

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

CORNERSTONE TOTAL RETURN FUND INC
Form N-CSRS
August 31, 2007

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)

383 Madison Avenue, New York, New York 10179

(Address of principal executive offices) (Zip code)

Jodi Levine

383 Madison Avenue, New York, NY 10179

(Name and address of agent for service)

Registrant's telephone number, including area code: (212) 272-3550

Date of fiscal year end: December 31, 2007

Date of reporting period: June 30, 2007

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.

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

SEMI-ANNUAL REPORT
JUNE 30, 2007

CONTENTS

Portfolio Summary	1
Summary Schedule of Investments	2
Statement of Assets and Liabilities	4
Statement of Operations	5
Statement of Changes in Net Assets	6
Financial Highlights	7
Notes to Financial Statements	8
Result of Annual Meeting of Stockholders	12
Description of Dividend Reinvestment Plan	13
Investment Management Agreement Approval Disclosure	15
Proxy Voting and Portfolio Holdings Information	16
Privacy Policy Notice	16
Summary of General Information	17
Shareholder Information	17

CORNERSTONE TOTAL RETURN FUND, INC. PORTFOLIO SUMMARY - AS OF JUNE 30, 2007 (UNAUDITED)

SECTOR ALLOCATION

Sector	Percent of Net Assets
Financials	19.0
Information Technology	14.3
Healthcare	10.8
Industrials	10.4
Energy	9.7
Consumer Discretionary	9.3
Consumer Staples	8.5
Closed-End Funds	8.1
Telecommunication Services	3.8
Utilities	2.9
Materials	2.5
Other	0.7

TOP TEN HOLDINGS, BY ISSUER

Holding	Sector	Percent of Net Assets
1. Exxon Mobil Corporation	Energy	5.3
2. General Electric Company	Industrials	3.7
3. Citigroup Inc.	Financials	2.6
4. AT&T Inc.	Telecommunication Services	2.4
5. Microsoft Corporation	Information Technology	2.2
6. Dreman/Claymore Dividend & Income Fund	Closed-End Funds	2.1

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

7.	Adams Express Company	Closed-End Funds	2.1
8.	Johnson & Johnson	Healthcare	1.9
9.	American International Group, Inc.	Financials	1.7
10.	Chevron Corporation	Energy	1.7

1

CORNERSTONE TOTAL RETURN FUND, INC.
SUMMARY SCHEDULE OF INVESTMENTS - JUNE 30, 2007 (UNAUDITED)

Description	No. of Shares	Value
<hr style="border-top: 1px dashed black;"/>		
EQUITY SECURITIES - 99.72%		
CLOSED-END FUNDS - 8.11%		
Adams Express Company	70,400	\$ 1,048,256
Boulder Total Return Fund, Inc.	13,900	296,626
Dreman/Claymore Dividend & Income Fund	49,500	1,063,260
Liberty All-Star Growth Fund, Inc.	126,800	722,760
Other Closed-End Funds (a)		964,444
		<hr style="border-top: 1px dashed black;"/> 4,095,346
CONSUMER DISCRETIONARY - 9.28%		
Home Depot, Inc. (The)	9,000	354,150
Target Corporation	4,600	292,560
Time Warner Inc.	17,000	357,680
Walt Disney Company (The)	8,000	273,120
Other Consumer Discretionary (a)		3,409,034
		<hr style="border-top: 1px dashed black;"/> 4,686,544
CONSUMER STAPLES - 8.52%		
Altria Group, Inc.	7,700	540,078
Coca-Cola Company (The)	11,000	575,410
PepsiCo, Inc. ^	5,000	324,250
Procter & Gamble Company (The)	11,472	701,972
Wal-Mart Stores, Inc.	16,000	769,760
Other Consumer Staples (a)		1,391,066
		<hr style="border-top: 1px dashed black;"/> 4,302,536
ENERGY - 9.69%		
Chevron Corporation	10,068	848,128
Exxon Mobil Corporation	32,000	2,684,160
Marathon Oil Corp.	5,000	299,800
Schlumberger Limited ^	5,000	424,700
Other Energy (a)		633,575
		<hr style="border-top: 1px dashed black;"/> 4,890,363
FINANCIALS - 18.96%		
American International Group, Inc.	12,331	863,540
Bank of America Corporation	14,521	709,932
Citigroup Inc.	25,600	1,313,024
Franklin Resources, Inc. ^	2,500	331,175
Goldman Sachs Group, Inc. (The)	3,000	650,250

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

JPMorgan Chase & Co.	12,700	615,315
Morgan Stanley	3,700	310,356
Wachovia Corporation	5,600	287,000
Wells Fargo & Company ^	18,000	633,060
Other Financials (a)		3,856,919

		9,570,571

HEALTHCARE - 10.83%		
Amgen Inc. *	8,300	458,907
Johnson & Johnson	15,500	955,110
Merck & Co. Inc.	8,700	433,260
Pfizer Inc. ^	22,460	574,302
UnitedHealth Group Incorporated	10,000	511,400
Wyeth ^	5,000	286,700
Other Healthcare (a)		2,244,332

		5,464,011

INDUSTRIALS - 10.41%		
FedEx Corp. ^	2,500	277,425
General Electric Company	49,000	1,875,720
United Parcel Service, Inc., Class B	4,000	292,000
United Technologies Corporation	4,400	312,092
Other Industrials (a)		2,498,873

		5,256,110

INFORMATION TECHNOLOGY - 14.28%		
Apple Computer, Inc. ^ *	5,000	610,200
Cisco Systems, Inc. *	22,000	612,700
Google Inc. *	1,000	523,380
Hewlett-Packard Company ^	10,000	446,200
Intel Corporation	13,000	308,880
International Business Machines Corporation	5,700	599,925
Microsoft Corporation	37,500	1,105,125
Oracle Corporation ^ *	28,600	563,706
QUALCOMM Inc.	6,800	295,052

See accompanying notes to financial statements.

2

CORNERSTONE TOTAL RETURN FUND, INC.
SUMMARY SCHEDULE OF INVESTMENTS - JUNE 30, 2007 (UNAUDITED) (CONCLUDED)

Description	No. of Shares	Value

INFORMATION TECHNOLOGY (CONTINUED)		
Texas Instruments Incorporated	11,000	\$ 413,930
Other Information Technology (a)		1,729,995

		7,209,093

MATERIALS - 2.49%		
E. I. du Pont de Nemours and Company	5,800	294,872
Other Materials (a)		963,917

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

		1,258,789

REAL ESTATE INVESTMENT TRUST - 0.46%		
Total Real Estate Investment Trust (a)		232,600

TELECOMMUNICATION SERVICES - 3.75%		
AT&T Inc.	28,589	1,186,444
Verizon Communications Inc.	10,000	411,700
Other Telecommunication Services (a)		292,195

		1,890,339

UTILITIES - 2.94%		
TXU Corp.	7,400	498,020
Other Utilities (a)		984,235

		1,482,255

TOTAL EQUITY SECURITIES		
(cost - \$40,567,315)		50,338,557

	Principal	
	Amount	
Description	(000's)	Value

SHORT-TERM INVESTMENTS - 3.92%		
REPURCHASE AGREEMENTS - 3.92%		
Bear, Stearns & Co. Inc. +		
(Agreements dated 6/29/2007 to		
be repurchased at \$1,979,387) (b)	\$ 1,979	\$ 1,978,659

TOTAL SHORT-TERM INVESTMENTS		
(cost - \$1,978,659)		1,978,659

TOTAL INVESTMENTS - 103.64%		
(cost - \$42,545,974)		52,317,216

LIABILITIES IN EXCESS OF		
OTHER ASSETS - (3.64)%		(1,839,115)

NET ASSETS - 100.00%		\$ 50,478,101
		=====

-
- * Non-income producing security.
 - + Includes investments purchased with collateral received for securities on loan.
 - ^ Security or a portion thereof is out on loan.
 - (a) Represents issues 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 June 30, 2007.
 - (b) At June 29, 2007, the maturity date for all repurchase agreements held was July 2, 2007, with interest rates ranging from 2.6875% to 5.3750% and collateralized by \$2,024,120 in U.S. Treasury Bonds.

See accompanying notes to financial statements.

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

CORNERSTONE TOTAL RETURN FUND, INC.
STATEMENT OF ASSETS AND LIABILITIES - JUNE 30, 2007 (UNAUDITED)

ASSETS

Investments, at value, including collateral for securities on loan of \$1,817,719 (Cost \$42,545,974) (1)	\$ 52,3
Receivables:	
Dividends	
Interest	
Reclaims	
Prepaid expenses	
 Total Assets	 52,3

LIABILITIES

Payables:	
Upon return of securities loaned	1,8
Investment management fees (net of fee waivers)	
Directors' fees	
Other accrued expenses	
Due to custodian	
 Total Liabilities	 1,9

NET ASSETS (applicable to 5,256,603 shares of common stock outstanding)	\$ 50,4
---	---------

NET ASSET VALUE PER SHARE (\$50,478,101 [divided by] 5,256,603)	\$
---	----

NET ASSETS CONSISTS OF

Capital stock, \$0.01 par value; 5,256,603 shares issued and outstanding (15,000,000 shares authorized)	\$ 56,3
Paid-in capital	(15,7
Accumulated net realized loss on investments and foreign currency related transactions	9,7
Net unrealized appreciation in value of investments and translation of foreign currency	
 Net assets applicable to shares outstanding	 \$ 50,4

(1) Includes securities out on loan to brokers with a market value of \$1,787,327.

See accompanying notes to financial statements.

4

CORNERSTONE TOTAL RETURN FUND, INC.
STATEMENT OF OPERATIONS - FOR THE SIX MONTHS ENDED JUNE 30, 2007 (UNAUDITED)

INVESTMENT INCOME

Income:	
Dividends	\$ 5
Interest	

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

Securities lending		
Total Investment Income		5
Expenses:		
Investment management fees		2
Directors' fees		
Administration fees		
Legal and audit fees		
Accounting fees		
Printing		
Transfer agent fees		
Custodian fees		
Stock exchange listing fees		
Insurance		
Total Expenses		3
Less: Management fee waivers		
Less: Fees paid indirectly		
Net Expenses		3
Net Investment Income		1
NET REALIZED AND UNREALIZED GAIN/(LOSS) ON INVESTMENTS AND FOREIGN CURRENCY RELATED TRANSACTIONS		
Net realized loss from investments and foreign currency related transactions		(3
Capital gain distributions from regulated investment companies		
Net change in unrealized appreciation in value of investments and translation of foreign currency		2,7
Net realized and unrealized gain on investments and foreign currency related transactions		2,3
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS		\$ 2,5

See accompanying notes to financial statements.

5

CORNERSTONE TOTAL RETURN FUND, INC.
STATEMENT OF CHANGES IN NET ASSETS

	For the Six Months Ended June 30, 2007 (unaudited)	For the December
	-----	-----
DECREASE IN NET ASSETS		
Operations:		
Net investment income	\$ 166,170	\$
Net realized loss from investments and foreign currency related transactions	(375,222)	
Capital gain distributions from regulated investment companies	6,305	
Net change in unrealized appreciation in value of investments		

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

and translation of foreign currency	2,750,934	6
	-----	-----
Net increase in net assets resulting from operations	2,548,187	6
	-----	-----
Dividends and distributions to shareholders:		
Net investment income	(166,170)	
Return-of-capital	(5,398,973)	(10)
	-----	-----
Total dividends and distributions to shareholders	(5,565,143)	(10)
	-----	-----
Capital stock transactions:		
Proceeds from 88,729 and 200,573 shares newly issued in reinvestment of dividends and distributions, respectively	1,115,827	2
	-----	-----
Total decrease in net assets	(1,901,129)	(1)
	-----	-----
NET ASSETS		
Beginning of period	52,379,230	54
	-----	-----
End of period	\$ 50,478,101	\$ 52
	-----	-----
	=====	=====

See accompanying notes to financial statements.

6

CORNERSTONE TOTAL RETURN FUND, INC.
FINANCIAL HIGHLIGHTS

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

	For the Six Months Ended June 30, 2007 (unaudited)	----- 2006	For the Years E 2005	----- 2004
	-----	-----	-----	-----
PER SHARE OPERATING PERFORMANCE				
Net asset value, beginning of period	\$ 10.14	\$ 10.91	\$ 12.78	\$
	-----	-----	-----	-----
Net investment income #	0.03	0.09	0.06	
Net realized and unrealized gain/(loss) on investments and foreign currency related transactions	0.46	1.25	0.18	
	-----	-----	-----	-----
Net increase/(decrease) in net assets resulting from operations	0.49	1.34	0.24	
	-----	-----	-----	-----
Dividends and distributions to shareholders:				
Net investment income	(0.03)	(0.09)	(0.06)	
Return-of-capital	(1.04)	(2.02)	(2.05)	
	-----	-----	-----	-----

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

Total dividends and distributions to shareholders	(1.07)	(2.11)	(2.11)	
	-----	-----	-----	-----
Capital stock transactions:				
Anti-dilutive effect due to capital stock repurchased	--	--	--	
Anti-dilutive/(dilutive) effect due to shares issued in reinvestment of dividends and distributions	0.04	--	--	
	-----	-----	-----	-----
Total capital stock transactions	0.04	--	--	
	-----	-----	-----	-----
Net asset value, end of period	\$ 9.60	\$ 10.14	\$ 10.91	\$
	=====	=====	=====	=====
Market value, end of period	\$ 18.85	\$ 19.62	\$ 14.65	\$
	=====	=====	=====	=====
Total investment return (a)	4.49%	64.15%	(2.07)%	
	=====	=====	=====	=====
RATIOS/SUPPLEMENTAL DATA				
Net assets, end of period (000 omitted)	\$ 50,478	\$ 52,379	\$ 54,194	\$ 6
Ratio of expenses to average net assets, net of fee waivers, if any (b)	1.50% (d)	1.44%	1.47%	
Ratio of expenses to average net assets, excluding fee waivers, if any (c)	1.53% (d)	1.50%	1.52%	
Ratio of expenses to average net assets, net of fee waivers, if any (c)	1.53% (d)	1.50%	1.50%	
Ratio of net investment income to average net assets	0.65% (d)	0.82%	0.53%	
Portfolio turnover rate	4.34%	11.29%	9.84%	

Based on average shares outstanding.

- (a) Total investment return at market value is based on the changes in market price of a share during the period and assumes reinvestment of dividends and distributions, if any, at actual prices pursuant to the Fund's dividend reinvestment plan. Total investment return does not reflect brokerage commissions.
- (b) Expenses are net of fees paid indirectly.
- (c) Expenses exclude the reduction for fees paid indirectly.
- (d) Annualized.

See accompanying notes to financial statements.

7

CORNERSTONE TOTAL RETURN FUND, INC.
NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

NOTE A. SIGNIFICANT ACCOUNTING POLICIES

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 by investing primarily in U.S. and non-U.S. companies. The Fund is registered under the Investment Company Act of 1940, as amended, as a closed-end, diversified management investment company.

The following is a summary of significant accounting policies consistently followed by the Fund:

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

MANAGEMENT ESTIMATES: The preparation of financial statements in accordance 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.

PORTFOLIO VALUATION: Investments are stated at value in the accompanying financial statements. All equity securities shall be valued at the closing price on the exchange or market on which the security is primarily traded ("Primary Market"). If the security did not trade on the Primary Market, it shall be valued at the closing price on another exchange where it trades. If there are no such sale prices, the value shall be the most recent bid, and if there is no bid, the security shall be valued at the most recent asked. If no pricing service is available and there are more than two dealers, the value shall be the mean of the highest bid and lowest ask. If there is only one dealer, then the value shall be the mean if bid and ask are available, otherwise the value shall be the bid. All other securities and assets are valued as determined in good faith by the Board of Directors. Short-term investments having a maturity of 60 days or less are valued on the basis of amortized cost. Securities and assets for which market quotations are not readily available are valued at their fair value as determined in good faith under procedures established by and under the general supervision of the Board. Fair valuation methodologies and procedures may include, but are not limited to: analysis and review of financial and non-financial information about the company; comparisons to the valuation and changes in valuation of similar securities, including reference to special reports prepared by analysts and or reports published in the financial press, the financial conditions and prospects of the issuer available, including considering any recent management or capital structure changes or other recent events that may impact the price of the security; and evaluation of any other information that could be indicative of the value of the security. At June 30, 2007, 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 American Stock Exchange, LLC is closed.

On September 20, 2006, the FASB released Statement of Financial Accounting Standards No. 157 "Fair Value Measurements" ("FAS 157"). FAS 157 establishes an authoritative definition of fair value, sets out a framework for measuring fair value, and requires additional disclosures about fair-value measurements. The application of FAS 157 is required for fiscal years, beginning after November 15, 2007 and interim periods within those fiscal years. At this time, the Fund is evaluating the implication of FAS 157 and its impact on the financial statements has not yet been determined.

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

8

CORNERSTONE TOTAL RETURN FUND, INC.
NOTES TO FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

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

repurchase price plus accrued interest. Cornerstone monitors daily, the mark-to-market of the value of the collateral, and, if necessary, requires the seller to maintain additional securities, so that the value of the collateral is not less than the repurchase price. Default by or bankruptcy of the seller would, however, expose the Fund to possible loss because of adverse market action or delays in connection with the disposition of the underlying securities.

INVESTMENT TRANSACTIONS AND INVESTMENT INCOME: Investment transactions are accounted for on the trade date. The cost of investments sold is determined by use of the specific identification method for both financial reporting and income tax purposes. Interest income is recorded on an accrual basis; dividend income is recorded on the ex-dividend date.

TAXES: No provision is made for U.S. federal income or excise taxes as it is the Fund's intention to continue to qualify as a regulated investment company and to make the requisite distributions to its shareholders which will be sufficient to relieve it from all or substantially all U.S. federal income and excise taxes.

In July 2006, the Financial Accounting Standards Board ("FASB") released FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes ("FIN 48"), an interpretation of FASB Statement No. 109. FIN 48 provides guidance for how uncertain tax positions should be recognized, measured, presented and disclosed in the financial statements. FIN 48 requires the accounting and disclosure of tax positions taken or expected to be taken in the course of preparing the Fund's tax returns to determine whether the tax positions are "more likely than not" of being sustained by the applicable tax authority. Tax positions not deemed to meet the more likely than not threshold would be recorded as a tax benefit or expense in the current year. Adoption of FIN 48 is effective during the first required financial reporting period for fiscal years beginning after December 15, 2006. Management adopted FIN 48 on June 29, 2007. There was no material impact to the financial statements or disclosures thereto as a result of the adoption of this pronouncement.

DISTRIBUTIONS TO SHAREHOLDERS: Effective January 2002, the Fund initiated a fixed, monthly distribution to shareholders. On November 29, 2006, this distribution policy was updated to provide for the annual resetting of the monthly distribution amount per share, beginning in 2007, 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 shareholders and to disclose that portion of the distribution that is classified as ordinary income. Although it has no current intention to do so, the Board may terminate this distribution policy at any time and such termination may have an adverse effect on the market price for the Fund's common shares. The Fund determines annually whether to distribute any net realized long-term capital 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

CORNERSTONE TOTAL RETURN FUND, INC.
NOTES TO FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

return-of-capital distribution reduces the cost basis of an investor's shares in the Fund. Dividends and distributions to shareholders are recorded by the Fund on the ex-dividend date.

NOTE B. AGREEMENTS

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 2007, Cornerstone voluntarily agreed to waive its management fees from the Fund to the extent that the Fund's net monthly operating expenses (including basic legal fees but excluding other legal expenses) exceed a rate of 0.125% of average net assets. For the six months ended June 30, 2007, Cornerstone earned \$254,112 for investment management services, of which it waived \$1,467. The Investment Manager may discontinue such under-taking at any time during the fiscal year without notice to fund shareholders.

Included in the Statement of Operations, under the caption Fees paid indirectly, are expense offsets of \$5,949 arising from credits earned on portfolio transactions executed with a broker, pursuant to a directed brokerage arrangement.

The Fund paid or accrued approximately \$17,307 for the six months ended June 30, 2007 for legal services to Blank Rome LLP ("Blank"), counsel to the Fund. Thomas R. Westle, partner of Blank, serves as Secretary of the Fund.

NOTE C. INVESTMENT IN SECURITIES

For the six months ended June 30, 2007, purchases and sales of securities, other than short-term investments, were \$2,217,341 and \$9,149,421 respectively.

NOTE D. SHARE REPURCHASE PROGRAM

As has been done in the past to enhance shareholder value, pursuant to Section 23 of the Investment Company Act of 1940, as amended, the Fund may again in the future purchase shares of its common stock on the open market from time to time, at such times, and in such amounts as may be deemed advantageous to the Fund. Nothing herein shall be considered a commitment to purchase such shares. The Fund had no repurchases during the six months ended June 30, 2007. No limit has been placed on the number of shares to be repurchased by the Fund other than those imposed by federal securities laws.

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

NOTE E. SECURITIES LENDING

To generate additional income, the Fund may lend up to 33 1/3% of its total assets. The Fund receives payments from borrowers equivalent to the dividends and interest that would have been earned on securities lent while simultaneously seeking to earn interest on the investment of cash collateral. Loans are subject

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

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

10

CORNERSTONE TOTAL RETURN FUND, INC.
NOTES TO FINANCIAL STATEMENTS (UNAUDITED) (CONCLUDED)

assurance the Fund can recover this amount. The value of securities on loan to brokers at June 30, 2007, was \$1,787,327. During the six months ended June 30, 2007, the Fund earned \$10,710 in securities lending income which is included under the caption Securities lending in the Statement of Operations.

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

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

ORDINARY INCOME		RETURN-OF-CAPITAL	
2006	2005	2006	2005
\$428,197	\$299,210	\$10,248,116	\$9,996,313

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"). For the tax period ended December 31, 2006, the Fund did not incur Post-October losses.

At December 31, 2006, the Fund had a capital loss carryforward for U.S. federal income tax purposes of \$15,319,316, of which \$12,887,270 expires in 2008, \$1,170,157 expires in 2009, \$425,706 expires in 2011, \$358,321 expires in 2012, \$420,772 expires in 2013 and \$57,090 expires in 2014.

At June 30, 2007, 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 \$42,597,603, \$11,487,974, \$(1,768,361), and \$9,719,613, respectively.

11

RESULTS OF ANNUAL MEETING OF STOCKHOLDERS (UNAUDITED)

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

On April 16, 2007, the Annual Meeting of Stockholders of Cornerstone Total Return Fund, Inc. was held and the following matter was voted upon based on 5,186,446 shares of common stock outstanding on February 16, 2007:

- (1) To approve the re-election of seven Directors until the 2008 Annual Meeting.

NAME OF DIRECTORS -----	FOR ---	WITHHOLD -----
Ralph W. Bradshaw	4,752,213	40,649
William A. Clark	4,750,310	42,552
Thomas H. Lenagh	4,752,045	40,817
Edwin Meese III	4,735,719	57,143
Scott B. Rogers	4,750,253	42,609
Andrew A. Strauss	4,750,134	42,728
Glenn W. Wilcox, Sr.	4,753,888	38,974

12

DESCRIPTION OF DIVIDEND REINVESTMENT PLAN (UNAUDITED)

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

Shareholders automatically participate in the Fund's Plan, unless and until an election is made to withdraw from the Plan on behalf of such participating share- holder. Shareholders 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 shareholders are reinvested in full and fractional shares as described below.

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

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

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

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

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 shareholders who do not wish to have their Distributions automatically reinvested should so notify the Fund in writing. If a shareholder 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 shareholder 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.

The Agent will maintain all shareholder accounts in the Plan and furnish written confirmations of all transactions in the accounts, including information needed by shareholders for personal and tax records.

13

DESCRIPTION OF DIVIDEND REINVESTMENT PLAN (UNAUDITED) (CONCLUDED)

The Agent will hold shares in the account of the Plan participant in non-certificated form in the name of the participant, and each shareholder's proxy will include those shares purchased pursuant to the Plan. Each participant, nevertheless, has the right to receive certificates for whole shares owned. The Agent will distribute all proxy solicitation materials to participating shareholders.

In the case of shareholders, such as banks, brokers or nominees, that hold shares for others who are beneficial owners participating in the Plan, the Agent will administer the Plan on the basis of the number of shares certified from time to time by the record shareholder as representing the total amount of shares registered in the shareholder's name and held for the account of beneficial owners participating in the Plan.

Neither the Agent nor the Fund shall have any responsibility or liability beyond the exercise of ordinary care for any action taken or omitted pursuant to the Plan, nor shall they have any duties, responsibilities or liabilities except such as expressly set forth herein. Neither shall they be liable hereunder for any act done in good faith or for any good faith omissions to act, including, without limitation, failure to terminate a 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.

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

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

transactions can be performed online at www.amstock.com or by calling the toll free number 888-556-0422.

14

INVESTMENT MANAGEMENT AGREEMENT APPROVAL DISCLOSURE (UNAUDITED)

The Board of Directors including, the Independent Directors, (the "Board") of Cornerstone Total Return Fund, Inc. (the "Fund") considers the approval of the Investment Management Agreement (the "Agreement") between Cornerstone Advisors, Inc. (the "Investment Manager") and the Fund on an annual basis. The most recent approval of the Agreement occurred at a meeting of the Board held on February 16, 2007.

In determining whether to approve the Agreement, the Board requested and received extensive materials and information from the Investment Manager to assist them in considering the approval of the continuance of the Agreement. Based on their review of the information requested and provided, and the discussions with management of the Investment Manager, the Board determined that the approval of the Agreement was consistent with the best interests of the Fund and its shareholders, and would enable the Fund to continue to receive high quality services at a cost that is appropriate, reasonable, and in the best interests of the Fund and its shareholders. The Board made these determinations on the basis of the following factors, among others: (1) the nature and quality of the services provided by the Investment Manager; (2) the cost to the Investment Manager for providing such services, with special attention to the Investment Manager's profitability (and whether the Investment Manager realizes any economies of scale); (3) the direct and indirect benefits received by the Investment Manager from its relationship with the Fund and the other investment company advised by the Investment Manager; and (4) comparative information as to the management fees, expense ratios and performance of other similarly situated closed-end investment companies.

The materials provided by the Investment Manager to the Board described the services provided by the Investment Manager to the Fund and included an overview of the Investment Manager and its investment process and policies, including the Investment Manager's extensive knowledge and experience in the closed-end fund industry. The Board also discussed the knowledge of the Investment Manager with respect to managing the Fund's monthly distribution policy and the extent to which such policy contributes to the market's positive valuation of the Fund. The Board also favorably received the Investment Manager's continued commitment to voluntarily waive its management fees from the Fund to the extent that monthly operating expenses exceed 0.125% of average net assets calculated monthly (including basic legal fees but excluding other extraordinary legal expenses). The Board also reviewed and discussed a comparison of the Fund's performance with comparable closed-end funds and a comparison of the Fund's expense ratios and management fees with those comparable funds. Additionally, the Investment Manager presented an analysis of its profitability based on its contractual relationship with the Fund and the other investment company advised by the Investment Manager.

The Board carefully evaluated this information, taking into consideration many factors including, the overall high quality of the personnel, operations, financial condition, investment management capabilities, methodologies, and performance of the Investment Manager, and was advised by independent legal counsel with respect to its deliberations. Based on its review of the information requested and provided, the Board determined that the management fees payable to the Investment Manager under the Agreement are fair and reasonable in light of the services to be provided, the anticipated costs of these services, the profitability of the Investment Manager's relationship with

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

the Fund, and the comparability of the proposed fee to fees paid by comparable closed-end funds. The Board determined that the Agreement is consistent with the best interests of the Fund and its share- holders, and enables the Fund to receive high quality services at a cost that is appropriate, reasonable, and in the best interests of the Fund and its shareholders.

Accordingly, in light of the above considerations and such other factors and information it considered relevant, the Board by a unanimous vote of those present in person at the meeting (including a separate vote of the Independent Directors present in person at the meeting) approved the continuance of the Agreement with respect to the Fund.

15

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 (212) 272-3550 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 (212) 272-3550.

The Fund files a complete schedule of its portfolio holdings for the first and third quarters of its fiscal year with the SEC on Form N-Q. The Fund's Forms N-Q 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 (202) 551-8090.

PRIVACY POLICY NOTICE (UNAUDITED)

The following is a description of Cornerstone Total Return Fund, Inc.'s (the "Fund") policies regarding disclosure of nonpublic personal information that you provide to the Fund or that the Fund collects from other sources. In the event that you hold shares of the Fund through a broker-dealer or other financial intermediary, the privacy policy of the financial intermediary would govern how your nonpublic personal information would be shared with unaffiliated third parties.

CATEGORIES OF INFORMATION THE FUND COLLECTS. The Fund collects the following nonpublic personal information about you:

1. Information from the Consumer: this category includes information the Fund receives from you on or in applications or other forms, correspondence, or conversations (such as your name, address phone number, social security number, assets, income and date of birth); and
2. Information about the Consumer's transactions: this category includes information about your trans- actions with the Fund, its affiliates, or others (such as your account number and balance, payment history, parties to transactions, cost basis information, and other financial information).

CATEGORIES OF INFORMATION THE FUND DISCLOSES. The Fund does not disclose any

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

nonpublic personal information about their current or former shareholders to unaffiliated third parties, except as required or permitted by law. The Fund is permitted by law to disclose all of the information it collects, as described above, to its service providers (such as the Fund's custodian, administrator and transfer agent) to process your transactions and otherwise provide services to you.

CONFIDENTIALITY AND SECURITY. The Fund restricts access to your nonpublic personal information to those persons who require such information to provide products or services to you. The Fund maintains physical, electronic and procedural safeguards that comply with federal standards to guard your nonpublic personal information.

16

SUMMARY OF GENERAL INFORMATION (UNAUDITED)

Cornerstone Total Return Fund, Inc. is a closed-end, diversified investment company whose shares trade on the American Stock Exchange, LLC. Its investment objective is to seek capital appreciation with current income as a secondary objective by investing primarily in U.S. and non-U.S. companies. The Fund is managed by Cornerstone Advisors, Inc.

SHAREHOLDER INFORMATION (UNAUDITED)

The Fund is listed on the American Stock Exchange, LLC (symbol "CRF"). The share price is published in: The New York Times (daily) under the designation "Cnrstn TR" and The Wall Street Journal (daily) and Barron's (each Monday) under the designation "CornstnTtlRtn." The net asset value per share is available weekly and may be obtained by contacting the Fund at the general inquiry phone number.

Notice is hereby given in accordance with Section 23(c) of the Investment Company Act of 1940, as amended, that Cornerstone Total Return Fund, Inc. may from time to time purchase shares of its capital stock in the open market.

This report, including the financial statements herein, is sent to the shareholders of the Fund for their information. The financial information included herein is taken from the records of the Fund without examination by independent registered public accountants who do not express an opinion thereon. It is not a prospectus, circular or representation intended for use in the purchase or sale of shares of the Fund or of any securities mentioned in the report.

17

CORNERSTONE TOTAL RETURN FUND, INC.

DIRECTORS AND CORPORATE OFFICERS

Ralph W. Bradshaw	Chairman of the Board of Directors and President
William A. Clark	Director and Vice President
Thomas H. Lenagh	Director
Edwin Meese III	Director

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

Scott B. Rogers	Director
Andrew A. Strauss	Director
Glenn W. Wilcox, Sr.	Director
Gary A. Bentz	Chief Compliance Officer
Thomas R. Westle	Secretary
Jodi B. Levine	Treasurer

INVESTMENT MANAGER

Cornerstone Advisors, Inc
One West Pack Square
Suite 1650
Asheville, NC 28801

ADMINISTRATOR

Bear Stearns Funds Management Inc.
383 Madison Avenue
New York, NY 10179

CUSTODIAN

Custodial Trust Company
101 Carnegie Center
Princeton, NJ 08540

EXECUTIVE OFFICES

383 Madison Avenue
New York, NY 10179

STOCK TRANSFER AGENT AND REGISTRAR

American Stock Transfer & Trust Co.
59 Maiden Lane
New York, NY 10038

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Tait, Weller & Baker LLP
1818 Market Street
Suite 2400
Philadelphia, PA 19103

LEGAL COUNSEL

Blank Rome LLP
405 Lexington Avenue
New York, NY 10174

For shareholder inquiries, registered shareholders should call
(800) 937-5449. For general inquiries, please call (212) 272-3550.

[AMEX LOGO]
LISTED
CRF(TM)

ITEM 2. CODE OF ETHICS.

Not applicable.

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

ITEM 3. AUDIT COMMITTEE FINANCIAL EXPERT.

Not applicable.

ITEM 4. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

Not applicable.

ITEM 5. AUDIT COMMITTEE OF LISTED REGISTRANTS.

Not applicable.

ITEM 6. SCHEDULE OF INVESTMENTS.

CORNERSTONE TOTAL RETURN FUND, INC.
SCHEDULE OF INVESTMENTS -- JUNE 30, 2007 (UNAUDITED)

DESCRIPTION	NO. OF SHARES	VALUE
EQUITY SECURITIES - 99.72%		
CLOSED-END FUNDS - 8.11%		
Adams Express Company	70,400	\$ 1,048,256
Boulder Total Return Fund, Inc.	13,900	296,626
Central Europe and Russia Fund, Inc. (The)	2,500	129,275
Cohen & Steers Select Utility Fund, Inc.	6,000	157,560
Dreman/Claymore Dividend & Income Fund	49,500	1,063,260
H&Q Healthcare Investors	5,100	87,669
H&Q Life Sciences Investors	6,000	81,240
Japan Equity Fund	13,000	109,980
Liberty All-Star Growth Fund, Inc.	126,800	722,760
Neuberger Berman Real Estate Income Fund Inc.	8,500	224,570
Petroleum & Resources Corporation ^	3,000	115,860
Templeton Emerging Markets Fund ^	3,000	58,290
		4,095,346
CONSUMER DISCRETIONARY - 9.28%		
Amazon.com, Inc. ^ *	2,500	171,025
Bed Bath & Beyond Inc. *	2,500	89,975
Citadel Broadcasting Corporation	614	3,960
Coach, Inc. *	2,500	118,475
Comcast Corporation, Class A *	9,012	253,417
Comcast Corporation, Special Class A *	4,250	118,830
DIRECTV Group, Inc. (The) *	4,000	92,440
Ford Motor Company	14,000	131,880
Goodyear Tire & Rubber Company (The) *	2,500	86,900
Harley-Davidson, Inc.	2,500	149,025
Hilton Hotels Corporation	2,500	83,675
Home Depot, Inc. (The)	9,000	354,150
J.C. Penney Company, Inc.	2,500	180,950
Kohl's Corporation *	2,500	177,575
Lowe's Companies, Inc.	4,900	150,381
Marriott International, Inc., Class A	5,000	216,200
Mattel, Inc.	4,500	113,805
McDonald's Corporation	5,100	258,876
McGraw-Hill Companies, Inc. (The) ^	2,500	170,200
NIKE, Inc., Class B	2,500	145,725

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

Nordstrom, Inc.	2,500	127,800
Office Depot, Inc. *	2,500	75,750
Omnicom Group Inc. ^	3,000	158,760
Staples, Inc.	3,150	74,750
Starbucks Corporation *	2,500	65,600
Target Corporation	4,600	292,560
Tata Motors Limited ADR ^	2,500	41,050
Time Warner Inc.	17,000	357,680
TJX Companies, Inc. (The)	2,500	68,750
Viacom Inc., Class B *	2,000	83,260
Walt Disney Company (The)	8,000	273,120

		4,686,544

CONSUMER STAPLES - 8.52%		
Altria Group, Inc.	7,700	540,078
Campbell Soup Company	3,200	124,192
Coca-Cola Company (The)	11,000	575,410
Colgate-Palmolive Company	2,500	162,125
ConAgra Foods, Inc.	2,500	67,150
CVS Corporation	4,175	152,179
H.J. Heinz Company	2,700	128,169
Kraft Foods Inc, Class A	5,328	187,812
Kroger Co. (The)	3,600	101,268
PepsiCo, Inc. ^	5,000	324,250
Procter & Gamble Company (The)	11,472	701,972
Safeway Inc. ^	4,900	166,747
Tyson Foods, Inc. ^	2,500	57,600
Walgreen Co.	5,600	243,824
Wal-Mart Stores, Inc.	16,000	769,760

		4,302,536

ENERGY - 9.69%		
Chevron Corporation	10,068	848,128
Exxon Mobil Corporation	32,000	2,684,160
Halliburton Company	5,000	172,500
Marathon Oil Corp.	5,000	299,800
NiSource Inc. ^	2,500	51,775
Peabody Energy Corporation	2,500	120,950
Schlumberger Limited ^	5,000	424,700
Weatherford International Ltd. *	2,500	138,100
XTO Energy, Inc.	2,500	150,250

		4,890,363

FINANCIALS - 18.96%		
AFLAC Incorporated	1,500	77,100
Allstate Corporation (The)	2,500	153,775
American Express Company ^	3,500	214,130
American International Group, Inc.	12,331	863,540
Ameriprise Financial, Inc.	1,220	77,555
Aon Corporation	2,500	106,525
Bank of America Corporation	14,521	709,932
BB&T Corporation	4,500	183,060
CB Richard Ellis Group, Inc., Class A ^ *	2,500	91,250
Charles Schwab Corporation (The)	8,200	168,264
Chubb Corporation (The)	2,000	108,280
Citigroup Inc.	25,600	1,313,024
Fannie Mae	3,200	209,056

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

Fifth Third Bancorp	2,500	99,425
Franklin Resources, Inc. ^	2,500	331,175
Freddie Mac	3,300	200,310
Goldman Sachs Group, Inc. (The)	3,000	650,250
Hartford Financial Services Group, Inc. (The)	1,600	157,616
JPMorgan Chase & Co.	12,700	615,315
KeyCorp	2,500	85,825
Lehman Brothers Holdings Inc. ^	2,500	186,300
Marsh & McLennan Companies, Inc. ^	2,500	77,200
Mellon Financial Corporation	2,300	101,200
Merrill Lynch & Co., Inc.	1,100	91,938
Metlife, Inc.	3,000	193,440
Moody's Corporation ^	2,000	124,400
Morgan Stanley	3,700	310,356
National City Corporation	2,500	83,300
Prudential Financial, Inc.	2,500	243,075
Regions Financial Corporation	1,993	65,968
SLM Corporation	2,500	143,950
State Street Corporation ^	1,600	109,440
Synovus Corporation	2,500	76,750
Travelers Companies, Inc. (The) ^	5,092	272,422
UnumProvident Corporation	2,500	65,275
Wachovia Corporation	5,600	287,000
Wells Fargo & Company ^	18,000	633,060
Western Union Company ^	4,325	90,090

		9,570,571

HEALTHCARE - 10.83%		
Aetna Inc.	4,000	197,600
Amgen Inc. *	8,300	458,907
Biomet, Inc.	2,500	114,300
Eli Lilly and Company	4,100	229,108
Forest Laboratories, Inc. *	2,500	114,125
Gilead Sciences, Inc. *	5,000	193,850
Johnson & Johnson	15,500	955,110
Laboratory Corporation of America Holdings ^ *	2,500	195,650
McKesson Corporation	2,500	149,100
Medco Health Solutions, Inc. *	1,531	119,403
Medtronic, Inc.	4,500	233,370
Merck & Co. Inc.	8,700	433,260
Pfizer Inc. ^	22,460	574,302
Schering-Plough Corporation	8,400	255,696
St. Jude Medical, Inc. *	2,500	103,725
Stryker Corporation	2,000	126,180
UnitedHealth Group Incorporated	10,000	511,400
Wyeth ^	5,000	286,700
Zimmer Holdings, Inc. *	2,500	212,225

		5,464,011

INDUSTRIALS - 10.41%		
3M Co. ^	2,500	216,975
Allied Waste Industries, Inc. *	2,500	33,650
AMR Corporation *	2,500	65,875
Boeing Company (The) ^	1,400	134,624
Caterpillar Inc.	2,500	195,750
CSX Corporation	5,000	225,400
Danaher Corporation	2,500	188,750
FedEx Corp. ^	2,500	277,425

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

General Dynamics Corporation ^	2,500	195,550
General Electric Company	49,000	1,875,720
Honeywell International Inc. ^	3,300	185,724
Illinois Tool Works Inc.	2,500	135,475
Lockheed Martin Corporation	2,500	235,325
Norfolk Southern Corporation ^	2,500	131,425
Raytheon Company ^	2,500	134,725
Rockwell Automation, Inc. ^	2,500	173,600
United Parcel Service, Inc., Class B	4,000	292,000
United Technologies Corporation	4,400	312,092
Waste Management, Inc. ^	2,500	97,625
Waters Corporation *	2,500	148,400

		5,256,110

INFORMATION TECHNOLOGY - 14.28%		
Agilent Technologies Inc. *	2,500	96,100
Altera Corporation	2,500	55,325
Apple Computer, Inc. ^ *	5,000	610,200
Applied Materials, Inc. ^	8,000	158,960
Cisco Systems, Inc. *	22,000	612,700
Corning Incorporated *	6,000	153,300
eBay Inc. *	4,000	128,720
Electronic Data Systems Corporation	2,500	69,325
EMC Corporation *	8,000	144,800
Fiserv, Inc. ^ *	2,500	142,000
Google Inc. *	1,000	523,380
Hewlett-Packard Company ^	10,000	446,200
Intel Corporation	13,000	308,880
International Business Machines Corporation	5,700	599,925
Intuit Inc. ^ *	2,500	75,200
Microsoft Corporation	37,500	1,105,125
Motorola, Inc.	8,600	152,220
NVIDIA Corporation *	2,500	103,275
Oracle Corporation ^ *	28,600	563,706
Paychex, Inc.	2,500	97,800
QUALCOMM Inc.	6,800	295,052
Texas Instruments Incorporated	11,000	413,930
Xerox Corporation *	3,000	55,440
Xilinx, Inc.	2,500	66,925
Yahoo! Inc. *	8,500	230,605

		7,209,093

MATERIALS - 2.49%		
Air Products & Chemicals, Inc.	2,500	200,925
Alcoa Inc.	3,000	121,590
Allegheny Technologies, Inc. ^	1,500	157,320
Dow Chemical Company (The)	3,500	154,770
E. I. du Pont de Nemours and Company	5,800	294,872
International Paper Company ^	2,300	89,815
Monsanto Company	3,546	239,497

		1,258,789

REAL ESTATE INVESTMENT TRUST - 0.46%		
Simon Property Group, Inc. ^	2,500	232,600

TELECOMMUNICATION SERVICES - 3.75%		

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

AT&T Inc.	28,589	1,186,444
Nokia ADR	2,500	70,275
Qwest Communications International Inc. *	7,000	67,900
Sprint Nextel Corporation ^	7,437	154,020
Verizon Communications Inc.	10,000	411,700

		1,890,339

UTILITIES - 2.94%		
Alleghany Energy Inc. *	2,500	129,350
American Electric Power Company, Inc. ^	5,500	247,720
Duke Energy Corporation ^	6,600	120,780
Dynegy Inc. ^ *	5,000	47,200
FirstEnergy Corp.	2,500	161,825
Southern Company (The)	2,500	85,725
TXU Corp.	7,400	498,020
Williams Companies, Inc. (The)	2,500	79,050
Xcel Energy, Inc. ^	5,500	112,585

		1,482,255

TOTAL EQUITY SECURITIES		
(cost - \$40,567,315)		50,338,557

	PRINCIPAL AMOUNT (000'S)	

SHORT-TERM INVESTMENTS - 3.92%		
REPURCHASE AGREEMENTS - 3.92%		
Bear, Stearns & Co. Inc. + ++ (Agreements dated 6/29/2007 to be repurchased at \$1,173,425, 5.3750%, 7/2/2007, collateralized by \$1,196,550 in United States Treasury Bonds)	1,173	1,172,900
Bear, Stearns & Co. Inc. + ++ (Agreements dated 6/29/2007 to be repurchased at \$644,963, 2.6875%, 7/2/2007, collateralized by \$658,893 in United States Treasury Bonds)	645	644,819
Bear, Stearns & Co. Inc. (Agreements dated 6/29/2007 to be repurchased at \$160,998, 4.3000%, 7/2/2007, collateralized by \$168,677 in United States Treasury Bonds)	161	160,940

TOTAL SHORT-TERM INVESTMENTS		1,978,659
(cost - \$1,978,659)		-----
TOTAL INVESTMENTS - 103.64%		52,317,216
(cost - \$42,545,974)		-----
LIABILITIES IN EXCESS OF OTHER ASSETS - (3.64)%		(1,839,115)

NET ASSETS - 100.00%		\$ 50,478,101
		=====

ADR	American Depositary Receipt	
*	Non-income producing security.	
+	Stated interest rate, before rebate earned by borrower of securities on loan.	

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

- ++ Represents investment purchased with collateral received for securities on loan.
^ Security or a portion thereof is out on loan.

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

Not applicable.

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

Not applicable.

ITEM 9. PURCHASES OF EQUITY SECURITIES BY CLOSED-END MANAGEMENT COMPANIES AND AFFILIATED PURCHASERS.

None.

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

None.

ITEM 11. CONTROLS AND PROCEDURES.

(a) The Registrant's principal executive officer and principal financial officer have evaluated the Registrant's disclosure controls and procedures as of a date within 90 days of this filing and have concluded that the Registrant's disclosure controls and procedures are effective, as of such date, in ensuring that information required to be disclosed by the registrant in this Form N-CSR was recorded, processed, summarized, and reported timely.

(b) The Registrant's principal executive officer and principal financial officer are aware of no changes in the Registrant's internal control over financial reporting that occurred during the Registrant's last fiscal half-year that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting.

ITEM 12. EXHIBITS.

(a) (1) Not applicable.

(a) (2) Separate certifications of Principal Executive and Financial Officers pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 attached as EX-99.CERT.

(b) Certification of Principal Executive and Financial Officers pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 furnished as EX-99.906 CERT.

SIGNATURES

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

Cornerstone Total Return Fund, Inc.

By: /s/ Ralph W. Bradshaw

Name: Ralph W. Bradshaw
Title: Principal Executive Officer

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

Date: August 31, 2007

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: /s/ Ralph W. Bradshaw

Name: Ralph W. Bradshaw
Title: Principal Executive Officer
Date: August 31, 2007

By: /s/ Jodi B. Levine

Name: Jodi B. Levine
Title: Principal Financial Officer
Date: August 31, 2007