

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

CORNERSTONE TOTAL RETURN FUND INC
Form N-Q
May 22, 2009

OMB APPROVAL

OMB Number: 3235-0578

Expires: April 30, 2010

Estimated average burden
hours per response: 10.5

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

Cornerstone Total Return Fund, Inc.

(Exact name of registrant as specified in charter)

305 Madison Avenue, Suite 740 New York, New York 10165

(Address of principal executive offices) (Zip code)

Frank J. Maresca

Ultimus Fund Solutions, LLC 305 Madison Avenue, Suite 740 New York, NY 10165

(Name and address of agent for service)

Registrant's telephone number, including area code: (212) 652-6155

Date of fiscal year end: December 31, 2009

Date of reporting period: March 31, 2009

Form N-Q is to be used by management investment companies other than small business investment companies registered on Form N-5 (ss.ss. 239.24 and 274.5 of this chapter), to file reports with the Commission, not later than 60 days after the close of the first and third fiscal quarters, pursuant to Rule 30b1-5 under the Investment Company Act of 1940 (17 CFR 270.30b1-5). The Commission may use the information provided on Form N-Q in its regulatory, disclosure review, inspection, and policymaking roles.

A registrant is required to disclose the information specified by Form N-Q, and the Commission will make this information public. A registrant is not required to respond to the collection of information contained in Form N-Q unless the Form displays a currently valid Office of Management and Budget ("OMB") control number. Please direct comments concerning the accuracy of the information

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

collection burden estimate and any suggestions for reducing the burden to Secretary, Securities and Exchange Commission, 450 Fifth Street, NW, Washington, DC 20549-0609. The OMB has reviewed this collection of information under the clearance requirements of 44 U.S.C. ss. 3507.

ITEM 1. SCHEDULE OF INVESTMENTS.

CORNERSTONE TOTAL RETURN FUND, INC.
SCHEDULE OF INVESTMENTS - MARCH 31, 2009 (UNAUDITED)

DESCRIPTION	NO. OF SHARES	VALUE

EQUITY SECURITIES - 99.21%		
CLOSED-END FUNDS - 9.87%		
Adams Express Company (The) (a)	73,000	\$ 546,770
Alpine Global Premier Properties Fund ^	8,000	23,520
Blue Chip Value Fund	27,000	60,210
Central Europe & Russia Fund, Inc. (The) ^	2,500	38,225
Denali Fund (The)	6,000	49,320
Dreman/Claymore Dividend & Income Fund ^	56,500	81,925
Gabelli Global Multimedia Trust, Inc.	8,500	28,815
General American Investors Company, Inc.	4,000	61,400
H&Q Healthcare Investors	14,400	145,008
H&Q Life Sciences Investors	9,000	70,200
Japan Equity Fund ^	13,000	53,690
Liberty All-Star Equity Fund	37,000	108,410
Liberty All-Star Growth Fund	76,075	183,341
Petroleum & Resources Corporation (a)	3,000	54,900
Templeton Emerging Markets Fund	3,000	28,950
Zweig Fund, Inc. ^	85,000	211,650
Zweig Total Return Fund, Inc. (The) ^	5,000	15,700

		1,762,034

CONSUMER DISCRETIONARY - 7.84%		
Amazon.com, Inc. *	1,500	110,160
Apollo Group, Inc. - Class A *	1,000	78,330
Bed Bath & Beyond, Inc. ^ *	2,500	61,875
Comcast Corporation - Special Class A	4,250	54,698
Comcast Corporation - Class A	2,012	27,444
DIRECTV Group, Inc. (The) ^ *	4,000	91,159
Ford Motor Company ^ *	5,000	13,150
Home Depot, Inc. (The)	5,000	117,800
Lowe's Companies, Inc.	5,000	91,250
Mattel, Inc.	1,500	17,295
McDonald's Corporation	3,100	169,167
News Corporation - Class B ^	2,500	19,250
NIKE, Inc. - Class B	2,500	117,225
Omnicom Group, Inc. ^	3,000	70,200
Pulte Homes, Inc.	2,500	27,325
Staples, Inc. ^	3,150	57,047
Time Warner Cable, Inc.	669	16,600
Time Warner, Inc. ^	2,667	51,467
TJX Companies, Inc. (The) ^	2,500	64,100
Walt Disney Company (The) ^	8,000	145,279

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

CORNERSTONE TOTAL RETURN FUND, INC.
SCHEDULE OF INVESTMENTS - MARCH 31, 2009 (UNAUDITED) (CONTINUED)

CONSUMER DISCRETIONARY (CONTINUED)

1,400,821

CONSUMER STAPLES - 11.97%

Altria Group, Inc.	5,000	\$	80,100
Archer-Daniels-Midland Company	2,500		69,450
Coca-Cola Company (The)	5,000		219,750
Colgate-Palmolive Company	1,000		58,980
ConAgra Foods, Inc.	2,500		42,175
CVS Caremark Corporation	4,175		114,771
H.J. Heinz Company ^	2,700		89,262
Kraft Foods, Inc. - Class A	5,328		118,761
Kroger Company (The)	3,600		76,392
PepsiCo, Inc.	3,000		154,440
Philip Morris International, Inc. ^	3,700		131,646
Procter & Gamble Company (The)	8,472		398,946
Sara Lee Corporation	2,500		20,200
Walgreen Company	1,600		41,536
Wal-Mart Stores, Inc.	10,000		521,000

2,137,409

ENERGY - 12.16%

Apache Corporation	1,000		64,090
Chevron Corporation	5,068		340,772
Devon Energy Corporation ^	2,500		111,725
El Paso Corporation	5,000		31,250
EOG Resources, Inc. ^	1,000		54,760
Exxon Mobil Corporation	14,000		953,400
Halliburton Company	2,500		38,675
Occidental Petroleum Corporation	2,500		139,125
Peabody Energy Corporation	2,500		62,600
Schlumberger Ltd. ^	5,000		203,100
Spectra Energy Corporation ^	2,500		35,350
Transocean Ltd. ^ *	1,000		58,840
Williams Companies, Inc. ^	2,500		28,450
XTO Energy, Inc. ^	1,625		49,758

2,171,895

FINANCIALS - 8.54%

AFLAC, Inc. ^	1,500		29,040
Aon Corporation ^	2,500		102,050
Bank of America Corporation	10,521		71,753
Bank of New York Mellon Corporation (The)	2,800		79,100
BB&T Corporation ^	2,000		33,840
Charles Schwab Corporation (The) ^	4,200		65,100

CORNERSTONE TOTAL RETURN FUND, INC.
SCHEDULE OF INVESTMENTS - MARCH 31, 2009 (UNAUDITED) (CONTINUED)

FINANCIALS (CONTINUED)

Chubb Corporation (The)	1,000	\$	42,320
Goldman Sachs Group, Inc. (The) ^	1,000		106,020
Hudson City Bancorp, Inc.	2,500		29,225

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

JPMorgan Chase & Company	12,200	324,276
Loews Corporation	2,000	44,200
MetLife, Inc. ^	1,500	34,155
Morgan Stanley	2,000	45,540
Northern Trust Corporation ^	1,000	59,820
T. Rowe Price Group, Inc. ^	1,000	28,860
Travelers Companies, Inc. (The)	3,092	125,659
U.S. Bancorp	5,000	73,050
Unum Group	2,500	31,250
Wells Fargo & Company	14,000	199,360

		1,524,618

HEALTH CARE - 13.50%		
Abbott Laboratories	3,000	143,100
Aetna, Inc.	4,000	97,320
Amgen, Inc. ^ *	3,000	148,560
Baxter International, Inc. ^	2,500	128,050
Bristol-Myers Squibb Company	4,000	87,680
Celgene Corporation *	2,500	111,000
Express Scripts, Inc. ^ *	1,200	55,404
Gilead Sciences, Inc. *	3,000	138,960
Johnson & Johnson	13,500	710,100
McKesson Corporation	2,500	87,600
Medtronic, Inc.	4,500	132,615
Merck & Company, Inc. ^	2,500	66,875
Pfizer, Inc.	12,000	163,440
St. Jude Medical, Inc. *	2,500	90,825
Stryker Corporation	2,000	68,080
UnitedHealth Group, Inc.	3,500	73,255
Wyeth	2,500	107,600

		2,410,464

INDUSTRIALS - 8.55%		
Caterpillar, Inc.	2,500	69,900
CSX Corporation	5,000	129,250
Danaher Corporation	2,500	135,550
Emerson Electric Company	2,500	71,450
General Dynamics Corporation ^	2,500	103,975
General Electric Company ^	34,000	343,740
Illinois Tool Works, Inc.	1,000	30,850
CORNERSTONE TOTAL RETURN FUND, INC.		
SCHEDULE OF INVESTMENTS - MARCH 31, 2009 (UNAUDITED) (CONTINUED)		
INDUSTRIALS (CONTINUED)		
Lockheed Martin Corporation	2,500	\$ 172,575
Republic Services, Inc.	1,125	19,294
United Parcel Service, Inc. - Class B	4,000	196,880
United Technologies Corporation	4,400	189,112
Waste Management, Inc. ^	2,500	64,000

		1,526,576

INFORMATION TECHNOLOGY - 16.51%		
Agilent Technologies, Inc. *	2,500	38,425
Apple, Inc. *	2,000	210,240
Automatic Data Processing, Inc.	2,500	87,900

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

Cisco Systems, Inc. *	13,000	218,010
Computer Associates International, Inc.	2,500	44,025
Corning, Inc. ^	3,000	39,810
EMC Corporation *	5,500	62,700
Google, Inc. - Class A *	1,000	348,060
Hewlett-Packard Company	5,000	160,300
Intel Corporation	16,000	240,800
International Business Machines Corporation	4,200	406,938
Intuit, Inc. ^ *	2,500	67,500
Microsoft Corporation	20,000	367,400
Oracle Corporation *	17,600	318,032
Paychex, Inc. ^	2,500	64,175
QUALCOMM, Inc.	3,800	147,858
Texas Instruments, Inc.	4,000	66,040
Xerox Corporation	3,000	13,650
Xilinx, Inc.	2,500	47,900

		2,949,763

MATERIALS - 2.54%		
Dow Chemical Company (The) ^	3,500	29,505
E.I. Du Pont de Nemours & Company	2,800	62,524
Freeport-McMoRan Copper & Gold, Inc. ^	2,500	95,275
Monsanto Company	2,000	166,200
Praxair, Inc.	1,500	100,935

		454,439

REAL ESTATE INVESTMENT TRUST - 0.50%		
Simon Property Group, Inc. ^	2,559	88,644

TELECOMMUNICATION SERVICES - 3.75%		
AT&T, Inc.	17,589	443,243
Verizon Communications, Inc. ^	7,500	226,500

		669,743

CORNERSTONE TOTAL RETURN FUND, INC.		
SCHEDULE OF INVESTMENTS - MARCH 31, 2009 (UNAUDITED) (CONTINUED)		
UTILITIES - 3.48%		
Dominion Resources, Inc. ^	2,000	\$ 61,980
Duke Energy Corporation	6,600	94,512
Exelon Corporation	2,500	113,475
FirstEnergy Corporation	2,500	96,500
FPL Group, Inc. ^	1,000	50,730
NiSource, Inc. ^	2,500	24,500
Southern Company (The)	2,500	76,550
Xcel Energy, Inc.	5,500	102,465

		620,712

TOTAL EQUITY SECURITIES (cost \$23,793,215)		\$ 17,717,118

SHORT-TERM INVESTMENTS - 9.56%		
MONEY MARKET SECURITY - 0.82%		

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

JPMorgan U.S. Government Money Market Fund	145,799	145,799

	PRINCIPAL AMOUNT (000'S)	

REPURCHASE AGREEMENTS - 8.74%		
J.P. Morgan Securities, Inc.+ ++		
(Agreement dated 3/31/2009 to be repurchased		
at \$79,524, 0.1562%, 4/1/2009, collateralized		
by \$83,431 in United States Treasury Notes)	\$ 80	79,524
J.P. Morgan Securities, Inc.+ ++		
(Agreement dated 3/31/2009 to be repurchased		
at \$1,481,287, 0.3125%, 4/1/2009,		
collateralized by \$1,527,837 in United		
States Treasury Notes)	1,481	1,481,275
		\$ 1,560,799

TOTAL SHORT-TERM INVESTMENTS (cost - \$1,706,598)		1,706,598
TOTAL INVESTMENTS - 108.77% (cost \$25,499,813)		19,423,716

LIABILITIES IN EXCESS OF OTHER ASSETS - (8.77)%		(1,565,338)

NET ASSETS - 100.00%		\$ 17,858,378
		=====

- (a) Affiliated investment. The fund holds 3.06% and 0.31% (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 three months ended March 31, 2009 there were no purchases or sales of either of these securities.
- ^ Security or a portion thereof is out on loan.
- * Non-income producing security.
- + Stated interest rate, before rebate earned by borrower of securities on loan.
- ++ Represents investment purchased with collateral received for securities on loan.

See accompanying notes to schedule of investments.

CORNERSTONE TOTAL RETURN FUND, INC.
 NOTES TO SCHEDULES OF INVESTMENTS
 MARCH 31, 2009 (UNAUDITED)

=====
 Federal Income Tax Cost: At March 31, 2009 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 \$25,499,813, \$1,248,601, \$(7,324,698) and \$(6,076,097), respectively.

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

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 that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained 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 risks, 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 March 31, 2009 in valuing the Fund's investments carried at value:

Valuation Inputs	INVESTMENTS IN SECURITIES	OTHER FINANCIAL INSTRUMENTS*
Level 1 - Quoted Prices	\$ 19,423,716	\$ --
Level 2 - Other Significant Observable Inputs	--	--
Level 3 - Significant Unobservable Inputs	--	--
	=====	=====
Total	\$ 19,423,716	\$ --
	=====	=====

* 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 March 31, 2009.

As of January 1, 2009, the Fund adopted SFAS No. 161, DISCLOSURES ABOUT DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES. This standard amends and expands the disclosure requirements of SFAS No. 133, ACCOUNTING FOR DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES, to illustrate how and why an entity uses derivative instruments; how derivative instruments and related hedged items are accounted for under SFAS No. 133; and how derivative instruments and related hedged items affect an entity's financial position, financial performance and cash flows. SFAS No. 161 is effective for financial statements issued for fiscal years beginning after November 15, 2008 and interim periods within those fiscal years.

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

The Fund is exposed to financial market risks, including the valuations of its investment portfolio. For the period ended March 31, 2009, the Fund did not engage in derivative instruments and other hedging activities.

Securities valuation policies and other investment related disclosures are hereby incorporated by reference to the Fund's annual report previously filed with the Securities and Exchange Commission on the Form N-CSR on March 6, 2009 with a file number 811-02363.

Other information regarding the Fund is available in the Fund's most recent annual report filed with the Securities and Exchange Commission on the Form N-CSR on March 6, 2009, file number 811-02363. This information is also available to registered shareholders by calling (800) 937-5449. For general inquiries, please call (513) 326-3597. This information is also available on the website of the Securities and Exchange Commission - <https://www.sec.gov>

ITEM 2. CONTROLS AND PROCEDURES.

(a) Based on their evaluation of the registrant's disclosure controls and procedures (as defined in Rule 30a-3(c) under the Investment Company Act of 1940) as of a date within 90 days of the filing date of this report, the registrant's principal executive officer and principal financial officer have concluded that such disclosure controls and procedures are reasonably designed and are operating effectively to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to them by others within those entities, particularly during the period in which this report is being prepared, and that such information is recorded, processed, summarized, and reported on a timely basis.

(b) There were no changes in the registrant's internal control over financial reporting (as defined in Rule 30a-3(d) under the Investment Company Act of 1940) that occurred during the 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.

File as exhibits as part of this Form a separate certification for each principal executive officer and principal financial officer of the registrant as required by Rule 30a-2(a) under the Act (17 CFR 270.30a-2(a)): Attached hereto

SIGNATURES

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

(Registrant) Cornerstone Total Return Fund, Inc.

By (Signature and Title)*

/s/ Ralph W. Bradshaw

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

Ralph W. Bradshaw, President and Chairman
(Principal Executive Officer)

Date May 21, 2009

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By (Signature and Title)* /s/ Ralph W. Bradshaw

Ralph W. Bradshaw, President and Chairman
(Principal Executive Officer)

Date May 21, 2009

By (Signature and Title)* /s/ Frank J. Maresca

Frank J. Maresca, Treasurer
(Principal Financial Officer)

Date May 21, 2009

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