

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

CORNERSTONE TOTAL RETURN FUND INC

Form N-Q

November 26, 2008

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

FORM N-Q

QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS OF REGISTERED  
MANAGEMENT INVESTMENT COMPANY

Investment Company Act file number 811-02363  
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Cornerstone Total Return Fund, Inc.

-----  
(Exact name of registrant as specified in charter)

237 Park Avenue, New York, NY 10017

-----  
(Address of principal executive offices) (Zip code)

Kayadti A. Madison

Cornerstone Total Return Fund, Inc., 237 Park Avenue, New York, NY 10017

-----  
(Name and address of agent for service)

Registrant's telephone number, including area code: (212) 272-3550  
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Date of fiscal year end: December 31, 2008  
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Date of reporting period: September 30, 2008  
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ITEM 1: SCHEDULE OF INVESTMENTS

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CORNERSTONE TOTAL RETURN FUND, INC.  
SCHEDULE OF INVESTMENTS -- SEPTEMBER 30, 2008 (UNAUDITED)

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DESCRIPTION	NO. OF SHARES	VALUE
EQUITY SECURITIES - 99.81%		
CLOSED-END FUNDS - 6.56%		
Adams Express Company (a)	59,400	\$ 640,332
Alpine Global Premier Properties Fund	3,000	19,470
Boulder Total Return Fund, Inc.	7,500	109,275
Central Europe and Russia Fund, Inc. (The) ^	2,500	76,725
Denali Fund (The) ^	8,500	125,120
Dreman/Claymore Dividend & Income Fund	56,500	294,365

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H&Q Healthcare Investors	11,400	156,180
H&Q Life Sciences Investors	6,000	63,480
Japan Equity Fund *	13,000	70,330
Liberty All-Star Equity Fund	5,000	22,550
Liberty All-Star Growth Fund, Inc.	39,075	135,590
Petroleum & Resources Corporation (a)	3,000	88,560
Templeton Emerging Markets Fund ^	3,000	46,020
Zweig Fund, Inc.	37,000	132,460
		-----
		1,980,457
		-----
CONSUMER DISCRETIONARY - 8.06%		
Amazon.com, Inc. *	2,500	181,900
Bed Bath & Beyond Inc. ^ *	2,500	78,525
Comcast Corporation, Class A	9,012	176,906
Comcast Corporation, Special Class A	4,250	83,810
DIRECTV Group, Inc. (The) *	4,000	104,680
Ford Motor Company ^ *	14,000	72,800
Gap, Inc. (The)	3,000	53,340
Goodyear Tire & Rubber Company (The) ^ *	2,500	38,275
Home Depot, Inc. (The)	5,000	129,450
Johnson Controls, Inc.	2,500	75,825
Lowe's Companies, Inc.	5,000	118,450
Mattel, Inc.	1,500	27,060
McDonald's Corporation ^	5,100	314,670
News Corporation, Class B ^	2,500	30,375
NIKE, Inc., Class B ^	2,500	167,250
Omnicom Group Inc.	3,000	115,680
Pulte Homes, Inc.	2,500	34,925
Staples, Inc. ^	3,150	70,875
Time Warner Inc.	11,000	144,210
TJX Companies, Inc. (The)	2,500	76,300
Walt Disney Company (The) ^	11,000	337,590
		-----
		2,432,896
		-----
CONSUMER STAPLES - 11.66%		
Altria Group, Inc.	5,000	99,200
Archer-Daniels-Midland Company ^	2,500	54,775
Coca-Cola Company (The)	5,000	264,400
Colgate-Palmolive Company	2,500	188,375
ConAgra Foods, Inc.	2,500	48,650
CVS Caremark Corporation	4,175	140,530
H.J. Heinz Company	2,700	134,757
Kraft Foods Inc, Class A	5,328	174,492
Kroger Co. (The)	3,600	98,928
PepsiCo, Inc.	5,000	356,350
Philip Morris International Inc.	7,700	370,370
Procter & Gamble Company (The)	8,472	590,414
Sara Lee Corporation	2,500	31,575
Walgreen Co.	3,100	95,976
Wal-Mart Stores, Inc. ^	14,500	868,405
		-----
		3,517,197
		-----
ENERGY - 12.41%		
Chesapeake Energy Corporation	2,500	89,650
Chevron Corporation	10,068	830,409
Devon Energy Corporation	2,500	228,000
El Paso Corporation	5,000	63,800

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EOG Resources, Inc. ^	1,000	89,460
Exxon Mobil Corporation	17,500	1,359,050
Halliburton Company	2,500	80,975
Peabody Energy Corporation ^	2,500	112,500
Schlumberger Limited	5,000	390,450
Spectra Energy Corporation ^	2,500	59,500
Transocean Inc.	1,000	109,840
Weatherford International Ltd. *	5,000	125,700
Williams Companies, Inc. (The) ^	2,500	59,125
XTO Energy, Inc.	3,125	145,375
		-----
		3,743,834
		-----
 FINANCIALS - 13.54%		
AFLAC Incorporated	1,500	88,125
American International Group, Inc.	8,331	27,742
Ameriprise Financial, Inc.	1,220	46,604
Aon Corporation	2,500	112,400
Bank of America Corporation ^	17,521	613,235
Bank of New York Mellon Corporation	4,800	156,384
BB&T Corporation ^	2,000	75,600
Charles Schwab Corporation (The)	8,200	213,200
Chubb Corporation (The)	2,000	109,800
Goldman Sachs Group, Inc. (The)	3,000	384,000
Hartford Financial Services Group, Inc. (The)	2,500	102,475
Hudson City Bancorp, Inc. ^	2,500	46,125
JPMorgan Chase & Co.	18,200	849,940
MetLife, Inc.	3,000	168,000
Morgan Stanley	4,000	92,000
State Street Corporation	1,600	91,008
Travelers Companies, Inc. (The)	5,092	230,158
Unum Group ^	2,500	62,750
U.S. Bancorp	2,500	90,050
Wells Fargo & Company	14,000	525,420
		-----
		4,085,016
		-----
 HEALTHCARE - 12.42%		
Aetna Inc.	4,000	144,440
Baxter International Inc.	2,500	164,075
Bristol-Myers Squibb Company ^	4,000	83,400
Celgene Corporation *	2,500	158,200
Gilead Sciences, Inc. *	7,000	319,060
Johnson & Johnson	15,500	1,073,840
Laboratory Corporation of America Holdings *	2,500	173,750
McKesson Corporation ^	2,500	134,525
Medco Health Solutions, Inc. *	1,562	70,290
Medtronic, Inc.	4,500	225,450
Merck & Co. Inc.	10,700	337,692
Pfizer Inc. ^	12,000	221,280
Schering-Plough Corporation ^	4,400	81,268
St. Jude Medical, Inc. ^ *	2,500	108,725
Stryker Corporation ^	2,000	124,600
UnitedHealth Group Incorporated ^	3,500	88,865
Waters Corporation *	2,500	145,450
Wyeth	2,500	92,350
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		3,747,260
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INDUSTRIALS - 10.41%		
Allied Waste Industries, Inc. *	2,500	27,775
Caterpillar Inc.	2,500	149,000
CSX Corporation	5,000	272,850
Danaher Corporation	2,500	173,500
Deere & Company	2,000	99,000
Emerson Electric Co.	2,500	101,975
General Dynamics Corporation ^	2,500	184,050
General Electric Company	40,000	1,020,000
Illinois Tool Works Inc.	2,500	111,125
Lockheed Martin Corporation	2,500	274,175
Raytheon Company	2,500	133,775
United Parcel Service, Inc., Class B	4,000	251,560
United Technologies Corporation	4,400	264,264
Waste Management, Inc.	2,500	78,725
		-----
		3,141,774
		-----
INFORMATION TECHNOLOGY - 14.70%		
Agilent Technologies Inc. *	2,500	74,150
Apple, Inc. *	4,000	454,640
Automatic Data Processing, Inc.	2,500	106,875
Cisco Systems, Inc. *	13,000	293,280
Corning Incorporated	6,000	93,840
eBay Inc. *	6,500	145,470
EMC Corporation ^ *	8,000	95,680
Google Inc. ^ *	1,000	400,520
Hewlett-Packard Company	5,000	231,200
Intel Corporation	16,000	299,680
International Business Machines Corporation ^	3,200	374,272
Intuit Inc. ^ *	2,500	79,025
Microsoft Corporation	26,500	707,285
Nokia ADR	2,500	46,625
Oracle Corporation *	23,600	479,316
Paychex, Inc.	2,500	82,575
QUALCOMM Inc.	6,800	292,196
Texas Instruments Incorporated	4,000	86,000
Xerox Corporation	3,000	34,590
Xilinx, Inc. ^	2,500	58,625
		-----
		4,435,844
		-----
MATERIALS - 2.73%		
Air Products & Chemicals, Inc.	2,500	171,225
Dow Chemical Company (The)	1,500	47,670
E. I. du Pont de Nemours and Company	2,800	112,840
Freeport-McMoRan Copper & Gold, Inc. ^	2,500	142,125
Monsanto Company ^	3,546	350,983
		-----
		824,843
		-----
REAL ESTATE INVESTMENT TRUST - 0.80%		
Simon Property Group, Inc. ^	2,500	242,500
		-----
TELECOMMUNICATION SERVICES - 2.98%		
AT&T Inc.	23,589	658,605
Verizon Communications Inc.	7,500	240,675
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		899,280
		-----
UTILITIES - 3.54%		
AES Corporation (The) ^ *	3,000	35,070
Alleghany Energy Inc. ^	2,500	91,925
American Electric Power Company, Inc.	5,500	203,940
Dominion Resources, Inc. ^	5,000	213,900
Duke Energy Corporation	6,600	115,038
FirstEnergy Corp.	2,500	167,475
NiSource Inc.	2,500	36,900
Southern Company (The) ^	2,500	94,225
Xcel Energy, Inc.	5,500	109,945
		-----
		1,068,418
		-----
TOTAL EQUITY SECURITIES		30,119,319
(cost - \$28,905,533)		-----
SHORT-TERM INVESTMENTS - 8.01%		
MONEY MARKET SECURITY - 0.13%		
JPMorgan U.S. Government Money Market Fund	38,134	38,134
		-----
	PRINCIPAL	
	AMOUNT	
	(000's)	
		-----
REPURCHASE AGREEMENTS - 7.88%		
Bear, Stearns & Co. Inc. + ++		
(Agreements dated 9/30/2008 to be repurchased at \$1,269,093, 3.50%, 10/1/2008, collateralized by \$1,306,165 in United States Treasury Bonds)	\$ 1,269	1,268,970
Bear, Stearns & Co. Inc. + ++		
(Agreements dated 9/30/2008 to be repurchased at \$1,109,816, 7.00%, 10/1/2008, collateralized by \$1,142,188 in United States Treasury Bonds)	1,110	1,109,600
		-----
		2,378,570
		-----
TOTAL SHORT-TERM INVESTMENTS		2,416,704
(cost - \$2,416,704)		-----
TOTAL INVESTMENTS - 107.82%		32,536,023
(cost - \$31,322,237)		-----
LIABILITIES IN EXCESS OF OTHER ASSETS - (7.82)%		(2,360,013)
		-----
NET ASSETS - 100.00%		\$ 30,176,010
		=====

(a) Affiliated investment. The Fund holds 2.12% and 0.29% (based on net assets) of Adams Express Company and Petroleum & Resources Corporation, respectively. A director of the Fund also serves as a director to such companies. During the nine months ended September 30, 2008, 11,000 shares of Adams Express Company were sold. There were no other purchases or sales of these securities.

^ Security or a portion thereof is out on loan.

\* Non-income producing security.

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ADR American Depositary Receipt

+ Stated interest rate, before rebate earned by borrower of securities on loan.

++ Represents investment purchased with collateral received for securities on loan.

Federal Income Tax Cost: At September 30, 2008 the identified cost for federal income tax purposes, as well as the gross unrealized appreciation from investments for those securities having an excess of value over cost, gross unrealized depreciation from investments for those securities having an excess of cost over value and the net unrealized appreciation from investments were \$31,322,237, \$5,963,645, \$(4,749,859), and \$1,213,786, respectively.

The Fund adopted Financial Accounting Standards Board Statement of Financial Accounting Standards No. 157, Fair Value Measurements ("FAS 157"), effective January 1, 2008. In accordance with FAS 157, fair value is defined as the price that the Fund would receive upon selling an investment in a timely transaction to an independent buyer in the principal or most advantageous market of the investment. FAS 157 established a three-tier hierarchy to maximize the use of observable market data and minimize the use of unobservable inputs and to establish classification of fair value measurements for disclosure purposes. Inputs refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk, for example, the risk inherent in a particular valuation technique used to measure fair value including such a pricing model and/or the risk inherent in the inputs to the valuation technique. Inputs may be observable or unobservable. Observable inputs are inputs from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The three-tier hierarchy of inputs is summarized in the three broad Levels listed below.

- o Level 1 - quoted prices in active markets for identical investments
- o Level 2 - other significant observable inputs (including quoted prices for similar investments, interest rates, prepayment speeds, credit risk, etc.)
- o Level 3 - significant unobservable inputs (including the Fund's own assumptions in determining the fair value of investments)

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

The following is a summary of the inputs used as of September 30, 2008 in valuing the Fund's investments carried at value:

VALUATION INPUTS	INVESTMENTS IN SECURITIES	OTHER FINANCIAL INSTRUMENTS*
Level 1 - Quoted Prices	\$ 30,119,319	\$ --
Level 2 - Other Significant Observable Inputs	2,416,704	--
Level 3 - Significant Unobservable Inputs	--	--
<b>TOTAL</b>	<b>\$ 32,536,023</b>	<b>\$ --</b>

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

The Fund did not have any assets or liabilities that were measured at fair value on a recurring basis using significant unobservable inputs (Level 3) at September 30, 2008.

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Securities valuation policies and other investment related disclosures are hereby incorporated by reference to the Fund's semi-annual report previously filed with the Securities and Exchange Commission on the Form N-CSR on September 8, 2008 with a file number 811-02363.

Other information regarding the Fund is available in the Fund's most recent semi-annual report filed with the Securities and Exchange Commission on Form N-CSR on September 8, 2008, file number 811-02363. This information is also available to registered shareholders by calling (800) 937-5449. For general inquiries, please call (212) 272-3550. This information is also available on the website of the Securities and Exchange Commission - <http://www.sec.gov>

### ITEM 2: CONTROLS AND PROCEDURES

(a) As of a date within 90 days from the filing date of this report, the principal executive officer and 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 last fiscal quarter that have materially affected, or are reasonably likely to materially affect, the registrant's internal control over financial reporting.

### ITEM 3: EXHIBITS

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

### SIGNATURES

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

Cornerstone Total Return Fund, Inc.

/s/ Ralph W. Bradshaw

-----  
Name: Ralph W. Bradshaw  
Title: Principal Executive Officer  
Date: November 26, 2008

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.

/s/ Ralph W. Bradshaw

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Name: Ralph W. Bradshaw  
Title: Principal Executive Officer

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Date: November 26, 2008

/s/ Kayadti A. Madison

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Name: Kayadti A. Madison

Title: Principal Financial Officer

Date: November 26, 2008