

CORNERSTONE TOTAL RETURN FUND INC  
Form N-CSRS  
September 08, 2005

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM N-CSRS

CERTIFIED SHAREHOLDER REPORT OF REGISTERED  
MANAGEMENT INVESTMENT COMPANIES

Investment Company Act file number 811-02363  
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Cornerstone Total Return Fund, Inc.  
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(Exact name of registrant as specified in charter)

383 Madison Avenue, New York, NY 10179  
-----

(Address of principal executive offices) (Zip code)

Jodi B. Levine  
383 Madison Avenue, New York, NY 10179  
-----

(Name and address of agent for service)

Registrant's telephone number, including area code: (212) 272-2889  
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Date of fiscal year end: December 31, 2005  
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Date of reporting period: January 1, 2005 -  
June 30, 2005  
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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.

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ITEM 1. REPORTS TO STOCKHOLDERS.

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## DIRECTORS AND CORPORATE OFFICERS

|                      |   |
|----------------------|---|
| Ralph W. Bradshaw    | Chairman of the Board of<br>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  |
| Gary A. Bentz        | Chief Compliance Officer                            |
| Thomas R. Westle     | Secretary   |
| Jodi B. Levine       | Treasurer   |

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

|                                       |  |
|---------------------------------------|--|
| ADMINISTRATOR                         | INDEPENDENT REGISTERED<br>PUBLIC ACCOUNTING FIRM |
| Bear Stearns Funds<br>Management Inc. | Tait, Weller & Baker                             |
| 383 Madison Avenue                    | 1818 Market Street                               |
| New York, NY 10179                    | Suite 2400                                       |
|                                       | Philadelphia, 19103 PA                           |

|                         |                      |
|-------------------------|----------------------|
| 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(r)  
LISTED  
CRF (tm)

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CORNERSTONE TOTAL  
RETURN FUND, INC.

JUNE 30, 2005

This update contains the following two documents:

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

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LETTER FROM THE FUND'S PRESIDENT

July 29, 2005

Dear Fellow Shareholders:

We present the following semi-annual report for Cornerstone Total Return Fund, Inc. (the "Fund"), covering the six months ended June 30, 2005. At the end of the period, the Fund's net assets were \$55.6 million. The Net Asset Value ("NAV") per share was \$11.39 and the share price closed at \$15.70. After reflecting the reinvestment of monthly distributions (some of which may be classified as a return-of-capital after year-end) totaling \$1.06 per share, the Fund achieved a total investment return at market value of (4.43)% for the six months ended June 30, 2005.

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## CREATING VALUE

The Fund, under the leadership of the Board of Directors, has made substantial progress in creating value for its shareholders. A continuing effort to reduce expenses held the overall expense ratio for the period to an annualized rate of 1.47%. As you are aware, the Fund instituted a monthly distribution policy designed to provide significant flexibility to all of the Fund's shareholders. From shareholder comments, we believe the continuity of these distributions has broad support and has contributed significantly to the Fund's performance.

We hold the belief that, over the long-run, a well-managed, diversified equity portfolio provides the best risk/reward tradeoff for many investors. 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 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 receive cash. Shortly after the end of the year, it is determined what portion of these distributions is attributable to income, capital gains, or 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.

All shareholders have the option to receive their distributions in cash or shares of the Fund and may change this election whenever they wish. It is the goal of the Fund to have its long-term investment returns exceed the level of distributions, but there is no guarantee that this goal will be met. If the amount of distributions taken in cash exceeds the total investment returns of the Fund, the assets of the Fund will decline. If the total investment return of the Fund exceeds the amount of cash distributions, the assets of the Fund will increase. Shareholders may find that recent changes in the Fund's Dividend Reinvestment Plan make it even more beneficial for them. We encourage you to consider the reinvestment option for your distributions from the Fund.

## ECONOMIC AND MARKET SUMMARY

Following its strength in 2004, the pace of growth has lessened and U.S. equity markets were held to modest losses for the first six months of 2005. Business activity has been negatively affected by the significant run-up in oil prices, the less accommodative monetary signals from the Federal Reserve, and the challenging situation in Iraq. On the other hand, inflation remains benign, unemployment declined, and spending by consumers and businesses continued to increase, albeit more slowly than at the end of 2004.

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## LETTER FROM THE FUND'S PRESIDENT (CONCLUDED)

Therefore, in spite of the pressures, the economy, as measured by the Gross Domestic Product, performed fairly well with a solid 3.8% annual growth rate in the first quarter followed by 3.4% estimate for the second quarter.

Even though short-term interest rates have risen, their slow and steady increase has constricted growth without slamming on the economic brakes. In fact,

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long-term rates were seemingly unaffected by the short-term rate rise as the 10-year Treasury fell below 4.00% at the end of the period and helped fuel further strength in the homebuilders. Most analysts see at least a pause, if not a finish, to further tightening later this year.

In addition to existing risk factors, China's recent revaluation of its currency represents additional uncertainty. Although the initial moves are modest, they have great potential to change the face of international commerce and relationships.

### OUTLOOK

The Fund's portfolio continues to be broadly diversified in the U.S. large-cap equity market and we believe that it is well-positioned to take advantage of the current economic environment. Performance in the Fund's portfolio showed strength in Energy and Utility issues but weakness in most other areas. The Investment Manager attempts to enhance portfolio performance by profiting from temporary and occasional pricing inefficiencies in certain securities. The availability and magnitude of such opportunities are unpredictable and therefore, their effect on possible portfolio out-performance may vary considerably from year to year.

We expect continued strength in the economy and in the prospects for measured growth in the financial markets. The Fund's Board of Directors, its officers, and its Investment Manager realize that the Fund's shareholders have placed their trust 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.

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CORNERSTONE TOTAL  
RETURN FUND, INC.

SEMI-ANNUAL REPORT  
JUNE 30, 2005

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CORNERSTONE TOTAL RETURN FUND, INC.

PORTFOLIO SUMMARY - AS OF JUNE 30, 2005 (UNAUDITED)  
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SECTOR ALLOCATION

| Sector                     | Percent of<br>Net Assets |
|----------------------------|--------------------------|
| Financials                 | 19.0                     |
| Information Technology     | 14.6                     |
| Consumer Discretionary     | 12.6                     |
| Healthcare                 | 11.4                     |
| Industrials                | 10.7                     |
| Consumer Staples           | 8.1                      |
| Energy                     | 7.4                      |
| Closed-End Domestic Funds  | 7.3                      |
| Telecommunication Services | 3.0                      |
| Utilities                  | 2.9                      |
| Materials                  | 2.3                      |
| Other                      | 0.7                      |

TOP TEN HOLDINGS, BY ISSUER

| Holding              | Sector | Percent of<br>Net Assets |
|----------------------|--------|--------------------------|
| 1. Exxon Mobil Corp. | Energy | 3.7                      |

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|                                       |                           |     |
|---------------------------------------|---------------------------|-----|
| 2. General Electric Co.               | Industrials               | 3.6 |
| 3. Tri-Continental Corp.              | Closed-End Domestic Funds | 3.5 |
| 4. Citigroup Inc.                     | Financials                | 2.4 |
| 5. Microsoft Corp.                    | Information Technology    | 2.3 |
| 6. Johnson & Johnson                  | Healthcare                | 2.1 |
| 7. Pfizer Inc.                        | Healthcare                | 2.1 |
| 8. American International Group, Inc. | Financials                | 1.6 |
| 9. Zweig Fund, Inc.                   | Closed-End Domestic Funds | 1.6 |
| 10. Intel Corp.                       | Information Technology    | 1.5 |

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CORNERSTONE TOTAL RETURN FUND, INC.

SUMMARY SCHEDULE OF INVESTMENTS - JUNE 30, 2005 (UNAUDITED)

| Description                            | No. of<br>Shares | Value      |
|--|------------------|------------|
| EQUITY SECURITIES - 99.57%             |                  |            |
| UNITED STATES - 98.86%                 |                  |            |
| CLOSED-END DOMESTIC FUNDS - 7.29%      |                  |            |
| Adams Express Co.                      | 41,800           | \$ 537,966 |
| Boulder Total Return Fund, Inc.        | 18,900           | 322,056    |
| Dreman/Claymore Dividend & Income Fund | 15,000           | 284,400    |
| Tri-Continental Corp.                  | 109,000          | 1,941,290  |
| Zweig Fund, Inc.                       | 165,900          | 887,565    |
| Other Closed-End Domestic Funds (a)    |                  | 80,000     |
|  |                  | 4,053,277  |
| CONSUMER DISCRETIONARY - 11.93%        |                  |            |

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|                                  |        |           |
|----------------------------------|--------|-----------|
| Carnival Corp.                   | 5,300  | 289,115   |
| Home Depot, Inc. (The)           | 12,300 | 478,470   |
| Time Warner Inc. +               | 25,500 | 426,105   |
| Viacom Inc., non-voting Class B  | 9,000  | 288,180   |
| Wal-Mart Stores, Inc.            | 13,000 | 626,600   |
| Walt Disney Co. (The)            | 11,700 | 294,606   |
| Other Consumer Discretionary (a) |        | 4,230,719 |

-----  
6,633,795  
-----

CONSUMER STAPLES - 8.09%

|                            |        |           |
|----------------------------|--------|-----------|
| Altria Group, Inc.         | 10,700 | 691,862   |
| Coca-Cola Co. (The)        | 13,500 | 563,625   |
| PepsiCo, Inc.              | 7,500  | 404,475   |
| Procter & Gamble Co. (The) | 15,000 | 791,250   |
| Other Consumer Staples (a) |        | 2,051,840 |

-----  
4,503,052  
-----

ENERGY - 7.39%

|                     |        |           |
|---------------------|--------|-----------|
| ChevronTexaco Corp. | 7,604  | 425,216   |
| Exxon Mobil Corp.   | 36,000 | 2,068,920 |
| Other Energy (a)    |        | 1,614,599 |

-----  
4,108,735  
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FINANCIALS - 19.00%

|                                    |        |         |
|------------------------------------|--------|---------|
| Allstate Corp. (The)               | 5,200  | 310,700 |
| American Express Company           | 6,100  | 324,703 |
| American International Group, Inc. | 15,331 | 890,731 |

| Description | No. of<br>Shares | Value |
|-------------|------------------|-------|
|-------------|------------------|-------|

FINANCIALS (CONTINUED)

|                                 |        |            |
|---------------------------------|--------|------------|
| Bank of America Corp.           | 18,240 | \$ 831,926 |
| Citigroup Inc.                  | 28,600 | 1,322,178  |
| Fannie Mae                      | 5,700  | 332,880    |
| Goldman Sachs Group, Inc. (The) | 3,000  | 306,060    |
| JPMorgan Chase & Co.            | 12,700 | 448,564    |
| Morgan Stanley                  | 6,200  | 325,314    |
| Wachovia Corp.                  | 8,100  | 401,760    |
| Wells Fargo & Co.               | 9,000  | 554,220    |
| Other Financials (a)            |        | 4,521,514  |

-----  
10,570,550  
-----

HEALTHCARE - 11.41%

|                   |        |           |
|-------------------|--------|-----------|
| Amgen Inc. +      | 8,300  | 501,818   |
| Johnson & Johnson | 18,200 | 1,183,000 |

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|                                       |        |           |
|---------------------------------------|--------|-----------|
| Medtronic, Inc.                       | 7,100  | 367,709   |
| Pfizer Inc.                           | 42,460 | 1,171,047 |
| UnitedHealth Group Inc.               | 10,000 | 521,400   |
| Wyeth                                 | 7,500  | 333,750   |
| Other Healthcare (a)                  |        | 2,267,232 |
|                                       |        | -----     |
|                                       |        | 6,345,956 |
|                                       |        | -----     |
| INDUSTRIALS - 10.67%                  |        |           |
| General Electric Co.                  | 58,000 | 2,009,700 |
| Other Industrials (a)                 |        | 3,924,076 |
|                                       |        | -----     |
|                                       |        | 5,933,776 |
|                                       |        | -----     |
| INFORMATION TECHNOLOGY - 14.63%       |        |           |
| Cisco Systems, Inc. +                 | 35,000 | 668,850   |
| Dell Inc. +                           | 13,700 | 541,287   |
| Hewlett-Packard Co.                   | 13,342 | 313,670   |
| Intel Corp.                           | 32,000 | 833,920   |
| International Business Machines Corp. | 8,200  | 608,440   |
| Microsoft Corp.                       | 51,300 | 1,274,292 |
| Motorola, Inc.                        | 16,100 | 293,986   |
| Oracle Corp. +                        | 33,600 | 443,520   |
| Texas Instruments Inc.                | 13,500 | 378,945   |
| Yahoo! Inc. +                         | 8,500  | 294,525   |
| Other Information Technology (a)      |        | 2,487,651 |
|                                       |        | -----     |
|                                       |        | 8,139,086 |
|                                       |        | -----     |

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See accompanying notes to financial statements

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CORNERSTONE TOTAL RETURN FUND, INC.

SUMMARY SCHEDULE OF INVESTMENTS - JUNE 30, 2005 (UNAUDITED) (CONCLUDED)  
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| Description                             | No. of<br>Shares | Value        |
|---|------------------|--------------|
| -----                                   |                  |              |
| MATERIALS - 2.26%                       |                  |              |
| Total Materials (a)                     |                  | \$ 1,257,991 |
|   |                  | -----        |
| REAL ESTATE INVESTMENT TRUSTS - 0.33%   |                  |              |
| Total Real Estate Investment Trusts (a) |                  | 181,225      |
|   |                  | -----        |

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TELECOMMUNICATION SERVICES - 3.00%

|                                      |        |           |
|--------------------------------------|--------|-----------|
| SBC Communications Inc.              | 25,600 | 608,000   |
| Verizon Communications Inc.          | 14,900 | 514,795   |
| Other Telecommunication Services (a) |        | 546,383   |
|                                      |        | -----     |
|                                      |        | 1,669,178 |
|                                      |        | -----     |

UTILITIES - 2.86%

|                     |       |           |
|---------------------|-------|-----------|
| TXU Corp.           | 3,700 | 307,433   |
| Other Utilities (a) |       | 1,281,593 |
|                     |       | -----     |
|                     |       | 1,589,026 |
|                     |       | -----     |

TOTAL UNITED STATES

|                       |  |            |
|-----------------------|--|------------|
| (cost - \$56,445,957) |  | 54,985,647 |
|                       |  | -----      |

CZECH REPUBLIC - 0.71%  
CONSUMER DISCRETIONARY - 0.71%

|                                    |  |         |
|------------------------------------|--|---------|
| Total Consumer Discretionary # (a) |  | 396,761 |
|                                    |  | -----   |

TOTAL CZECH REPUBLIC

|                    |  |         |
|--------------------|--|---------|
| (cost - \$894,867) |  | 396,761 |
|                    |  | -----   |

TOTAL EQUITY SECURITIES

|                       |  |            |
|-----------------------|--|------------|
| (cost - \$57,340,824) |  | 55,382,408 |
|                       |  | -----      |

| Description  | Principal<br>Amount<br>(000's) | Value        |
|--|--------------------------------|--------------|
|  |                                |              |
| SHORT-TERM INVESTMENTS - 2.36%                     |                                |              |
| REPURCHASE AGREEMENTS - 2.36%                      |                                |              |
| Bear, Stearns & Co. Inc. *                         |                                |              |
| (Agreement dated 6/30/05                           |                                |              |
| to be repurchased at                               |                                |              |
| \$1,315,745) (b)                                   | \$1,315                        | \$ 1,315,647 |
|  |                                | -----        |
| TOTAL SHORT-TERM INVESTMENTS                       |                                |              |
| (cost - \$1,315,647)                               |                                | 1,315,647    |
|  |                                | -----        |
| TOTAL INVESTMENTS - 101.93%                        |                                |              |
| (cost - \$58,656,471)                              |                                | 56,698,055   |
|  |                                | -----        |
| LIABILITIES IN EXCESS OF<br>OTHER ASSETS - (1.93)% |                                | (1,076,234)  |
|  |                                | -----        |
| NET ASSETS - 100.00%                               |                                | \$55,621,821 |

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CORNERSTONE TOTAL RETURN FUND, INC.

STATEMENT OF ASSETS AND LIABILITIES - JUNE 30, 2005 (UNAUDITED)  
-----

ASSETS

|   |               |
|---|---------------|
| Investments, at value (Cost \$58,656,471) | \$ 56,698,055 |
| Receivables:                              |               |
| Investments sold                          | 173,189       |
| Dividends                                 | 63,021        |
| Interest                                  | 1,058         |
| Prepaid expenses                          | 7,355         |
|   | -----         |
| Total Assets                              | 56,942,678    |
|   | -----         |

LIABILITIES

|                                  |           |
|----------------------------------|-----------|
| Payables:                        |           |
| Upon return of securities loaned | 1,162,781 |
| Investment management fees       | 46,477    |
| Directors' fees                  | 11,827    |
| Other accrued expenses           | 99,772    |
|                                  | -----     |
| Total Liabilities                | 1,320,857 |
|                                  | -----     |

|  |               |
|--|---------------|
| NET ASSETS (applicable to 4,882,336 shares<br>of common stock outstanding) | \$ 55,621,821 |
|  | =====         |

|  |          |
|--|----------|
| NET ASSET VALUE PER SHARE (\$55,621,821 / 4,882,336) | \$ 11.39 |
|  | =====    |

NET ASSETS CONSISTS OF

|   |               |
|---|---------------|
| Capital stock, \$0.01 par value; 4,882,336<br>shares issued and outstanding<br>(15,000,000 shares authorized) | \$ 48,823     |
| Paid-in capital   | 77,939,733    |
| Distributions in excess of net investment income  | (4,966,453)   |
| Accumulated net realized loss on investments  | (15,441,866)  |
| Net unrealized depreciation in value of investments   | (1,958,416)   |
|   | -----         |
| Net assets applicable to shares outstanding   | \$ 55,621,821 |
|   | =====         |

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See accompanying notes to financial statements

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CORNERSTONE TOTAL RETURN FUND, INC.

STATEMENT OF OPERATIONS - FOR THE SIX MONTHS ENDED JUNE 30, 2005 (UNAUDITED)  
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INVESTMENT INCOME

Income:

|                         |            |
|-------------------------|------------|
| Dividends               | \$ 554,849 |
| Interest                | 11,100     |
|                         | -----      |
| Total Investment Income | 565,949    |
|                         | -----      |

Expenses:

|                              |         |
|------------------------------|---------|
| Investment management fees   | 286,843 |
| Administration fees          | 28,684  |
| Directors' fees              | 26,531  |
| Legal and audit fees         | 23,580  |
| Printing                     | 19,681  |
| Accounting fees              | 17,051  |
| Transfer agent fees          | 16,343  |
| Custodian fees               | 5,949   |
| Stock exchange listing fees  | 3,902   |
| Insurance                    | 2,881   |
| Miscellaneous                | 4,238   |
|                              | -----   |
| Total Expenses               | 435,683 |
| Less: Management fee waivers | (854)   |
| Less: Fees paid indirectly   | (5,949) |
|                              | -----   |

|              |         |
|--------------|---------|
| Net Expenses | 428,880 |
|              | -----   |

|                       |         |
|-----------------------|---------|
| Net Investment Income | 137,069 |
|                       | -----   |

NET REALIZED AND UNREALIZED LOSS ON INVESTMENTS

|   |             |
|---|-------------|
| Net realized loss from investments                            | (456,884)   |
| Net change in unrealized depreciation in value of investments | (1,295,518) |
|   | -----       |

|   |             |
|---|-------------|
| Net realized and unrealized loss on investments | (1,752,402) |
|   | -----       |

|  |               |
|--|---------------|
| NET DECREASE IN NET ASSETS RESULTING FROM OPERATIONS | \$(1,615,333) |
|  | =====         |

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See accompanying notes to financial statements

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CORNERSTONE TOTAL RETURN FUND, INC.

STATEMENT OF CHANGES IN NET ASSETS

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|  | For the Six Months<br>Ended<br>June 30, 2005<br>(unaudited) | For the Year<br>Ended<br>December 31, 2004 |
|--|---|--|
|  | -----   | -----                                      |
| DECREASE IN NET ASSETS   |   |  |
| Operations:  |   |  |
| Net investment income  | \$ 137,069  | \$ 462,154                                 |
| Net realized loss from investments   | (456,884)   | (428,172)                                  |
| Net change in unrealized depreciation<br>in value of investments   | (1,295,518)   | 4,649,941                                  |
|  | -----   | -----                                      |
| Net increase/(decrease) in net assets<br>resulting from operations   | (1,615,333)   | 4,683,923                                  |
|  | -----   | -----                                      |
| Dividends and distributions to shareholders:   |   |  |
| Net investment income  | (137,069)   | (462,154)                                  |
| Return-of-capital  | (4,966,453)   | (9,584,964)                                |
|  | -----   | -----                                      |
| Total dividends and distributions to shareholders  | (5,103,522)   | (10,047,118)                               |
|  | -----   | -----                                      |
| Capital stock transactions:  |   |  |
| Proceeds from 82,505 and 73,202 shares<br>newly issued in reinvestment of dividends<br>and distributions, respectively | 975,299   | 1,086,831                                  |
|  | -----   | -----                                      |
| Total decrease in net assets   | (5,743,556)   | (4,276,364)                                |
|  | -----   | -----                                      |

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NET ASSETS

|                     |               |               |
|---------------------|---------------|---------------|
| Beginning of period | 61,365,377    | 65,641,741    |
|                     | -----         | -----         |
| End of period       | \$ 55,621,821 | \$ 61,365,377 |
|                     | =====         | =====         |

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See accompanying notes to financial statements

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CORNERSTONE TOTAL RETURN FUND, INC.

FINANCIAL HIGHLIGHTS

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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.

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|  | For the Six<br>Months Ended<br>June 30, 2005 | For the Years Ended Dec |          |          |
|--|--|-------------------------|----------|----------|
|  |  | (unaudited)             | 2004     | 2003     |
|  | -----  | -----                   | -----    | -----    |
| PER SHARE OPERATING<br>PERFORMANCE                                 |  |                         |          |          |
| Net asset value, beginning of period                               | \$ 12.78                                     | \$ 13.89                | \$ 12.89 | \$ 18.30 |
| Net investment income  | 0.03#  | 0.10#                   | 0.08#    | 0.15     |
| Net realized and unrealized gain/(loss)<br>on investments          | (0.36)                                       | 0.87                    | 2.91     | (3.57)   |
| Net increase/(decrease) in net<br>assets resulting from operations | (0.33)                                       | 0.97                    | 2.99     | (3.42)   |
| Dividends and distributions to<br>shareholders:                    |  |                         |          |          |
| Net investment income  | (0.03)                                       | (0.10)                  | (0.08)   | (0.18)   |
| Return-of-capital  | (1.03)                                       | (2.01)                  | (1.91)   | (1.80)   |

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|   |           |           |           |           |
|---|-----------|-----------|-----------|-----------|
| Total dividends and distributions to shareholders   | (1.06)    | (2.11)    | (1.99)    | (1.98)    |
| Capital stock transactions:   |           |           |           |           |
| Anti-dilutive effect due to capital stock repurchased   | --        | --        | --        | 0.02      |
| Anti-dilutive/(dilutive) effect due to shares issued in reinvestment of dividends and distributions | --        | 0.03      | --        | (0.03)    |
| Total capital stock transactions  | --        | 0.03      | --        | (0.01)    |
| Net asset value, end of period  | \$ 11.39  | \$ 12.78  | \$ 13.89  | \$ 12.89  |
| Market value, end of period   | \$ 15.70  | \$ 17.95  | \$ 17.95  | \$ 11.35  |
| Total investment return (a)   | (4.43)%   | 15.11%    | 82.96%    | (19.30)   |
| RATIOS/SUPPLEMENTAL DATA  |           |           |           |           |
| Net assets, end of period (000 omitted)   | \$ 55,622 | \$ 61,365 | \$ 65,642 | \$ 60,151 |
| Ratio of expenses to average net assets, net of fee waivers, if any (b)                             | 1.47%(d)  | 1.41%     | 1.20%     | 1.50      |
| Ratio of expenses to average net assets, excluding fee waivers, if any (c)                          | 1.50%(d)  | 1.45%     | 1.43%     | 2.07      |
| Ratio of expenses to average net assets, net of fee waivers, if any (c)                             | 1.50%(d)  | 1.43%     | 1.23%     | 1.63      |
| Ratio of net investment income to average net assets  | 0.47%(d)  | 0.75%     | 0.65%     | 1.01      |
| Portfolio turnover rate   | 3.67%     | 12.15%    | 3.62%     | 86.60     |

See accompanying notes to financial statements.

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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 with current income as a secondary objective. The Fund is registered under the

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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 will 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 will be valued at the closing price on another exchange where it trades. If there are no such sale prices, the value will be the most recent bid, and if there is no bid, the security will be valued at the most recent asked. If no pricing service is available and there are more than two dealers, the value will be the mean of the highest bid and lowest ask. If there is only one dealer, then the value will be the mean if bid and ask are available, otherwise the value will 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, 2005, the Fund held 0.71% of its net assets in securities valued in good faith by the Board of Directors with an aggregate cost of \$894,867 and a fair value of \$396,761. 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 could, 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.

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CORNERSTONE TOTAL RETURN FUND, INC.

NOTES TO FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)  
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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 it 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.

### 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.

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, 2005, Cornerstone earned \$286,843 for investment management services, of which it waived \$854. 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 \$5,949 arising from credits earned on portfolio transactions executed with a broker, pursuant to a directed brokerage arrangement.

The Fund paid approximately \$12,800 for the six months ended June 30, 2005 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, 2005, purchases and sales of securities, other than short-term investments, were \$2,120,359 and \$6,105,463, respectively.

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NOTE D. SHARE REPURCHASE PROGRAM

As had 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, 2005, the Fund had no repurchases. No limit has been placed on the number of shares to be purchased by the Fund other than those imposed by federal securities laws.

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CORNERSTONE TOTAL RETURN FUND, INC.

NOTES TO FINANCIAL STATEMENTS (UNAUDITED) (CONCLUDED)

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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, 2005 was \$1,145,532.

During the six months ended June 30, 2005, the Fund earned \$4,083 in securities lending income that is included under the caption INTEREST 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 year ended December 31, 2004 for the Fund were as follows:

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| ORDINARY INCOME<br>----- | RETURN-OF-CAPITAL<br>----- |
|--------------------------|----------------------------|
| \$462,154                | \$9,584,964                |

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, 2004, the Fund had a capital loss carryforward for U.S. federal income tax purposes of \$14,841,454 of which \$12,887,270 expires in 2008, \$1,170,157 expires in 2009, \$425,706 expires in 2011 and \$358,321 expires in 2012.

At June 30, 2005, 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 \$58,708,100, \$6,969,335, \$(8,979,380) and \$(2,010,045), respectively.

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RESULTS OF ANNUAL MEETING OF STOCKHOLDERS (UNAUDITED)

On May 10, 2005, 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 2006 Annual Meeting.

| NAME OF DIRECTORS<br>----- | FOR<br>--- | WITHHOLD<br>----- |
|----------------------------|------------|-------------------|
| Ralph W. Bradshaw          | 4,539,599  | 18,760            |
| William A. Clark           | 4,540,202  | 18,157            |
| Thomas H. Lenagh           | 4,527,334  | 31,025            |
| Edwin Meese III            | 4,527,777  | 30,582            |
| Scott B. Rogers            | 4,531,545  | 26,814            |
| Andrew A. Strauss          | 4,535,655  | 22,704            |
| Glenn W. Wilcox, Sr.       | 4,539,917  | 18,442            |

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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 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 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.

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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

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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.

INVESTMENT MANAGEMENT AGREEMENT APPROVAL DISCLOSURE (UNAUDITED)

The Board of Directors including, the Independent Directors, (the "Board") of the 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 25, 2005.

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 current premium of the Fund's market price to its net asset value. 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. 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

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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 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 shareholders, 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.

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PROXY VOTING AND PORTFOLIO HOLDINGS INFORMATION (UNAUDITED)

Information regarding how the Cornerstone Total Return Fund, Inc. (the "Fund") voted proxies related to its portfolio securities during the 12-month period ended June 30, 2005 as well as the policies and procedures that the Fund 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>.

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 1-800-SEC-0330.

### 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

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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.

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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.

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NOTICE IS HEREBY GIVEN IN ACCORDANCE WITH SECTION 23(C) OF THE INVESTMENT COMPANY ACT OF 1940, AS AMENDED, THAT CORNERSTONE TOTAL RETURN FUND, INC. MAY FROM TIME TO TIME PURCHASE SHARES OF ITS CAPITAL STOCK IN THE OPEN MARKET.  
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This report, including the financial statements herein, is sent to the shareholders of the Fund for their information. 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.  
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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.

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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.

ITEM 5. AUDIT COMMITTEE OF LISTED REGISTRANTS.

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

ITEM 6. SCHEDULE OF INVESTMENTS.

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CORNERSTONE TOTAL RETURN FUND, INC.  
SCHEDULE OF INVESTMENTS -- JUNE 30, 2005 (UNAUDITED)  
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| DESCRIPTION                            | NO. OF SHARES | VALUE      |
|--|---------------|------------|
| EQUITY SECURITIES - 99.57%             |               |            |
| UNITED STATES - 98.86%                 |               |            |
| CLOSED-END DOMESTIC FUNDS - 7.29%      |               |            |
| Adams Express Co.                      | 41,800        | \$ 537,966 |
| Boulder Total Return Fund, Inc.        | 18,900        | 322,056    |
| Dreman/Claymore Dividend & Income Fund | 15,000        | 284,400    |

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|  |         |           |
|--|---------|-----------|
| General American Investors Company, Inc. | 2,500   | 80,000    |
| Tri-Continental Corp.                    | 109,000 | 1,941,290 |
| Zweig Fund, Inc. (The)                   | 165,900 | 887,565   |
|  |         | -----     |
|  |         | 4,053,277 |
|  |         | -----     |
| CONSUMER DISCRETIONARY - 11.93%          |         |           |
| Bed Bath & Beyond Inc. +                 | 2,500   | 104,450   |
| Best Buy Co., Inc.                       | 2,500   | 171,375   |
| Carnival Corp.                           | 5,300   | 289,115   |
| Clear Channel Communications, Inc.       | 2,700   | 83,511    |
| Comcast Corp., Class A +                 | 8,508   | 261,196   |
| Comcast Corp., Special Class A +         | 4,500   | 134,775   |
| Costco Wholesale Corp.                   | 2,600   | 116,532   |
| Dana Corporation                         | 2,500   | 37,525    |
| Delphi Corporation                       | 5,100   | 23,715    |
| Eastman Kodak Co.                        | 2,500   | 67,125    |
| Ford Motor Company                       | 15,200  | 155,648   |
| Fortune Brands, Inc.                     | 2,500   | 222,000   |
| Gap, Inc. (The)                          | 6,900   | 136,275   |
| General Motors Corp.                     | 2,500   | 85,000    |
| Goodyear Tire & Rubber Company (The) +   | 2,500   | 37,250    |
| Harley-Davidson, Inc.                    | 2,500   | 124,000   |
| Harrah's Entertainment, Inc.             | 2,500   | 180,175   |
| Hilton Hotels Corp.                      | 2,500   | 59,625    |
| Home Depot, Inc. (The)                   | 12,300  | 478,470   |
| J.C. Penney Company, Inc.                | 2,500   | 131,450   |
| Kohl's Corp. +                           | 2,500   | 139,775   |
| Lowe's Companies, Inc.                   | 3,700   | 215,414   |
| Mattel, Inc.                             | 4,500   | 82,350    |
| McDonald's Corp.                         | 8,100   | 224,775   |
| McGraw-Hill Companies, Inc. (The)        | 5,000   | 221,250   |
| Monsanto Co.                             | 1,773   | 111,469   |
| Office Depot, Inc. +                     | 2,500   | 57,100    |
| Omnicom Group Inc.                       | 1,500   | 119,790   |
| Reebok International Ltd.                | 2,500   | 104,575   |
| Rockwell Automation, Inc.                | 2,500   | 121,775   |
| Staples, Inc.                            | 3,150   | 67,158    |
| Starbucks Corp. +                        | 2,500   | 129,150   |
| Target Corporation                       | 4,600   | 250,286   |
| Time Warner Inc. +                       | 25,500  | 426,105   |
| TJX Companies, Inc. (The)                | 4,000   | 97,400    |
| Tribune Company                          | 2,500   | 87,950    |
| Univision Communications Inc., Class A + | 2,500   | 68,875    |
| Viacom Inc., non-voting Class B          | 9,000   | 288,180   |
| Wal-Mart Stores, Inc.                    | 13,000  | 626,600   |
| Walt Disney Co. (The)                    | 11,700  | 294,606   |
|  |         | -----     |
|  |         | 6,633,795 |
|  |         | -----     |
| CONSUMER STAPLES - 8.09%                 |         |           |
| Albertson's, Inc.                        | 2,500   | 51,700    |
| Altria Group, Inc.                       | 10,700  | 691,862   |
| Anheuser-Busch Companies, Inc.           | 3,700   | 169,275   |
| Archer Daniels Midland Company           | 2,500   | 53,450    |
| Avon Products, Inc.                      | 2,500   | 94,625    |
| Campbell Soup Company                    | 3,200   | 98,464    |
| Coca-Cola Co. (The)                      | 13,500  | 563,625   |
| Coca-Cola Enterprises Inc.               | 2,500   | 55,025    |
| ConAgra Foods, Inc.                      | 2,500   | 57,900    |
| General Mills, Inc.                      | 2,500   | 116,975   |
| Gillette Company (The)                   | 5,100   | 258,213   |

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|   |        |           |
|---|--------|-----------|
| H.J. Heinz Co.                                | 2,700  | 95,634    |
| Kimberly-Clark Corporation                    | 2,500  | 156,475   |
| Kroger Co. (The) +                            | 6,600  | 125,598   |
| PepsiCo, Inc.                                 | 7,500  | 404,475   |
| Procter & Gamble Co. (The)                    | 15,000 | 791,250   |
| Safeway Inc. +                                | 4,900  | 110,691   |
| Sara Lee Corp.                                | 2,600  | 51,506    |
| Sysco Corp.                                   | 3,500  | 126,665   |
| Walgreen Co.                                  | 5,600  | 257,544   |
| Wm. Wrigley Jr. Company                       | 2,500  | 172,100   |
|   |        | -----     |
|   |        | 4,503,052 |
|   |        | -----     |
| ENERGY - 7.39%                                |        |           |
| Anadarko Petroleum Corp.                      | 2,500  | 205,375   |
| Baker Hughes Inc.                             | 2,500  | 127,900   |
| Burlington Resources, Inc.                    | 2,500  | 138,100   |
| CenterPoint Energy, Inc.                      | 5,700  | 75,297    |
| ChevronTexaco Corp.                           | 7,604  | 425,216   |
| ConocoPhillips                                | 3,338  | 191,902   |
| Devon Energy Corporation                      | 2,500  | 126,700   |
| Exxon Mobil Corp.                             | 36,000 | 2,068,920 |
| Halliburton Co.                               | 2,500  | 119,550   |
| Occidental Petroleum Corp.                    | 2,500  | 192,325   |
| Schlumberger Ltd.                             | 2,500  | 189,850   |
| Unocal Corp.                                  | 2,500  | 162,625   |
| XTO Energy Inc.                               | 2,500  | 84,975    |
|   |        | -----     |
|   |        | 4,108,735 |
|   |        | -----     |
| FINANCIALS - 19.00%                           |        |           |
| Aetna Inc.                                    | 2,000  | 165,640   |
| AFLAC Inc.                                    | 4,000  | 173,120   |
| Allstate Corp. (The)                          | 5,200  | 310,700   |
| American Express Company                      | 6,100  | 324,703   |
| American International Group, Inc.            | 15,331 | 890,731   |
| AmSouth Bancorporation                        | 2,500  | 65,000    |
| Bank of America Corp.                         | 18,240 | 831,926   |
| Bank of New York Co., Inc. (The)              | 5,900  | 169,802   |
| BB&T Corporation                              | 2,000  | 79,940    |
| Capital One Financial Corporation             | 1,000  | 80,010    |
| Charles Schwab Corporation (The)              | 8,200  | 92,496    |
| Cincinnati Financial Corporation              | 2,500  | 98,900    |
| Citigroup Inc.                                | 28,600 | 1,322,178 |
| Countrywide Financial Corporation             | 3,500  | 135,135   |
| Fannie Mae                                    | 5,700  | 332,880   |
| Fifth Third Bancorp                           | 2,500  | 103,025   |
| Fiserv, Inc. +                                | 2,500  | 107,375   |
| Freddie Mac                                   | 3,300  | 215,259   |
| Goldman Sachs Group, Inc. (The)               | 3,000  | 306,060   |
| Hartford Financial Services Group, Inc. (The) | 1,600  | 119,648   |
| JPMorgan Chase & Co.                          | 12,700 | 448,564   |
| KeyCorp                                       | 2,500  | 82,875    |
| Lehman Brothers Holding Inc.                  | 2,500  | 248,200   |
| M&T Bank Corporation                          | 2,500  | 262,900   |
| Marsh & McLennan Companies, Inc.              | 4,600  | 127,420   |
| MBNA Corp.                                    | 7,550  | 197,508   |
| Mellon Financial Corporation                  | 2,300  | 65,987    |
| Merrill Lynch & Co., Inc.                     | 1,100  | 60,511    |
| MetLife, Inc.                                 | 6,000  | 269,640   |
| Moody's Corporation                           | 2,000  | 89,920    |
| Morgan Stanley                                | 6,200  | 325,314   |

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|  |        |            |
|--|--------|------------|
| North Fork Bancorporation, Inc.              | 2,500  | 70,225     |
| Northern Trust Corp.                         | 1,100  | 50,149     |
| PNC Financial Services Group, Inc.           | 1,400  | 76,244     |
| Progressive Corporaton (The)                 | 2,500  | 247,025    |
| Providian Financial Corporation. +           | 2,500  | 44,075     |
| Prudential Financial, Inc.                   | 2,500  | 164,150    |
| SLM Corporation                              | 2,500  | 127,000    |
| St. Paul Travelers Companies, Inc. (The)     | 2,292  | 90,603     |
| State Street Corp.                           | 1,600  | 77,200     |
| SunTrust Banks, Inc.                         | 1,500  | 108,360    |
| U.S. Bancorp                                 | 9,700  | 283,240    |
| Wachovia Corp.                               | 8,100  | 401,760    |
| Washington Mutual, Inc.                      | 4,250  | 172,932    |
| Wells Fargo & Co.                            | 9,000  | 554,220    |
|  |        | -----      |
|  |        | 10,570,550 |
|  |        | -----      |
| HEALTHCARE - 11.41%                          |        |            |
| Amgen Inc. +                                 | 8,300  | 501,818    |
| Becton, Dickinson & Co.                      | 2,500  | 131,175    |
| Biogen Idec Inc.                             | 2,500  | 86,125     |
| Biomet, Inc.                                 | 2,500  | 86,600     |
| Boston Scientific Corp. +                    | 5,000  | 135,000    |
| Bristol-Myers Squibb Co.                     | 9,600  | 239,808    |
| Caremark Rx, Inc. +                          | 2,500  | 111,300    |
| Eli Lilly & Co.                              | 4,100  | 228,411    |
| Genzyme Corporation +                        | 1,500  | 90,135     |
| Health Management Associates, Inc., Class A  | 2,500  | 65,450     |
| Johnson & Johnson                            | 18,200 | 1,183,000  |
| Laboratory Corporation of America Holdings + | 2,500  | 124,750    |
| McKesson Corp.                               | 2,500  | 111,975    |
| Medco Health Solutions, Inc. +               | 1,531  | 81,694     |
| Medtronic, Inc.                              | 7,100  | 367,709    |
| Merck & Co. Inc.                             | 8,700  | 267,960    |
| Pfizer Inc.                                  | 42,460 | 1,171,047  |
| Schering-Plough Corp.                        | 8,400  | 160,104    |
| Stryker Corporation                          | 2,000  | 95,120     |
| Tenet Healthcare Corp. +                     | 5,000  | 61,200     |
| United Health Group Inc.                     | 10,000 | 521,400    |
| Wyeth  | 7,500  | 333,750    |
| Zimmer Holdings, Inc. +                      | 2,500  | 190,425    |
|  |        | -----      |
|  |        | 6,345,956  |
|  |        | -----      |
| INDUSTRIALS - 10.67%                         |        |            |
| 3M Co.                                       | 2,500  | 180,750    |
| Apollo Group, Inc., Class A +                | 1,000  | 78,220     |
| Boeing Company (The)                         | 3,900  | 257,400    |
| Burlington Northern Sante Fe Corporation     | 2,000  | 94,160     |
| Caterpillar Inc.                             | 2,500  | 238,275    |
| Cendant Corp.                                | 7,100  | 158,827    |
| CSX Corp.                                    | 2,500  | 106,650    |
| Danaher Corp.                                | 2,500  | 130,850    |
| Deere & Coompany                             | 2,500  | 163,725    |
| Dover Corporation                            | 1,000  | 36,380     |
| Emerson Electric Co.                         | 2,000  | 125,260    |
| FedEx Corp.                                  | 2,500  | 202,525    |
| General Dynamics Corp.                       | 2,500  | 273,850    |
| General Electric Co.                         | 58,000 | 2,009,700  |
| Honeywell International Inc.                 | 3,300  | 120,879    |
| Illinois Tool Works Inc.                     | 2,500  | 199,200    |
| Lockheed Martin Corp.                        | 2,500  | 162,175    |

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|   |        |           |
|---|--------|-----------|
| Norfolk Southern Corporation            | 2,500  | 77,400    |
| Paychex, Inc.                           | 2,500  | 81,350    |
| Raytheon Company                        | 2,500  | 97,800    |
| Southwest Airlines Co.                  | 6,100  | 84,973    |
| Transocean Inc. +                       | 2,500  | 134,925   |
| Tyco International Ltd.                 | 9,100  | 265,720   |
| United Parcel Service, Inc., Class B    | 4,000  | 276,640   |
| United Technologies Corp.               | 4,400  | 225,940   |
| Waste Management, Inc.                  | 5,300  | 150,202   |
|   |        | -----     |
|   |        | 5,933,776 |
|   |        | -----     |
| INFORMATION TECHNOLOGY - 14.63%         |        |           |
| Adobe Systems Inc.                      | 2,500  | 71,550    |
| Agere Systems, Inc. +                   | 7      | 84        |
| Agilent Technologies, Inc. +            | 5,000  | 115,100   |
| Analog Devices, Inc.                    | 2,500  | 93,275    |
| Apple Computer, Inc. +                  | 5,000  | 184,050   |
| Applied Materials, Inc.                 | 13,400 | 216,812   |
| Autodesk, Inc.                          | 2,500  | 85,925    |
| Cisco Systems, Inc. +                   | 35,000 | 668,850   |
| Computer Associates International, Inc. | 2,700  | 74,196    |
| Corning Inc. +                          | 7,500  | 124,650   |
| Dell Inc. +                             | 13,700 | 541,287   |
| eBay, Inc. +                            | 7,000  | 231,070   |
| Electronic Data Systems Corp.           | 7,500  | 144,375   |
| EMC Corp. +                             | 8,000  | 109,680   |
| First Data Corporation                  | 4,325  | 173,606   |
| Freescale Semiconductor Inc., Class B + | 1,777  | 37,637    |
| Hewlett-Packard Co.                     | 13,342 | 313,670   |
| Intel Corp.                             | 32,000 | 833,920   |
| International Business Machines Corp.   | 8,200  | 608,440   |
| Maxim Integrated Products, Inc.         | 2,500  | 95,525    |
| Micron Technology, Inc. +               | 5,500  | 56,155    |
| Microsoft Corp.                         | 51,300 | 1,274,292 |
| Motorola, Inc.                          | 16,100 | 293,986   |
| Network Appliance, Inc. +               | 2,500  | 70,675    |
| Oracle Corp. +                          | 33,600 | 443,520   |
| PerkinElmer, Inc.                       | 1,500  | 28,350    |
| QUALCOMM Inc.                           | 6,800  | 224,468   |
| Siebel Systems, Inc.                    | 5,000  | 44,500    |
| Sollectron Corp. +                      | 5,700  | 21,603    |
| Symantec Corp. +                        | 5,000  | 108,700   |
| Texas Instruments Inc.                  | 13,500 | 378,945   |
| Waters Corporation +                    | 2,500  | 92,925    |
| Xerox Corporation +                     | 6,000  | 82,740    |
| Yahoo! Inc. +                           | 8,500  | 294,525   |
|   |        | -----     |
|   |        | 8,139,086 |
|   |        | -----     |
| MATERIALS - 2.26%                       |        |           |
| Air Products & Chemicals, Inc.          | 2,500  | 150,750   |
| Alcoa Inc.                              | 4,300  | 112,359   |
| Dow Chemical Co. (The)                  | 4,700  | 209,291   |
| E.I. du Pont de Nemours & Co.           | 5,800  | 249,458   |
| International Paper Co.                 | 4,800  | 145,008   |
| Newmont Mining Corporation              | 2,500  | 97,575    |
| Nucor Corp.                             | 2,500  | 114,050   |
| Rohm & Haas Co.                         | 2,500  | 115,850   |
| Weyerhaeuser Co.                        | 1,000  | 63,650    |
|   |        | -----     |
|   |        | 1,257,991 |
|   |        | -----     |

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|  |        |            |
|--|--------|------------|
| -----                                  |        |            |
| REAL ESTATE INVESTMENT TRUSTS - 0.33%  |        |            |
| Simon Property Group, Inc.             | 2,500  | 181,225    |
| -----                                  |        |            |
| TELECOMMUNICATIONS SERVICES - 3.00%    |        |            |
| AT&T Corp.                             | 5,260  | 100,150    |
| BellSouth Corporation                  | 5,200  | 138,164    |
| Lucent Technologies Inc. +             | 15,000 | 43,650     |
| Nextel Communications, Inc., Class A + | 5,000  | 161,550    |
| SBC Communications Inc.                | 25,600 | 608,000    |
| Sprint Corp.                           | 4,100  | 102,869    |
| Verizon Communications Inc.            | 14,900 | 514,795    |
| -----                                  |        |            |
|  |        | 1,669,178  |
| -----                                  |        |            |
| UTILITIES - 2.86%                      |        |            |
| American Electric Power Co., Inc.      | 5,500  | 202,785    |
| Dominion Resources, Inc.               | 2,000  | 146,780    |
| Duke Energy Corp.                      | 6,600  | 196,218    |
| Exelon Corp.                           | 2,500  | 128,325    |
| FirstEnergy Corp.                      | 2,500  | 120,275    |
| Scottish Power plc, ADR                | 4,000  | 142,400    |
| Sempra Energy                          | 2,500  | 103,275    |
| Southern Co. (The)                     | 2,500  | 86,675     |
| TXU Corp.                              | 3,700  | 307,433    |
| Williams Companies, Inc. (The)         | 2,500  | 47,500     |
| Xcel Energy, Inc.                      | 5,500  | 107,360    |
| -----                                  |        |            |
|  |        | 1,589,026  |
| -----                                  |        |            |
| TOTAL UNITED STATES                    |        | 54,985,647 |
| -----                                  |        |            |
| (cost - \$56,445,957)                  |        |            |
| CZECH REPUBLIC - 0.71%                 |        |            |
| CONSUMER DISCRETIONARY - 0.71%         |        |            |
| Bonton a.s + # ^                       | 68,590 | 7,794      |
| Bonton Book a.s + #                    | 68,590 | 62,353     |
| Bonton Discs a.s. + # ^                | 68,590 | 39         |
| Bonton Film Entertainment a.s. + #     | 68,590 | 227,979    |
| Bonton Music a.s. + #                  | 68,590 | 59,625     |
| Bonton Pictures a.s. + #               | 68,590 | 38,971     |
| -----                                  |        |            |
|  |        | 396,761    |
| -----                                  |        |            |
| TOTAL CZECH REPUBLIC                   |        | 396,761    |
| (cost - \$894,867)                     |        |            |
| TOTAL EQUITY SECURITIES                |        | 55,382,408 |
| (cost - \$57,340,824)                  |        |            |
| -----                                  |        |            |

PRINCIPAL  
AMOUNT (000'S)

|   |        |         |
|---|--------|---------|
| SHORT-TERM INVESTMENTS - 2.36%  |        |         |
| REPURCHASE AGREEMENTS - 2.36%   |        |         |
| Bear, Stearns & Co. Inc. * **   | \$ 673 | 673,475 |
| (Agreement dated 6/30/05 to be repurchased<br>at \$673,538), 3.375%, 07/01/05, collateralized<br>by \$694,274 in U.S. Treasury STRIPS |        |         |

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|   |     |               |
|---|-----|---------------|
| Bear, Stearns & Co. Inc. * **   | 489 | 489,306       |
| (Agreement dated 6/30/05 to be repurchased<br>at \$489,329), 1.6875%, 07/01/05,<br>collateralized by \$506,722 in U.S. Treasury<br>STRIPS |     |               |
| Bear, Stearns & Co. Inc.  | 153 | 152,866       |
| (Agreement dated 6/30/05 to be repurchased<br>at \$152,878), 2.80%, 07/01/05, collateralized<br>by \$157,939 in U.S. Treasury STRIPS      |     |               |
| TOTAL SHORT-TERM INVESTMENTS  |     | 1,315,647     |
| (cost - \$1,315,647)  |     | -----         |
| TOTAL INVESTMENTS - 101.93%   |     | 56,698,055    |
| (cost - \$58,656,471)   |     | -----         |
| LIABILITIES IN EXCESS OF OTHER ASSETS - (1.93)%   |     | (1,076,234)   |
|   |     | -----         |
| NET ASSETS - 100.00%  |     | \$ 55,621,821 |
|   |     | =====         |

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. PORTFOLIO MANAGERS OF CLOSED-END MANAGEMENT INVESTMENT COMPANIES.

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

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

Not applicable.

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

There have been no material changes to the procedures by which shareholders may recommend nominees to the registrant's Board of Directors 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 27, 2005.

ITEM 11. CONTROLS AND PROCEDURES.

(a) At a date within 90 days from the filing date of this report, the principal executive officer and the principal financial officer concluded that 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

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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 second fiscal quarter of the period covered by this report that have materially affected, or are reasonably likely to materially affect, the registrant's internal control over financial reporting.

ITEM 12. EXHIBITS.

(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.

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  
Date: September 8, 2005

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.

Cornerstone Total Return Fund, Inc.

By: /s/ RALPH W. BRADSHAW

-----

Name: Ralph W. Bradshaw  
Title: Principal Executive Officer  
Date: September 8, 2005

By: /s/ JODI B. LEVINE

-----

Name: Jodi B. Levine  
Title: Principal Financial Officer  
Date: September 8, 2005

