

CORNERSTONE TOTAL RETURN FUND INC  
Form N-Q  
November 18, 2011

OMB  
APPROVAL

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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

Cornerstone Total Return Fund, Inc.

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(Exact name of registrant as specified in charter)

350 Jericho Turnpike, Suite 206 Jericho, New York 11753

(Address of principal executive offices) (Zip code)

Frank J. Maresca

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

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(Name and address of agent for service)

Registrant's telephone number, including area code: (513) 587-3400

Date of fiscal year end: December 31, 2011

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Date of reporting period: September 30, 2011

Form N-Q is to be used by management investment companies other than small business investment companies registered on Form N-5 (§§ 239.24 and 274.5 of this chapter), to file reports with the Commission, not later than 60 days after the close of the first and third fiscal quarters, pursuant to Rule 30b1-5 under the Investment Company Act of 1940 (17 CFR 270.30b1-5). The Commission may use the information provided on Form N-Q in its regulatory, disclosure review, inspection, and policymaking roles.

A registrant is required to disclose the information specified by Form N-Q, and the Commission will make this information public. A registrant is not required to respond to the collection of information contained in Form N-Q 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. § 3507.

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Item 1.

## Schedule of Investments.

## CORNERSTONE TOTAL RETURN FUND, INC.

SCHEDULE OF INVESTMENTS - SEPTEMBER 30, 2011 (Unaudited)

| Description   | No. of Shares | Value      |
|---|---------------|------------|
| EQUITY SECURITIES - 100.06%                             |               |            |
| CLOSED-END FUNDS - 9.33%                                |               |            |
| OPTION ARBITRAGE/OPTIONS STRATEGIES - 9.01%             |               |            |
| BlackRock Enhanced Capital & Income Fund, Inc.          | 9,000         | \$ 106,290 |
| Eaton Vance Enhanced Equity Income Fund                 | 24,374        | 238,378    |
| Eaton Vance Risk-Managed Diversified Equity Income Fund | 43,800        | 479,610    |
| Eaton Vance Tax-Managed Buy-Write Income Fund           | 13,000        | 151,060    |
| Eaton Vance Tax-Managed Buy-Write Opportunities Fund    | 40,300        | 440,076    |
| Eaton Vance Tax-Managed Diversified Equity Income Fund  | 50,085        | 427,225    |
|   |               | 1,842,639  |
| SECTOR EQUITY - 0.32%                                   |               |            |
| Gabelli Healthcare & WellnessRx Trust (The) *           | 9,721         | 65,033     |
|   |               |            |
| TOTAL CLOSED-END FUNDS                                  |               | 1,907,672  |
| CONSUMER DISCRETIONARY - 9.47%                          |               |            |
| Bed Bath & Beyond, Inc. *                               | 2,500         | 143,275    |
| Comcast Corporation - Class A                           | 2,012         | 42,051     |
| Comcast Corporation - Special Class A                   | 4,250         | 87,933     |
| DIRECTV Group, Inc. (The) - Class A *                   | 4,000         | 168,999    |
| Ford Motor Company *                                    | 10,000        | 96,700     |
| Home Depot, Inc. (The)                                  | 5,000         | 164,350    |
| Kohl's Corporation                                      | 2,000         | 98,200     |
| Limited Brands, Inc.                                    | 1,000         | 38,510     |
| Lowe's Companies, Inc.                                  | 3,000         | 58,020     |
| Macy's, Inc.  | 1,000         | 26,320     |
| McDonald's Corporation                                  | 2,000         | 175,640    |
| News Corporation - Class B                              | 2,500         | 38,975     |
| Starbucks Corporation                                   | 2,500         | 93,225     |
| Target Corporation                                      | 1,500         | 73,560     |
| Time Warner, Inc.                                       | 4,666         | 139,840    |
| TJX Companies, Inc. (The)                               | 2,500         | 138,675    |
| Viacom, Inc. - Class B                                  | 2,000         | 77,480     |
| Walt Disney Company (The)                               | 5,000         | 150,800    |
| Yum! Brands, Inc.                                       | 2,500         | 123,475    |
|   |               | 1,936,028  |

See accompanying notes to schedule of investments.



## CORNERSTONE TOTAL RETURN FUND, INC.

## SCHEDULE OF INVESTMENTS - SEPTEMBER 30, 2011 (Unaudited) (Continued)

| Description                               | No. of Shares | Value     |
|---|---------------|-----------|
| <b>CONSUMER STAPLES - 11.69%</b>          |               |           |
| Altria Group, Inc.                        | 5,000         | \$134,050 |
| Coca-Cola Company (The)                   | 5,000         | 337,800   |
| Coca-Cola Enterprises, Inc.               | 2,500         | 62,200    |
| General Mills, Inc.                       | 3,000         | 115,410   |
| H.J. Heinz Company                        | 2,700         | 136,296   |
| PepsiCo, Inc.                             | 3,000         | 185,700   |
| Philip Morris International, Inc.         | 5,000         | 311,900   |
| Procter & Gamble Company (The)            | 4,972         | 314,131   |
| Walgreen Company                          | 2,000         | 65,780    |
| Wal-Mart Stores, Inc.                     | 14,000        | 726,600   |
|   |               | 2,389,867 |
| <b>ENERGY - 11.07%</b>                    |               |           |
| Apache Corporation                        | 2,000         | 160,480   |
| Chevron Corporation                       | 3,500         | 323,820   |
| ConocoPhillips                            | 5,000         | 316,600   |
| Exxon Mobil Corporation                   | 12,000        | 871,560   |
| Halliburton Company                       | 2,500         | 76,300    |
| Occidental Petroleum Corporation          | 4,000         | 286,000   |
| Schlumberger Ltd.                         | 3,000         | 179,190   |
| Williams Companies, Inc.                  | 2,000         | 48,680    |
|   |               | 2,262,630 |
| <b>FINANCIALS - 10.48%</b>                |               |           |
| AFLAC, Inc.                               | 1,500         | 52,425    |
| American Express Company                  | 4,000         | 179,600   |
| Bank of New York Mellon Corporation (The) | 3,000         | 55,770    |
| Capital One Financial Corporation         | 2,500         | 99,075    |
| Discover Financial Services               | 2,000         | 45,880    |
| Franklin Resources, Inc.                  | 1,000         | 95,640    |
| JPMorgan Chase & Co.                      | 15,200        | 457,824   |
| M&T Bank Corporation                      | 1,000         | 69,900    |
| Marsh & McLennan Companies, Inc.          | 4,000         | 106,160   |
| MetLife, Inc.                             | 1,500         | 42,015    |
| Morgan Stanley                            | 5,000         | 67,500    |
| PNC Financial Services Group, Inc.        | 1,000         | 48,190    |
| Prudential Financial, Inc.                | 2,500         | 117,150   |
| State Street Corporation                  | 2,000         | 64,320    |
| U.S. Bancorp                              | 5,500         | 129,470   |
| Unum Group                                | 2,500         | 52,400    |
| Wells Fargo & Company                     | 19,000        | 458,280   |
|   |               | 2,141,599 |
| <b>HEALTH CARE - 11.42%</b>               |               |           |
| Abbott Laboratories                       | 3,000         | 153,420   |

See accompanying notes to schedule of investments.

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## CORNERSTONE TOTAL RETURN FUND, INC.

## SCHEDULE OF INVESTMENTS - SEPTEMBER 30, 2011 (Unaudited) (Continued)

| Description                           | No. of Shares | Value     |
|---------------------------------------|---------------|-----------|
| HEALTH CARE (Continued)               |               |           |
| Amgen, Inc.                           | 3,000         | \$164,850 |
| Baxter International, Inc.            | 2,500         | 140,350   |
| Boston Scientific Corporation *       | 4,000         | 23,640    |
| Bristol-Myers Squibb Company          | 6,000         | 188,280   |
| Celgene Corporation *                 | 1,000         | 61,920    |
| Cigna Corporation                     | 3,000         | 125,820   |
| Eli Lilly & Company                   | 2,500         | 92,425    |
| Express Scripts, Inc. *               | 2,400         | 88,968    |
| Gilead Sciences, Inc. *               | 2,000         | 77,600    |
| Johnson & Johnson                     | 6,000         | 382,260   |
| McKesson Corporation                  | 2,500         | 181,750   |
| Medco Health Solutions, Inc. *        | 1,000         | 46,890    |
| Medtronic, Inc.                       | 2,500         | 83,100    |
| Merck & Company, Inc.                 | 2,500         | 81,775    |
| Pfizer, Inc.                          | 6,462         | 114,248   |
| Stryker Corporation                   | 1,000         | 47,130    |
| UnitedHealth Group, Inc.              | 2,500         | 115,300   |
| WellPoint, Inc.                       | 2,500         | 163,200   |
|                                       |               | 2,332,926 |
| INDUSTRIALS - 9.68%                   |               |           |
| 3M Company                            | 2,500         | 179,475   |
| Danaher Corporation                   | 2,000         | 83,880    |
| Deere & Company                       | 1,500         | 96,855    |
| Emerson Electric Company              | 2,500         | 103,275   |
| FedEx Corporation                     | 1,500         | 101,520   |
| General Dynamics Corporation          | 2,000         | 113,780   |
| General Electric Company              | 21,000        | 320,040   |
| Honeywell International Inc.          | 2,000         | 87,820    |
| Lockheed Martin Corporation           | 2,500         | 181,600   |
| Precision Castparts Corporation       | 1,000         | 155,460   |
| Republic Services, Inc.               | 1,125         | 31,568    |
| Southwest Airlines Company            | 2,000         | 16,080    |
| Union Pacific Corporation             | 2,500         | 204,175   |
| United Parcel Service, Inc. - Class B | 2,000         | 126,300   |
| United Technologies Corporation       | 2,500         | 175,900   |
|                                       |               | 1,977,728 |
| INFORMATION TECHNOLOGY - 17.63%       |               |           |
| Apple, Inc. *                         | 2,000         | 762,360   |
| Corning, Inc.                         | 4,000         | 49,440    |
| Dell Inc. *                           | 4,000         | 56,600    |
| Google, Inc. - Class A *              | 1,000         | 514,380   |
| Intel Corporation                     | 17,000        | 362,610   |

See accompanying notes to schedule of investments.

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CORNERSTONE TOTAL RETURN FUND, INC.  
 SCHEDULE OF INVESTMENTS - SEPTEMBER 30, 2011 (Unaudited) (Continued)

| Description  | No. of Shares | Value             |
|--|---------------|-------------------|
| <b>INFORMATION TECHNOLOGY (Continued)</b>  |               |                   |
| International Business Machines Corporation  | 4,000         | \$700,120         |
| Intuit, Inc.   | 2,500         | 118,600           |
| Microsoft Corporation  | 24,000        | 597,360           |
| Oracle Corporation   | 12,600        | 362,124           |
| Texas Instruments, Inc.  | 3,000         | 79,950            |
|  |               | 3,603,544         |
| <b>MATERIALS - 2.91%</b>   |               |                   |
| Air Products & Chemicals, Inc.   | 1,500         | 114,555           |
| Alcoa, Inc.  | 1,800         | 17,226            |
| Dow Chemical Company (The)   | 2,500         | 56,150            |
| E.I. Du Pont de Nemours & Company  | 4,800         | 191,856           |
| Freeport-McMoRan Copper & Gold, Inc.   | 5,000         | 152,250           |
| Newmont Mining Corporation   | 1,000         | 62,900            |
|  |               | 594,937           |
| <b>REAL ESTATE INVESTMENT TRUST - 0.01%</b>  |               |                   |
| Simon Property Group, Inc.   | 16            | 1,760             |
| <b>TELECOMMUNICATION SERVICES - 3.03%</b>  |               |                   |
| AT&T, Inc.   | 17,089        | 487,378           |
| CenturyLink, Inc.  | 4,000         | 132,480           |
|  |               | 619,858           |
| <b>UTILITIES - 3.34%</b>   |               |                   |
| Consolidated Edison, Inc.  | 1,000         | 57,020            |
| Dominion Resources, Inc.   | 2,000         | 101,540           |
| Duke Energy Corporation  | 6,600         | 131,934           |
| Exelon Corporation   | 3,500         | 149,135           |
| NextEra Energy, Inc.   | 1,000         | 54,020            |
| NiSource, Inc.   | 2,500         | 53,450            |
| Xcel Energy, Inc.  | 5,500         | 135,795           |
|  |               | 682,894           |
| <b>TOTAL EQUITY SECURITIES (cost - \$20,876,603)</b>                                 |               | <b>20,451,443</b> |
| <b>SHORT-TERM INVESTMENT - 0.25%</b>   |               |                   |
| <b>MONEY MARKET FUND - 0.25%</b>   |               |                   |
| Fidelity Institutional Money Market Government Portfolio - Class I (cost - \$50,940) | 50,940        | 50,940            |
| <b>TOTAL INVESTMENTS - 100.31% (cost - \$20,927,543)</b>                             |               | <b>20,502,383</b> |

See accompanying notes to schedule of investments.



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CORNERSTONE TOTAL RETURN FUND, INC.  
SCHEDULE OF INVESTMENTS - SEPTEMBER 30, 2011 (Unaudited) (Continued)

| Description                                     | No. of Shares | Value        |
|---|---------------|--------------|
| LIABILITIES IN EXCESS OF OTHER ASSETS - (0.31)% |               | (62,996 )    |
| NET ASSETS - 100.00%                            |               | \$20,439,387 |

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\* Non-income producing security.

See accompanying notes to schedule of investments.

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CORNERSTONE TOTAL RETURN FUND, INC.  
 NOTES TO SCHEDULES OF INVESTMENTS  
 September 30, 2011 (UNAUDITED)

Federal Income Tax Cost: At September 30, 2011 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 \$20,927,543, \$1,922,183, \$(2,347,343) and \$(425,160), respectively.

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.

- Level 1 – quoted unadjusted prices for identical instruments in active markets to which the Fund has access at the date of measurement.

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

- Level 3 – model derived valuations in which one 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.

The following is a summary of the inputs used as of September 30, 2011 in valuing the Fund's investments carried at value:

| Valuation Inputs                              | INVESTMENTS<br>IN<br>SECURITIES | OTHER<br>FINANCIAL<br>INSTRUMENTS* |
|---|---------------------------------|------------------------------------|
| Level 1 - Quoted Prices                       |                                 |                                    |
| Equity Investments                            | \$ 20,451,443                   | \$ -                               |
| Short-Term Investments                        | 50,940                          | -                                  |
| Level 2 - Other Significant Observable Inputs | -                               | -                                  |
| Level 3 – Significant Unobservable Inputs     | -                               | -                                  |
| Total   | \$ 20,502,383                   | \$ -                               |

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



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

During the nine months ended September 30, 2011, 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 September 30, 2011.

In May 2011, FASB issued ASU No. 2011-04 "Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs". ASU No. 2011-04 establishes common requirements for measuring fair value and for disclosing information about fair value measurements in accordance with U.S. generally accepted accounting principles ("GAAP") and International Financial Reporting Standards ("IFRSs"). ASU No. 2011-04 is effective for interim and annual periods beginning after December 15, 2011 and is applied prospectively. Management is currently evaluating ASU No. 2011-04 and does not believe that it will have a material impact on the Fund's financial statements and disclosures.

The Fund is exposed to financial market risks, including the valuations of its investment portfolio. For the nine months ended September 30, 2011, the Fund did not engage in derivative instruments and other hedging activities.

The Fund has evaluated the need for addition disclosures and/or adjustments resulting through the date its financial statements were issued. Based on this evaluation, no additional disclosures or adjustments were required to such Schedule of Investments.

Securities valuation policies and other investment related disclosures are hereby incorporated by reference to the Fund's semi-annual report previously filed with the Securities and Exchange Commission on the Form N-CSR on September 2, 2011 with a file number 811-02363.

Other information regarding the Fund is available in the Fund's most recent semi-annual report filed with the Securities and Exchange Commission on the Form N-CSR on September 2, 2011, file number 811-02363. This information is also available to registered shareholders by calling (800) 937-5449. For general inquiries, please call (513) 326-3597. This information is also available on the website of the Securities and Exchange Commission – <http://www.sec.gov>.

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Item 2.

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 such information 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 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.

File as exhibits as part of this Form 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

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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, President and  
Chairman  
(Principal Executive Officer)

Date            November 18, 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, President and  
Chairman  
(Principal Executive Officer)

Date            November 18, 2011

By (Signature and Title)\*            /s/ Frank J. Maresca  
Frank J. Maresca, Treasurer  
(Principal Financial Officer)

Date            November 18, 2011

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