

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

CORNERSTONE TOTAL RETURN FUND INC

Form N-Q

November 22, 2006

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM N-Q

QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS OF REGISTERED  
MANAGEMENT INVESTMENT COMPANY

Investment Company Act file number 811-02363  
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Cornerstone Total Return Fund, Inc.

-----  
(Exact name of registrant as specified in charter)

383 Madison Avenue, New York, NY 10179

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

Jodi Levine

Cornerstone Total Return Fund, Inc., 383 Madison Avenue, New York, NY 10179

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

Registrant's telephone number, including area code: (212) 272-3550  
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Date of fiscal year end: December 31, 2006  
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Date of reporting period: September 30, 2006  
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ITEM 1: SCHEDULE OF INVESTMENTS

CORNERSTONE TOTAL RETURN FUND, INC.  
SCHEDULE OF INVESTMENTS -- SEPTEMBER 30, 2006 (UNAUDITED)

DESCRIPTION	NO. OF SHARES	VALUE
-----		
EQUITY SECURITIES - 99.37%		
UNITED STATES - 99.10%		
CLOSED-END DOMESTIC FUNDS - 6.78%		
Adams Express Company	70,400	\$ 951,808
Boulder Total Return Fund, Inc. ^	13,900	266,046
Dreman/Claymore Dividend & Income Fund	49,500	1,010,790
John Hancock Bank and Thrift Opportunity Fund	30,400	295,488
Liberty All-Star Growth Fund, Inc.	140,800	713,856
Neuberger Berman Real Estate Income Fund Inc. ^	5,500	147,510
Petroleum & Resources Corporation	3,000	98,040
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		3,483,538
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CONSUMER DISCRETIONARY - 9.95%		
Apollo Group, Inc. *	2,500	123,100

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Bed Bath & Beyond Inc. ^ *	2,500	95,650
Best Buy Co., Inc.	3,750	200,850
CBS Corporation ^	4,500	126,765
Coach, Inc. *	2,500	86,000
Comcast Corporation, Class A *	4,500	165,645
Comcast Corporation, Special Class A ^ *	6,008	221,395
eBay Inc. *	4,000	113,440
Fortune Brands, Inc.	2,500	187,775
Goodyear Tire & Rubber Company (The) ^ *	2,500	36,250
Harley-Davidson, Inc. ^	2,500	156,875
Hilton Hotels Corporation ^	2,500	69,625
Home Depot, Inc. (The)	12,300	446,121
J.C. Penney Company, Inc.	2,500	170,975
Kohl's Corporation ^ *	2,500	162,300
Lowe's Companies, Inc. ^	7,400	207,644
Marriott International, Inc., Class A	5,000	193,200
Mattel, Inc.	4,500	88,650
McDonald's Corporation	8,100	316,872
McGraw-Hill Companies, Inc. (The)	2,500	145,075
Nordstrom, Inc.	2,500	105,750
Office Depot, Inc. *	2,500	99,250
Omnicom Group Inc.	1,500	140,400
Staples, Inc. ^	3,150	76,640
Starbucks Corporation *	5,000	170,250
Target Corporation	4,600	254,150
Time Warner Inc.	21,000	382,830
TJX Companies, Inc. (The)	2,500	70,075
Tribune Company ^	2,500	81,800
Viacom Inc. *	4,500	167,310
Walt Disney Company (The)	8,000	247,280
		-----
		5,109,942
		-----
CONSUMER STAPLES - 9.76%		
Altria Group, Inc.	7,700	589,435
Archer-Daniels-Midland Company	3,000	113,640

DESCRIPTION	NO. OF SHARES	VALUE
Campbell Soup Company	5,700	\$ 208,050
Coca-Cola Company (The)	13,500	603,180
Colgate-Palmolive Company	2,500	155,250
ConAgra Foods, Inc.	2,500	61,200
CVS Corporation	3,000	96,360
General Mills, Inc.	2,500	141,500
H.J. Heinz Company	2,700	113,211
Kroger Co. (The)	3,600	83,304
PepsiCo, Inc.	7,500	489,450
Procter & Gamble Company (The)	13,972	865,985
Safeway Inc.	4,900	148,715
Sara Lee Corporation	2,600	41,782
Sysco Corporation ^	3,500	117,075
Walgreen Co.	5,600	248,584
Wal-Mart Stores, Inc.	19,000	937,080
		-----
		5,013,801
		-----
ENERGY - 8.78%		
Anadarko Petroleum Corp. ^	5,000	219,150
BJ Services Company	3,000	90,390

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Chevron Corporation	6,568	426,000
ConocoPhillips	5,000	297,650
Devon Energy Corporation	2,500	157,875
El Paso Corporation	3,000	40,920
Exxon Mobil Corporation	32,000	2,147,199
Halliburton Company ^	5,000	142,250
Norsk Hydro ADR	2,500	56,275
Occidental Petroleum Corporation	5,000	240,550
Peabody Energy Corporation	2,500	91,950
Schlumberger Limited	5,000	310,150
Transocean Inc. *	2,500	183,075
XTO Energy, Inc. ^	2,500	105,325

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4,508,759  
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FINANCIALS - 19.56%

AFLAC Incorporated	4,000	183,040
American Express Company	6,100	342,088
American International Group, Inc.	12,331	817,052
Ameriprise Financial, Inc.	1,220	57,218
AmSouth Bancorporation	2,500	72,600
Aon Corporation	2,500	84,675
Bank of America Corporation	17,021	911,815
BB&T Corporation	4,500	197,010
Charles Schwab Corporation (The)	8,200	146,780
Chubb Corporation (The)	5,000	259,800
Cincinnati Financial Corporation	2,500	120,150
Citigroup Inc. ^	25,600	1,271,552
Countrywide Financial Corporation	3,500	122,640
Fannie Mae	3,200	178,912
Franklin Resources, Inc.	2,500	264,375
Freddie Mac	3,300	218,889
Goldman Sachs Group, Inc. (The) ^	3,000	507,510
Hartford Financial Services Group, Inc. (The)	1,600	138,800

DESCRIPTION	NO. OF SHARES	VALUE
JPMorgan Chase & Co.	12,700	\$ 596,392
KeyCorp	2,500	93,600
Lehman Brothers Holdings Inc.	2,500	184,650
M&T Bank Corporation	2,500	299,900
Mellon Financial Corporation	2,300	89,930
Merrill Lynch & Co., Inc. ^	1,100	86,042
Metlife, Inc.	3,000	170,040
Moody's Corporation	2,000	130,760
Morgan Stanley ^	3,700	269,767
Northern Trust Corporation ^	1,100	64,273
PNC Financial Services Group, Inc.	1,400	101,416
Prudential Financial, Inc.	2,500	190,625
SLM Corporation	2,500	129,950
St. Paul Travelers Companies, Inc. (The)	5,092	238,764
State Street Corporation	1,600	99,840
Synovus Corporation	2,500	73,425
Wachovia Corporation	8,100	451,980
Washington Mutual, Inc.	5,251	228,261
Wells Fargo & Company	18,000	651,240
		----- 10,045,761 -----

HEALTHCARE - 11.36%

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Aetna Inc. ^	4,000	158,200
Amgen Inc. *	8,300	593,699
Biomet, Inc.	2,500	80,475
Bristol-Myers Squibb Company ^	7,100	176,932
Caremark Rx, Inc.	2,500	141,675
Eli Lilly and Company	4,100	233,700
Gilead Sciences, Inc. *	2,500	171,750
Johnson & Johnson	15,500	1,006,570
Laboratory Corporation of America Holdings *	2,500	163,925
Medco Health Solutions, Inc. *	1,531	92,028
Medtronic, Inc.	7,100	329,724
Merck & Co. Inc.	8,700	364,530
Pfizer Inc.	32,460	920,566
Schering-Plough Corporation	8,400	185,556
St. Jude Medical, Inc. *	2,500	88,225
Stryker Corporation	2,000	99,180
UnitedHealth Group Incorporated	10,000	492,000
Waters Corporation ^ *	2,500	113,200
Wyeth	5,000	254,200
Zimmer Holdings, Inc. *	2,500	168,750

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5,834,885  
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INDUSTRIALS - 9.94%

3M Co.	2,500	186,050
Boeing Company (The)	1,400	110,390
Caterpillar Inc. ^	5,000	329,000
CSX Corporation	5,000	164,150
Danaher Corporation ^	2,500	171,675
Dover Corporation	1,000	47,440
FedEx Corp.	2,500	271,700
General Dynamics Corporation	2,500	179,175

DESCRIPTION	NO. OF SHARES	VALUE
General Electric Company	52,000	\$ 1,835,600
Honeywell International Inc.	3,300	134,970
Illinois Tool Works Inc.	5,000	224,500
Lockheed Martin Corporation	2,500	215,150
Norfolk Southern Corporation	2,500	110,125
Raytheon Company	2,500	120,025
Rockwell Automation, Inc.	2,500	145,250
Southwest Airlines Co.	6,100	101,626
United Parcel Service, Inc., Class B	4,000	287,760
United Technologies Corporation	4,400	278,740
Waste Management, Inc.	5,300	194,404
		-----
		5,107,730
		-----

INFORMATION TECHNOLOGY - 13.99%

Advanced Micro Devices *	2,500	62,125
Agilent Technologies Inc. *	5,000	163,450
Apple Computer, Inc. *	5,000	385,150
Applied Materials, Inc.	8,000	141,840
Broadcom Corporation - Class A *	2,500	75,850
Cisco Systems, Inc. *	27,000	621,000
Corning Incorporated *	3,500	85,435
Dell Inc. *	5,700	130,188
Electronic Data Systems Corporation	7,500	183,900
EMC Corporation *	8,000	95,840

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First Data Corporation	4,325	181,650
Fiserv, Inc. *	2,500	117,725
Freescale Semiconductor Inc., Class B *	1,777	67,544
Hewlett-Packard Company ^	13,342	489,518
Intel Corporation	22,000	452,540
International Business Machines Corporation	5,700	467,058
Intuit Inc. *	2,500	80,225
Maxim Integrated Products, Inc.	2,500	70,175
Microsoft Corporation	43,000	1,175,190
Motorola, Inc.	16,100	402,500
Network Appliance, Inc. ^ *	2,500	92,525
Oracle Corporation *	33,600	596,064
Paychex, Inc.	2,500	92,125
QUALCOMM Inc.	6,800	247,180
Texas Instruments Incorporated	13,500	448,875
Xerox Corporation *	3,000	46,680
Yahoo! Inc. *	8,500	214,880

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7,187,232  
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MATERIALS - 2.37%

Air Products & Chemicals, Inc.	2,500	165,925
Alcoa Inc. ^	3,000	84,120
E. I. du Pont de Nemours and Company ^	5,800	248,472
International Paper Company ^	2,300	79,649
Monsanto Company	3,546	166,697
Newmont Mining Corporation	2,500	106,875
Nucor Corporation ^	5,000	247,450
Rohm and Hass Company	2,500	118,375

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1,217,563  
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DESCRIPTION	NO. OF SHARES	VALUE
REAL ESTATE INVESTMENT TRUST - 0.44%		
Simon Property Group, Inc.	2,500	\$ 226,550
TELECOMMUNICATIONS SERVICES - 3.24%		
AT&T Inc.	24,699	804,199
BellSouth Corporation	5,200	222,300
Nokia ADR	2,500	49,225
Qwest Communications International Inc. ^ *	10,000	87,200
Sprint Nextel Corporation ^	7,437	127,545
Verizon Communications Inc.	10,000	371,300
UTILITIES - 2.93%		
AES Corporation (The) *	3,000	61,170
Alleghany Energy Inc. *	2,500	100,425
American Electric Power Company, Inc.	5,500	200,035
Duke Energy Corporation	6,600	199,320
FirstEnergy Corp.	2,500	139,650
PPL Corporation	2,500	82,250
Southern Company (The) ^	2,500	86,150
TXU Corp.	7,400	462,648
Williams Companies, Inc. (The) ^	2,500	59,675
Xcel Energy, Inc.	5,500	113,575

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		-----	
			1,504,898
		-----	
TOTAL UNITED STATES			
(cost - \$46,033,652)			50,902,428
		-----	
CZECH REPUBLIC - 0.27%			
CONSUMER DISCRETIONARY - 0.27%			
Bonton a.s. * #	137,180		23
Bonton Book a.s. * #	68,590		27,419
Bonton Film Entertainment a.s. * #	68,590		78,165
Bonton Music a.s. * #	68,590		31,989
Bonton Pictures a.s. * #	68,590		23
		-----	
		-----	
TOTAL CZECH REPUBLIC			
(cost - \$894,865)			137,619
		-----	
TOTAL EQUITY SECURITIES			
(cost - \$46,928,517)			51,040,047
		-----	
		PRINCIPAL	
		AMOUNT	
		000'S	
		-----	
SHORT-TERM INVESTMENTS - 3.22%			
REPURCHASE AGREEMENTS - 3.22%			
Bear, Stearns and Co., Inc. + ++			
(Agreement dated 9/30/2006 to be repurchased at			
\$1,146,190), 2.6875%, 10/2/2006, collateralized by			
\$1,181,968 in U.S. Treasury Bond Strips)	\$ 1,146		1,145,933
Bear, Stearns and Co., Inc.			
(Agreement dated 9/30/2006 to be repurchased at			
\$381,782), 5.0000%, 10/2/2006, collateralized by			
\$394,950 in U.S. Treasury Bond Strips)	382		381,623
		PRINCIPAL	
		AMOUNT	
		000's	
		VALUE	
		-----	
DESCRIPTION			
Bear, Stearns and Co., Inc. + ++			
(Agreement dated 9/30/2006 to be repurchased at			
\$126,307), 5.3750%, 10/2/2006, collateralized by			
\$132,611 in U.S. Treasury Bond Strips)	126	\$	126,250
			-----
TOTAL SHORT-TERM INVESTMENTS			
(cost - \$1,653,806)			1,653,806
			-----
TOTAL INVESTMENTS - 102.59%			
(cost - \$48,582,323)			52,693,853
			-----
LIABILITIES IN EXCESS OF OTHER ASSETS - (2.59)%			(1,328,967)
			-----
NET ASSETS - 100.00%			\$51,364,886
			=====

\* Non-income producing security.

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

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loan.  
++ Represents investment purchased with collateral received for securities on loan.  
^ Security or a portion thereof is out on loan.  
# Securities are fair valued in accordance with procedures established by the Board of Directors.  
ADR American Depositary Receipts

At September 30, 2006, the Fund held 0.27% of its net assets in securities valued in good faith by the Board of Directors with an aggregate cost of \$894,865 and a fair value of \$137,619.

Federal Income Tax Cost: At September 30, 2006, 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 \$48,582,323, \$9,220,780, (\$5,109,250), \$4,111,530, respectively.

Securities valuation policies and other investment related disclosures are hereby incorporated by reference to the Fund's annual report previously filed with the Securities and Exchange Commission on the Form N-CSR on August 31, 2006 with a file number 811-02363.

Securities and assets for which market quotations are not readily available are valued at their fair value as determined in good faith under procedures established by and under the general supervision of the Board. Fair valuation methodologies and procedures may include, but are not limited to: analysis and review of financial and non-financial information about the company; comparisons to the valuation and changes in valuation of similar securities, including reference to special reports prepared by analysts and or reports published in the financial press, the financial conditions and prospects of the issuer available, including considering any recent management or capital structure changes or other recent events that may impact the price of the security; and evaluation of any other information that could be indicative of the value of the security.

Other information regarding the Fund is available in the Fund's most recent annual report filed with the Securities and Exchange Commission on Form N-CSR on August 31, 2006, file number 881-02363. This information is also available to registered shareholders by calling (800) 937-5449. For general inquiries, please call (212) 272-3550. This information is also available on the website of the Securities and Exchange Commission - <http://www.sec.gov>.

### ITEM 2: CONTROLS AND PROCEDURES

(a) As of a date within 90 days from the filing date of this report, the principal executive officer and principal financial officer concluded that the registrant's disclosure controls and procedures (as defined in Rule 30a-3(c) under the Investment Company Act of 1940 (the "Act")), were effective based on their evaluation of the disclosure controls and procedures required by Rule 30a-3(b) under the Act and Rules 13a-15(b) or 15d-15(b) under the Securities and Exchange Act of 1934.

(b) There were no changes in the registrant's internal control over financial reporting (as defined in Rule 30a-3(d) under the Act) that occurred during the registrant's last fiscal quarter that have materially affected, or are reasonably likely to materially affect, the registrant's internal control over financial reporting.

### ITEM 3: EXHIBITS

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1. The certifications of the registrant as required by Rule 30a-2(a) under the Act are exhibits to this report.

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.

Cornerstone Total Return Fund, Inc.

/s/ Ralph W. Bradshaw

-----  
Name: Ralph W. Bradshaw  
Title: Principal Executive Officer  
Date: November 22, 2006

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.

/s/ Ralph W. Bradshaw

-----  
Name: Ralph W. Bradshaw  
Title: Principal Executive Officer  
Date: November 22, 2006

/s/ Jodi B. Levine

-----  
Name: Jodi B. Levine  
Title: Principal Financial Officer  
Date: November 22, 2006