

CORNERSTONE TOTAL RETURN FUND INC  
Form N-CSR  
March 08, 2011

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)

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

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

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

Date of fiscal year end: December 31, 2010

Date of reporting period: December 31, 2010

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.

CONTENTS

Portfolio Summary	1
Summary Schedule of Investments	2
Statement of Assets and Liabilities	4
Statement of Operations	5

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Statement of Changes in Net Assets	6
Financial Highlights	7
Notes to Financial Statements	8
Report of Independent Registered Public Accounting Firm	14
Tax Information	15
Additional Information Regarding the Fund's Directors and Corporate Officers	16
Description of Dividend Reinvestment Plan	19
Proxy Voting and Portfolio Holdings Information	21
Privacy Policy Notice	22
Summary of General Information	25
Shareholder Information	25

CORNERSTONE TOTAL RETURN FUND, INC.

PORTFOLIO SUMMARY - AS OF DECEMBER 31, 2010 (UNAUDITED)

### SECTOR ALLOCATION

Sector	Percent of Net Assets
Information Technology	16.4
Financials	12.5
Energy	10.8
Consumer Staples	9.6
Healthcare	9.6
Closed-End Funds	9.4
Industrials	8.9
Consumer Discretionary	8.8
Materials	3.2
Telecommunication Services	2.7
Other	8.1

### TOP TEN HOLDINGS, BY ISSUER

Holding	Sector	Percent of Net Assets
1. Exxon Mobil Corporation	Energy	3.4
2. Microsoft Corporation	Information Technology	2.6
3. Apple, Inc.	Information Technology	2.5
4. Adams Express Company (The)	Closed-End Funds	2.5
5. Google, Inc. - Class A	Information Technology	2.3
6. Wal-Mart Stores, Inc.	Consumer Staples	2.3
7. International Business Machines		

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Corporation	Information Technology	2.3
8. JPMorgan Chase & Company	Financials	2.0
9. A T&T, Inc.	Telecommunications Service	1.9
10. Johnson & Johnson	Healthcare	1.8

1

CORNERSTONE TOTAL RETURN FUND, INC.

SUMMARY SCHEDULE OF INVESTMENTS - DECEMBER 31, 2010

Description	No. of Shares	Value
EQUITY SECURITIES - 94.13%		
CLOSED-END FUNDS - 9.41%		
CORE - 3.71%		
Adams Express Company (The) (a)	59,400	\$ 636,768
Other Core (b)		322,600
		959,368
CORPORATE DEBT FUNDS INVESTMENT		
GRADE-RATED - 0.39%		
Other Corporate Debt Funds Investment Grade-Rated (b)		101,980
DEVELOPED MARKET - 0.12%		
Other Developed Market (b)		31,858
GLOBAL INCOME - 0.83%		
Nuveen Multi-Currency Short-Term Government Income Fund	15,656	215,583
HIGH CURRENT YIELD (LEVERAGED) - 0.25%		
Other High Current Yield (Leveraged) (b)		65,870
INCOME & PREFERRED STOCK - 0.34%		
Total Income & Preferred Stock (b)		87,988
OPTION ARBITRAGE/OPTIONS STRATEGIES - 2.29%		
Eaton Vance Risk-Managed Diversified Equity Income Fund	28,800	382,464
NFJ Dividend, Interest & Premium Strategy Fund	12,000	210,120
		592,584
REAL ESTATE - 0.12%		
Total Real Estate (b)		30,300

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SECTOR EQUITY - 1.10%		
Petroleum & Resource		
Corporaion (a)	3,000	81,030
Other Sector Equity (b)		205,130
		-----
		286,160
-----		
U.S. MORTGAGE - 0.26%		
Total U.S. Mortgage (b)		67,689
-----		
TOTAL CLOSED-END FUNDS		2,439,380
-----		
CONSUMER DISCRETIONARY - 8.75%		
DIRECTV Group, Inc.		
(The) - Class A *	4,000	159,720
Ford Motor Company *	10,000	167,900
Home Depot, Inc. (The)	5,000	175,300
McDonald's Corporation	2,000	153,520
NIKE, Inc. - Class B	2,500	213,550
Time Warner, Inc.	4,666	150,105
Walt Disney Company (The)	5,000	187,549
Other Consumer		
Discretionary (b)		1,059,217
		-----
		2,266,861
-----		
CONSUMER STAPLES - 9.55%		
Coca-Cola Company (The)	5,000	328,850
PepsiCo, Inc.	4,000	261,320
Philip Morris International, Inc.	5,000	292,650
Procter & Gamble		
Company (The)	6,972	448,509
Wal-Mart Stores, Inc.	11,000	593,230
Other Consumer Staples (b)		550,132
		-----
		2,474,691
-----		
ENERGY - 10.75%		
Apache Corporation	2,000	238,460
Chevron Corporation	3,500	319,375
ConocoPhillips	5,000	340,500
Exxon Mobil Corporation	12,000	877,440
Occidental Petroleum		
Corporation	4,000	392,400
Schlumberger Ltd.	3,000	250,500
Other Energy (b)		367,870
		-----
		2,786,545
-----		
FINANCIALS - 12.49%		
American Express Company	4,000	171,680
Bank of America Corporation	16,521	220,390
Goldman Sachs Group,		
Inc. (The)	2,500	420,400
JPMorgan Chase & Company	12,200	517,524

See accompanying notes to financial statements.

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CORNERSTONE TOTAL RETURN FUND, INC.

SUMMARY SCHEDULE OF INVESTMENTS - DECEMBER 31, 2010 (CONCLUDED)

Description	No. of Shares	Value
FINANCIALS (CONTINUED)		
Travelers Companies, Inc. (The)	3,092	\$ 172,255
Wells Fargo & Company	10,000	309,900
Other Financials (b)		1,423,920
		----- 3,236,069 -----
HEALTHCARE - 9.57%		
Abbott Laboratories	3,000	143,730
Amgen, Inc. *	3,000	164,700
Bristol-Myers Squibb Company	6,000	158,880
Johnson & Johnson	7,500	463,875
McKesson Corporation	2,500	175,950
Medtronic, Inc.	4,500	166,905
Other Health Care (b)		1,204,785
		----- 2,478,825 -----
INDUSTRIALS - 8.86%		
3M Company	2,500	215,750
General Electric Company	24,000	438,960
Lockheed Martin Corporation	2,500	174,775
Union Pacific Corporation	2,500	231,650
United Parcel Service, Inc. - Class B	2,000	145,160
Other Industrials (b)		1,090,638
		----- 2,296,933 -----
INFORMATION TECHNOLOGY - 16.43%		
Apple, Inc. *	2,000	645,119
Google, Inc. - Class A *	1,000	593,970
Hewlett-Packard Company	8,000	336,800
Intel Corporation	17,000	357,510
International Business Machines Corporation	4,000	587,040
Microsoft Corporation	24,000	670,080
Oracle Corporation	12,600	394,380
Other Information Technology (b)		675,288
		----- 4,260,187 -----
MATERIALS - 3.18%		
E.I. Du Pont de Nemours & Company	4,800	239,424
Freeport-McMoRan Copper & Gold, Inc.	2,500	300,225
Other Materials (b)		283,205
		822,854
REAL ESTATE INVESTMENT TRUST - 0.01%		
Total Real Estate Investment Trust (b)		\$ 1,592

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TELECOMMUNICATION SERVICES - 2.65%		
AT&T, Inc.	17,089	502,075
Centurytel, Inc.	4,000	184,680
		-----
		686,755
		-----
UTILITIES - 2.48%		
Other Utilities (b)		643,216
		-----
TOTAL EQUITY SECURITIES		
(cost - \$23,055,479)		24,393,908
		-----
SHORT-TERM INVESTMENTS - 8.02%		
MONEY MARKET SECURITY - 8.02%		
JPMorgan U.S. Government		
Money Market Fund		
(cost - \$2,077,580)	2,077,580	2,077,580
		-----
TOTAL INVESTMENTS - 102.15%		
(cost - \$25,133,059)		26,471,488
		-----
LIABILITIES IN EXCESS OF		
OTHER ASSETS - (2.15)%		(558,268)
		-----
NET ASSETS - 100.00%		\$25,913,220
		=====

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- (a) Affiliated investment. The Fund holds 2.46% and 0.31% (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 year ended December 31, 2010 there were purchases totaling 3,000 shares of Petroleum & Resources Corporation with a cost of \$63,070. There were no purchases or sales of Adams Express Company during the year.
- (b) Represents issuers not identified as a top 50 holding in terms of market value and issues or issuers not exceeding 1% of net assets individually or in the aggregate, respectively, as December 31, 2010.
- \* Non-income producing security.

See accompanying notes to financial statements.

3

CORNERSTONE TOTAL RETURN FUND, INC.

STATEMENT OF ASSETS AND LIABILITIES - DECEMBER 31, 2010

ASSETS

Investments, at value:

Unaffiliated issuers (cost - \$24,377,299)	\$ 25,753,690
Affiliated issuers (cost - \$755,760)	717,798
	-----

Total investments (cost - \$25,133,059)	26,471,488
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Receivables:

Dividends	29,555
Prepaid expenses	1,013
	-----

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Total Assets	26,502,056
	-----
LIABILITIES	
Payables:	
Securities purchased	472,926
Investment management fees	23,577
Directors' fees	13,500
Administration fees	2,500
Other accrued expenses	76,333
	-----
Total Liabilities	588,836
	-----
NET ASSETS (applicable to 3,896,958 shares of common stock outstanding)	\$ 25,913,220
	=====
NET ASSET VALUE PER SHARE (\$25,913,220 / 3,896,958)	\$ 6.65
	=====
NET ASSETS CONSISTS OF	
Common stock, \$0.01 par value; 3,896,958 shares issued and outstanding (15,000,000 shares authorized)	\$ 3,897
Paid-in capital	28,569,711
Accumulated net realized loss on investments	(3,998,817)
Net unrealized appreciation in value of investments	1,338,429
	-----
Net assets applicable to shares outstanding	\$ 25,913,220
	=====

See accompanying notes to financial statements.

4

CORNERSTONE TOTAL RETURN FUND, INC.

STATEMENT OF OPERATIONS - FOR THE YEAR ENDED DECEMBER 31, 2010

### INVESTMENT INCOME

#### Income:

Dividends from non-affiliated investments	\$ 425,679
Dividends from affiliated investments	9,774
Securities lending	290
	-----
Total Investment Income	435,743
	-----

#### Expenses:

Investment management fees	190,388
Directors' fees	56,865
Legal and audit fees	55,764
Accounting fees	37,432
Printing	37,000
Administration fees	29,818
Transfer agent fees	24,262
Custodian fees	6,872
Insurance	5,665
Stock exchange listing fees	3,974
Miscellaneous	2,700
	-----
Total Expenses	450,740
Less: Fees paid indirectly	(6,872)
	-----

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Net Expenses	443,868
	-----
Net Investment Loss	(8,125)
	-----
NET REALIZED AND UNREALIZED GAIN/(LOSS) ON INVESTMENTS	
Net realized loss from unaffiliated investments	(114,358)
Capital gain distributions from regulated investment companies	15,989
Capital gain distributions from affiliated regulated investment companies	23,430
Net change in unrealized depreciation in value of investments	2,089,762
	-----
Net realized and unrealized gain on investments	2,014,823
	-----
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	\$ 2,006,698
	=====

See accompanying notes to financial statements.

5

### CORNERSTONE TOTAL RETURN FUND, INC

#### STATEMENT OF CHANGES IN NET ASSETS

	For the Years Ended December	
	2010	2009
	-----	-----
INCREASE/(DECREASE) IN NET ASSETS		
Operations:		
Net investment loss	\$ (8,125)	\$ (46,377)
Net realized loss from investments	(74,939)	(12,399)
Net change in unrealized depreciation in value of investments	2,089,762	3,681,511
	-----	-----
Net increase in net assets resulting from operations	2,006,698	3,622,743
	-----	-----
Dividends and distributions to shareholders:		
Net investment income	--	--
Return-of-capital	(4,164,904)	(5,317,677)
	-----	-----
Total dividends and distributions to shareholders	(4,164,904)	(5,317,677)
	-----	-----
Common stock transactions:		
Proceeds from rights offerings of 1,006,384 and 0 shares of newly issued common stock, respectively	7,275,425	--
Offering expenses associated with the rights offering	(79,196)	--
Proceeds from 52,016 and 64,854 shares newly issued in reinvestment of dividends and distributions, respectively	475,258	590,250
	-----	-----
Net increase in net assets from captial stock transactions	7,671,487	590,250
	-----	-----
Total increase/(decrease) in net assets	5,513,281	(1,104,684)
	-----	-----
NET ASSETS		
Beginning of year	20,399,939	21,504,623
	-----	-----
End of year	\$ 25,913,220	\$ 20,399,939
	=====	=====



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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 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 Dec		
	2010	2009	2008
PER SHARE OPERATING PERFORMANCE			
Net asset value, beginning of year	\$ 7.19	\$ 7.75	\$ 17.00
Net investment income/(loss) #	(0.00)	(0.02)	0.12
Net realized and unrealized gain/(loss) on investments	0.68	1.31	(5.64)
Net increase/(decrease) in net assets resulting from operations	0.68	1.29	(5.52)
Dividends and distributions to shareholders:			
Net investment income	--	--	(0.12)
Net realized capital gains	--	--	--
Return-of-capital	(1.46)	(1.90)	(3.77)
Total dividends and distributions to shareholders	(1.46)	(1.90)	(3.89)
Common stock transactions:			
Anti-dilutive effect due to shares issued:			
Rights offering	0.19	--	--
Reinvestment of dividends and distributions	0.05	0.05	0.16
Total anti-dilutive effect due to shares issued	0.24	0.05	0.16
Net asset value, end of year	\$ 6.65	\$ 7.19	\$ 7.75
Market value, end of year	\$ 7.88	\$ 10.29	\$ 7.60
Total investment return (a)	(10.28)%	66.98%	(49.30)%
RATIOS/SUPPLEMENTAL DATA			
Net assets, end of year (000 omitted)	\$ 25,913	\$ 20,400	\$ 21,505
Ratio of expenses to average net assets, net of fee waivers, if any (b)(c)	2.33%	2.76%	1.67%
Ratio of expenses to average net assets, excluding fee waivers, if any (c)(d)	2.37%	3.20%	1.94%
Ratio of expenses to average net assets, net of fee waivers, if any (c)(d)	2.37%	2.88%	1.77%

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Ratio of net investment income/(loss) to			
average net assets	(0.04)%	(0.24)%	0.98
Portfolio turnover rate	34.39%	13.24%	15.61

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- \* Effective December 23, 2008, a reverse stock split of 1:2 occurred. All per share amounts have been restated according to the terms of the split
  - # Based on average shares outstanding.
  - (a) Total investment return at market value is based on the changes in market price of a share during the period and assumes reinvestment of dividends and distributions, if any, at actual prices pursuant to the Fund's dividend reinvestment plan. Total investment return does not reflect brokerage commissions.
  - (b) Expenses are net of fees paid indirectly.
  - (c) Expenses do not include expenses of investments companies in which the Fund invests.
  - (d) Expenses exclude the reduction for fees paid indirectly.

See accompanying notes to financial statements.

7

CORNERSTONE TOTAL RETURN FUND, INC.

### NOTES TO FINANCIAL STATEMENTS

#### 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. 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 conformity 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.

**SUBSEQUENT EVENTS:** The Fund has evaluated the need for additional disclosures and/or adjustments resulting from subsequent events through the date its financial statements were issued. Based on this evaluation, no additional disclosures or adjustments were required to such financial statements.

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

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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 Manager" 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 December 31, 2010 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 NYSE Amex LLC is closed.

The Fund is exposed to financial market risks, including the valuations of its investment portfolio. For the year ended December 31, 2010, the Fund did not engage in derivative instruments and other hedging activities.

REPURCHASE AGREEMENTS: The Fund has agreed to purchase securities from financial institutions subject to the seller's agreement to repurchase them at an agreed-upon time and price ("repurchase agreements"). The financial institutions with whom the Fund enters into repurchase agreements are banks and broker/dealers, which Cornerstone considers creditworthy. The seller under a repurchase agreement will be required to maintain the value of the securities as collateral, subject to the agreement at not less than the repurchase price

8

CORNERSTONE TOTAL RETURN FUND, INC. NOTES TO

FINANCIAL STATEMENTS (CONTINUED)

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.

RISKS ASSOCIATED WITH INVESTMENTS IN OTHER CLOSED-END FUNDS: Closed-end investment companies are subject to the risks of investing in the underlying securities. The Fund, as a holder of the securities of the closed-end investment company, will bear its pro rata portion of the closed-end investment company's expenses, including advisory fees. These expenses are in addition to the direct expenses of the Fund's own operations.

SUBSEQUENT EVENTS: On February 11, 2011, the board approved the elimination of the Fund's non-fundamental investment restriction regarding investments in the

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securities of other investment companies. Accordingly, effective immediately, the Fund may invest without limitation in ETFs and other closed-end investment companies, provided that the Fund limits its investment in securities issued by other investment companies so that not more than 3% of the outstanding voting stock of any one investment company will be owned by the Fund.

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.

The Accounting for Uncertainty in Income Taxes Topic of the FASB Accounting Standards Codification defines the threshold for recognizing the benefits of tax-return positions in the financial statements as "more-likely-than-not" to be sustained by the taxing authority and requires measurement of a tax position meeting the more-likely-than-not criterion, based on the largest benefit that is more than 50 percent likely to be realized. The Fund's policy is to classify interest and penalties associated with underpayment of federal and state income taxes, if any, as income tax expense on its Statement of Operations. As of December 31, 2010, the Fund does not have any interest or penalties associated with the under-payment of any income taxes. Management reviewed any uncertain tax positions for open tax years 2007 through 2009; or expected to be taken in the Fund's 2010 tax return. There was no material impact to the financial statements or, other than as described below, the disclosures thereto as a result of the adoption of this pronouncement. The Fund and the Investment Manager have entered into a closing letter with the Internal Revenue Service's New York Regional Office regarding a technical tax issue relating to whether the Fund's historic dividend reinvestment plan may have resulted in a violation of certain Subchapter M requirements of the Internal Revenue Code for certain prior tax years. The closing letter avoids any potential material negative tax impact to the Fund. Pursuant to the closing letter, the Investment Manager paid any settlement amount owed to the Internal Revenue Service.

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

9

CORNERSTONE TOTAL RETURN FUND, INC. NOTES TO

FINANCIAL STATEMENTS (CONTINUED)

will be generated from sales of portfolio securities held by the Fund, which will either be short-term or long-term capital gains or a tax-free return-of-capital. To the extent these distributions are not represented by net investment income and capital gains, they will not represent yield or investment return on the Fund's investment portfolio. The Fund plans to maintain this distribution policy even if regulatory requirements would make part of a return-of-capital, necessary to maintain the distribution, taxable to shareholders and to disclose that portion of the distribution that is classified as ordinary income. Although it has no current intention to do so, the Board may terminate this distribution policy at any time and such termination may have an adverse effect on the market price for the Fund's common shares. The Fund determines annually whether to distribute any net realized long-term capital

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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.

**MANAGED DISTRIBUTION RISK:** Under the managed distribution policy, the Fund makes monthly distributions to shareholders at a rate that may include periodic distributions of its net income and net capital gains, ("Net Earnings"), or from return-of-capital. If, for any fiscal year where total cash distributions exceeded Net Earnings (the "Excess"), the Excess would decrease the Fund's total assets and, as a result, would have the likely effect of increasing the Fund's expense ratio. There is a risk that the total Net Earnings from the Fund's portfolio would not be great enough to offset the amount of cash distributions paid to Fund shareholders. If this were to be the case, the Fund's assets would be depleted, and there is no guarantee that the Fund would be able to replace the assets. In addition, in order to make such distributions, the Fund may have to sell a portion of its investment portfolio at a time when independent investment judgment might not dictate such action. Furthermore, such assets used to make distributions will not be available for investment pursuant to the Fund's investment objective.

### NOTE C. FAIR VALUE

As required by the Fair Value Measurement and Disclosures Topic of the FASB Accounting Standards Codification, the Fund has performed an analysis of all assets and liabilities measured at fair value to determine the significance and character of all inputs to their fair value determination. The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into the following three broad categories.

- o Level 1 - quoted unadjusted prices for instruments in active markets to which the Fund has access at the date of measurement.
- o Level 2 - quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets. Level 2 inputs are those in markets for which there are few transactions,

10

CORNERSTONE TOTAL RETURN FUND, INC. NOTES TO

FINANCIAL STATEMENTS (CONTINUED)

the prices are not current, little public information exists or instances where prices vary substantially over time or among brokered market makers.

- o Level 3 - model derived valuations in which or more significant inputs or significant value drivers are unobservable. Unobservable inputs are those inputs that reflect the Fund's own assumptions that market participants would use to price the asset or liability based on the best available information.

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The following is a summary of the inputs used as of December 31, 2010 in valuing the Fund's investments carried at value:

Valuation Inputs	Investments in Securities	Other Financial Instruments*
-----		
Level 1 - Quoted Prices		
Equity Investments	\$24,393,908	--
Short-Term Investments	2,077,580	--
Level 2 - Other Significant		
Observable Inputs	--	--
Level 3 - Significant		
Unobservable Inputs	--	--
	-----	-----
Total	\$26,471,488	--
	=====	=====

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

The breakdown of the Fund's investments into major categories is disclosed in its Summary Schedule of Investments.

During the year ended December 31, 2010 the Fund did not have any significant transfers in and out of Level 1 or Level 2.

The Fund did not have any assets or liabilities that were measured at fair value on a recurring basis using significant unobservable inputs (Level 3) at December 31, 2010.

In January 2010, the FASB Accounting Standards Board issued Accounting Standards Update ("ASU") No. 2010-06 "Improving Disclosures about Fair Value Measurements". ASU 2010-06 amends FASB Accounting Standards Codification Topic, Fair Value Measurements and Disclosures, to require additional disclosures regarding fair value measurements. Certain disclosures required by ASU No. 2010-06 are effective for interim and annual reporting periods beginning after December 15, 2009, and other required disclosures are effective for fiscal years beginning after December 15, 2010, and for interim periods within those fiscal years. Management has evaluated the impact ASU No. 2010-06 and has determined that it will not have a significant impact on its financial statement disclosures.

#### NOTE D. AGREEMENTS

Certain officers of the Fund are also officers of Cornerstone or Ultimus Fund Solutions, LLC ("Ultimus"). Such officers are paid no fees by the Fund for serving as officers of the Fund.

Included in the Statement of Operations, under the caption Fees paid indirectly, are expense offsets of \$6,872 arising from credits earned on portfolio transactions executed with brokers, pursuant to directed brokerage arrangements.

#### INVESTMENT MANAGEMENT AGREEMENT

Cornerstone serves as the Fund's Investment Manager with respect to all investments. As compensation for its investment management services, Cornerstone receives from the Fund, an annual fee, calculated weekly and paid monthly, equal to 1.00% of the Fund's average weekly net assets. For the year ended December 31, 2010, Cornerstone earned \$190,388 for investment management services.

#### ADMINISTRATION AGREEMENT

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Under the terms of the Administration Agreement, Ultimus supplies executive, administrative and regulatory services for the Fund. Ultimus supervises the preparation of reports to stockholders for the Fund, reports to and filings with the Securities and Exchange Commission and materials for meetings of the Board of Directors. For these services, the

11

CORNERSTONE TOTAL RETURN FUND, INC.

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Fund pays Ultimus a monthly fee at an annual rate of 0.100% of its average daily net assets up to \$250 million and 0.075% of such assets in excess of \$250 million, subject to an annual minimum fee of \$50,000. Ultimus has agreed to discount the annual minimum fee to \$30,000 and such discount will remain in place until amended fee is agreed upon.

### FUND ACCOUNTING AGREEMENT

Under the terms of the Fund Accounting Agreement, Ultimus calculates the net asset value per share and maintains the financial books and records of the Fund. For the performance of these services, the Fund pays Ultimus a base fee of \$2,500 per month plus an asset based fee of 0.010% of the first \$500 million of average daily net assets and 0.005% of such assets in excess of \$500 million.

### NOTE E. AFFILIATED INVESTMENTS

Transactions in affiliates for the year ended December 31, 2010 were as follows:

	Adams Express Company -----	Petroleum & Resources Corporation -----
Market value at beginning of year	\$599,940 =====	\$ -- =====
Shares at beginning of year	59,400	--
Shares purchased during the year	--	3,000
Shares sold during the year	--	--
Shares at end of year	59,400 =====	3,000 =====
Dividend income earned during the year	\$ 9,504 =====	\$ 270 =====
Cost of purchases during the year	--	\$ 63,070
Proceeds from sales during the year	--	--
Net realized gain/(loss) during the year	--	--
Capital gain distribution	\$ 20,790	\$ 2,640
Market value at end of year	\$636,768	\$ 81,030

### NOTE F. INVESTMENT IN SECURITIES

For the year ended December 31, 2010, purchases and sales of securities, other than short-term investments, were \$8,607,725 and \$6,560,392 respectively.

### NOTE G. SHARES OF COMMON STOCK

The Fund has 15,000,000 shares of common stock authorized and 3,896,958 shares

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outstanding at December 31, 2010. Transactions in common stock for the year ended December 31, 2010 were as follows:

Shares at beginning of year	2,838,558
Shares newly issued from rights offering	1,006,384
Shares newly issued in reinvestment of dividends and distributions	52,016
	-----
Shares at end of year	3,896,958
	=====

### NOTE H. 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 year ended December 31, 2010. No limit has been placed on the number of shares to be repurchased by the Fund other than those imposed by federal securities laws.

To the extent such purchases are made they will be in accordance with federal securities laws, with shares repurchased held in treasury for future use by the Fund.

### NOTE I. SECURITIES LENDING

To generate additional income, the Fund may lend up to 331/3% 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.

12

CORNERSTONE TOTAL RETURN FUND, INC.

### NOTES TO FINANCIAL STATEMENTS (CONCLUDED)

Loans are subject to termination by the Fund or the borrower at any time, and are, therefore, not considered to be illiquid investments. Loans of securities are required at all times to be secured by collateral equal to at least 100% of the market value of securities on loan. However, in the event of default or bankruptcy of the other party to the agreement, realization and/or retention of the collateral may be subject to legal proceedings. In the event that the borrower fails to return securities, and collateral maintained by the lender is insufficient to cover the value of loaned securities, the borrower is obligated to pay the amount of the shortfall (and interest, thereon) to the Fund. However, there can be no assurance the Fund can recover this amount.

The Fund had no securities on loan to brokers at December 31, 2010. During the year ended December 31, 2010, the Fund earned \$290 in securities lending income which is included under the caption Securities lending in the Statement of Operations.

### NOTE J. FEDERAL INCOME TAXES

Income and capital gains distributions are determined in accordance with federal income tax regulations, which may differ from GAAP. These differences are primarily due to differing treatments of losses deferred due to wash sales and



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Post-October losses (as later defined), and excise tax regulations.

The tax character of dividends and distributions paid to stockholders during the years ended December 31, for the Fund were as follows:

Ordinary Income		Return-of-Capital	
-----		-----	
2010	2009	2010	2009
----	----	----	----
--	--	\$4,164,904	\$5,317,678

At December 31, 2010 the components of accumulated deficit on a tax basis, for the Fund were as follows:

Capital loss carryforward	\$ (3,980,615)
Net unrealized appreciation	1,320,227
	-----
Total accumulated deficit	\$ (2,660,388)
	=====

Accounting principles generally accepted in the United States of America require that certain components of net assets relating to permanent differences be reclassified between financial and tax reporting. These reclassifications have no effect on net assets or net asset value per share. For the year ended December 31, 2010, the Fund decreased net investment loss by \$8,125 and decreased paid-in capital by \$8,125. 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"). The Fund incurred no such loss.

At December 31, 2010, the Fund had a capital loss carryforward for U.S. federal income tax purposes of \$3,980,615, of which \$425,706 expires in 2011, \$358,321 expires in 2012, \$420,772 expires in 2013, \$57,090 expires in 2014, \$2,382,884 expires in 2016, \$260,903 expires in 2017 and \$74,939 expires in 2018.

At December 31, 2010, 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 \$25,151,261, \$2,779,762, \$(1,459,535), and \$1,320,227, respectively.

### NOTE K. SUBSEQUENT EVENTS

On February 11, 2011, the Board of Directors approved U.S. Bank, N.A. to replace JPMorgan Chase Bank, N.A. as Custodian.

13

### REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors  
 Cornerstone Total Return Fund, Inc.  
 Jericho, New York

We have audited the accompanying statement of assets and liabilities of Cornerstone Total Return Fund, Inc., including the summary schedule of investments as of December 31, 2010, and the related statement of operations for the year then ended, the statements of changes in net assets for each of the two years in the period then ended, and the financial highlights for each of the

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five years in the period then ended. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. The Fund is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. Our procedures included confirmation of securities owned as of December 31, 2010, by correspondence with the custodian and brokers. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of Cornerstone Total Return Fund, Inc. as of December 31, 2010, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended, and the financial highlights for each of the five years in the period then ended, in conformity with accounting principles generally accepted in the United States of America.

Tait, Weller & Baker LLP

Philadelphia, Pennsylvania  
February 28, 2011

14

### 2010 TAX INFORMATION (UNAUDITED)

Cornerstone Total Return Fund, Inc. (the "Fund") is required by Subchapter M of the Internal Revenue Code of 1986, as amended, to advise its stockholders within 60 days of the Fund's year end (December 31, 2010) as to the federal tax status of the distributions received by the Fund's stockholders in respect of such fiscal year. The \$4,164,904 in distributions paid to shareholders in respect of such year, represented a total return-of-capital.

As indicated in this notice, the entire amount of the Fund's distributions for 2010 were comprised of a return-of-capital; accordingly these distributions do not represent yield or investment return on the Fund's portfolio.

#### SOURCES OF DIVIDENDS AND DISTRIBUTIONS (Per Share Amounts)

Payment Dates:	1/29/10	2/26/10	3/31/10	4/30/10	5/28/10	6/30/10
Return-of-Capital(1)	\$0.1213	\$0.1213	\$0.1213	\$0.1213	\$0.1213	\$0.1213
Payment Dates:	7/30/10	8/31/10	9/30/10	10/29/10	11/30/10	12/31/10

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Return-of-Capital(1)    \$0.1213    \$0.1213    \$0.1213    \$0.1213    \$0.1213    \$0.1213

-----  
 (1) Return-of-capital - This is the per share amount of return-of-capital, or sometimes called nontaxable, distributions reported in Box 3 - under the title "Nondividend distributions" - on Form 1099-DIV. This amount should not be reported as taxable income on your current return. Rather, it should be treated as a reduction in the original cost basis of your investment in the Fund. Shareholders are strongly advised to consult their own tax advisers with respect to the tax consequences of their investment in the Fund.

15

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

Name and Address* (Birth Date)	Position(s) Held with Fund	Principal Occupation over Last 5 Years	Position with Fund Since
Ralph W. Bradshaw** (Dec. 1950)	Chairman of the Board of Directors and President	President, Cornerstone Advisors, Inc.; Financial Consultant; President and Director of Cornerstone Strategic Value Fund, Inc.; President and Trustee of Cornerstone Progressive Return Fund.	2001
Thomas H. Lenagh (Nov. 1924)	Director; Audit, Nominating and Corporate Governance Committee Member	Independent Financial Advisor; Director of Photonics Products Group; Director of Cornerstone Strategic Value Fund, Inc.; Trustee of Cornerstone Progressive Return Fund; Director of Adams Express Company, Petroleum & Resources Corporation and PPGI Industries.	2002
Edwin Meese III (Dec. 1931)	Director; Audit, Nominating and Corporate Governance Committee Member	Distinguished Fellow, The Heritage Foundation Washington D.C.; Distinguished Visiting Fellow at the Hoover Institution, Stanford University; Senior Adviser, Revelation L.P.; Director of Cornerstone Strategic Value Fund, Inc.; Trustee of Cornerstone Progressive Return Fund.	2001
Scott B. Rogers (July 1955)	Director; Audit, Nominating and Corporate Governance Committee Member	Chairman, Board of Health Partners, Inc.; Chief Executive Officer, Asheville Buncombe Community Christian Ministry; and President, ABCCM Doctor's Medical Clinic; Appointee, NC Governor's Commission on Welfare to Work; Director of Cornerstone Strategic Value Fund, Inc.; Trustee of Cornerstone Progressive Return Fund.	2001

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16

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

Name and Address* (Birth Date)	Position(s) Held with Fund	Principal Occupation over Last 5 Years	Position with Fund Since
Andrew A. Strauss (Nov. 1953)	Director; Chairman of Nominating and Corporate Governance Committee and Audit Committee Member	Attorney and senior member of Strauss & Associates; Director of Cornerstone Strategic Value Fund, Inc.; Trustee of Cornerstone Progressive Return Fund.	2001
Glenn W. Wilcox, Sr. (Dec. 1931)	Director; Chairman of Audit Committee, Nominating and Corporate Governance Committee Member	Chairman of the Board, Tower Associates, Inc.; Chairman of the Board and Chief Executive Officer of Wilcox Travel Agency, Inc.; Director of Cornerstone Strategic Value Fund, Inc.; Trustee of Cornerstone Progressive Return Fund.	2001

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

Name and Address* (Birth Date)	Position(s) Held with Fund	Principal Occupation over Last 5 Years
Gary A. Bentz (June 1956)	Chief Compliance Officer, Secretary, and Assistant Treasurer	Chairman and Chief Financial Officer of Cornerstone Advisors, Inc.; Financial Consultant, C.P.A., Chief Compliance Officer, Secretary, and Assistant Treasurer of Cornerstone Strategic Value Fund, Inc. and Cornerstone Progressive Return Fund.
Frank J. Maresca (Oct. 1958)	Treasurer	Executive Vice President of Ultimus Fund Solutions, LLC (since March 2009); previous Executive Director, JP Morgan Chase & Co. (since June 2008); previous President of Bear Stearns Funds Management, Inc.; previous Senior Managing Director of Bear Stearns & Co., Inc.; Treasurer of Cornerstone Strategic Value Fund, Inc. and Cornerstone Progressive Return Fund (since May 2009).

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- \* The mailing address of each Director and/or Officer with respect to the Fund's operation is 350 Jericho Turnpike, Suite 206, Jericho, NY 11753.
- \*\* Designates a director who is an "interested person" of the Fund as defined by the Investment Company Act of 1940, as amended. Mr. Bradshaw is an interested person of the Fund by virtue of his current position with the Investment Adviser of the Fund.

18

### DESCRIPTION OF DIVIDEND REINVESTMENT PLAN (UNAUDITED)

Cornerstone Total Return Fund, Inc. (the "Fund") operates a Dividend Reinvestment Plan (the "Plan"), sponsored and administered by American Stock Transfer & Trust Company (the "Agent"), pursuant to which the Fund's income dividends or capital gains or other distributions (each, a "Distribution" and collectively, "Distributions"), net of any applicable U.S. withholding tax, are reinvested in shares of the Fund.

Shareholders automatically participate in the Fund's Plan, unless and until an election is made to withdraw from the Plan on behalf of such participating shareholder. Shareholders who do not wish to have Distributions automatically reinvested should so notify their broker, or if a registered shareholder, the Agent in writing at P.O. Box 922, Wall Street Station, New York, New York 10269-0560. Such written notice must be received by the Agent prior to the record date of the Distribution or the shareholder will receive such Distribution in shares through the Plan. Under the Plan, the Fund's Distributions to shareholders are reinvested in full and fractional shares as described below.

When the Fund declares a Distribution the Agent, on the shareholder's behalf, will (i) receive additional authorized shares from the Fund either newly issued or repurchased from shareholders by the Fund and held as treasury stock ("Newly Issued Shares") or (ii) purchase outstanding shares on the open market, on the NYSE Amex LLC or elsewhere, with cash allocated to it by the Fund ("Open Market Purchases").

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

Whenever the Fund declares a Distribution and the net asset value of the Fund's shares is higher than its market price, the Agent will apply the amount of such Distribution payable to Plan participants of the Fund in Fund shares (less such Plan participant's pro rata share of brokerage commissions incurred with respect to Open Market Purchases in connection with the reinvestment of such 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

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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

19

### DESCRIPTION OF DIVIDEND REINVESTMENT PLAN (UNAUDITED) (CONCLUDED)

to receive 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 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.

20

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

Information regarding how Cornerstone Total Return Fund, Inc. (the "Fund") voted proxies related to its portfolio securities during the 12-month period ended June 30 of each year as well as the policies and procedures that the Fund uses to determine how to vote proxies relating to its portfolio securities are available by calling (513) 326-3597 or on the website of the Securities and Exchange Commission, <http://www.sec.gov>.

This report incorporates a Summary Schedule of Investments for the Fund. A complete Schedule of Investments for the Fund may be obtained free of charge by contacting the Fund at (513) 326-3597. The Fund files a complete schedule of its portfolio holdings for the first and third quarters of its fiscal year with the SEC on Form N-Q. The Fund's Forms N-Q is 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.

21

### PRIVACY POLICY (UNAUDITED)

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FACTS            WHAT DOES CORNERSTONE TOTAL RETURN FUND, INC. (THE "FUND") DO WITH YOUR PERSONAL INFORMATION?

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Why?            Financial companies choose how they share your personal information. Federal law gives consumers the right to limit some but not all sharing. Federal law also requires us to tell you how we collect, share, and protect your personal information. Please read this notice carefully to understand what we do.

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What?           The types of personal information we, and our service providers, on our behalf, collect and share depend on the product or service you have with us. This information can include:

- o Social Security number
- o account balances
- o account transactions
- o transaction history
- o wire transfer instructions
- o checking account information

When you are no longer our customer, we continue to share your information as described in this notice.

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How?            All financial companies need to share customers' personal information to run their everyday business. In the section below, we list the reasons financial companies can share their customers' personal information; the reasons the Fund, and our service providers, on our behalf, choose to share; and whether you can limit this sharing.

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22

PRIVACY POLICY (UNAUDITED) (CONTINUED)

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REASONS WE CAN SHARE YOUR PERSONAL INFORMATION	DOES THE CORNERSTONE FUND SHARE?	CAN YOU LIMIT THIS SHARING?
FOR OUR EVERYDAY BUSINESS PURPOSES - such as to process your transactions, maintain your account(s), respond to court orders and legal investigations, or report to credit bureaus	Yes	No
FOR OUR MARKETING PURPOSES - to offer our products and services to you	No	We don't share
FOR JOINT MARKETING WITH OTHER FINANCIAL COMPANIES	No	We don't share
FOR OUR AFFILIATES' EVERYDAY BUSINESS PURPOSES - information about your transactions and experiences	Yes	No
FOR OUR AFFILIATES' EVERYDAY BUSINESS PURPOSES - information about your creditworthiness	No	We don't share
FOR OUR AFFILIATES TO MARKET TO YOU	No	We don't share
FOR NONAFFILIATES TO MARKET TO YOU	No	We don't share

Questions? Call (513) 326-3597.

What we do

WHO IS PROVIDING THIS NOTICE? Cornerstone Total Return Fund, Inc. (the "Fund")

HOW DOES THE FUND AND THE FUND'S SERVICE PROVIDERS, ON THE FUND'S BEHALF PROTECT MY PERSONAL INFORMATION? To protect your personal information from unauthorized access and use, we and our service providers use security measures that comply with federal law. These measures include computer safeguards and secured files and buildings.

HOW DOES THE FUND AND THE FUND'S SERVICE PROVIDERS, ON THE FUND'S BEHALF COLLECT MY PERSONAL INFORMATION? We collect your personal information, for example, when you:

- o open an account
- o provide account information
- o give us your contact information
- o make a wire transfer

We also your information from others, such as collect credit bureaus, affiliates, or other companies.



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WHY CAN'T I LIMIT ALL SHARING? Federal law gives you the right to limit only

- o sharing for affiliates' everyday business purposes - information about your creditworthiness
- o affiliates from using your information to market to
- o sharing for nonaffiliates to market to you

State laws and individual companies may give you additional rights to limit sharing.

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### DEFINITIONS

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AFFILIATES Companies related by common ownership or control. They can be financial and nonfinancial companies.

- o CORNERSTONE ADVISORS, INC.
- 

NONAFFILIATES Companies not related by common ownership or control. They can be financial and nonfinancial companies.

- O THE FUND DOES NOT SHARE WITH NONAFFILIATES, SO THEY CAN MARKET TO YOU.
- 

JOINT MARKETING A formal agreement between nonaffiliated financial companies that together market financial products or services to you.

- O THE FUND DOES NOT JOINTLY MARKET.
- 

24

### SUMMARY OF GENERAL INFORMATION (UNAUDITED)

Cornerstone Total Return Fund, Inc. is a closed-end, diversified investment company whose shares trade on the NYSE Amex LLC. Its investment objective is to seek capital appreciation with current income as a secondary objective. The Fund is managed by Cornerstone Advisors, Inc.

### SHAREHOLDER INFORMATION (UNAUDITED)

The Fund is listed on the NYSE Amex LLC (symbol "CRF"). The previous week's net asset value per share, market price, and related premium or discount are available on The Wall Street Journal website at [http://online.wsj.com/mdc/public/page/2\\_3040-CEF34.html](http://online.wsj.com/mdc/public/page/2_3040-CEF34.html) under the designation "Cornerstone Total Return (CRF)" and on the Barron's website at [http://online.barrons.com/mdc/public/page/2\\_3040-CEF34.html](http://online.barrons.com/mdc/public/page/2_3040-CEF34.html) under the same designation. Such information 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.

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This report, including the financial statements herein, is sent to the shareholders of the Fund for their information. It is not a prospectus, circular or representation intended for use in the purchase or sale of shares of the Fund or of any securities mentioned in the report.

### 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, Secretary, and Assistant Treasurer
Frank J. Maresca	Treasurer

#### INVESTMENT MANAGER

Cornerstone Advisors, Inc.  
1075 Hendersonville Road  
Suite 250  
Asheville, NC 28803

STOCK TRANSFER AGENT  
AND REGISTRAR, LLC  
American Stock Transfer &  
Trust Co., LLC  
59 Maiden Lane  
New York, NY 10038

#### ADMINISTRATOR

Ultimus Fund Solutions, LLC  
350 Jericho Turnpike  
Suite 206  
Jericho, NY 11753

INDEPENDENT REGISTERED  
PUBLIC ACCOUNTING FIRM  
Tait, Weller & Baker LLP  
1818 Market Street  
Suite 2400  
Philadelphia, PA 19103

#### CUSTODIAN

U.S. Bank, N.A.  
425 Walnut Street  
Cincinnati, OH 45202

LEGAL COUNSEL  
Blank Rome LLP  
405 Lexington Avenue  
New York, NY 10174

#### EXECUTIVE OFFICES

350 Jericho Turnpike  
Suite 206  
Jericho, NY 11753

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

#### ITEM 2. CODE OF ETHICS.

As of the end of the period covered by this report, the registrant has adopted a code of ethics that applies to the registrant's principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions, regardless of whether these individuals are employed by the registrant or a third party. Pursuant to Item 12(a)(1), a copy of registrant's code of ethics is filed as an exhibit to this Form N-CSR. During the period covered by this report, the code of ethics has not been amended, and the registrant has not granted any waivers, including implicit waivers, from the provisions of the code of ethics.

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### ITEM 3. AUDIT COMMITTEE FINANCIAL EXPERT.

The registrant's board of directors has determined that the registrant does not have an audit committee financial expert serving on its audit committee. The audit committee determined that, although none of its members meet the technical definition of an audit committee financial expert, the experience provided by each member of the audit committee together offer the registrant adequate oversight for the registrant's current level of financial complexity.

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

- (a) **Audit Fees.** The aggregate fees billed for professional services rendered by the principal accountant for the audit of the registrant's annual financial statements or for services that are normally provided by the accountant in connection with statutory and regulatory filings or engagements were \$14,500 and \$14,100 with respect to the registrant's fiscal years ended December 31, 2010 and 2009, respectively.
- (b) **Audit-Related Fees.** No fees were billed in either of the last two fiscal years for assurance and related services by the principal accountant that are reasonably related to the performance of the audit of the registrant's financial statements and are not reported under paragraph (a) of this Item.
- (c) **Tax Fees.** The aggregate fees billed for professional services rendered by the principal accountant for tax compliance, tax advice, and tax planning were \$3,300 and \$3,000 with respect to the registrant's fiscal years ended December 31, 2010 and 2009, respectively. The services comprising these fees are the preparation of the registrant's federal and state income and federal excise tax returns.
- (d) **All Other Fees.** No fees were billed in either of the last two fiscal years for products and services provided by the principal accountant, other than the services reported in paragraphs (a) through (c) of this Item.
- (e) (1) Before the principal accountant is engaged by the registrant to render (i) audit, audit-related or permissible non-audit services to the registrant or (ii) non-audit services to the registrant's investment adviser and any entity controlling, controlled by, or under common control with the adviser that provides ongoing services to the registrant, either (a) the audit committee shall pre-approve such engagement; or (b) such engagement shall be entered into pursuant to pre-approval policies and procedures established by the audit committee. Any such policies and procedures must be detailed as to the particular service and not involve any delegation of the audit committee's responsibilities to the registrant's investment adviser. The audit committee may delegate to one or more of its members the authority to grant pre-approvals. The pre-approval policies and procedures shall include the requirement that the decisions of any member to whom authority is delegated under this provision shall be presented to the full audit committee at its next scheduled meeting. Under certain limited circumstances, pre-approvals are not required if certain de minimus thresholds are not exceeded, as such thresholds are determined by the audit committee in accordance with applicable Commission regulations.
- (e) (2) None of the services described in paragraph (b) through (d) of this Item were approved by the audit committee pursuant to paragraph

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(c) (7) (i) (C) of Rule 2-01 of Regulation S-X.

- (f) Less than 50% of hours expended on the principal accountant's engagement to audit the registrant's financial statements for the most recent fiscal year were attributed to work performed by persons other than the principal accountant's full-time, permanent employees.
- (g) During the fiscal years ended December 31, 2010 and 2009, aggregate non-audit fees of \$3,300 and \$3,000, respectively, were billed by the registrant's principal accountant for services rendered to the registrant. No non-audit fees were billed in either of the last two fiscal years by the registrant's principal accountant for services rendered to the registrant's investment adviser (not including any sub-adviser whose role is primarily portfolio management and is subcontracted with or overseen by another investment adviser), and any entity controlling, controlled by, or under common control with the adviser that provides ongoing services to the registrant.
- (h) The principal accountant has not provided any non-audit services to the registrant's investment adviser (not including any sub-adviser whose role is primarily portfolio management and is subcontracted with or overseen by another investment adviser), and any entity controlling, controlled by, or under common control with the investment adviser that provides ongoing services to the registrant.

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

- (a) The registrant has a separately-designated standing audit committee established in accordance with Section 3(a)(58)(A) of the Securities and Exchange Act of 1934. Glenn W. Wilcox, Sr., (Chairman), Edwin Meese, III, Thomas H. Lenagh, Andrew A. Strauss and Scott B. Rogers are the members of the registrant's audit committee.
- (b) Not applicable

### ITEM 6. SCHEDULE OF INVESTMENTS.

CORNERSTONE TOTAL RETURN FUND, INC.  
SCHEDULE OF INVESTMENTS - DECEMBER 31, 2010

DESCRIPTION	NO. OF SHARES	VALUE
-----		
EQUITY SECURITIES - 94.13%		
CLOSED-END FUNDS - 9.41%		
CORE - 3.71%		
Adams Express Company (The) (a)	59,400	\$ 636,768
Royce Micro-Cap Trust, Inc.	8,200	80,360
Royce Value Trust, Inc.	8,000	116,320
SunAmerica Focused Alpha Large-Cap Fund, Inc	8,000	125,920
		-----
		959,368
		-----
CORPORATE DEBT FUNDS INVESTMENT		
GRADE-RATED - 0.39%		
AllianceBernstein Income Fund	6,000	47,580
MFS Government Markets Income Trust	8,000	54,400
		-----
		101,980
		-----

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DEVELOPED MARKET - 0.12%		
Ibero-America Fund, Inc.	2,123	13,884
New Ireland Fund, Inc. (The)	2,620	17,974
		-----
		31,858
		-----
GLOBAL INCOME - 0.83%		
Nuveen Multi-Currency Short-Term Government Income Fund	15,656	215,583
		-----
HIGH CURRENT YIELD (LEVERAGED) - 0.25%		
First Trust Strategic High Income Fund	8,000	26,720
First Trust Strategic High Income Fund III	9,000	39,150
		-----
		65,870
		-----
INCOME & PREFERRED STOCK - 0.34%		
Preferred Income Strategies Fund	8,951	87,988
		-----
OPTION ARBITRAGE/OPTIONS STRATEGIES		
Eaton Vance Risk-Managed Diversified Equity Income Fund	28,800	382,464
NFJ Dividend, Interest & Premium Strategy Fund	12,000	210,120
		-----
		592,584
		-----
REAL ESTATE - 0.12%		
LMP Real Estate Income Fund, Inc.	3,000	30,300
		-----
SECTOR EQUITY - 1.10%		
Evergreen Utilities and High Income Fund	5,010	58,116
Gabelli Healthcare & Wellness Rx Trust (The)	7,074	50,084
H&Q Life Sciences Investors	9,000	96,930

See accompanying notes to schedule of investments.

CORNERSTONE TOTAL RETURN FUND, INC.  
SCHEDULE OF INVESTMENTS - DECEMBER 31, 2010 (Continued)

CLOSED-END FUNDS (CONTINUED)		
Petroleum & Resources Corporation (a)	3,000	\$ 81,030
		-----
		286,160
		-----
U.S. MORTGAGE - 0.26%		
BlackRock Income Trust, Inc.	9,896	67,689
		-----
TOTAL CLOSED-END FUNDS		
		2,439,380
		-----
CONSUMER DISCRETIONARY - 8.75%		
Bed Bath & Beyond, Inc. *	2,500	122,875
Carnival Corporation	2,500	115,275
Comcast Corporation - Class A	2,012	44,204
Comcast Corporation - Special Class A	4,250	88,443
DIRECTV Group, Inc. (The) - Class A *	4,000	159,720
Ford Motor Company *	10,000	167,900
Gap, Inc. (The)	2,500	55,350
Home Depot, Inc. (The)	5,000	175,300
Kohl's Corporation *	2,000	108,680
McDonald's Corporation	2,000	153,520

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News Corporation - Class B	2,500	41,050
NIKE, Inc. - Class B	2,500	213,550
Starbucks Corporation	2,500	80,325
Target Corporation	1,500	90,195
Time Warner, Inc.	4,666	150,105
TJX Companies, Inc. (The)	2,500	110,975
Viacom, Inc. - Class B	2,000	79,220
Walt Disney Company (The)	5,000	187,549
Yum! Brands, Inc.	2,500	122,625

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2,266,861  
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### CONSUMER STAPLES - 9.55%

Altria Group, Inc.	5,000	123,100
Coca-Cola Company (The)	5,000	328,850
Coca-Cola Enterprises	2,500	62,575
Colgate-Palmolive Company	1,000	80,370
General Mills, Inc.	3,000	106,770
H.J. Heinz Company	2,700	133,542
PepsiCo, Inc.	4,000	261,320
Philip Morris International, Inc.	5,000	292,650
Procter & Gamble Company (The)	6,972	448,509
Sara Lee Corporation	2,500	43,775
Wal-Mart Stores, Inc.	11,000	593,230

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2,474,691  
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### CORNERSTONE TOTAL RETURN FUND, INC.

#### SCHEDULE OF INVESTMENTS - DECEMBER 31, 2010 (Continued)

### ENERGY - 10.75%

Apache Corporation	2,000	\$ 238,460
Chevron Corporation	3,500	319,375
ConocoPhillips	5,000	340,500
El Paso Corporation	5,000	68,800
EOG Resources, Inc.	1,000	91,410
Exxon Mobil Corporation	12,000	877,440
Halliburton Company	2,500	102,075
Occidental Petroleum Corporation	4,000	392,400
Schlumberger Ltd.	3,000	250,500
Southwestern Energy Company *	1,500	56,145
Williams Companies, Inc.	2,000	49,440

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2,786,545  
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### FINANCIALS - 12.49%

AFLAC, Inc.	1,500	84,645
American Express Company	4,000	171,680
Bank of America Corporation	16,521	220,390
Bank of New York Mellon Corporation (The)	3,000	90,600
BB&T Corporation	2,000	52,580
Capital One Financial Corporation	2,500	106,400
Chubb Corporation (The)	1,000	59,640
Citigroup, Inc. *	28,000	132,440
Discover Financial Services	1,000	18,530
Franklin Resources, Inc.	1,000	111,210
Goldman Sachs Group, Inc. (The)	2,500	420,400
Hudson City Bancorp, Inc.	2,500	31,850
JPMorgan Chase & Company	12,200	517,524
KeyCorp	2,500	22,125

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M&T Bank Corporation	1,000	87,050
Marsh & McLennan Companies, Inc.	4,000	109,360
MetLife, Inc.	1,500	66,660
Morgan Stanley	2,000	54,420
PNC Financial Services Group, Inc.	1,000	60,720
Prudential Financial, Inc.	1,500	88,065
State Street Corporation	2,000	92,680
Travelers Companies, Inc. (The)	3,092	172,255
U.S. Bancorp	3,500	94,395
Unum Group	2,500	60,550
Wells Fargo & Company	10,000	309,900
		-----
		3,236,069
		-----
HEALTH CARE - 9.57%		
Abbott Laboratories	3,000	143,730
Allergan, Inc.	1,000	68,670
Amgen, Inc. *	3,000	164,700

CORNERSTONE TOTAL RETURN FUND, INC.  
SCHEDULE OF INVESTMENTS - DECEMBER 31, 2010 (Continued)

HEALTH CARE (CONTINUED)		
Baxter International, Inc.	2,500	\$ 126,550
Bristol-Myers Squibb Company	6,000	158,880
Celgene Corporation *	1,000	59,140
Cigna Corporation	3,000	109,980
Eli Lilly & Company	2,500	87,600
Express Scripts, Inc. *	2,400	129,720
Gilead Sciences, Inc. *	2,000	72,480
Johnson & Johnson	7,500	463,875
McKesson Corporation	2,500	175,950
Medco Health Solutions, Inc. *	1,000	61,270
Medtronic, Inc.	4,500	166,905
Merck & Company, Inc.	2,500	90,100
Pfizer, Inc.	6,462	113,150
Stryker Corporation	1,000	53,700
UnitedHealth Group, Inc.	2,500	90,275
WellPoint, Inc. *	2,500	142,150
		-----
		2,478,825
		-----
INDUSTRIALS - 8.86%		
3M Company	2,500	215,750
Boeing Company (The)	2,000	130,520
Danaher Corporation	2,000	94,340
Deere & Company	1,500	124,575
Emerson Electric Company	2,500	142,925
FedEx Corporation	1,500	139,515
General Dynamics Corporation	2,000	141,920
General Electric Company	24,000	438,960
Lockheed Martin Corporation	2,500	174,775
Precision Castparts Corporation	1,000	139,210
Republic Services, Inc.	1,125	33,593
Southwest Airlines Company	2,000	25,960
Union Pacific Corporation	2,500	231,650
United Parcel Service, Inc. - Class B	2,000	145,160
United Technologies Corporation	1,500	118,080
		-----
		2,296,933
		-----

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INFORMATION TECHNOLOGY - 16.43%		
AOL, Inc. *	242	5,738
Apple, Inc. *	2,000	645,119
Applied Materials, Inc.	3,000	42,150
Cognizant Technology Solutions Corporation - Class A *	1,500	109,935
Corning, Inc.	5,000	96,600
eBay, Inc. *	2,500	69,575
EMC Corporation *	5,000	114,500

CORNERSTONE TOTAL RETURN FUND, INC.  
SCHEDULE OF INVESTMENTS - DECEMBER 31, 2010 (Continued)

INFORMATION TECHNOLOGY (CONTINUED)		
Google, Inc. - Class A *	1,000	\$ 593,970
Hewlett-Packard Company	8,000	336,800
Intel Corporation	17,000	357,510
International Business Machines Corporation	4,000	587,040
Intuit, Inc. *	2,500	123,250
Micron Technology, Inc. *	2,000	16,040
Microsoft Corporation	24,000	670,080
Oracle Corporation	12,600	394,380
Texas Instruments, Inc.	3,000	97,500
		-----
		4,260,187
		-----
MATERIALS - 3.18%		
Air Products & Chemicals, Inc.	1,500	136,425
Dow Chemical Company (The)	2,500	85,350
E.I. Du Pont de Nemours & Company	4,800	239,424
Freeport-McMoRan Copper & Gold, Inc.	2,500	300,225
Newmont Mining Corporation	1,000	61,430
		-----
		822,854
		-----
REAL ESTATE INVESTMENT TRUST - 0.01%		
Simon Property Group, Inc.	16	1,592
		-----
TELECOMMUNICATION SERVICES - 2.65%		
AT&T, Inc.	17,089	502,075
Centurytel, Inc.	4,000	184,680
		-----
		686,755
		-----
UTILITIES - 2.48%		
Consolidated Edison, Inc.	1,000	49,570
Dominion Resources, Inc.	2,000	85,440
Duke Energy Corporation	6,600	117,546
Exelon Corporation	2,000	83,280
NiSource, Inc.	2,500	44,050
Southern Company (The)	3,500	133,805
Xcel Energy, Inc.	5,500	129,525
		-----
		643,216
		-----
TOTAL EQUITY SECURITIES (cost - \$23,055,479)		24,393,908
		-----
SHORT-TERM INVESTMENTS - 8.02%		
MONEY MARKET SECURITY - 8.02%		
JPMorgan U.S. Government Money Market Fund (cost - \$2,077,580)	2,077,580	2,077,580



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CORNERSTONE TOTAL RETURN FUND, INC. SCHEDULE OF INVESTMENTS - DECEMBER 31, 2010 (Continued)	
TOTAL INVESTMENTS - 102.15% (cost - \$25,133,059)	\$26,471,488
LIABILITIES IN EXCESS OF OTHER ASSETS - (2.15)%	(558,268)
NET ASSETS - 100.00%	\$25,913,220
	=====

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(a) Affiliated investment. The Fund holds 2.46% and 0.31% (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 year ended December 31, 2010 there were additional purchases of 3,000 shares of Petroleum & Resources Corporation with a cost of \$63,070. There were no purchases or sales of Adams Express Company during the year.

\* Non-income producing security.

See accompanying notes to schedule of investments.

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

TO THE SHAREHOLDERS AND BOARD OF DIRECTORS  
CORNERSTONE TOTAL RETURN FUND, INC.  
NEW YORK, NEW YORK

We have audited the accompanying statement of assets and liabilities of the Cornerstone Total Return Fund, Inc. (the "Fund"), including the summary schedule of investments as of December 31, 2010, the related statement of operations for the year then ended, the statements of changes in net assets for each of the two years in the period then ended, and the financial highlights for each of the five years in the period then ended. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. The Fund is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. Our procedures included confirmation of securities owned as of December 31, 2010, by correspondence with the custodian and brokers. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of the Cornerstone Total Return Fund, Inc. as of December 31, 2010, the results of its

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operations for the year then ended, the changes in its net assets for each of the two years in the period then ended, and the financial highlights for each of the five years in the period then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule of investments in securities as of December 31, 2010 appearing in Item 6 of this Form N-CSR is presented for the purpose of additional analysis and is not a required part of the basic financial statements. This additional information is the responsibility of the Fund's management. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

TAIT, WELLER & BAKER LLP

PHILADELPHIA, PENNSYLVANIA  
FEBRUARY 28, 2011

(b) Not applicable

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

The registrant and Cornerstone Advisors, Inc., the registrant's investment adviser, share the same proxy voting policies and procedures. The proxy voting policies and procedures of the registrant and Cornerstone Advisors, Inc. are attached as Exhibit 99.VOTEREG.

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

- (a) (1) All information included in this Item is as of the date of the filing of this Form N-CSR, unless otherwise noted. Ralph W. Bradshaw is the portfolio manager of the registrant. Mr. Bradshaw has acted as portfolio manager since 2002. Mr. Bradshaw is President and Chief Financial Officer of Cornerstone Advisors, Inc. and serves as President and Chairman of the Board of the registrant, Cornerstone Progressive Return Fund and Cornerstone Strategic Value Fund, Inc.
- (a) (2) Ralph W. Bradshaw manages two other closed-end registered investment companies: Cornerstone Progressive Return Fund and Cornerstone Strategic Value Fund, Inc. As of December 31, 2010, net assets of Cornerstone Progressive Return Fund were \$55,276,998 and net assets of Cornerstone Strategic Value Fund, Inc. were \$64,265,689. Mr. Bradshaw manages no accounts except for the registrant, Cornerstone Progressive Return Fund and Cornerstone Strategic Value Fund, Inc. Mr. Bradshaw manages no accounts where the advisory fee is based on the performance of the account. No material conflicts of interest exist in connection with the portfolio manager's management of the registrant's investments, on the one hand, and the investment of the other accounts included in response to this Item, on the other.
- (a) (3) Compensation of Ralph W. Bradshaw includes a fixed salary paid by Cornerstone Advisors, Inc. plus his share of the profits of Cornerstone Advisors, Inc. The profitability of Cornerstone Advisors, Inc. is primarily dependent upon the value of the assets of the registrant and other managed accounts. However, compensation is not directly based upon the registrant's performance or on the value of the registrant's assets.
- (a) (4) The dollar range of equity securities in the registrant beneficially

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owned by each portfolio manager as of December 31, 2010 is as follows:  
Ralph W. Bradshaw: \$10,001 - \$50,000 (b) Not applicable

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

None

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

There have been no material changes to the procedures by which shareholders may recommend nominees to the registrant's board of directors that have been implemented after the registrant last provided disclosure in response to the requirements of Item 407(c)(2)(iv) of Regulation S-K (17 CFR 229.407) or this Item.

### ITEM 11. CONTROLS AND PROCEDURES.

(a) Based on their evaluation of the registrant's disclosure controls and procedures (as defined in Rule 30a-3(c) under the Investment Company Act of 1940) as of a date within 90 days of the filing date of this report, the registrant's principal executive officer and principal financial officer have concluded that such disclosure controls and procedures are reasonably designed and are operating effectively to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to them by others within those entities, particularly during the period in which this report is being prepared, and that the information required in filings on Form N-CSR is recorded, processed, summarized, and reported on a timely basis.

(b) There were no changes in the registrant's internal control over financial reporting (as defined in Rule 30a-3(d) under the Investment Company Act of 1940) that occurred during the second fiscal quarter of the period covered by this report that have materially affected, or are reasonably likely to materially affect, the registrant's internal control over financial reporting.

### ITEM 12. EXHIBITS.

File the exhibits listed below as part of this Form. Letter or number the exhibits in the sequence indicated.

(a)(1) Any code of ethics, or amendment thereto, that is the subject of the disclosure required by Item 2, to the extent that the registrant intends to satisfy the Item 2 requirements through filing of an exhibit: Attached hereto

(a)(2) A separate certification for each principal executive officer and principal financial officer of the registrant as required by Rule 30a-2(a) under the Act (17 CFR 270.30a-2(a)): Attached hereto

(a)(3) Any written solicitation to purchase securities under Rule 23c-1 under the Act (17 CFR 270.23c-1) sent or given during the period covered by the report by or on behalf of the registrant to 10 or more persons: Not applicable

(b) Certifications required by Rule 30a-2(b) under the Act (17 CFR 270.30a-2(b)): Attached hereto

Exhibit 99.CODE ETH            Code of Ethics

Exhibit 99.VOTEREG           Proxy Voting Policies and Procedures

Exhibit 99.CERT                Certifications required by Rule 30a-2(a) under the Act

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Exhibit 99.906CERT

Certifications required by Rule 30a-2(b) under the Act

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

(Registrant) Cornerstone Total Return Fund, Inc.

By (Signature and Title)\* /s/ Ralph W. Bradshaw

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

Date March 8, 2011

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By (Signature and Title)\* /s/ Ralph W. Bradshaw

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

Date March 8, 2011

By (Signature and Title)\* /s/ Frank J. Maresca

-----  
Frank J. Maresca, Treasurer  
(Principal Financial Officer)

Date March 8, 2011

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