

CORNERSTONE TOTAL RETURN FUND INC
Form N-CSR
March 04, 2013

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)

Theresa M. Bridge

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, 2012

Date of reporting period: December 31, 2012

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.

Cornerstone Total
Return Fund, Inc.

Annual Report
December 31, 2012

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Cornerstone Total Return Fund, Inc.
Portfolio Summary – as of December 31, 2012 (unaudited)

SECTOR ALLOCATION

Sector	Percent of Net Assets
Closed-End Funds	24.0
Information Technology	13.4
Financials	9.0
Consumer Staples	7.3
Health Care	6.4
Consumer Discretionary	6.3
Energy	6.0
Industrials	5.4
Materials	2.0
Telecommunication Services	1.8
Utilities	1.6
Other	16.8

TOP TEN HOLDINGS, BY ISSUER

1. Holding	Sector	Percent of Net Assets
1. Apple Inc.	Information Technology	4.1
2. Exxon Mobil Corporation	Energy	3.0
3. BlackRock International Growth and Income Trust	Closed-End Funds	2.4
4. Wells Fargo & Company	Financials	2.2
5. Wal-Mart Stores, Inc.	Consumer Staples	2.1
6. Eaton Vance Tax-Managed Global Diversified Equity Income Fund	Closed-End Funds	2.0
7. Microsoft Corporation	Information Technology	1.9
8. International Business Machines Corporation	Information Technology	1.9

9. JPMorgan Chase & Co.	Financials	1.6
10. Oracle Corporation	Information Technology	1.6

Cornerstone Total Return Fund, Inc.
Summary Schedule of Investments+ – December 31, 2012

Description	No. of Shares	Value
EQUITY SECURITIES — 83.14%		
CLOSED-END FUNDS — 24.04%		
CONVERTIBLE SECURITIES — 0.55%		
Total Convertible Securities (a)		\$280,571
CORE — 0.55%		
Total Core (a)		285,433
CORPORATE DEBT FUNDS INVESTMENT GRADE-RATED — 1.72%		
Western Asset/Claymore Inflation-Linked Opportunities & Income Fund	27,648	364,954
Western Asset/Claymore Inflation-Linked Securities & Income Fund	29,732	389,786
Other Corporate Debt Funds Investment Grade-Rated (a)		130,215
		884,955
DEVELOPED MARKET — 1.08%		
Total Developed Market (a)		558,915
EMERGING MARKETS — 1.11%		
Templeton Dragon Fund, Inc.	18,500	526,140
Other Emerging Markets (a)		48,256
		574,396
GENERAL & INSURED LEVERAGED — 0.71%		
Invesco Value Municipal Income Trust	21,816	366,727
GENERAL BOND — 0.32%		
Total General Bond (a)		162,450
Description	No. of Shares	Value
GLOBAL — 3.80%		
Clough Global Opportunities Fund	60,413	\$709,248
Delaware Enhanced Global Dividend and Income Fund	36,266	420,686
Other Global (a)		829,214
		1,959,148
GLOBAL INCOME — 0.97%		
Nuveen Multi-Currency Short-Term Government Income Fund	39,014	502,110
INCOME & PREFERRED STOCK — 1.42%		
Zweig Total Return Fund, Inc. (The)	42,804	526,917
Other Income & Preferred Stock (a)		205,359
		732,276

OPTION ARBITRAGE/OPTIONS STRATEGIES — 9.86%

BlackRock Enhanced Equity Dividend Trust	81,800	587,324
BlackRock International Growth and Income Trust	171,065	1,257,328
Eaton Vance Enhanced Equity Income Fund	45,872	488,996
Eaton Vance Enhanced Equity Income Fund II	48,428	505,588
Eaton Vance Tax-Managed Diversified Equity Income Fund	66,439	622,533
Eaton Vance Tax-Managed Global Buy-Write Opportunities Fund	29,700	317,493
Eaton Vance Tax-Managed Global Diversified Equity Income Fund	119,344	1,051,421
Other Option Arbitrage/Options Strategies (a)		255,225
		5,085,908

See accompanying notes to financial statements.

Cornerstone Total Return Fund, Inc.
 Summary Schedule of Investments+ – December 31, 2012 (continued)

Description	No. of Shares	Value
REAL ESTATE — 0.65%		
Neuberger Berman Real Estate Securities Income Fund Inc.	73,524	\$337,475
SECTOR EQUITY — 1.30%		
BlackRock Real Asset Equity Trust	30,131	309,144
Other Sector Equity (a)		358,705
		667,849
TOTAL CLOSED-END FUNDS		12,398,213
CONSUMER DISCRETIONARY — 6.32%		
Comcast Corporation - Class A	9,012	336,868
Home Depot, Inc. (The)	7,500	463,875
Walt Disney Company (The)	6,500	323,635
Other Consumer Discretionary (a)		2,134,318
		3,258,696
CONSUMER STAPLES — 7.26%		
Coca-Cola Company (The)	20,000	725,000
Colgate-Palmolive Company	3,500	365,890
CVS Caremark Corporation	7,000	338,450
Philip Morris International, Inc.	6,000	501,840
Wal-Mart Stores, Inc.	16,000	1,091,680
Other Consumer Staples (a)		722,891
		3,745,751
ENERGY — 6.00%		
Chevron Corporation	3,500	378,490
ConocoPhillips	6,000	347,940
Exxon Mobil Corporation	18,000	1,557,900
Other Energy (a)		811,689
		3,096,019
FINANCIALS — 8.96%		
American Express Company	8,000	\$459,840
JPMorgan Chase & Co.	19,200	844,224
U.S. Bancorp	12,500	399,250
Wells Fargo & Company	33,000	1,127,940
Other Financials (a)		1,787,815
		4,619,069
HEALTH CARE — 6.40%		

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Abbott Laboratories	6,000	393,000
Amgen Inc.	4,000	345,280
Johnson & Johnson	6,500	455,650
Merck & Company, Inc.	16,000	655,040
Pfizer, Inc.	16,462	412,867
Other Health Care (a)		1,040,222
		3,302,059
INDUSTRIALS — 5.36%		
3M Company	4,000	371,400
General Electric Company	22,000	461,780
Union Pacific Corporation	2,500	314,300
Other Industrials (a)		1,619,135
		2,766,615
INFORMATION TECHNOLOGY — 13.45%		
Apple Inc.	4,000	2,132,120
Cisco Systems, Inc.	20,000	393,000
eBay Inc. *	7,000	357,140
International Business Machines Corporation	5,000	957,750
Microsoft Corporation	36,000	962,280
Oracle Corporation	24,600	819,672
QUALCOMM Incorporated	7,000	434,140
Visa Inc. - Class A	4,000	606,320
Other Information Technology (a)		273,220
		6,935,642
MATERIALS — 1.96%		
Total Materials (a)		1,010,364

See accompanying notes to financial statements.

Cornerstone Total Return Fund, Inc.
 Summary Schedule of Investments+ – December 31, 2012 (concluded)

Description	No. of Shares	Value
TELECOMMUNICATION SERVICES — 1.82%		
AT&T, Inc.	17,589	\$592,925
Verizon Communications, Inc.	8,000	346,160
		939,085
UTILITIES — 1.57%		
Total Utilities (a)		808,055
TOTAL EQUITY SECURITIES		
(cost - \$38,646,814)		42,879,568
SHORT-TERM INVESTMENTS — 25.56%		
MONEY MARKET FUNDS — 25.56%		
Fidelity Institutional Money Market Government Portfolio - Class I, 0.01%^ (cost - \$13,185,093)	13,185,093	13,185,093
TOTAL INVESTMENTS — 108.70%		
(cost - \$51,831,907)		56,064,661
LIABILITIES IN EXCESS OF OTHER ASSETS — (8.70)%		
		(4,489,741)
NET ASSETS — 100.00%		
		\$51,574,920

+A complete Schedule of Investments is available without charge upon request by calling (513) 326-3597 or on the SEC's website at <http://www.sec.gov>.

(a)Represents issuers not identified as a top 50 holding in terms of market value and issues or issuers not exceeding 1% of net assets individually or in the aggregate, respectively, as of December 31, 2012.

* Non-income producing security.

^ Variable rate security. The rate shown is the 7-day effective yield as of December 31, 2012.

See accompanying notes to financial statements.

Cornerstone Total Return Fund, Inc.
Statement of Assets and Liabilities – December 31, 2012

ASSETS

Investments, at value (cost – \$51,831,907) (Notes B and C)	\$56,064,661
Cash	2,184
Receivables:	
Investments sold	340,629
Dividends	50,488
Total Assets	56,457,962

LIABILITIES

Payables:	
Investments purchased	4,705,163
Investment management fees (Note D)	35,185
Directors' fees and expenses	11,329
Administration fees (Note D)	2,720
Accounting fees (Note D)	2,649
Other accrued expenses	125,996
Total Liabilities	4,883,042

NET ASSETS (applicable to 10,133,239 shares of common stock outstanding) \$51,574,920

NET ASSET VALUE PER SHARE ($\$51,574,920 \div 10,133,239$) \$5.09

NET ASSETS CONSIST OF

Common stock, \$0.001 par value; 10,133,239 shares issued and outstanding (15,000,000 shares authorized)	\$10,133
Paid-in capital	49,232,706
Accumulated net realized loss on investments	(1,900,673)
Net unrealized appreciation in value of investments	4,232,754
Net assets applicable to shares outstanding	\$51,574,920

See accompanying notes to financial statements.

Cornerstone Total Return Fund, Inc.
 Statement of Operations – for the Year Ended December 31, 2012

INVESTMENT INCOME

Income:

Dividends from investments \$933,451

Expenses:

Investment management fees (Note D) 361,910

Printing 47,371

Directors' fees and expenses 46,312

Legal and audit fees 44,074

Accounting fees (Note D) 38,562

Administration fees (Note D) 36,191

Transfer agent fees 30,488

Custodian fees 8,728

Insurance 5,582

Stock exchange listing fees 3,412

Miscellaneous 3,009

Total Expenses 625,639

Net Investment Income 307,812

NET REALIZED AND UNREALIZED GAIN ON INVESTMENTS

Net realized gain from investments 1,714,416

Capital gain distributions from regulated investment companies 20,751

Net change in unrealized appreciation in value of investments 2,522,710

Net realized and unrealized gain on investments 4,257,877

NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS \$4,565,689

See accompanying notes to financial statements.

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

	For the Years Ended December 31,	
	2012	2011
INCREASE/(DECREASE) IN NET ASSETS		
Operations:		
Net investment income	\$307,812	\$73,506
Net realized gain/(loss) from investments	1,735,167	(63,160)
Net change in unrealized appreciation in value of investments	2,522,710	371,615
Net increase in net assets resulting from operations	4,565,689	381,961
Dividends and distributions to stockholders (Note B):		
Net investment income	(2,042,979)	(73,075)
Return-of-capital	(5,768,973)	(5,159,948)
Total dividends and distributions to stockholders	(7,811,952)	(5,233,023)
Common stock transactions:		
Proceeds from rights offerings of 3,364,521 and 2,628,010 shares of newly issued common stock, respectively	17,932,897	14,559,175
Offering expenses associated with the rights offering	(93,668)	(93,487)
Proceeds from 181,473 and 62,277 shares newly issued in reinvestment of dividends and distributions, respectively	978,072	476,036
Net increase in net assets from capital stock transactions	18,817,301	14,941,724
Total increase in net assets	15,571,038	10,090,662
NET ASSETS		
Beginning of year	36,003,882	25,913,220
End of year	\$51,574,920	\$36,003,882

See accompanying notes to financial statements.

 Cornerstone Total Return Fund, Inc.
 Financial Highlights

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

	For the Years Ended December 31,*				
	2012	2011	2010	2009	2008
PER SHARE OPERATING PERFORMANCE					
Net asset value, beginning of year	\$ 5.47	\$ 6.65	\$ 7.19	\$ 7.75	\$ 17.00
Net investment income/(loss) #	0.05	0.02	(0.00)+	(0.02)	0.12
Net realized and unrealized gain/(loss) on investments	0.62	0.05	0.68	1.31	(5.64)
Net increase/(decrease) in net assets resulting from operations	0.67	0.07	0.68	1.29	(5.52)
Dividends and distributions to stockholders:					
Net investment income	(0.31)	(0.02)	—	—	(0.12)
Return-of-capital	(0.86)	(1.32)	(1.46)	(1.90)	(3.77)
Total dividends and distributions to stockholders	(1.17)	(1.34)	(1.46)	(1.90)	(3.89)
Common stock transactions:					
Anti-dilutive effect due to shares issued:					
Rights offering	0.12	0.06	0.19	—	—
Reinvestment of dividends and distributions	0.00 +	0.03	0.05	0.05	0.16
Total anti-dilutive effect due to shares issued	0.12	0.09	0.24	0.05	0.16
Net asset value, end of year	\$ 5.09	\$ 5.47	\$ 6.65	\$ 7.19	\$ 7.75
Market value, end of year	\$ 5.35	\$ 5.97	\$ 7.88	\$ 10.29	\$ 7.60
Total investment return (a)	11.16%	(10.08%)	(10.28%)	66.98%	(49.30%)

RATIOS/SUPPLEMENTAL DATA

Net assets, end of year (000 omitted)	\$ 51,575	\$ 36,004	\$ 25,913	\$ 20,400	\$ 21,505
Ratio of expenses to average net assets, net of fee waivers and fees paid indirectly,	1.73%	1.88%	2.33%	2.76%	1.67%

if any (b) Ratio of expenses to average net assets, excluding fee waivers and fees paid indirectly, if any (b)	1.73%	1.88%	2.37%	3.20%	1.94%
Ratio of net investment income/(loss) to average net assets (c)	0.85%	0.31%	(0.04%)	(0.24%)	0.98%
Portfolio turnover rate	44.55%	30.11%	34.39%	13.24%	15.61%

*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.

+ Amount rounds to less than \$0.01 per share.

(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 do not include expenses of investments companies in which the Fund invests.

(c) Recognition of net investment income (loss) by the Fund may be affected by the timing of the declaration of dividends, if any, by investment companies in which the Fund invests.

See accompanying notes to financial statements.

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 New York Stock Exchange (“NYSE”) are valued, except as indicated below, at the last sale price reflected on the consolidated tape at the close of the NYSE on the business day as of which such value is being determined. If there has been no sale on such day, the securities are valued at the mean of the closing bid and asked prices on such day. If no bid or asked prices are quoted on such day or if market prices may be unreliable because of events occurring after the close of trading, then the security is valued by such method as the Board of Directors shall determine in good faith to reflect its fair market value. Readily marketable securities not listed on the NYSE but listed on other domestic or foreign securities exchanges are valued in a like manner. Portfolio securities traded on more than one securities exchange are valued at the last sale price on the business day as of which such value is being determined as reflected on the consolidated tape at the close of the exchange representing the principal market for such securities. Securities trading on the Nasdaq Stock Market, Inc. (“NASDAQ”) are valued at the NASDAQ Official 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, 2012 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 is closed.

The Fund is exposed to financial market risks, including the valuations of its investment portfolio. During the year

ended December 31, 2012, the Fund did not invest in derivative instruments or engage in hedging activities.

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.

Cornerstone Total Return Fund, Inc.
Notes to Financial Statements (continued)

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.

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 stockholders 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, 2012, the Fund does not have any interest or penalties associated with the underpayment of any income taxes. Management reviewed any uncertain tax positions for open tax years 2009 through 2011, and for the year ended December 31, 2012. There was no material impact to the financial statements.

Distributions to Stockholders: Effective January 2002, the Fund initiated a fixed, monthly distribution to stockholders. On November 29, 2006, this distribution policy was updated to provide for the annual resetting of the monthly distribution amount per share based on the Fund's net asset value on the last business day in each October. The terms of the distribution policy will be reviewed and approved at least annually by the Fund's Board of Directors and can be modified at their discretion. To the extent that these distributions exceed the current earnings of the Fund, the balance will be generated from sales of portfolio securities held by the Fund, which will either be short-term or long-term capital gains, or a tax-free return-of-capital. To the extent these distributions are not represented by net investment income and capital gains, they will not represent yield or investment return on the Fund's investment portfolio. The Fund plans to maintain this distribution policy even if regulatory requirements would make part of a return-of-capital, necessary to maintain the distribution, taxable to stockholders 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 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 stockholders are recorded by the Fund on the ex-dividend date.

Managed Distribution Risk: Under the managed distribution policy, the Fund makes monthly distributions to stockholders 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

 Cornerstone Total Return Fund, Inc.
 Notes to Financial Statements (continued)

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 stockholders. 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.

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 December 31, 2012 in valuing the Fund's investments carried at value:

Valuation Inputs	Investments in Securities	Other Financial Instruments*
Level 1 - Quoted Prices		
Equity Investments	\$42,879,568	\$—
Short-Term Investments	13,185,093	—
Level 2 - Other Significant Observable Inputs	—	—
Level 3 – Significant Unobservable Inputs	—	—
Total	\$56,064,661	\$—

* Other financial instruments include futures, forwards 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, 2012, the Fund did not have any transfers in and out of any Level.

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, 2012.

It is the Fund's policy to recognize transfers into and out of any Level at the end of the reporting period.

In December 2011, FASB Issued ASU No. 2011-11 related to disclosures about offsetting assets and liabilities. The amendments in this ASU require an entity to disclose information about offsetting and related arrangements to enable users of its financial statements to understand the effect of those arrangements on its financial position. The ASU is effective for annual reporting periods beginning

Cornerstone Total Return Fund, Inc.
Notes to Financial Statements (continued)

on or after January 1, 2013, and interim periods within those annual periods. The guidance requires retrospective application for all comparative periods presented. The Investment Manager is currently evaluating the impact ASU 2011-11 will have on the Fund's financial statement disclosures.

NOTE D. AGREEMENTS WITH AFFILIATES

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.

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, 2012, Cornerstone earned \$361,910 for investment management services.

Administration Agreement

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 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 an 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. In addition, the Fund pays out-of-pocket expenses including, but not limited to, postage, supplies and costs of pricing the Fund's portfolio securities.

NOTE E. INVESTMENT IN SECURITIES

For the year ended December 31, 2012, purchases and sales of securities, other than short-term investments, were \$24,386,621 and \$16,086,437, respectively.

NOTE F. SHARES OF COMMON STOCK

The Fund has 15,000,000 shares of common stock authorized and 10,133,239 shares issued and outstanding at December 31, 2012. Transactions in common stock for the year ended December 31, 2012 were as follows:

Shares at beginning of year	6,587,245
Shares newly issued from rights offering	3,364,521
Shares newly issued in reinvestment of dividends and distributions	181,473
Shares at end of year	10,133,239

NOTE G. 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 excise tax regulations.

The tax character of dividends and distributions paid to stockholders during the years ended December 31, 2012 and December 31, 2011 was as follows:

	2012	2011
Ordinary Income	\$2,042,979	\$73,075
Return-of-Capital	5,768,973	5,159,948
Total Distributions	\$7,811,952	\$5,233,023

 Cornerstone Total Return Fund, Inc.
 Notes to Financial Statements (concluded)

At December 31, 2012, the components of accumulated earnings on a tax basis for the Fund were as follows:

Capital loss carryforwards	\$(1,893,549)
Net unrealized appreciation	4,225,630
Total accumulated earnings	\$2,332,081

GAAP requires 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, 2012, the Fund reclassified \$5,768,973 of return-of-capital distributions and \$1,735,167 of distributions in excess of net investment income against paid-in capital on the Statement of Assets and Liabilities. 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 losses during the year ended December 31, 2012.

Under the Regulated Investment Company Modernization Act of 2010 (the "Act"), net capital losses recognized after December 31, 2010 may be carried forward indefinitely, and their character is retained as short-term and/or long-term losses. Under the law in effect prior to the Act, pre-enactment net capital losses were carried forward for eight years and treated as short-term losses. As a transition rule, the Act requires that post-enactment net capital losses be used before pre-enactment net capital losses. Therefore, there may be a greater likelihood that all or a portion of the Funds' pre-enactment capital loss carryovers may expire without being utilized.

At December 31, 2012, the Fund had the following capital loss carryforwards for U.S. federal income tax purposes:

Expires December 31, 2016 - short term	\$1,557,707
Expires December 31, 2017 - short term	260,903
Expires December 31, 2018 - short term	74,939
	\$1,893,549

During the year ended December 31, 2012, the Fund reduced capital loss carryforwards by \$1,735,167.

The following information is computed on a tax basis for each item as of December 31, 2012:

Cost of portfolio investments	\$51,839,031
Gross unrealized appreciation	\$4,798,357
Gross unrealized depreciation	(572,727)
Net unrealized appreciation	\$4,225,630

NOTE H. INVESTMENTS IN OTHER INVESTMENT COMPANIES

In order to maintain sufficient liquidity to implement investment strategies, or for temporary defensive purposes, the Fund may invest a significant portion of its assets in shares of one or more money market mutual funds. As of December 31, 2012, the Fund had 25.56% of the value of its net assets invested in Fidelity Institutional Money Market Government Portfolio - Class I ("FIGXX"), a money market mutual fund registered under the Investment Company Act

of 1940. The investment objective of FIGXX is to obtain as high a level of current income as is consistent with the preservation of principal and liquidity within the limitations prescribed for FIGXX. FIGXX normally invests at least 80% of assets in U.S. Government securities and repurchase agreements for those securities. The financial statements of FIGXX can be found at <http://www.sec.gov/Archives/edgar/data/356173/000087846712000179/main.htm>. This link is the latest semi-annual report published for FIGXX, dated September 30, 2012. An investment in a money market mutual fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other governmental agency, entity or person. While investor losses in money market mutual funds have been rare, they have occurred. In addition, additional indirect expenses will be incurred due to acquired fund fees and other costs to the extent of the investment in shares of money market mutual funds.

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Trustees
Cornerstone Progressive Return Fund, Inc.
Jericho, New York

We have audited the accompanying statement of assets and liabilities of the Cornerstone Progressive Return Fund, Inc. (the "Fund"), including the summary schedule of investments as of December 31, 2012, and the related statement of operations for the year then ended, the statement 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, 2012, 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 Progressive Return Fund as of December 31, 2012, 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.

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, 2012 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 19, 2013

Tax Information (unaudited)

Cornerstone Total Return Fund, Inc. (the “Fund”) is providing this notice along with Form 1099-DIV to assist its stockholders in the preparation of their 2012 calendar year U.S. federal income tax returns. The \$7,811,952 in dividends and distributions paid to stockholders in respect of such year is represented by \$2,042,979 of ordinary income and \$5,768,973 of return-of-capital.

As indicated in this notice, significant portion of the Fund’s distributions for 2012 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:	1/31/2012	2/29/2012	3/30/2012	4/30/2012	5/31/2012	6/29/2012
Ordinary Income(1)	\$ 0.0255	\$ 0.0255	\$ 0.0255	\$ 0.0255	\$ 0.0255	\$ 0.0255
Return-of-Capital(2)	0.0721	0.0721	0.0721	0.0721	0.0721	0.0721
Total	\$ 0.0976	\$ 0.0976	\$ 0.0976	\$ 0.0976	\$ 0.0976	\$ 0.0976
Payment Dates:	7/31/2012	8/31/2012	9/28/2012	10/31/2012	11/30/2012	12/31/2012
Ordinary Income(1)	\$ 0.0255	\$ 0.0255	\$ 0.0255	\$ 0.0255	\$ 0.0255	\$ 0.0255
Return-of-Capital(2)	0.0721	0.0721	0.0721	0.0721	0.0721	0.0721
Total	\$ 0.0976	\$ 0.0976	\$ 0.0976	\$ 0.0976	\$ 0.0976	\$ 0.0976

(1) Ordinary Income Dividends – This is the total per share amount of ordinary income dividends and short-term capital gain distributions (if applicable) included in the amount reported in Box 1a on Form 1099-DIV.

(2) 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.

The Fund has met the requirements to pass through 41.01% of its ordinary income dividends as qualified dividends, which are subject to a maximum federal tax rate of 15%. This is reported in Box 1b on Form 1099-DIV. Ordinary income dividends should be reported as dividend income on Form 1040. Please note that to utilize the lower tax rate for qualifying dividend income, stockholders generally must have held their shares in the Fund for at least 61 days during the 121 day period beginning 60 days before the ex-dividend date.

Foreign stockholders will generally be subject to U.S. withholding tax on the amount of the actual ordinary income dividend paid by the Fund.

In general, distributions received by tax-exempt recipients (e.g., IRA’s and Keoghs) need not be reported as taxable income for U.S. federal income tax purposes. However, some retirement trusts (e.g., corporate, Keogh and 403(b)(7) plans) may need this information for their annual information reporting.

Stockholders are strongly advised to consult their own tax advisers with respect to the tax consequences of their investment in the Fund.

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	Number of Portfolios in Fund Complex Overseen by Directors
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	3
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	3
Scott B. Rogers (July 1955)	Director; Audit, Nominating and Corporate Governance Committee Member	Director, Board of Health Partners, Inc.; Chief Executive Officer, Asheville Buncombe Community Christian Ministry ("ABCCM"); President, ABCCM Doctor's Medical Clinic; Director of Cornerstone Strategic Value Fund, Inc.; Trustee of Cornerstone Progressive Return Fund.	2001	3

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	Number of Portfolios in Fund Complex Overseen by Directors
Andrew A. Strauss (Nov. 1953)	Director; Chairman of Nominating and Corporate Governance Committee and Audit Committee Member	Attorney and senior member of Strauss & Associates, P.A., Attorneys; Director of Cornerstone Strategic Value Fund, Inc.; Trustee of Cornerstone Progressive Return Fund.	2001	3
Glenn W. Wilcox, Sr. (Dec. 1931)	Director; Chairman of Audit Committee, Nominating and Corporate Governance Committee Member	Chairman of the Board of Tower Associates, Inc.; Chairman of the Board of Wilcox Travel Agency, Inc.; Director of Champion Industries, Inc.; Director of Cornerstone Strategic Value Fund, Inc.; Trustee of Cornerstone Progressive Return Fund.	2001	3

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	Position with Fund Since
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.	2004, 2008, 2009
Theresa M. Bridge, CPA (Dec. 1969)	Treasurer	Vice President, Mutual Fund Controller of Ultimus Fund Solutions, LLC; Treasurer of Cornerstone Strategic Value Fund, Inc. and Cornerstone Progressive Return Fund.	2012

*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.

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, LLC (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.

Stockholders automatically participate in the Fund’s Plan, unless and until an election is made to withdraw from the Plan on behalf of such participating stockholder. Stockholders who do not wish to have Distributions automatically reinvested should so notify the Agent at P.O. Box 922, Wall Street Station, New York, New York 10269-0560. Under the Plan, the Fund’s Distributions to stockholders are reinvested in full and fractional shares as described below.

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

The method for determining the number of Newly Issued Shares received when Distributions are reinvested will be determined by dividing the amount of the Distribution either by the Fund’s last reported net asset value per share or by a price equal to the average closing price of the Fund over the five trading days preceding the payment date of the Distribution, whichever is lower. However, if the last reported net asset value of the Fund’s shares is higher than its market price (i.e., the Fund is selling at a discount), shares may be acquired by the Agent in Open Market Purchases and allocated to the reinvesting stockholders based on the average cost of such Open Market Purchases.

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

Registered stockholders who do not wish to have their Distributions automatically reinvested should so notify the Fund in writing. If a stockholder has not elected to receive cash Distributions and the Agent does not receive notice of an election to receive cash Distributions prior to the record date of any Distribution, the stockholder will automatically receive such Distributions in additional shares.

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.

Description of Dividend Reinvestment Plan (unaudited) (concluded)

The Agent will maintain all stockholder accounts in the Plan and furnish written confirmations of all transactions in the accounts, including information needed by stockholders 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 stockholder's proxy will include those shares purchased pursuant to the Plan. Each participant, nevertheless, has the right to receive certificates for whole shares owned. The Agent will distribute all proxy solicitation materials to participating stockholders.

In the case of stockholders, 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 stockholder as representing the total amount of shares registered in the stockholder'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 participant's 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 participant's 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 or by calling the toll free number (888) 556-0422.

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 as of the end of the first and third quarters of its fiscal year with the SEC on Form N-Q. The Fund’s Forms N-Q are available on the SEC’s website at <http://www.sec.gov> and may be reviewed and copied at the SEC’s Public Reference Room in Washington, DC. Information on the operation of the SEC’s Public Reference Room may be obtained by calling (800) SEC-0330.

Privacy Policy Notice (unaudited)

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

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.

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:

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

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

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.

Privacy Policy Notice (unaudited) (continued)

Reasons we can share your personal information	Does the 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

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:

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

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

Privacy Policy Notice (unaudited) (concluded)

Why can't I limit all sharing?

Federal law gives you the right to limit only

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

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

Definitions

Affiliates

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

- Cornerstone Advisors, Inc.

Nonaffiliates

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

- 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.

- The Fund does not jointly market.

Questions?

Call (513) 326 -3597.

Summary of General Information (unaudited)

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

Stockholder Information (unaudited)

The Fund is listed on the NYSE MKT (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-CEF33.html under the designation "Cornerstone Total Return (CRF)" and on the Barron's website at http://online.barrons.com/mdc/public/page/2_3040-CEF33.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 common stock in the open market.

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Cornerstone Total Return Fund, Inc.

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.

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 \$14,500 with respect to the registrant's fiscal years ended December 31, 2012 and 2011, 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 \$3,500 and \$3,500 with respect to the registrant's fiscal years ended December 31, 2012 and 2011, 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. \$1,500 and \$1,500 in fees were billed in with respect to the registrant's fiscal years ended December 31, 2012 and 2011, respectively, related to the review of the registrant's rights offering registration.
- (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 (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, 2012 and 2011, aggregate non-audit fees of \$5,000 and \$5,000, 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, Andrew A. Strauss and Scott B. Rogers are the members of the registrant's audit committee.

(b) Not applicable

ITEM 6. SCHEDULE OF INVESTMENTS.

(a)

CORNERSTONE TOTAL RETURN FUND, INC.
SCHEDULE OF INVESTMENTS - DECEMBER 31, 2012

Description	No. of Shares	Value
EQUITY SECURITIES - 83.14%		
CLOSED-END FUNDS - 24.04%		
CONVERTIBLE SECURITIES - 0.55%		
Advent Claymore Global Convertible Securities and Income Fund II	43,298	\$280,571
CORE - 0.55%		
General American Investors Company, Inc.	10,260	285,433
CORPORATE DEBT FUNDS INVESTMENT GRADE-RATED - 1.72%		
Federated Enhanced Treasury Income Fund	9,183	130,215
Western Asset/Claymore Inflation-Linked Opportunities & Income Fund	27,648	364,954
Western Asset/Claymore Inflation-Linked Securities & Income Fund	29,732	389,786
		884,955
DEVELOPED MARKET - 1.08%		
Japan Smaller Capitalization Fund, Inc.	38,533	277,438
Singapore Fund, Inc. (The)	10,201	142,610
Swiss Helvetia Fund, Inc. (The)	12,300	138,867
		558,915
EMERGING MARKETS - 1.11%		
Templeton Dragon Fund, Inc.	18,500	526,140
Turkish Investment Fund, Inc. (The)	2,900	48,256
		574,396
GENERAL & INSURED LEVERAGED - 0.71%		
Invesco Value Municipal Income Trust	21,816	366,727
GENERAL BOND - 0.32%		
Nuveen Build America Bond Opportunity Fund	7,500	162,450
GLOBAL - 3.80%		
AGIC Global Equity & Convertible Income Fund	10,400	140,296
Clough Global Allocation Fund	7,298	99,983
Clough Global Equity Fund	8,694	113,022
Clough Global Opportunities Fund	60,413	709,248
Delaware Enhanced Global Dividend and Income Fund	36,266	420,686
First Trust Active Dividend Income Fund	19,814	149,596
Lazard World Dividend & Income Fund, Inc.	12,700	159,385

CORNERSTONE TOTAL RETURN FUND, INC.
SCHEDULE OF INVESTMENTS - DECEMBER 31, 2012 (Continued)

Description	No. of Shares	Value
GLOBAL (Continued)		
Nuveen Global Value Opportunities Fund	11,196	\$ 166,932
		1,959,148
GLOBAL INCOME - 0.97%		
Nuveen Multi-Currency Short-Term Government Income Fund	39,014	502,110
INCOME & PREFERRED STOCK - 1.42%		
Nuveen Quality Preferred Income Fund 3	23,100	205,359
Zweig Total Return Fund, Inc. (The)	42,804	526,917
		732,276
OPTION ARBITRAGE/OPTIONS STRATEGIES - 9.86%		
BlackRock Enhanced Equity Dividend Trust	81,800	587,324
BlackRock International Growth and Income Trust	171,065	1,257,328
Eaton Vance Enhanced Equity Income Fund	45,872	488,996
Eaton Vance Enhanced Equity Income Fund II	48,428	505,588
Eaton Vance Tax-Managed Buy-Write Opportunities Fund	12,700	158,750
Eaton Vance Tax-Managed Diversified Equity Income Fund	66,439	622,533
Eaton Vance Tax-Managed Global Buy-Write Opportunities Fund	29,700	317,493
Eaton Vance Tax-Managed Global Diversified Equity Income Fund	119,344	1,051,421
ING Global Advantage and Premium Opportunity Fund	8,500	96,475
		5,085,908
REAL ESTATE - 0.65%		
Neuberger Berman Real Estate Securities Income Fund Inc.	73,524	337,475
SECTOR EQUITY - 1.30%		
BlackRock EcoSolutions Investment Trust	18,983	159,267
BlackRock Real Asset Equity Trust	30,131	309,144
BlackRock Utility and Infrastructure Trust	11,148	199,438
		667,849
TOTAL CLOSED-END FUNDS		12,398,213

CORNERSTONE TOTAL RETURN FUND, INC.
SCHEDULE OF INVESTMENTS - DECEMBER 31, 2012 (Continued)

Description	No. of Shares	Value
CONSUMER DISCRETIONARY - 6.32%		
Bed Bath & Beyond, Inc. *	2,500	\$139,775
CBS Corporation - Class B	3,000	114,150
Comcast Corporation - Class A	9,012	336,868
Comcast Corporation - Special Class A	4,250	152,788
DIRECTV *	2,000	100,320
Gap, Inc. (The)	1,500	46,560
Home Depot, Inc. (The)	7,500	463,875
Lowe's Companies, Inc.	5,000	177,600
Macy's, Inc.	3,000	117,060
McDonald's Corporation	2,500	220,525
News Corporation - Class B	2,500	65,600
Target Corporation	3,500	207,095
Time Warner Inc.	4,666	223,175
TJX Companies, Inc. (The)	5,000	212,250
Viacom Inc. - Class B	3,000	158,220
Walt Disney Company (The)	6,500	323,635
Yum! Brands, Inc.	3,000	199,200
		3,258,696
CONSUMER STAPLES - 7.26%		
Altria Group, Inc.	7,000	219,940
Coca-Cola Company (The)	20,000	725,000
Colgate-Palmolive Company	3,500	365,890
Costco Wholesale Corporation	2,500	246,925
CVS Caremark Corporation	7,000	338,450
Kimberly-Clark Corporation	1,000	84,430
Kraft Foods Group, Inc.	1,000	45,470
Mondelēz International, Inc. - Class A	3,000	76,410
Philip Morris International, Inc.	6,000	501,840
Reynolds American Inc.	1,200	49,716
Wal-Mart Stores, Inc.	16,000	1,091,680
		3,745,751
ENERGY - 6.00%		
Anadarko Petroleum Corporation	1,000	74,310
Chevron Corporation	3,500	378,490
ConocoPhillips	6,000	347,940
EOG Resources, Inc.	1,000	120,790
Exxon Mobil Corporation	18,000	1,557,900
Marathon Oil Corporation	4,900	150,234
National Oilwell Varco, Inc.	1,000	68,350
Phillips 66	3,000	159,300
Schlumberger Limited	2,500	173,225

CORNERSTONE TOTAL RETURN FUND, INC.
SCHEDULE OF INVESTMENTS - DECEMBER 31, 2012 (Continued)

Description	No. of Shares	Value
ENERGY (Continued)		
Williams Companies, Inc. (The)	2,000	\$65,480
		3,096,019
FINANCIALS - 8.96%		
AFLAC, Inc.	3,000	159,360
Allstate Corporation (The)	2,500	100,425
American Express Company	8,000	459,840
Aon plc	2,500	139,000
BB&T Corporation	4,500	130,995
BlackRock, Inc. - Class A	1,000	206,710
Capital One Financial Corporation	2,500	144,825
Chubb Corporation (The)	2,000	150,640
Discover Financial Services	4,000	154,200
Fifth Third Bancorp	7,000	106,330
Franklin Resources, Inc.	1,000	125,700
JPMorgan Chase & Co.	19,200	844,224
Marsh & McLennan Companies, Inc.	3,000	103,410
MetLife, Inc.	5,500	181,170
SunTrust Banks, Inc.	3,000	85,050
U.S. Bancorp	12,500	399,250
Wells Fargo & Company	33,000	1,127,940
		4,619,069
HEALTH CARE - 6.40%		
Abbott Laboratories	6,000	393,000
Amgen Inc.	4,000	345,280
Baxter International, Inc.	1,200	79,992
Biogen Idec, Inc. *	2,000	293,340
Bristol-Myers Squibb Company	3,000	97,770
Celgene Corporation *	3,500	275,520
Covidien plc	2,000	115,480
Eli Lilly & Company	2,500	123,300
Johnson & Johnson	6,500	455,650
Merck & Company, Inc.	16,000	655,040
Pfizer, Inc.	16,462	412,867
Stryker Corporation	1,000	54,820
		3,302,059
INDUSTRIALS - 5.36%		
3M Company	4,000	371,400
Deere & Company	2,500	216,050
General Electric Company	22,000	461,780
Honeywell International Inc.	4,000	253,880
Illinois Tool Works, Inc.	3,500	212,835

Lockheed Martin Corporation

2,500

230,725

CORNERSTONE TOTAL RETURN FUND, INC.
SCHEDULE OF INVESTMENTS - DECEMBER 31, 2012 (Continued)

Description	No. of Shares	Value
INDUSTRIALS (Continued)		
Northrop Grumman Corporation	1,500	\$101,370
Precision Castparts Corporation	1,500	284,130
Raytheon Company	2,000	115,120
Union Pacific Corporation	2,500	314,300
United Technologies Corporation	2,500	205,025
		2,766,615
INFORMATION TECHNOLOGY - 13.45%		
Apple Inc.	4,000	2,132,120
Automatic Data Processing, Inc.	2,000	114,020
Cisco Systems, Inc.	20,000	393,000
eBay Inc. *	7,000	357,140
International Business Machines Corporation	5,000	957,750
Microsoft Corporation	36,000	962,280
Oracle Corporation	24,600	819,672
QUALCOMM Incorporated	7,000	434,140
Visa Inc. - Class A	4,000	606,320
Yahoo! Inc. *	8,000	159,200
		6,935,642
MATERIALS - 1.96%		
Air Products & Chemicals, Inc.	1,500	126,030
CF Industries Holdings, Inc.	600	121,896
E.I. du Pont de Nemours and Company	4,800	215,856
Freeport-McMoRan Copper & Gold, Inc.	5,000	171,000
International Paper Company	2,300	91,632
Monsanto Company	3,000	283,950
		1,010,364
TELECOMMUNICATION SERVICES - 1.82%		
AT&T, Inc.	17,589	592,925
Verizon Communications, Inc.	8,000	346,160
		939,085
UTILITIES - 1.57%		
AES Corporation (The)	4,600	49,220
Consolidated Edison, Inc.	1,000	55,540
Duke Energy Corporation	2,200	140,360
NextEra Energy, Inc.	2,000	138,380

CORNERSTONE TOTAL RETURN FUND, INC.
 SCHEDULE OF INVESTMENTS - DECEMBER 31, 2012 (Concluded)

Description	No. of Shares	Value
UTILITIES (Continued)		
Sempra Energy	1,500	\$106,410
Southern Company (The)	4,000	171,240
Xcel Energy Inc.	5,500	146,905
		808,055
TOTAL EQUITY SECURITIES (cost - \$38,646,814)		42,879,568
SHORT-TERM INVESTMENTS - 25.56%		
MONEY MARKET FUNDS - 25.56%		
Fidelity Institutional Money Market Government Portfolio - Class I, 0.01%^ (cost - \$13,185,093)	13,185,093	13,185,093
TOTAL INVESTMENTS - 108.70% (cost - \$51,831,907)		56,064,661
LIABILITIES IN EXCESS OF OTHER ASSETS - (8.70)%		(4,489,741)
NET ASSETS - 100.00%		\$51,574,920

*Non-income producing security.

^Variable rate security. The rate shown is the 7-day effective yield as of December 31, 2012.

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 the Cornerstone Total Return Fund, Inc. (the "Fund"), including the summary schedule of investments as of December 31, 2012, 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, 2012, 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, 2012, 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.

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, 2012 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 19, 2013

(b) Not applicable

ITEM DISCLOSURE OF PROXY VOTING POLICIES AND PROCEDURES FOR CLOSED-END
7. 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, 2012, net assets of Cornerstone Progressive Return Fund were \$119,021,147 and net assets of Cornerstone Strategic Value Fund, Inc. were \$105,704,166. 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 owned by each portfolio manager as of December 31, 2012 is as follows: Ralph W. Bradshaw: \$10,001 - \$50,000

(b) Not applicable

ITEM PURCHASES OF EQUITY SECURITIES BY CLOSED-END MANAGEMENT INVESTMENT
9. 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

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 4, 2013

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 4, 2013

By (Signature and Title)* /s/ Theresa M. Bridge
Theresa M. Bridge, Treasurer
(Principal Financial Officer)

Date March 4, 2013

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