPMorgan Chase & Co.	15,200	505,400
U.S. Bancorp	7,500	202,875
Wells Fargo & Company	19,000	523,640
Other Financials (a)		1,201,120
		2,871,660
HEALTH CARE – 9.71%		
Abbott Laboratories	6,000	337,380
Amgen, Inc.	3,000	192,630
Bristol-Myers Squibb Company	6,000	211,440
Johnson & Johnson	9,000	590,220
McKesson Corporation	2,500	194,775
Merck & Company, Inc.	10,500	395,850
Pfizer, Inc.	16,462	356,238
Other Health Care (a)		1,218,141
		3,496,674

See accompanying notes to schedule of investments.

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Cornerstone Total Return Fund, Inc.

Summary Schedule of Investments – December 31, 2011 (concluded)

Description	No. of Shares	Value
<b>INDUSTRIALS – 7.94%</b>		
Caterpillar Inc.	3,000	\$271,800
Deere & Company	2,500	193,375
FedEx Corporation	2,500	208,775
General Electric Company	28,000	501,480
Honeywell International Inc.	4,000	217,400
Lockheed Martin Corporation	2,500	202,250
Union Pacific Corporation	2,500	264,850
United Parcel Service, Inc. - Class B	3,000	219,570
Other Industrials (a)		780,781
		2,860,281
<b>INFORMATION TECHNOLOGY – 16.91%</b>		
Apple, Inc. *	4,000	1,619,999
Cisco Systems, Inc.	14,000	253,120
Google, Inc. - Class A *	1,000	645,900
Intel Corporation	21,000	509,250
International Business Machines Corporation	5,000	919,400
Microsoft Corporation	36,000	934,560
Oracle Corporation	18,600	477,090
QUALCOMM Incorporated	5,000	273,500
Other Information Technology (a)		455,590
		6,088,409
<b>MATERIALS – 2.40%</b>		
E.I. Du Pont de Nemours & Company	4,800	219,744
Other Materials (a)		644,825
		864,569
<b>REAL ESTATE INVESTMENT TRUST – 0.01%</b>		
Total Real Estate Investment Trust (a)		2,063
	No. of Shares	Value
<b>TELECOMMUNICATION SERVICES – 2.74%</b>		
AT&T, Inc.	17,089	\$516,771
Verizon Communications, Inc.	8,000	320,960
Other Telecommunication Services (a)		148,800
		986,531
<b>UTILITIES – 2.69%</b>		
Other Utilities (a)		968,228
<b>TOTAL EQUITY SECURITIES</b>		
(cost - \$29,020,077)		30,730,121
<b>SHORT-TERM INVESTMENT – 22.68%</b>		
<b>MONEY MARKET FUND – 22.68%</b>		



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Fidelity Institutional Money Market Government Portfolio - Class I (cost - \$8,166,729)	8,166,729	8,166,729
TOTAL INVESTMENTS – 108.03% (cost - \$37,186,806)		38,896,850
LIABILITIES IN EXCESS OF OTHER ASSETS – (8.03)%		(2,892,968 )
NET ASSETS – 100.00%		\$36,003,882

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(a) 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 December 31, 2011.

\* Non-income producing security.

See accompanying notes to schedule of investments.

Cornerstone Total Return Fund, Inc.  
Statement of Assets and Liabilities – December 31, 2011

ASSETS

Investments, at value (cost – \$37,186,806)	\$38,896,850
Receivables:	
Dividends	33,960
Prepaid expenses	962
Total Assets	38,931,772

LIABILITIES

Payables:	
Securities purchased	2,802,942
Investment management fees	26,477
Directors' fees	13,524
Administration fees	2,301
Accounting fees	3,527
Other accrued expenses	79,119
Total Liabilities	2,927,890

NET ASSETS (applicable to 6,587,245 shares of common stock outstanding) \$36,003,882

NET ASSET VALUE PER SHARE (\$36,003,882 ÷ 6,587,245) \$5.47

NET ASSETS CONSIST OF

Common stock, \$0.001 par value; 6,587,245 shares issued and outstanding (15,000,000 shares authorized)	\$6,587
Paid-in capital	37,923,091
Accumulated net realized loss on investments	(3,635,840 )
Net unrealized appreciation in value of investments	1,710,044
Net assets applicable to shares outstanding	\$36,003,882

See accompanying notes to schedule of investments.

Cornerstone Total Return Fund, Inc.

Statement of Operations – for the Year Ended December 31, 2011

INVESTMENT INCOME

Income:

Dividends from investments	\$527,276
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Expenses:

Investment management fees	241,064
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Directors' fees	52,698
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Legal and audit fees	36,917
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Accounting fees	35,412
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Administration fees	29,801
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Transfer agent fees	27,782
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Printing	13,000
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Custodian fees	6,802
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Insurance	4,330
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Miscellaneous	3,000
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Stock exchange listing fees	2,964
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Total Expenses	453,770
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Net Investment Income	73,506
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NET REALIZED AND UNREALIZED GAIN/(LOSS) ON INVESTMENTS

Net realized loss from investments	(71,950	)
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Net realized loss from foreign currency related transactions	(431	)
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Capital gain distributions from regulated investment companies	9,221
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Net change in unrealized appreciation in value of investments	371,615
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Net realized and unrealized gain on investments	308,455
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NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	\$381,961
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See accompanying notes to schedule of investments.

Cornerstone Total Return Fund, Inc.  
Statement of Changes in Net Assets

	For the Years Ended December 31,	
	2011	2010
INCREASE IN NET ASSETS		
Operations:		
Net investment income/(loss)	\$73,506	\$(8,125 )
Net realized loss from investments	(63,160 )	(74,939 )
Net change in unrealized appreciation in value of investments	371,615	2,089,762
Net increase in net assets resulting from operations	381,961	2,006,698
Dividends and distributions to shareholders:		
Net investment income	(73,075 )	—
Return-of-capital	(5,159,948 )	(4,164,904 )
Total dividends and distributions to shareholders	(5,233,023 )	(4,164,904 )
Common stock transactions:		
Proceeds from rights offerings of 2,628,010 and 1,006,384 shares of newly issued common stock, respectively	14,559,175	7,275,425
Offering expenses associated with the rights offering	(93,487 )	(79,196 )
Proceeds from 62,277 and 52,016 shares newly issued in reinvestment of dividends and distributions, respectively	476,036	475,258
Net increase in net assets from capital stock transactions	14,941,724	7,671,487
Total increase in net assets	10,090,662	5,513,281
NET ASSETS		
Beginning of year	25,913,220	20,399,939
End of year	\$36,003,882	\$25,913,220

See accompanying notes to schedule of investments.

# 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 year indicated. This information has been derived from information provided in the financial statements and market price data for the Fund's shares.

		For the Years Ended December 31,*				
	2011	2010	2009	2008	2007	
<b>PER SHARE OPERATING PERFORMANCE</b>						
Net asset value, beginning of year	\$ 6.65	\$7.19	\$7.75	\$17.00	\$20.28	
Net investment income/(loss) #	0.02	(0.00 )	(0.02 )	0.12	0.14	
Net realized and unrealized gain/(loss) on investments	0.05	0.68	1.31	(5.64 )	0.64	
Net increase/(decrease) in net assets resulting from operations	0.07	0.68	1.29	(5.52 )	0.78	
Dividends and distributions to shareholders:						
Net investment income	(0.02 )	—	—	(0.12 )	(0.14 )	
Net realized capital gains	—	—	—	—	(0.06 )	
Return-of-capital	(1.32 )	(1.46 )	(1.90 )	(3.77 )	(4.08 )	
Total dividends and distributions to shareholders	(1.34 )	(1.46 )	(1.90 )	(3.89 )	(4.28 )	
Common stock transactions:						
Anti-dilutive effect due to shares issued:						
Rights offering	0.06	0.19	—	—	—	
Reinvestment of dividends and distributions	0.03	0.05	0.05	0.16	0.22	
Total anti-dilutive effect due to shares issued	&#16					