

CORNERSTONE TOTAL RETURN FUND INC
Form N-CSRS
September 09, 2004

OMB APPROVAL

OMB Number: 3235-0570

Expires: October 31, 2006
Estimated average burden
hours per response. . . 19.3

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.

383 MADISON AVENUE, NEW YORK, NY 10179

(Address of principal executive offices) (Zip code)

Jodi B. Levine, 383 MADISON AVE, NEW YORK, NY

(Name and address of agent for service)

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

Date of fiscal year end: DECEMBER 31, 2004

Date of reporting period: JANUARY 1, 2004 THROUGH JUNE 30, 2004

ITEM 1. REPORTS TO STOCKHOLDERS.

=====

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

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

INVESTMENT MANAGER	STOCK TRANSFER AGENT AND REGISTRAR
Cornerstone Advisors, Inc.	American Stock Transfer & Trust Co.
One West Pack Square	59 Maiden Lane
Suite 1650	New York, NY 10038
Asheville, NC 28801	

ADMINISTRATOR	INDEPENDENT ACCOUNTANTS
Bear Stearns Funds Management Inc.	Tait, Weller & Baker
383 Madison Avenue	1818 Market Street
New York, NY 10179	Suite 2400
	Philadelphia, PA 19103

CUSTODIAN	LEGAL COUNSEL
Custodial Trust Company	Blank Rome LLP
101 Carnegie Center	405 Lexington Avenue
Princeton, NJ 08540	New York, NY 10174

EXECUTIVE OFFICES
383 Madison Avenue
New York, NY 10179

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

[LOGO]
AMERICAN
STOCK EXCHANGE
LISTED
CRF

=====

CORNERSTONE TOTAL RETURN FUND, INC.

JUNE 30, 2004

This update contains the following two documents:

- o Letter from the Fund's President
- o Semi-Annual Report to Shareholders

=====

LETTER FROM THE FUND'S PRESIDENT

July 30, 2004

Dear Fellow Shareholders:

We present the following report for Cornerstone Total Return Fund, Inc. (the "Fund"), covering the six months ended June 30, 2004. At the end of the period, the Fund's net assets were \$62.4 million, the Net Asset Value per share was \$13.12, and the share price closed at \$16.65. After reflecting the reinvestment of monthly distributions totaling \$1.06 per share, the Fund achieved a total investment return at market value of (1.13%) for the six months ended June 30, 2004.

FOCUS ON SHAREHOLDER VALUE

Under the leadership of its Board, the Fund has maintained its focus on creating value for its shareholders. The Fund's continued concentration on reducing expenses, along with the continuing voluntary waiver of a portion of management fees by the Fund's investment manager, has held the annualized net expense ratio to 1.38% for the first half of the year. In 2002, the Fund instituted its fixed, monthly distribution policy designed to provide significant flexibility to those who invest in the Fund. Judging by the reaction in the marketplace, this innovative concept has been welcomed by the Fund's shareholders and has contributed greatly to the Fund's positive price performance.

We believe that a well-managed, diversified equity portfolio provides the best risk/reward tradeoff for many investors over the long-run. Long-term equity returns are generally found to be higher than those with fixed-income or balanced programs and favorable tax treatment on capital gains makes the net returns even better for taxable investors. The Fund's distribution policy

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

recognizes that many investors are willing to accept the potentially higher asset volatility in this approach, but would prefer that stable distributions were available to them each year to either reinvest or utilize for other purposes of their choosing.

Each shareholder has the option to receive their distributions in cash or new shares of the Fund and may change this election whenever they wish. It is a goal that long-term investment returns will exceed the level of distributions, but there can be no guarantee that this goal will be met. If the amount of distributions taken in cash exceeds the total investment return of the Fund, the assets of the Fund will decline. If the total investment return of the Fund exceeds the amount of cash distributions and expenses, as it did in 2003, the assets of the Fund will increase.

Shortly after the end of the year, each shareholder receives a final determination of what portion of these distributions is attributable to income, capital gains, or return-of-capital. Last year, even though the assets of the Fund increased, most of the distributions were classified as a return-of-capital. It is important for shareholders to consult their tax advisor on proper recognition of the return-of-capital distributions with regard to the cost basis of their shares.

ECONOMIC AND MARKET SUMMARY

The U.S. economy continued its strong showing through the first half of the year with support from housing construction, consumer spending, and industrial production. Gross domestic product dipped to 3.0% in the second quarter after growing at a revised first quarter rate of 4.5%.

=====
i

LETTER FROM THE FUND'S PRESIDENT (CONCLUDED)

As always, the U.S. equity markets function as forward-looking indicators measuring future expectations. Investors balanced the good news against high energy prices, domestic political uncertainty, and international tensions and remained skittish, punishing companies who delivered even slight disappointment. The first half was overshadowed by the anticipated end of a long period of falling interest rates. The Federal Reserve announced its first widely expected increase in short-term rates on June 30, the last day of the half. Therefore, even with positive economic news and strong earnings reports, the S&P 500 Index traded in a fairly narrow band with little volatility and ended the period up 3.44% while the DJIA finished basically flat for the year.

Overall, the economy seems poised for good performance in the second half of the year, even in light of significant risks. Terrorism threats may weigh on the market for years. Rising prices raise concerns for creeping inflation, though broad acceleration does not appear to be a problem at this point.

The investment manager attempts to enhance portfolio performance by taking advantage of temporary and occasional pricing inefficiencies in certain securities. To that end, the percentage of the portfolio represented by discounted closed-end funds increased for the period. The availability and magnitude of such opportunities are unpredictable, and therefore, their effect on portfolio performance may vary considerably from year to year.

Our investment orientation featuring broad diversification has served the Fund well over the up and down markets of recent years. Though the range-bound

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

trading and low volatility of recent months tend to limit opportunities to create distinguishing performance, we believe that our approach will continue to benefit the Fund and its shareholders for the long-term.

The Fund's Board of Directors, its officers, and its investment manager are mindful of the trust that the Fund's shareholders have placed in us. We know you have a choice, we appreciate your support, and we look forward to continuing our service to you in the future.

Sincerely,

/S/ RALPH W. BRADSHAW

Ralph W. Bradshaw
President

IN ADDITION TO HISTORICAL INFORMATION, THIS REPORT CONTAINS FORWARD-LOOKING STATEMENTS, WHICH MAY CONCERN, AMONG OTHER THINGS, DOMESTIC AND FOREIGN MARKETS, INDUSTRY AND ECONOMIC TRENDS AND DEVELOPMENTS AND GOVERNMENT REGULATION AND THEIR POTENTIAL IMPACT ON THE FUND'S INVESTMENT PORTFOLIO. THESE STATEMENTS ARE SUBJECT TO RISKS AND UNCERTAINTIES AND ACTUAL TRENDS, DEVELOPMENTS AND REGULATIONS IN THE FUTURE AND THEIR IMPACT ON THE FUND COULD BE MATERIALLY DIFFERENT FROM THOSE PROJECTED, ANTICIPATED OR IMPLIED. THE FUND HAS NO OBLIGATION TO UPDATE OR REVISE FORWARD-LOOKING STATEMENTS.

THIS LETTER FROM THE FUND'S PRESIDENT IS NOT A PART OF THE SEMI-ANNUAL REPORT TO SHAREHOLDERS THAT FOLLOWS. CORNERSTONE TOTAL RETURN FUND, INC.

=====

ii

=====

CORNERSTONE TOTAL
RETURN FUND, INC.

SEMI-ANNUAL REPORT
JUNE 30, 2004

=====

CONTENTS

Portfolio Summary	1
Schedule of Investments	2
Statement of Assets and Liabilities	6
Statement of Operations	7
Statement of Changes in Net Assets	8
Financial Highlights	9
Notes to Financial Statements	10
Results of Annual Meeting of Stockholders	13
Description of Dividend Reinvestment Plan	14
Summary of General Information	16
Shareholder Information	16
Proxy Voting	17
Privacy Policy Notice	17

=====

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

CORNERSTONE TOTAL RETURN FUND, INC.
 PORTFOLIO SUMMARY - AS OF JUNE 30, 2004 (UNAUDITED)

TOP TEN, BY SECTOR

Sector	Percent of Net Assets
1. Financials	18.8
2. Information Technology	16.7
3. Consumer Discretionary	14.0
4. Healthcare	12.5
5. Industrials	11.1
6. Consumer Staples	7.9
7. Energy	6.0
8. Closed-End Domestic Funds	4.4
9. Telecommunication Services	3.5
10. Materials	2.6

TOP TEN HOLDINGS, BY ISSUER

Holding	Sector	Percent of Net Assets
1. General Electric Co.	Industrials	3.5
2. Microsoft Corp.	Information Technology	3.4
3. Exxon Mobil Corp.	Energy	3.0
4. Tri-Continental Corp.	Closed-End Domestic Funds	2.9
5. Wal-Mart Stores, Inc.	Consumer Discretionary	2.4
6. Citigroup Inc.	Financials	2.4
7. Pfizer Inc.	Healthcare	2.3
8. American International Group, Inc.	Financials	2.1
9. Intel Corp.	Information Technology	2.0
10. Cisco Systems, Inc.	Information Technology	1.8

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

CORNERSTONE TOTAL RETURN FUND, INC.
SCHEDULE OF INVESTMENTS - JUNE 30, 2004 (UNAUDITED)

Description	No. of Shares	Value (Note A)

EQUITY SECURITIES - 99.90%		
UNITED STATES - 98.78%		
CLOSED-END DOMESTIC FUNDS - 4.42%		
Adams Express Co.	38,800	\$ 493,536
Salomon Brothers Fund, Inc. (The)	13,300	162,925
Tri-Continental Corp.	109,000	1,834,470
Zweig Fund, Inc.	55,300	267,099

		2,758,030

CONSUMER DISCRETIONARY - 12.83%		
Bed Bath & Beyond Inc. +	2,500	96,125
Carnival Corp.	5,300	249,100
Clear Channel Communications, Inc.	2,700	99,765
Comcast Corp., Class A +	8,508	238,479
Comcast Corp., Special Class A +	7,500	207,075
Costco Wholesale Corp.	2,600	106,782
CVS Corp.	2,500	105,050
Dana Corp.	2,500	49,000
Delphi Corp.	5,100	54,468
Eastman Kodak Co.	2,500	67,450
Ford Motor Co.	15,200	237,880
Fortune Brands, Inc.	2,500	188,575
Gannett Co., Inc.	2,500	212,125
Gap, Inc. (The)	6,900	167,325
General Motors Corp.	5,000	232,950
Harley-Davidson, Inc.	2,500	154,850
Harrah's Entertainment, Inc.	2,500	135,250
Hilton Hotels Corp.	5,000	93,300
Home Depot, Inc. (The)	14,800	520,960
Kohl's Corp. +	2,500	105,700
Limited Brands	4,500	84,150
Lowe's Companies, Inc.	3,700	194,435
Mattel, Inc.	4,500	82,125
May Department Stores Co. (The)	2,500	68,725
McDonald's Corp.	8,100	210,600
Monsanto Co.	1,773	68,260
NIKE, Inc., Class B	2,500	189,375
Office Depot, Inc. +	2,500	44,775
Omnicom Group Inc.	1,500	113,835
Reebok International Ltd.	2,500	89,950
Sears, Roebuck & Co.	2,500	94,400
Staples, Inc.	2,100	61,551
Starbucks Corp. +	2,500	108,700

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

Description	No. of Shares	Value (Note A)

CONSUMER DISCRETIONARY (CONTINUED)		
Target Corp.	4,600	\$ 195,362
Time Warner Inc. +	31,500	553,770
TJX Companies, Inc. (The)	4,000	96,560
Tribune Co.	2,500	113,850
Univision Communications Inc. Class A +	2,500	79,825
Viacom Inc., non-voting Class B	9,000	321,480
Wal-Mart Stores, Inc.	28,900	1,524,764
Walt Disney Co. (The)	11,700	298,233
Yum! Brands, Inc. +	2,500	93,050

		8,009,984

CONSUMER STAPLES - 7.86%		
Albertson's, Inc.	2,500	66,350
Altria Group, Inc.	13,200	660,660
Anheuser-Busch Companies, Inc.	6,200	334,800
Archer-Daniels-Midland Co.	5,650	94,807
Campbell Soup Co.	3,200	86,016
Coca-Cola Co. (The)	13,500	681,480
Coca-Cola Enterprises Inc.	2,500	72,475
Colgate-Palmolive Co.	2,600	151,970
ConAgra Foods, Inc.	2,500	67,700
General Mills, Inc.	2,500	118,825
Gillette Co. (The)	8,600	364,640
H.J. Heinz Co.	2,700	105,840
Kimberly-Clark Corp.	2,500	164,700
Kroger Co. (The) +	6,600	120,120
PepsiCo, Inc.	10,000	538,800
Procter & Gamble Co. (The)	12,000	653,280
Safeway Inc.	4,900	124,166
Sara Lee Corp.	6,300	144,837
Walgreen Co.	5,600	202,776
Wm. Wrigley Jr. Co.	2,500	157,625

		4,911,867

ENERGY - 5.99%		
Anadarko Petroleum Corp.	2,500	146,500
CenterPoint Energy, Inc.	5,700	65,550
ChevronTexaco Corp.	8,302	781,301
ConocoPhillips	3,669	279,908
El Paso Corp.	2,500	19,700
Exxon Mobil Corp.	42,500	1,887,425
Marathon Oil Corp.	2,500	94,600
Reliant Energy Inc. +	4,494	48,670

=====
See accompanying notes to financial statements.

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

CORNERSTONE TOTAL RETURN FUND, INC.
SCHEDULE OF INVESTMENTS - JUNE 30, 2004 (UNAUDITED) (CONTINUED)

Description	No. of Shares	Value (Note A)
ENERGY (CONTINUED)		
Schlumberger Ltd.	5,100	\$ 323,901
Unocal Corp.	2,500	95,000
		----- 3,742,555 -----
FINANCIALS - 18.75%		
AFLAC Inc.	4,000	163,240
Allstate Corp. (The)	5,200	242,060
American Express Co.	8,600	441,868
American International Group, Inc.	18,331	1,306,634
Bank of America Corp.	11,620	983,284
Bank of New York Co., Inc. (The)	5,900	173,932
Bank One Corp.	3,900	198,900
BB&T Corp.	2,000	73,940
Capital One Financial Corp.	1,000	68,380
Charles Schwab Corp. (The)	8,200	78,802
Citigroup Inc.	32,600	1,515,900
Fannie Mae	5,700	406,752
Fifth Third Bancorp	2,500	134,450
Fiserv, Inc. +	2,500	97,225
Freddie Mac	3,300	208,890
Goldman Sachs Group, Inc. (The)	3,000	282,480
Hartford Financial Services Group, Inc. (The)	1,600	109,984
HSBC Holdings plc, ADR	2,514	188,324
J.P. Morgan Chase & Co.	15,700	608,689
Key Corp.	2,500	74,725
Lehman Brothers Holdings Inc.	2,500	188,125
Manulife Financial Corp.	4,148	167,994
Marsh & McLennan Companies, Inc.	4,600	208,748
MBNA Corp.	7,550	194,715
Mellon Financial Corp.	2,300	67,459
Merrill Lynch & Co., Inc.	4,100	221,318
MetLife, Inc.	6,000	215,100
Moody's Corp.	1,000	64,660
Morgan Stanley	6,200	327,174
National City Corp.	2,500	87,525
Northern Trust Corp.	1,100	46,508
Piper Jaffray Companies, Inc. +	122	5,518
PNC Financial Services Group	1,400	74,312
Progressive Corp. (The)	2,500	213,250
Prudential Financial, Inc.	5,000	232,350
	No. of Shares	Value (Note A)
Description		

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

FINANCIALS (CONTINUED)

SLM Corp.	2,500	\$ 101,125
St. Paul Travelers Companies, Inc. (The)	2,292	92,918
State Street Corp.	1,600	78,464
SunTrust Banks, Inc.	1,500	97,485
U.S. Bancorp	12,200	336,232
Wachovia Corp.	8,100	360,450
Washington Mutual, Inc.	7,250	280,140
Wells Fargo & Co.	12,000	686,760

		11,706,789

HEALTHCARE - 12.51%

Abbott Laboratories	8,200	334,232
Aetna Inc.	1,000	85,000
Amgen Inc. +	8,300	452,931
Anthem, Inc. +	2,500	223,900
Baxter International Inc.	2,600	89,726
Becton, Dickinson & Co.	2,500	129,500
Biomet, Inc.	2,500	111,100
Boston Scientific Corp. +	5,500	235,400
Bristol-Myers Squibb Co.	9,600	235,200
Cardinal Health, Inc.	2,500	175,125
CIGNA Corp.	800	55,048
Eli Lilly & Co.	6,600	461,406
Forest Laboratories, Inc. +	2,500	141,575
Genzyme Corp. +	5,000	236,650
Guidant Corp.	2,500	139,700
HCA Inc.	2,600	108,134
Health Management Associates, Inc., Class A	2,500	56,050
HEALTHSOUTH Corp. +	2,500	14,875
Hospira, Inc. +	820	22,632
Johnson & Johnson	18,200	1,013,740
King Pharmaceuticals, Inc. +	2,500	28,625
McKesson Corp.	2,500	85,825
Medco Health Solutions, Inc. +	1,531	57,413
Medtronic, Inc.	7,100	345,912
Merck & Co. Inc.	12,700	603,250
Pfizer Inc.	42,460	1,455,529
Schering-Plough Corp.	8,400	155,232
Stryker Corp.	2,000	110,000
Tenet Healthcare Corp. +	5,000	67,050
UnitedHealth Group Inc.	5,000	311,250
Wyeth	7,500	271,200

		7,813,210

See accompanying notes to financial statements.

3

CORNERSTONE TOTAL RETURN FUND, INC.
SCHEDULE OF INVESTMENTS - JUNE 30, 2004 (UNAUDITED) (CONTINUED)

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

Description	No. of Shares	Value (Note A)
INDUSTRIALS - 11.09%		
3M Co.	5,000	\$ 450,050
Apollo Group, Inc., Class A	1,000	88,290
Automatic Data Processing, Inc.	4,500	188,460
Boeing Co. (The)	6,700	342,303
Burlington Northern Santa Fe Corp.	2,000	70,140
Caterpillar Inc.	2,500	198,600
Cendant Corp.	7,100	173,808
CSX Corp.	2,500	81,925
Dover Corp.	3,500	147,350
Emerson Electric Co.	2,000	127,100
FedEx Corp.	2,500	204,225
General Dynamics Corp.	2,500	248,250
General Electric Co.	68,000	2,203,200
Honeywell International Inc.	3,300	120,879
Illinois Tool Works Inc.	2,500	239,725
Lockheed Martin Corp.	2,500	130,200
Masco Corp.	4,600	143,428
Paychex, Inc.	5,000	169,400
Raytheon Co.	2,500	89,425
Southwest Airlines Co.	6,100	102,297
Transocean Inc. +	2,500	72,350
Tyco International Ltd.	14,600	483,844
United Parcel Service, Inc., Class B	6,500	488,605
United Technologies Corp.	2,200	201,256
Waste Management, Inc.	5,300	162,445
		6,927,555
INFORMATION TECHNOLOGY - 16.66%		
Agere Systems Inc., Class A +	75	173
Agere Systems Inc., Class B +	1,851	3,980
Agilent Technologies, Inc. +	5,000	146,400
Analog Devices, Inc.	2,500	117,700
Apple Computer, Inc. +	2,500	81,350
Applied Materials, Inc. +	13,400	262,908
CIENA Corp. +	1,500	5,580
Cisco Systems, Inc. +	48,000	1,137,600
Computer Associates International, Inc.	2,700	75,762
Corning Inc. +	3,200	41,792
Dell Inc. +	20,200	723,564
eBay Inc. +	3,500	321,825
Electronic Data Systems Corp.	7,500	143,625
EMC Corp. +	8,000	91,200
First Data Corp.	4,325	192,549
	No. of Shares	Value (Note A)
INFORMATION TECHNOLOGY (CONTINUED)		
Hewlett-Packard Co.	15,842	\$ 334,266
Intel Corp.	44,500	1,228,200
International Business Machines Corp.	10,700	943,205

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

JDS Uniphase Corp. +	9,700	36,763
Lucent Technologies Inc. +	7,000	26,460
Maxim Integrated Products, Inc.	2,500	131,050
Micron Technology, Inc. +	5,500	84,205
Microsoft Corp.	73,800	2,107,728
Motorola, Inc.	16,100	293,825
Oracle Corp. +	37,600	448,568
PerkinElmer, Inc.	1,500	30,060
QUALCOMM Inc.	3,400	248,132
Sanmina-SCI Corp. +	4,000	36,400
Siebel Systems, Inc. +	5,000	53,400
Solectron Corp. +	5,700	36,879
Sun Microsystems, Inc. +	24,600	106,764
Texas Instruments Inc.	13,500	326,430
VERITAS Software Corp. +	2,500	69,250
Waters Corp. +	2,500	119,450
Xerox Corp. +	6,000	87,000
Yahoo! Inc. +	8,500	308,805

10,402,848

MATERIALS - 2.63%

Air Products & Chemicals, Inc.	2,500	131,125
Alcan Inc.	1,500	62,100
Alcoa Inc.	6,800	224,604
Dow Chemical Co. (The)	7,200	293,040
E.I. du Pont de Nemours & Co.	5,800	257,636
Georgia-Pacific Corp.	2,500	92,450
International Paper Co.	4,800	214,560
Newmont Mining Corp.	2,500	96,900
Praxair, Inc.	2,500	99,775
Rohm & Haas Co.	2,500	103,950
Weyerhaeuser Co.	1,000	63,120

1,639,260

REAL ESTATE INVESTMENT TRUSTS - 0.21%

Simon Property Group Inc.	2,500	128,550
---------------------------	-------	---------

TELECOMMUNICATION SERVICES - 3.46%

ALLTEL Corp.	2,500	126,550
AT&T Corp.	5,260	76,954
AT&T Wireless Services Inc. +	10,067	144,159
BellSouth Corp.	12,700	332,994

=====
See accompanying notes to financial statements.

4

CORNERSTONE TOTAL RETURN FUND, INC.
SCHEDULE OF INVESTMENTS - JUNE 30, 2004 (UNAUDITED) (CONTINUED)

Description	No. of Shares	Value (Note A)
-------------	------------------	-------------------

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

TELECOMMUNICATION SERVICES (CONTINUED)

Nextel Communications, Inc., Class A +	6,000	\$ 159,960
SBC Communications Inc.	25,600	620,800
Sprint Corp. (FON Group)	4,100	72,160
Verizon Communications Inc.	17,400	629,706

		2,163,283

UTILITIES - 2.37%

American Electric Power Co., Inc.	5,500	176,000
Dominion Resources, Inc.	2,000	126,160
Duke Energy Corp.	6,600	133,914
Edison International	2,500	63,925
Exelon Corp.	5,000	166,450
FirstEnergy Corp.	2,500	93,525
Public Service Enterprise Group Inc.	2,500	100,075
Scottish Power plc, ADR	4,000	118,040
Sempra Energy	2,500	86,075
Southern Co. (The)	5,000	145,750
TXU Corp.	3,700	149,887
Williams Companies, Inc. (The)	2,500	29,750
Xcel Energy, Inc.	5,500	91,905

		1,481,456

TOTAL UNITED STATES

(cost - \$65,345,022) 61,685,387

CZECH REPUBLIC - 1.12%

CONSUMER DISCRETIONARY - 1.12%

Bonton AS +#	68,590	116,282
Bonton Book AS +#	68,590	116,282
Bonton Discs AS +#	68,590	116,282
Bonton Film		
Entertainment AS +#	68,590	116,282
Bonton Music AS +#	68,590	116,282
Bonton Pictures AS +#	68,590	116,282
TOTAL CZECH REPUBLIC		
(cost - \$894,866)		697,692

TOTAL EQUITY SECURITIES

(cost - \$66,239,888) 62,383,079

Description	Principal Amount (000's)	Value (Note A)

SHORT-TERM INVESTMENTS - 1.66%		
REPURCHASE AGREEMENTS - 1.66%		
Bear, Stearns & Co. Inc. (Agreement dated 06/30/04 to be repurchased at \$141,351), 1.25%, 07/01/04 (Note F)	\$ 141	\$ 141,346

Bear, Stearns & Co. Inc.

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

(Agreement dated 06/30/04 to be repurchased at \$535,032), 1.50%*, 07/01/04** (Note E)	535	535,010 -----
Bear, Stearns & Co. Inc. (Agreement dated 06/30/04 to be repurchased at \$359,787), 0.75%*, 07/01/04** (Note E)	360	359,779 -----
TOTAL SHORT-TERM INVESTMENTS (cost - \$1,036,135)		1,036,135 -----
TOTAL INVESTMENTS - 101.56% (cost - \$67,276,023) (Notes A, E, F, G)		63,419,214 -----
LIABILITIES IN EXCESS OF OTHER ASSETS - (1.56)%		(972,693) -----
NET ASSETS - 100.00%		\$62,446,521 =====

- + Non-income producing security.
 - # Security fair valued in accordance with procedures established by the Board of Directors.
 - * Stated interest rate, before rebate earned by borrower of securities on loan.
 - ** Represents investment purchased with cash collateral received for securities on loan.
- ADR American Depositary Receipts.

=====
See accompanying notes to financial statements.

5

CORNERSTONE TOTAL RETURN FUND, INC.
STATEMENT OF ASSETS AND LIABILITIES - JUNE 30, 2004 (UNAUDITED)

ASSETS

Investments, at value (Cost \$67,276,023) (A, E, F, G)	\$ 63,419,214
Receivables:	
Dividends	64,669
Interest	497
Prepaid expenses	9,693 -----

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

Total Assets	63,494,073	
LIABILITIES		
Payables:		
Upon return of securities loaned (Note E)	894,789	
Investment management fees (Note B)	51,088	
Directors' Fees	12,920	
Other accrued expenses	88,755	
Total Liabilities	1,047,552	
NET ASSETS (applicable to 4,759,123 shares of common stock outstanding)	\$ 62,446,521	
NET ASSET VALUE PER SHARE (\$62,446,521/4,759,123)	\$ 13.12	

NET ASSETS CONSISTS OF		
Capital stock, \$0.01 par value; 4,759,123 shares issued and outstanding (15,000,000 shares authorized)	\$ 47,591	
Paid-in capital	86,085,065	
Distributions in excess of net investment income	(4,913,641)	
Accumulated net realized loss on investments	(14,915,685)	
Net unrealized depreciation in value of investments	(3,856,809)	
Net assets applicable to shares outstanding	\$ 62,446,521	

=====
See accompanying notes to financial statements.

6

CORNERSTONE TOTAL RETURN FUND, INC.		
STATEMENT OF OPERATIONS - FOR THE SIX MONTHS ENDED JUNE 30, 2004 (UNAUDITED)		

INVESTMENT INCOME		
Income (Note A) :		
Dividends	\$ 530,458	
Interest	2,947	
Foreign taxes withheld	(29)	
Total Investment Income	533,376	
Expenses:		
Investment management fees (Note B)	318,467	
Administration fees	31,852	
Legal and audit fees (Note B)	26,738	
Directors' fees	22,128	
Accounting fees	17,282	
Transfer agent fees	16,475	

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

Printing	11,648
Custodian fees	5,222
Stock exchange listing fees	3,992
Insurance	2,424
Miscellaneous	1,886

Total Expenses	458,114
Less: Management fee waivers (Note B)	(11,305)
Less: Fees paid indirectly (Note B)	(5,222)

Net Expenses	441,587

Net Investment Income	91,789

NET REALIZED AND UNREALIZED GAIN ON INVESTMENTS	
Net realized loss from investments	(272,528)
Net change in unrealized depreciation in value of investments	1,456,030

Net realized and unrealized gain on investments	1,183,502

NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	\$ 1,275,291
	=====

=====
See accompanying notes to financial statements.

7

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

	For the Six Months	
	Ended	For the Year
	June 30, 2004	Ended
	(unaudited)	December 31, 2003
	-----	-----
INCREASE/(DECREASE) IN NET ASSETS		
Operations:		
Net investment income	\$ 91,789	\$ 394,232
Net realized loss on investments	(272,528)	(403,402)
Net change in unrealized depreciation in value of investments	1,456,030	13,990,328
	-----	-----
Net increase in net assets resulting from operations	1,275,291	13,981,158
	-----	-----
Dividends and distributions to shareholders (Note A, G):		
Net investment income	(91,789)	(394,232)

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

Return-of-capital	(4,913,641)	(8,947,881)
	-----	-----
Total dividends and distributions to shareholders	(5,005,430)	(9,342,113)
	-----	-----
Capital stock transactions (Note D):		
Proceeds from 32,493 and 68,969 new shares issued in reinvestment of distributions, respectively	534,919	941,371
Cost of 7,500 shares repurchased	--	(90,050)
	-----	-----
Net increase in net assets resulting from capital stock transactions	534,919	851,321
	-----	-----
Total increase/(decrease) in net assets	(3,195,220)	5,490,366
	-----	-----
NET ASSETS		
Beginning of period	65,641,741	60,151,375
	-----	-----
End of period	\$ 62,446,521	\$ 65,641,741
	=====	=====

=====
See accompanying notes to financial statements.

8

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, 2004	For the Years Ended Decemb		
	(unaudited)	2003	2002	2001
PER SHARE OPERATING PERFORMANCE				
Net asset value, beginning of period	\$ 13.89	\$ 12.89	\$ 18.30	\$ 18.28
	-----	-----	-----	-----

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

Net investment income	0.02#	0.08#	0.15#	0.52
Net realized and unrealized gain/(loss) on investments	0.25	2.91	(3.57)	0.24
	-----	-----	-----	-----
Net increase/(decrease) in net assets resulting from operations	0.27	2.99	(3.42)	0.76
	-----	-----	-----	-----
Dividends and distributions to shareholders:				
Net investment income	(0.02)	(0.08)	(0.18)	(0.66)
Return-of-capital	(1.04)	(1.91)	(1.80)	(0.09)
	-----	-----	-----	-----
Total dividends and distributions to shareholders	(1.06)	(1.99)	(1.98)	(0.75)
	-----	-----	-----	-----
Capital stock transactions:				
Anti-dilutive effect due to capital stock repurchased	--	--	0.02	0.01
Dilutive effect due to shares issued in reinvestment of dividends and distributions	0.02	--	(0.03)	--
	-----	-----	-----	-----
Total capital stock transactions	0.02	--	(0.01)	0.01
	-----	-----	-----	-----
Net asset value, end of period	\$ 13.12	\$ 13.89	\$ 12.89	\$ 18.30
	=====	=====	=====	=====
Market value, end of period	\$ 16.65	\$ 17.95	\$ 11.35	\$ 16.29
	=====	=====	=====	=====
Total investment return (a)	(1.13)%	82.96%	(19.30)%	8.91%
	=====	=====	=====	=====
RATIOS/SUPPLEMENTAL DATA				
Net assets, end of period (000 omitted)	\$ 62,447	\$ 65,642	\$ 60,151	\$ 39,547
Ratio of expenses to average net assets, net of fee waivers, if any (b)	1.38% (d)	1.20%	1.50%	3.01%
Ratio of expenses to average net assets, excluding fee waivers, if any (c)	1.43% (d)	1.43%	2.07%	3.01%
Ratio of expenses to average net assets, net of fee waivers, if any (c)	1.40% (d)	1.23%	1.63%	3.01%
Ratio of net investment income to average net assets	0.29% (d)	0.65%	1.01%	2.77%
Portfolio turnover rate	5.30%	3.62%	86.60%	--

9

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 total return consisting of capital appreciation

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

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.

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

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. The Board of Directors has established general guidelines for calculating fair value of not readily marketable securities. At June 30, 2004, the Fund held 1.12% of its net assets in securities valued in good faith by the Board of Directors with an aggregate cost of \$894,866 and a fair value of \$697,692. 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.

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 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.

=====

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

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

DISTRIBUTIONS OF INCOME AND GAINS: Effective January 2002, the Fund initiated a fixed, monthly distribution to shareholders. 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 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.

The character of dividends and distributions made during the six months ended June 30, 2004 from net investment income or net realized gains, if any, may differ from their ultimate characterization for U.S. income tax purposes due to U.S. generally accepted accounting principles/tax differences in the character of income and expense recognition.

NOTE B. AGREEMENTS

Cornerstone serves as the Fund's investment manager with respect to all investments. As compensation for its 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. Cornerstone has voluntarily agreed to waive its management fees from the Fund to the extent that monthly operating expenses exceed 0.125% of average net assets calculated monthly. For the six months ended June 30, 2004, Cornerstone earned \$318,467 for investment management services, of which it waived \$11,305. The Investment Manager may discontinue such undertaking 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 \$5,222 arising from credits earned on portfolio transactions executed with a broker, pursuant to directed brokerage arrangement.

The Fund paid or accrued approximately \$13,079 for the six months ended June 30, 2004 for legal services to Blank Rome LLP ("Blank"), counsel to the Fund. Thomas R. Westle, a partner of Blank, serves as secretary of the Fund.

At June 30, 2004, pursuant to regulatory filings, affiliates owned approximately 29% and 6% of the outstanding shares of the Fund based on Schedule 13G/A filings

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

with the Securities and Exchange Commission on March 9, 2004 and March 18, 2004, respectively.

NOTE C. INVESTMENT IN SECURITIES

For the six months ended June 30, 2004, purchases and sales of securities, other than short-term investments, were \$3,382,082 and \$7,216,058, 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. For the six months ended June 30, 2004, the

=====
11

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

Fund had no repurchases. For the year ended December 31, 2003, the Fund repurchased 7,500 of its shares for a total cost of \$ 90,050 at a weighted average discount of 12.01% from net asset value. The discount of the individual repurchases ranged from 11.76% - 12.13%. No limit has been placed on the number of shares to be purchased by the Fund other than those imposed by federal securities laws.

All purchases are made in accordance with federal securities laws, with shares repurchased held in treasury, effective January 1, 2002.

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 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 lender is insufficient to cover the value of loaned securities, the borrower is obligated to pay the amount of the shortfall (and interest thereon) to the Fund. However, there can be no assurance the Fund can recover this amount. The value of securities on loan to brokers at June 30, 2004 was \$883,234. Any cash collateral received is reinvested into repurchase agreements, which in turn are collateralized by various U.S. Government and Agency securities. These repurchase agreements have been segregated to satisfy the future commitment to return the cash collateral.

During the six months ended June 30, 2004, the Fund earned \$566 in securities lending income that is included under the caption INTEREST in the Statement of Operations.

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

NOTE F. COLLATERAL FOR REPURCHASE AGREEMENT

Listed below is the collateral associated with the repurchase agreement with Bear, Stearns & Co. Inc. outstanding at June 30, 2004.

ISSUER	PRINCIPAL AMOUNT (000'S)	MATURITY	MARKET VALUE
United States Treasury Bond, (interest only)	\$295	08/15/17	\$147,282

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

The tax characteristic of dividends and distributions paid during the year ended December 31, 2003 were ordinary income and return-of-capital of \$394,232 and \$8,947,881, respectively.

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").

At December 31, 2003, the Fund had a capital loss carryforward for U.S. federal income tax purposes of \$14,569,481 of which \$91,132 expires in 2008, \$14,052,643 expires in 2010 and \$425,706 expires in 2011.

At June 30, 2004, 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 depreciation from investments were \$67,327,652, \$4,924,334, \$(8,832,772) and \$(3,908,438), respectively.

12

RESULTS OF ANNUAL MEETING OF STOCKHOLDERS (UNAUDITED)

On June 10, 2004, the Annual Meeting of Stockholders of Cornerstone Total Return Fund, Inc. was held and the following matter was voted upon:

- (1) To elect seven Directors until the year 2005 Annual Meeting.

NAME OF DIRECTORS	FOR	WITHHOLD
Ralph W. Bradshaw	4,410,834	19,857
William A. Clark	4,411,231	19,460
Thomas H. Lenagh	4,409,739	20,952
Edwin Meese III	4,405,929	24,762
Scott B. Rogers	4,409,841	20,850

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

Andrew A. Strauss	4,410,135	20,556
Glenn W. Wilcox, Sr.	4,410,033	20,658

=====
13

DESCRIPTION OF DIVIDEND REINVESTMENT PLAN (UNAUDITED)

Shareholders who have Shares registered directly in their own names automatically participate in the Fund's Dividend Reinvestment Plan (the "Plan"), unless and until an election is made to withdraw from the Plan on behalf of such participating shareholders. Shareholders who do not wish to have distributions automatically reinvested should so notify American Stock Transfer & Trust Co. (the "Agent") at P.O. Box 922, Wall Street Station, New York, NY 10269-0560 or call (877) 248-6416. Under the Plan, all of the Fund's dividends and other distributions to shareholders are reinvested in full and fractional Shares as described below.

When the Fund declares an income dividend or a capital gain or other distribution (each, a "Distribution" and collectively, "Distributions"), the Agent, on the shareholders' 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) at the sole discretion of the Board of Directors, be authorized to 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").

Shares acquired by the Agent in Open Market Purchases will be allocated to the reinvesting shareholders based on the average cost of such Open Market Purchases. Alternatively, the Agent will allocate Newly Issued Shares to the reinvesting shareholders at the lower of (i) a price equal to the average closing price of the Fund over the five trading days preceding the payment date of such distribution or (ii) the net asset value of the Fund as last determined prior to such payment date.

Registered shareholders who acquire their shares through Open Market Purchases and 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 dividend, the shareholder will automatically receive such Distributions in additional Shares.

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

Participants in the Plan may withdraw from the Plan by providing written notice to the Agent at least 30 days prior to the applicable Distributions payment date. When a participant withdraws from the Plan, or upon termination of the Plan as provided below, certificates for whole shares credited to his/her account under the Plan will, upon request, be issued. Whether or not a participant requests that certificates for whole shares be issued, a cash payment will be made for any fraction of a Share credited to such account.

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

There will be no charge to participants for reinvesting Distributions other than their share of brokerage commissions as discussed below. The Agent's fees for administering the Plan and handling the reinvestment of Distributions will be paid by the Fund. Each participant's account will be charged a

=====

14

DESCRIPTION OF DIVIDEND REINVESTMENT PLAN (UNAUDITED) (CONCLUDED)

pro-rata share of brokerage commissions incurred with respect to the Agent's Open Market Purchases in connection with the reinvestment of Distributions.

Brokerage charges for purchasing small amounts of shares for individual accounts through the Plan are expected to be less than the usual brokerage charges for such transactions because the Agent will be purchasing shares for all the participants in blocks and pro-rating the lower commission that may be attainable.

The automatic reinvestment of Distributions will not relieve participants of any income tax that may be payable on such Distributions. Participants who receive shares pursuant to the Plan as described above will recognize taxable income in the amount of the fair market value of those shares. In the case of non-U.S. participants whose Distributions are subject to U.S. income tax withholding and in the case of participants subject to 28% federal backup withholding, the Agent will reinvest Distributions after deduction of the amount required to be withheld.

The Fund reserves the right to amend or terminate the Plan by written notice to participants. All correspondence concerning the Plan should be directed to the Agent at the address referred to in the first paragraph of this section.

=====

SUMMARY OF GENERAL INFORMATION (UNAUDITED)

The Fund - 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 total return, consisting of capital appreciation and current income by investing primarily all of its assets in equity securities of U.S. and non-U.S. issuers whose securities trade on a U.S. securities exchange or over the counter or as American Depositary Receipts or other forms of depositary receipts which trade in the United States. 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 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.

=====
16

PROXY VOTING (UNAUDITED)

The policies and procedures that Cornerstone Total Return Fund, Inc. uses to determine how to vote proxies relating to its portfolio securities are available:

- o by calling (212) 272-3550;
- o on the website of the Securities and Exchange Commission, <http://www.sec.gov>.

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 transactions 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 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.

=====

CORNERSTONE TOTAL RETURN FUND, INC.

ITEM 2. CODE OF ETHICS.

This item is inapplicable to a semi-annual report on Form N-CSR.

ITEM 3. AUDIT COMMITTEE FINANCIAL EXPERT.

This item is inapplicable to a semi-annual report on Form N-CSR.

ITEM 4. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

This item is inapplicable to a semi-annual report on Form N-CSR.

ITEMS 5. AUDIT COMMITTEE OF LISTED REGISTRANTS

This item is inapplicable to a semi-annual report on Form N-CSR.

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

ITEM 6. SCHEDULE OF INVESTMENTS

Form N-CSR disclosure requirement not yet effective with respect to the registrant.

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

This item is inapplicable to a semi-annual report on Form N-CSR.

ITEM 8. PURCHASES OF EQUITY SECURITIES BY CLOSED-END MANAGEMENT INVESTMENT COMPANIES AND AFFILIATED PURCHASERS Form N-CSR disclosure requirement not yet effective with respect to the registrant.

ITEM 9. 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 since the registrant last provided disclosure in response to the requirements of Item 7(d)(2)(ii)(g) of Schedule 14A in its definitive proxy statement dated April 28, 2004.

ITEM 10. CONTROLS AND PROCEDURES.

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

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

ITEM 11. EXHIBITS.

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

(a)(1) Not applicable.

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

(a)(3) Not applicable.

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

SIGNATURES

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

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: September 9, 2004

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: September 9, 2004

By (Signature and Title)* /S/ JODI B. LEVINE

JODI B. LEVINE
TREASURER (PRINCIPAL FINANCIAL OFFICER)

Date: September 9, 2004