

CORNERSTONE TOTAL RETURN FUND INC  
Form N-CSR  
March 10, 2006

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

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF REGISTERED  
MANAGEMENT INVESTMENT COMPANIES

INVESTMENT COMPANY ACT FILE NUMBER 811-02363

CORNERSTONE TOTAL RETURN FUND, INC.

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(Exact name of registrant as specified in charter)

383 Madison Avenue, New York, New York 10179

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(Address of principal executive offices) (Zip code)

Jodi Levine  
383 Madison Avenue, New York, New York 10179

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(Name and address of agent for service)

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

Date of fiscal year end: December 31, 2005

Date of reporting period: December 31, 2005

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.

The report of Cornerstone Strategic Value Fund, Inc. (the "Registrant") to stockholders for the year ended December 31, 2005 follows.

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CORNERSTONE TOTAL  
RETURN FUND, INC.

ANNUAL REPORT  
DECEMBER 31, 2005

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CORNERSTONE TOTAL RETURN FUND, INC.  
PORTFOLIO SUMMARY - AS OF DECEMBER 31, 2005 (UNAUDITED)

## SECTOR ALLOCATION

Sector	Percent of Net Assets
Financials	18.5
Information Technology	14.2
Healthcare	11.7
Consumer Discretionary	10.9
Industrials	10.0
Consumer Staples	9.1
Closed-End Domestic Funds	9.0
Energy	8.5
Utilities	2.8
Telecommunication Services	2.5
Materials	2.4
Other	0.4

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TOP TEN HOLDINGS, BY ISSUER

	Holding	Sector	Percent of Net Assets
1.	Tri-Continental Corp.	Closed-End Domestic Funds	3.9
2.	General Electric Co.	Industrials	3.4
3.	Exxon Mobil Corp.	Energy	3.3
4.	Microsoft Corp.	Information Technology	2.3
5.	Citigroup Inc.	Financials	2.3
6.	Procter & Gamble Co. (The)	Consumer Staples	2.1
7.	Johnson & Johnson	Healthcare	1.7
8.	Wal-Mart Stores, Inc.	Consumer Staples	1.6
9.	Adams Express Co.	Closed-End Domestic Funds	1.6
10.	Zweig Fund, Inc.	Closed-End Domestic Funds	1.6

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CORNERSTONE TOTAL RETURN FUND, INC.  
SUMMARY SCHEDULE OF INVESTMENTS - DECEMBER 31, 2005

Description	No. of Shares	Value
EQUITY SECURITIES - 99.89%		
UNITED STATES - 99.15%		
CLOSED-END DOMESTIC FUNDS - 8.97%		
Adams Express Co.	70,400	\$ 883,520
Boulder Total Return Fund, Inc.	18,900	317,331
Dreman/Claymore Dividend & Income Fund	19,000	343,520
Tri-Continental Corp.	112,500	2,090,250
Zweig Fund, Inc.	165,900	875,952
Other Closed-End Domestic Funds (a)		348,523
		4,859,096
CONSUMER DISCRETIONARY - 10.20%		
eBay, Inc. +	7,000	302,750
Home Depot, Inc. (The)	12,300	497,904
Time Warner Inc.	25,500	444,720
Viacom Inc., non-voting Class B	9,000	293,400
Other Consumer Discretionary (a)		3,987,403
		5,526,177
CONSUMER STAPLES - 9.05%		
Altria Group, Inc.	10,700	799,504
Coca-Cola Co. (The)	13,500	544,185

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PepsiCo, Inc.	7,500	443,100
Procter & Gamble Co. (The)	19,972	1,155,979
Wal-Mart Stores, Inc.	19,000	889,200
Other Consumer Staples (a)		1,074,906
		-----
		4,906,874
		-----
ENERGY - 8.45%		
ChevronTexaco Corp.	6,568	372,865
ConocoPhillips	5,838	339,655
Exxon Mobil Corp.	32,000	1,797,440
Other Energy (a)		2,068,180
		-----
		4,578,140
		-----
FINANCIALS - 18.54%		
American Express Company	6,100	313,906
American International Group, Inc.	12,331	841,344
Bank of America Corp.	15,740	726,401
Citigroup Inc.	25,600	1,242,368
Goldman Sachs Group, Inc. (The)	3,000	383,130
JPMorgan Chase & Co.	12,700	504,063
Lehman Brothers Holding Inc.	2,500	320,425
MetLife, Inc.	6,000	294,000
Wachovia Corp. ^	8,100	428,166
Wells Fargo & Co.	9,000	565,470
Other Financials (a)		4,429,229
		-----
		10,048,502
		-----
HEALTHCARE - 11.74%		
Amgen Inc. +	8,300	654,538
Johnson & Johnson	15,500	931,550
Medtronic, Inc.	7,100	408,747
Pfizer Inc. ^	37,460	873,567
UnitedHealth Group Inc.	10,000	621,400
Wyeth	7,500	345,525
Other Healthcare (a)		2,525,434
		-----
		6,360,761
		-----
INDUSTRIALS - 9.95%		
Caterpillar Inc.	5,000	288,850
General Electric Co.	52,000	1,822,600
United Parcel Service, Inc., Class B	4,000	300,600
Other Industrials (a)		2,978,598
		-----
		5,390,648
		-----
INFORMATION TECHNOLOGY - 14.15%		
Apple Computer, Inc. +	5,000	359,450
Cisco Systems, Inc. +	35,000	599,200
Dell Inc. +	13,700	410,863
Hewlett-Packard Co.	13,342	381,981
Intel Corp.	32,000	798,720
International Business Machines Corp.	5,700	468,540
Microsoft Corp.	48,000	1,255,200
Motorola, Inc.	16,100	363,699
Oracle Corp. +	33,600	410,256

See accompanying notes to financial statements.

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CORNERSTONE TOTAL RETURN FUND, INC.  
SUMMARY SCHEDULE OF INVESTMENTS - DECEMBER 31, 2005 (CONCLUDED)

Description	No. of Shares	Value
INFORMATION TECHNOLOGY (CONTINUED)		
Texas Instruments Inc. ^	13,500	\$ 432,945
Yahoo! Inc. +	8,500	333,030
Other Information Technology (a)		1,856,644
		-----
		7,670,528
		-----
MATERIALS - 2.44%		
Total Materials (a)		1,320,568
		-----
REAL ESTATE INVESTMENT TRUSTS - 0.35%		
Total Real Estate Investment Trusts (a)		191,575
		-----
TELECOMMUNICATION SERVICES - 2.52%		
AT&T Inc.	24,699	604,879
Verizon Communications Inc. ^	14,900	448,788
Other Telecommunication Services (a)		314,648
		-----
		1,368,315
		-----
UTILITIES - 2.79%		
TXU Corp. ^	7,400	371,406
Other Utilities (a)		1,143,075
		-----
		1,514,481
		-----
TOTAL UNITED STATES (cost - \$52,539,112)		
		53,735,665
		-----
CZECH REPUBLIC - 0.74%		
CONSUMER DISCRETIONARY - 0.74%		
Total Consumer Discretionary # (a)		400,011
		-----
TOTAL CZECH REPUBLIC (cost - \$894,867)		
		400,011
		-----
TOTAL EQUITY SECURITIES (cost - \$53,433,979)		
		54,135,676
		-----

Description	Principal Amount (000's)	Value
SHORT-TERM INVESTMENTS - 1.25%		
REPURCHASE AGREEMENTS - 1.25%		
Bear, Stearns & Co. Inc. *		
(Agreement dated 12/31/05 to be repurchased at \$676,876) (b)	\$ 677	\$ 676,648
		-----

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TOTAL SHORT-TERM INVESTMENTS	
(cost - \$676,648)	676,648
	-----
TOTAL INVESTMENTS - 101.14%	
(cost - \$54,110,627)	54,812,324
	-----
LIABILITIES IN EXCESS OF	
OTHER ASSETS - (1.14)%	(618,008)
	-----
NET ASSETS - 100.00%	\$ 54,194,316
	=====

- 
- + Non-income producing security.
  - ^ Security or a portion thereof is out on loan.
  - # Securities are fair valued in accordance with procedures established by the Board of Directors. At December 31, 2005, the Fund held 0.74% 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 \$400,011.
  - \* Includes investments purchased with cash collateral received for securities on loan.
  - (a) Represents issues not identified as a top 50 holding in terms of market value and issues or issuers not exceeding 1% of net assets individually or in the aggregate, respectively, as of December 31, 2005.
  - (b) At December 31, 2005, the maturity date for all repurchase agreements held was 01/03/06, with interest rates ranging from 2.00% to 4.00%, and collateralized by \$700,806 in U.S. Treasury Bonds.

See accompanying notes to financial statements.

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CORNERSTONE TOTAL RETURN FUND, INC.  
STATEMENT OF ASSETS AND LIABILITIES - DECEMBER 31, 2005

ASSETS	
Investments, at value, including collateral for securities	
on loan of \$471,189 (Cost \$54,110,627) (1)	\$ 54,812,324
Cash	56
Receivables:	
Investments sold	149,441
Dividends	64,781
Interest	2,036
Prepaid expenses	1,520
	-----
Total Assets	55,030,158
	-----
LIABILITIES	
Payables:	
Upon return of securities loaned	471,189
Investments purchased	222,861

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Investment management fees	43,504
Directors' fees	14,486
Other accrued expenses	83,802
	-----
Total Liabilities	835,842
	-----
NET ASSETS (applicable to 4,967,301 shares of common stock outstanding)	\$ 54,194,316
	=====
NET ASSET VALUE PER SHARE (\$54,194,316 / 4,967,301)	\$ 10.91
	=====
NET ASSETS CONSISTS OF	
Capital stock, \$0.01 par value; 4,967,301 shares issued and outstanding (15,000,000 shares authorized)	\$ 49,673
Paid-in capital	68,867,198
Accumulated net realized loss on investments	(15,424,252)
Net unrealized appreciation in value of investments	701,697
	-----
Net assets applicable to shares outstanding	\$ 54,194,316
	=====

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 (1) Includes securities out on loan to brokers with a market value of \$465,591.

See accompanying notes to financial statements.

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### CORNERSTONE TOTAL RETURN FUND, INC. STATEMENT OF OPERATIONS - FOR THE YEAR ENDED DECEMBER 31, 2005

#### INVESTMENT INCOME

##### Income:

Dividends	\$ 1,106,323
Interest	16,022
Securities lending	10,801
	-----
Total Investment Income	1,133,146
	-----

##### Expenses:

Investment management fees	565,218
Directors' fees	58,402
Administration fees	56,438
Legal and audit fees	50,600
Printing	36,105
Accounting fees	31,969
Transfer agent fees	29,754
Custodian fees	13,392
Stock exchange listing fees	6,395
Insurance	6,229
Miscellaneous	5,497
	-----
Total Expenses	859,999
Less: Management fee waivers	(7,882)
Less: Fees paid indirectly	(18,181)
	-----
Net Expenses	833,936
	-----
Net Investment Income	299,210

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NET REALIZED AND UNREALIZED GAIN ON INVESTMENTS	
Net realized loss from investments	(464,943)
Net change in unrealized depreciation in value of investments	1,364,595
Net realized and unrealized gain on investments	899,652
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	\$ 1,198,862

See accompanying notes to financial statements.

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

	For the Years Ended December 31,	
	2005	2004
DECREASE IN NET ASSETS		
Operations:		
Net investment income	\$ 299,210	\$ 462,154
Net realized loss from investments	(464,943)	(428,172)
Net change in unrealized depreciation in value of investments	1,364,595	4,649,941
Net increase in net assets resulting from operations	1,198,862	4,683,923
Dividends and distributions to shareholders:		
Net investment income	(299,210)	(462,154)
Return-of-capital	(9,996,313)	(9,584,964)
Total dividends and distributions to shareholders	(10,295,523)	(10,047,118)
Capital stock transactions:		
Proceeds from 167,470 and 73,202 newly shares issued in reinvestment of dividends and distributions, respectively	1,925,600	1,086,831
Total decrease in net assets	(7,171,061)	(4,276,364)
NET ASSETS		
Beginning of year	61,365,377	65,641,741
End of year	\$ 54,194,316	\$ 61,365,377

See accompanying notes to financial statements.

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CORNERSTONE TOTAL RETURN FUND, INC.



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### FINANCIAL HIGHLIGHTS

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

	For the Years Ended		
	2005	2004	2003
<b>PER SHARE OPERATING PERFORMANCE</b>			
Net asset value, beginning of year	\$ 12.78	\$ 13.89	\$ 12.8
Net investment income	0.06#	0.10#	0.08
Net realized and unrealized gain/(loss) on investments	0.18	0.87	2.9
Net increase/(decrease) in net assets resulting from operations	0.24	0.97	2.9
Dividends and distributions to shareholders:			
Net investment income	(0.06)	(0.10)	(0.0)
Return-of-capital	(2.05)	(2.01)	(1.9)
Total dividends and distributions to shareholders	(2.11)	(2.11)	(1.9)
Capital stock transactions:			
Anti-dilutive effect due to capital stock repurchased	--	--	--
Anti-dilutive/(dilutive) effect due to shares issued in reinvestment of dividends and distributions	--	0.03	--
Total capital stock transactions	--	0.03	--
Net asset value, end of year	\$ 10.91	\$ 12.78	\$ 13.8
Market value, end of year	\$ 14.65	\$ 17.95	\$ 17.9
Total investment return (a)	(2.07)%	15.11%	82.9
<b>RATIOS/SUPPLEMENTAL DATA</b>			
Net assets, end of year (000 omitted)	\$ 54,194	\$ 61,365	\$ 65,64
Ratio of expenses to average net assets, net of fee waivers, if any (b)	1.47%	1.41%	1.2
Ratio of expenses to average net assets, excluding fee waivers, if any (c)	1.52%	1.45%	1.4
Ratio of expenses to average net assets, net of fee waivers, if any (c)	1.50%	1.43%	1.2
Ratio of net investment income to average net assets	0.53%	0.75%	0.6
Portfolio turnover rate	9.84%	12.15%	3.6

# Based on average shares outstanding.

(a) Total investment return at market value is based on the changes in market price of a share during the year and assumes reinvestment of dividends and distributions, if any, at actual prices pursuant to the Fund's dividend reinvestment plan. Total investment return does not reflect brokerage commissions.

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- (b) Expenses are net of fees paid indirectly.
- (c) Expenses exclude the reduction for fees paid indirectly.

See accompanying notes to financial statements.

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### CORNERSTONE TOTAL RETURN FUND, INC. NOTES TO FINANCIAL STATEMENTS

#### 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 Investment Company Act of 1940, as amended, as a closed-end, diversified management investment company.

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

**MANAGEMENT ESTIMATES:** The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America ("GAAP") requires management to make certain estimates and assumptions that may affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

**PORTFOLIO VALUATION:** Investments are stated at value in the accompanying financial statements. All equity securities shall be valued at the closing price on the exchange or market on which the security is primarily traded ("Primary Market"). If the security did not trade on the Primary Market, it shall be valued at the closing price on another exchange where it trades. If there are no such sale prices, the value shall be the most recent bid, and if there is no bid, the security shall be valued at the most recent asked. If no pricing service is available and there are more than two dealers, the value shall be the mean of the highest bid and lowest ask. If there is only one dealer, then the value shall be the mean if bid and ask are available, otherwise the value shall be the bid. All other securities and assets are valued as determined in good faith by the Board of Directors. Short-term investments having a maturity of 60 days or less are valued on the basis of amortized cost. Securities and assets for which market quotations are not readily available are valued at their fair value as determined in good faith under procedures established by and under the general supervision of the Board. Fair valuation methodologies and procedures may include, but are not limited to: analysis and review of financial and non-financial information about the company; comparisons to the valuation and changes in valuation of similar securities, including reference to special reports prepared by analysts and or reports published in the financial press, the financial conditions and prospects of the issuer available, including considering any recent management or capital structure changes or other recent events that may impact the price of the security; and evaluation of any other information that could be indicative of the value of the security. At December 31, 2005, the Fund held 0.74% 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 \$400,011. 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

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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.

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

**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.

**DISTRIBUTIONS OF INCOME AND GAINS:** Effective January 2002, the Fund initiated a fixed, monthly distribution to shareholders. To the extent that these distributions exceed the current earnings of the Fund, the balance will be generated from sales of portfolio securities held by the Fund, which will either be short-term or long-term capital gains or a tax-free return-of-capital. To the extent these distributions are not represented by net investment income and capital gains, they will not represent yield or investment return on the Fund's investment portfolio. The Fund plans to maintain this distribution policy even if regulatory requirements would make part of a return-of-capital, necessary to maintain the distribution taxable to shareholders, and to disclose that portion of the distribution that is classified as ordinary income. Although it has no current intention to do so, the Board may terminate this distribution policy at any time and such termination may have an adverse effect on the market price for the Fund's common shares. The Fund determines annually whether to distribute any net realized long-term capital gains in excess of net realized short-term capital losses, including capital loss carryovers, if any. To the extent that the Fund's taxable income in any calendar year exceeds the aggregate amount distributed pursuant to this distribution policy, an additional distribution may be made to avoid the payment of a 4% U.S. federal excise tax, and to the extent that the aggregate amount distributed in any calendar year exceeds the Fund's taxable income, the amount of that excess may constitute a return-of-capital for tax purposes. A return-of-capital distribution reduces the cost basis of an investor's shares in the Fund. Dividends and distributions to shareholders are recorded by the Fund on the ex-dividend date.

### 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. During the year ended December

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31, 2005, Cornerstone has agreed to waive its management fees from the Fund to the extent that monthly operating expenses exceed a rate of 0.125% of average net assets calculated monthly. For the year 2006, Cornerstone undertakes to waive its advisory fees to the extent that the Fund's net monthly operating expenses (including basic legal fees but excluding other legal expenses) exceed a specified rate of average net assets of 0.125%. For the year ended December 31, 2005, Cornerstone earned \$565,218 for investment management services, of which it waived \$7,882. 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 \$18,181 arising from credits earned on portfolio transactions executed with a broker, pursuant to a directed brokerage arrangement.

The Fund paid or accrued approximately \$37,599 for the year ended December 31, 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.

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

### NOTE C. INVESTMENT IN SECURITIES

For the year ended December 31, 2005, purchases and sales of securities, other than short-term investments, were \$5,567,358 and \$13,398,677, respectively.

### NOTE D. 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 December 31, 2005 was \$465,591. During the year ended December 31, 2005, the Fund earned \$10,801 in securities lending income that is included under the caption Interest in the Statement of Operations.

### NOTE E. 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, for the Fund were as follows:

ORDINARY INCOME

RETURN-OF-CAPITAL

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----- 2005 -----	2004 -----	----- 2005 -----	2004 -----
\$299,210	\$462,154	\$9,996,313	\$9,584,964

At December 31, 2005, the components of distributable earnings on a tax basis, for the Fund were as follows:

Accumulated net realized loss	\$(15,372,623)
Unrealized appreciation	650,068
	-----
Total accumulated deficit	\$(14,722,555)
	=====

Under current tax law, certain capital losses realized after October 31 within a taxable year may be deferred and treated as occurring on the first day of the following tax year ("Post-October losses"). For the tax period ended December 31, 2005, the Fund incurred and elected to defer \$110,397.

At December 31, 2005, the Fund had a capital loss carryforward for U.S. federal income tax purposes of \$15,262,226, of which \$12,887,270 expires in 2008, \$1,170,157 expires in 2009, \$425,706 expires in 2011, \$358,321 expires in 2012 and \$420,772 expires in 2013.

At December 31, 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 appreciation from investments were \$54,162,256, \$8,441,990, \$(7,791,922) and \$650,068, respectively.

At December 31, 2005, the Fund reclassified \$9,996,313 from distributions in excess of net investment income and \$25,673 from accumulated net realized loss to paid-in capital, to adjust for certain permanent book/tax differences. Net assets were not affected by this reclassification.

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### REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors  
Cornerstone Total Return Fund, Inc. New York, New York

We have audited the accompanying statement of assets and liabilities of Cornerstone Total Return Fund, Inc., including the schedule of investments as of December 31, 2005, and the related statement of operations for the year then ended, the statement of changes in net assets for each of the two years in the period then ended, and the financial highlights for each of the four years in the period then ended. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits. The financial highlights for the year ended December 31, 2001 have been audited by other auditors, whose report dated February 8, 2002 expressed an unqualified opinion on such financial highlights.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. We were not engaged to perform an audit of the Fund's internal control over financial

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reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned as of December 31, 2005 by correspondence with the custodian and brokers. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of Cornerstone Total Return Fund, Inc. as of December 31, 2005, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended, and the financial highlights for each of the four years in the period then ended, in conformity with accounting principles generally accepted in the United States of America.

TAIT, WELLER & BAKER, LLP

Philadelphia, Pennsylvania  
February 7, 2006

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### 2005 TAX INFORMATION (UNAUDITED)

Cornerstone Total Return Fund, Inc. (the "Fund") is required by Subchapter M of the Internal Revenue Code of 1986, as amended, to advise its shareholders within 60 days of the Fund's year end (December 31, 2005) as to the U.S. federal tax status of the dividends and distributions received by the Fund's shareholders in respect of such fiscal year. As indicated in this notice, significant portions of the Fund's distributions for 2005 were comprised of a return-of-capital; accordingly these distributions do NOT represent yield or investment return on the Fund's portfolio.

During the year ended December 31, 2005, the following dividends and distributions per share were paid by the Fund:

#### SOURCES OF DIVIDENDS AND DISTRIBUTIONS (PER SHARE AMOUNTS)

PAYMENT DATES:	1/31/05 -----	2/28/05 -----	3/31/05 -----	4/29/05 -----	5/31/05 -----
Ordinary Income(1)	\$ 0.0051	\$ 0.0051	\$ 0.0051	\$ 0.0051	\$ 0.0051
Return-of-Capital(2)	\$ 0.1709	\$ 0.1709	\$ 0.1709	\$ 0.1709	\$ 0.1709
	-----	-----	-----	-----	-----
Total	\$ 0.1760	\$ 0.1760	\$ 0.1760	\$ 0.1760	\$ 0.1760
	=====	=====	=====	=====	=====
PAYMENT DATES:	7/29/05 -----	8/31/05 -----	9/30/05 -----	10/31/05 -----	11/30/05 -----

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Ordinary Income(1)	\$ 0.0051	\$ 0.0051	\$ 0.0051	\$ 0.0051	\$ 0.0051
Return-of-Capital(2)	\$ 0.1709	\$ 0.1709	\$ 0.1709	\$ 0.1709	\$ 0.1709
	-----	-----	-----	-----	-----
Total	\$ 0.1760	\$ 0.1760	\$ 0.1760	\$ 0.1760	\$ 0.1760
	=====	=====	=====	=====	=====

- (1) ORDINARY INCOME DIVIDENDS - This is the total per share amount of ordinary income dividends and short-term capital gain distributions (if applicable) included in the amount reported in Box 1a on Form 1099-DIV.
- (2) RETURN-OF-CAPITAL - This is the per share amount of return-of-capital, or sometimes called nontaxable, distributions reported in Box 3 - under the title "Nondividend distributions" - on Form 1099-DIV. The amount should NOT be reported as taxable income on your current return. Rather, it should be treated as a reduction in the original cost basis of your investment in the Fund.

The Fund has met the requirements to pass through all of its (100%) ordinary income dividends as qualified dividends, which are subject to a maximum tax rate of 15%. This is reported in Box 1b on Form 1099-DIV. Ordinary income dividends should be reported as dividend income on Form 1040. Please note that to utilize the lower tax rate for qualifying dividend income, shareholders generally must have held their shares in the Fund for at least 61 days during the 121 day period beginning 60 days before the ex-dividend date.

Foreign shareholders will generally be subject to U.S. withholding tax on the amount of the actual ordinary income dividend paid by the Fund.

In general, distributions received by tax-exempt recipients (e.g., IRA's and Keoghs) need not be reported as taxable income for U.S. federal income tax purposes. However, some retirement trusts (e.g., corporate, Keogh and 403(b) (7) plans) may need this information for their annual information reporting.

Shareholders are strongly advised to consult their own tax advisers with respect to the tax consequences of their investment in the Fund.

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### ADDITIONAL INFORMATION REGARDING THE FUND'S DIRECTORS AND CORPORATE OFFICERS (UNAUDITED)

NAME AND ADDRESS (AGE) *	POSITION(S) HELD WITH FUND	PRINCIPAL OCCUPATION OVER LAST 5 YEARS	POSITION WITH FUND SINCE
-----			
Ralph W. Bradshaw** (55)	Chairman of the Board of Directors and President	President, Cornerstone Advisors, Inc.; Financial Consultant; previous Director of The Austria Fund, Inc.; President and Director of Cornerstone Strategic Value Fund, Inc.	2001
William A.	Director and Vice	Director and Stockholder of	2004

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Clark** (60)	President	Cornerstone Advisors, Inc., former financial consultant of Deep Discount Advisors, Inc.; previous Director of The Austria Fund, Inc., Director of Cornerstone Strategic Value Fund, Inc.	
Glenn W. Wilcox, Sr. (74)	Director; Audit Committee Chairman, Nominating and Corporate Governance Committee Member	Chairman of the Board and Chief Executive Officer of Wilcox Travel Agency, Inc.; Director, Champion Industries, Inc.; Chairman of Tower Associates, Inc. (a real estate venture); Director of Wachovia Corp., WNC Regional Advisory Board; Director and Chairman of Audit Committee of Cornerstone Strategic Value Fund, Inc.	2001
Thomas H. Lenagh (83)	Director; Audit, Nominating and Corporate Governance Committee Member	Chairman of the Board of Photonics Products Group; Independent Financial Adviser; Director of The Adams Express Company and Petroleum and Resources Corporation; Director of Cornerstone Strategic Value Fund, Inc.	2002
Edwin Meese III (74)	Director; Audit, Nominating and Corporate Governance Committee Member	Distinguished Fellow, The Heritage Foundation, Washington D.C.; Distinguished Visiting Fellow at the Hoover Institution, Stanford University; Senior Adviser, Revelation L.P .; formerly U.S. Attorney General under President Ronald Reagan; Director of Carrington Laboratories Inc.; Director of Cornerstone Strategic Value Fund, Inc.	2001

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ADDITIONAL INFORMATION REGARDING THE FUND'S DIRECTORS  
AND CORPORATE OFFICERS (UNAUDITED) (CONTINUED)

NAME AND ADDRESS (AGE) *	POSITION(S) HELD WITH FUND	PRINCIPAL OCCUPATION OVER LAST 5 YEARS	POSITION WITH FUN SINCE
Scott B. Rogers (50)	Director; Audit, Nominating and Corporate Governance Committee Member	Chief Executive Officer, Asheville Buncombe Community Christian Ministry; President, ABCCM Doctor's Medical Clinic; Appointee, NC Governor's Commission on Welfare to Work; Chairman and Director, Recycling Unlimited; Director of A-B Vision Board Interdenominational Ministerial Alliance, Faith Partnerships, Inc.; Director of Cornerstone Strategic Value Fund, Inc.	2001
Andrew A.	Director;	Attorney and senior member of Strauss	2001



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Strauss (52)	Chairman of Nominating and Corporate Governance Committees and Audit Committee Member	& Associates, P.A., Attorneys, Asheville and Hendersonville, NC; previous President of White Knight Healthcare, Inc. and LMV Leasing, Inc., a wholly owned subsidiary of Xerox Credit Corporation; Director of Memorial Mission Hospital Foundation, Deerfield Episcopal Retirement Community and Asheville Symphony; Director of Cornerstone Strategic Value Fund, Inc.
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ADDITIONAL INFORMATION REGARDING THE FUND'S DIRECTORS  
AND CORPORATE OFFICERS (UNAUDITED) (CONCLUDED)

NAME AND ADDRESS (AGE) *	POSITION(S) HELD WITH FUND	PRINCIPAL OCCUPATION OVER LAST 5 YEARS	P W S
-----	-----	-----	-----
Gary A. Bentz** (49)	Chief Compliance Officer	Chief Financial Officer, Chairman and Stockholder of Cornerstone Advisors, Inc.; previous Director of The Austria Fund, Inc., previous Director, Vice President and Treasurer of Cornerstone Strategic Value Fund, Inc.; Financial Consultant, Certified Public Accountant; Chief Compliance Officer of Cornerstone Strategic Value Fund, Inc.	2
Thomas R. Westle 405 Lexington Avenue New York, NY 10174 (52)	Secretary	Partner, Blank Rome LLP, a law firm; previous partner, Spitzer & Feldman P.C., a law firm.	2
Jodi B. Levine (36)	Treasurer	Associate Director, Bear Stearns & Co. Inc.	2

\* The mailing address of each Director and/or Officer with respect to the Fund's operation is 383 Madison Ave. 23rd Floor, New York, NY 10179.

\*\* Designates a director who is an "interested person" of the Fund as defined by the Investment Company Act of 1940, as amended. Messrs. Bradshaw and Clark are interested persons of the Fund by virtue of their current positions with the Investment Manager of the Fund.

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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

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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.

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

DESCRIPTION OF DIVIDEND REINVESTMENT PLAN (UNAUDITED) (CONCLUDED)

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.

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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 of each year, as well as the policies and procedures that the Fund uses to determine how to vote proxies relating to its portfolio securities are available:

- 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.

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

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

CATEGORIES OF INFORMATION THE FUND DISCLOSES. The Fund does not disclose any nonpublic personal information about their current or former shareholders to unaffiliated third parties, except as required or permitted by law. The Fund is permitted by law to disclose all of the information it collects, as described above, to its service providers (such as the Fund's custodian, administrator and transfer agent) to process your transactions and otherwise provide services to you.

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

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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.

NOTICE IS HEREBY GIVEN IN ACCORDANCE WITH SECTION 23(C) OF THE INVESTMENT COMPANY ACT OF 1940, AS AMENDED, THAT CORNERSTONE TOTAL RETURN FUND, INC. MAY FROM TIME TO TIME PURCHASE SHARES OF ITS CAPITAL STOCK IN THE OPEN MARKET.

This report, including the financial statements herein, is sent to the shareholders of the Fund for their information. 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.

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DIRECTORS AND CORPORATE OFFICERS

Ralph W. Bradshaw	Chairman of the Board of Directors and President
William A. Clark	Director and Vice President
Thomas H. Lenagh	Director
Edwin Meese III	Director
Scott B. Rogers	Director
Andrew A. Strauss	Director
Glenn W. Wilcox, Sr.	Director
Gary A. Bentz	Chief Compliance Officer
Thomas R. Westle	Secretary
Jodi B. Levine	Treasurer

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

STOCK TRANSFER AGENT  
AND REGISTRAR  
American Stock Transfer &  
Trust Co.  
59 Maiden Lane  
New York, NY 10038

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

INDEPENDENT REGISTERED  
PUBLIC ACCOUNTING FIRM  
Tait, Weller & Baker, LLP  
1818 Market Street  
Suite 2400  
Philadelphia, PA 19103

CUSTODIAN  
Custodial Trust Company  
101 Carnegie Center  
Princeton, NJ 08540

LEGAL COUNSEL  
Blank Rome LLP  
405 Lexington Avenue  
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.

[GRAPHIC]  
AMERICAN  
STOCK EXCHANGE (R)  
LISTED  
CRF

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### ITEM 2. CODE OF ETHICS.

(a) As of the end of the period covered by this report, the Registrant has adopted a code of ethics that applies to the Registrant's principal executive officer, principal accounting officer, and persons performing similar functions.

(c) and (d). During the period covered by this report, there was no amendment to, and no waiver granted from, any provision of the code of ethics that applies to the Registrant's principal executive officer, principal accounting officer, and persons performing similar functions.

(f)(1) Pursuant to Item 12(a), the Registrant is attaching as an exhibit (EX-99.CODE ETH) a copy of its code of ethics that applies to its principal executive officer, principal financial officer, and persons performing similar functions.

### ITEM 3. AUDIT COMMITTEE FINANCIAL EXPERT.

(a)(1) The registrant's board of directors has determined that it does not have an audit committee financial expert serving on its audit committee.

(a)(2) Not applicable

(a)(3) At this time, the registrant believes that the experience provided by each member of the audit committee together offer the registrant adequate oversight for the registrant's level of financial complexity.

### ITEM 4. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

(a) through (d). The information in the table below is provided for services rendered to the registrant by its independent registered public accounting firm, Tait, Weller & Baker, LLP, for the Registrant's fiscal years ended December 31, 2005 and December 31, 2004.

	2005	2004
	----	----
Audit Fees	\$12,300	\$11,800
Tax (1)	\$ 2,300	\$ 2,200
Other	--	--
	-----	-----
Total	\$14,600	\$14,000
	=====	=====

(1) Tax services in connection with the registrant's excise tax calculations and review of the registrant's applicable tax returns.

(e)(1) Audit Committee Pre-Approval Policies and Procedures.

Before the auditor is (i) engaged by the Registrant to render audit, audit related or permissible non-audit services to the Registrant or (ii) with respect to non-audit services to be provided by the auditor to the Registrant's investment adviser or any entity in the investment Registrant complex, if the nature of the services provided relate directly to the operations or financial reporting of the Registrant, either: (a) the Audit Committee shall pre-approve such engagement; or (b) such engagement shall be entered into pursuant to pre-approval policies and procedures established by the Audit Committee. Any such policies and procedures must be detailed as to the particular service and not involve any delegation of the Audit Committee's responsibilities to the Registrant's investment adviser. The Audit Committee may delegate to one or more of its members the authority to grant pre-approvals. The pre-approval policies and procedures shall include the requirement that the decisions of any member to

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whom authority is delegated under this provision shall be presented to the full Audit Committee at its next scheduled meeting. Under certain limited circumstances, pre-approvals are not required if certain de minimis thresholds are not exceeded, as such thresholds are set forth by the Audit Committee and in accordance with applicable SEC rules and regulations.

(e) (2) None of the services provided to the Registrant described in paragraphs (b)-(d) of Item 4 were pre-approved by the Audit Committee pursuant to paragraph (c) (7) (i) (C) of Rule 2-01 of regulation S-X.

(f) No disclosures are required by this Item 4(f).

(g) There were no non-audit fees billed by Tait, Weller & Baker LLP for services rendered to the Registrant, the Registrant's investment advisor (not including any sub-advisor whose role is primarily portfolio management and is subcontracted with or overseen by another investment advisor) or any entity controlling, controlled by, or under common control with the investment advisor that provides ongoing services to the Registrant for the Registrant's last two fiscal years (December 31, 2004 and December 31, 2005).

(h) No disclosures are required by this Item 4(h).

### ITEM 5. AUDIT COMMITTEE OF LISTED REGISTRANTS.

(a) The Registrant has a separately-designated standing audit committee established in accordance with Section 3(a)(58)(A) of the Securities and Exchange Act of 1934, as amended. Glenn Wilcox (Chair), Edwin Meese, Thomas Lenagh, Andy Strauss and Scott Rogers are the members of the Registrant's audit committee.

(b) Not applicable.

### ITEM 6. SCHEDULE OF INVESTMENTS.

CORNERSTONE TOTAL RETURN FUND, INC.  
SCHEDULE OF INVESTMENTS -- DECEMBER 31, 2005

	NO. OF SHARES	VALUE
	-----	-----
EQUITY SECURITIES - 99.89%		
UNITED STATES - 99.15%		
CLOSED-END DOMESTIC FUNDS - 8.97%		
Adams Express Co.	70,400	\$ 883,520
Boulder Total Return Fund, Inc.	18,900	317,331
Dreman/Claymore Dividend & Income Fund	19,000	343,520
General American Investors Company, Inc.	2,500	86,350
John Hancock Bank and Thrift Opportunity Fund	28,100	262,173
Tri-Continental Corp.	112,500	2,090,250
Zweig Fund, Inc.	165,900	875,952
		-----
		4,859,096
		=====
CONSUMER DISCRETIONARY - 10.20%		
Apollo Group, Inc., Class A + @	2,500	151,150
Autonation, Inc. +	2,500	54,325
Bed Bath & Beyond Inc. +	2,500	90,375
Best Buy Co., Inc. @	3,750	163,050
CCE Spinco, Inc. + ^^	337	4,415
Clear Channel Communications, Inc.	2,700	84,915

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Coach Inc. +	2,500	83,350
Comcast Corp., Class A +	6,008	155,968
Comcast Corp., Special Class A +	4,500	115,605
D.R. Horton, Inc.	2,500	89,325
eBay, Inc. +	7,000	302,750
Ford Motor Company	15,200	117,344
Fortune Brands, Inc.	2,500	195,050
Goodyear Tire & Rubber Company (The) + @	2,500	43,450
Harley-Davidson, Inc. @	2,500	128,725
Hilton Hotels Corp.	2,500	60,275
Home Depot, Inc. (The)	12,300	497,904
J.C. Penney Company, Inc.	2,500	139,000
Kohl's Corp. + @	2,500	121,500
Lowe's Companies, Inc. @	3,700	246,642
Marriott International, Inc., Class A	2,500	167,425
Mattel, Inc.	4,500	71,190
McDonald's Corp. @	8,100	273,132
McGraw-Hill Companies, Inc. (The)	2,500	129,075
Nordstrom, Inc.	2,500	93,500
Office Depot, Inc. +	2,500	78,500
Omnicom Group Inc.	1,500	127,695
Pulte Homes, Inc.	2,500	98,400
Staples, Inc.	3,150	71,536
Starbucks Corp. +	5,000	150,050
Target Corporation	4,600	252,862
Time Warner Inc.	25,500	444,720
Tribune Company	2,500	75,650
Univision Communications Inc., Class A +	2,500	73,475
Viacom Inc., non-voting Class B	9,000	293,400
Walt Disney Co. (The)	11,700	280,449
		-----
		5,526,177
		=====
CONSUMER STAPLES - 9.05%		
Albertson's, Inc.	2,500	53,375
Altria Group, Inc.	10,700	799,504
Campbell Soup Company	5,700	169,689
Coca-Cola Co. (The)	13,500	544,185
Coca-Cola Enterprises Inc.	2,500	47,925
General Mills, Inc.	2,500	123,300
H.J. Heinz Co.	2,700	91,044
Kroger Co. (The) +	3,600	67,968
PepsiCo, Inc.	7,500	443,100
Procter & Gamble Co. (The)	19,972	1,155,979
Safeway Inc.	4,900	115,934
Sara Lee Corp.	2,600	49,140
Sysco Corp.	3,500	108,675
Walgreen Co.	5,600	247,856
Wal-Mart Stores, Inc.	19,000	889,200
		-----
		4,906,874
		=====
ENERGY - 8.45%		
Anadarko Petroleum Corp.	2,500	236,875
Baker Hughes Inc. @	2,500	151,950
Burlington Resources, Inc.	2,500	215,500
ChevronTexaco Corp.	6,568	372,865
ConocoPhillips	5,838	339,655
Devon Energy Corporation	2,500	156,350
El Paso Corp.	3,000	36,480



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EOG Resources, Inc.	2,500	183,425
Exxon Mobil Corp.	32,000	1,797,440
Halliburton Co.	2,500	154,900
Occidental Petroleum Corp.	2,500	199,700
Peabody Energy Corp. @	2,500	206,050
Schlumberger Ltd.	2,500	242,875
Transocean Inc. +	2,500	174,225
XTO Energy Inc.	2,500	109,850
		-----
		4,578,140
		=====
FINANCIALS - 18.54%		
AFLAC Inc.	4,000	185,680
American Express Company	6,100	313,906
American International Group, Inc.	12,331	841,344
Ameriprise Financial, Inc.	1,220	50,020
AmSouth Bancorporation	2,500	65,525
Bank of America Corp.	15,740	726,401
Bank of New York Co., Inc. (The)	5,900	187,915
BB&T Corporation	4,500	188,595
Charles Schwab Corporation (The)	8,200	120,294
Chubb Corp.	2,500	244,125
Cincinnati Financial Corporation	2,500	111,700
Citigroup Inc.	25,600	1,242,368
Countrywide Financial Corporation	3,500	119,665
Fannie Mae	3,200	156,192
Fifth Third Bancorp	2,500	94,300
Freddie Mac	3,300	215,655
Goldman Sachs Group, Inc. (The)	3,000	383,130
Hartford Financial Services Group, Inc. (The)	1,600	137,424
JPMorgan Chase & Co.	12,700	504,063
KeyCorp	2,500	82,325
Lehman Brothers Holding Inc.	2,500	320,425
M&T Bank Corporation	2,500	272,625
Marsh & McLennan Companies, Inc. @	4,600	146,096
MBNA Corp.	7,550	205,058
Mellon Financial Corporation	2,300	78,775
Merrill Lynch & Co., Inc.	1,100	74,503
MetLife, Inc.	6,000	294,000
Moody's Corporation	2,000	122,840
Morgan Stanley	3,700	209,938
North Fork Bancorporation, Inc.	2,500	68,400
Northern Trust Corp. @	1,100	57,002
PNC Financial Services Group, Inc.	1,400	86,562
Prudential Financial, Inc. @	2,500	182,975
SLM Corporation	2,500	137,725
St. Paul Travelers Companies, Inc. (The)	5,092	227,460
State Street Corp.	1,600	88,704
Synovus Financial Corp @	2,500	67,525
U.S. Bancorp @	7,200	215,208
Wachovia Corp. @	8,100	428,166
Washington Mutual, Inc.	5,251	228,418
Wells Fargo & Co.	9,000	565,470
		-----
		10,048,502
		=====
HEALTH CARE - 11.74%		
Aetna Inc.	2,000	188,620
Amgen Inc. +	8,300	654,538
Becton, Dickinson & Co.	2,500	150,200

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Biomet, Inc.	2,500	91,425
Bristol-Myers Squibb Co. @	9,600	220,608
Caremark Rx, Inc. +	2,500	129,475
Eli Lilly & Co.	4,100	232,019
Genzyme Corporation +	1,500	106,170
Health Management Associates, Inc., Class A	2,500	54,900
Johnson & Johnson	15,500	931,550
Laboratory Corporation of America Holdings +	2,500	134,625
McKesson Corp.	2,500	128,975
Medco Health Solutions, Inc. +	1,531	85,430
Medtronic, Inc.	7,100	408,747
Merck & Co. Inc.	8,700	276,747
PerkinElmer, Inc.	1,500	35,340
Pfizer Inc. @	37,460	873,567
Schering-Plough Corp.	8,400	175,140
St. Jude Medical, Inc. +	2,500	125,500
Stryker Corporation	2,000	88,860
Tenet Healthcare Corp. +	5,000	38,300
United Health Group Inc.	10,000	621,400
Waters Corporation + @	2,500	94,500
Wyeth	7,500	345,525
Zimmer Holdings, Inc. +	2,500	168,600
		-----
		6,360,761
		=====
INDUSTRIALS - 9.95%		
3M Co.	2,500	193,750
Boeing Company (The)	3,900	273,936
Burlington Northern Sante Fe Corporation	2,000	141,640
Caterpillar Inc.	5,000	288,850
CSX Corp.	2,500	126,925
Danaher Corp. @	2,500	139,450
Dover Corporation	1,000	40,490
Emerson Electric Co.	2,000	149,400
FedEx Corp.	2,500	258,475
General Dynamics Corp.	2,500	285,125
General Electric Co.	52,000	1,822,600
Honeywell International Inc.	3,300	122,925
Illinois Tool Works Inc.	2,500	219,975
Lockheed Martin Corp.	2,500	159,075
Norfolk Southern Corporation	2,500	112,075
Raytheon Company	2,500	100,375
Rockwell Automation, Inc.	2,500	147,900
Southwest Airlines Co.	6,100	100,223
United Parcel Service, Inc., Class B	4,000	300,600
United Technologies Corp.	4,400	246,004
Waste Management, Inc.	5,300	160,855
		-----
		5,390,648
		=====
INFORMATION TECHNOLOGY - 14.15%		
Adobe Systems Inc.	2,500	92,400
Agilent Technologies, Inc. +	5,000	166,450
Apple Computer, Inc. +	5,000	359,450
Applied Materials, Inc.	8,000	143,520
Autodesk, Inc.	2,500	107,375
Cisco Systems, Inc. +	35,000	599,200
Corning Inc. +	7,500	147,450
Dell Inc. +	13,700	410,863
Electronic Data Systems Corp.	7,500	180,300

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EMC Corp. +	8,000	108,960
First Data Corporation	4,325	186,018
Fiserv, Inc. +	2,500	108,175
Freescale Semiconductor Inc., Class B +	1,777	44,727
Hewlett-Packard Co.	13,342	381,981
Intel Corp.	32,000	798,720
International Business Machines Corp.	5,700	468,540
Jabil Circuit, Inc. +	2,500	92,725
Lucent Technologies Inc. +	15,000	39,900
Maxim Integrated Products, Inc.	2,500	90,600
Microsoft Corp.	48,000	1,255,200
Motorola, Inc.	16,100	363,699
Network Appliance, Inc. +	2,500	67,500
Oracle Corp. +	33,600	410,256
Paychex, Inc.	2,500	95,300
QUALCOMM Inc. @	4,300	185,244
Texas Instruments Inc. @	13,500	432,945
Yahoo! Inc. +	8,500	333,030
		-----
		7,670,528
		=====
MATERIALS - 2.44%		
Air Products & Chemicals, Inc.	2,500	147,975
Dow Chemical Co. (The)	4,700	205,954
E.I. du Pont de Nemours & Co.	5,800	246,500
International Paper Co.	4,800	161,328
Monsanto Co.	1,773	137,461
Newmont Mining Corporation	2,500	133,500
Nucor Corp.	2,500	166,800
Rohm & Haas Co.	2,500	121,050
		-----
		1,320,568
		=====
REAL ESTATE INVESTMENT TRUSTS - 0.35%		
Simon Property Group, Inc.	2,500	191,575
		=====
TELECOMMUNICATIONS SERVICES - 2.52%		
AT&T Inc.	24,699	604,879
BellSouth Corporation @	5,200	140,920
Sprint Corp.	7,437	173,728
Verizon Communications Inc. @	14,900	448,788
		-----
		1,368,315
		=====
UTILITIES - 2.79%		
AES Corporation +	3,000	47,490
American Electric Power Co., Inc.	5,500	203,995
CenterPoint Energy, Inc. @	5,700	73,245
Duke Energy Corp.	6,600	181,170
Edison International	2,500	109,025
Exelon Corp.	2,500	132,850
Scottish Power plc, ADR	4,000	149,520
Southern Co. (The)	2,500	86,325
TXU Corp. @	7,400	371,406
Williams Companies, Inc. (The)	2,500	57,925
Xcel Energy, Inc. @	5,500	101,530
		-----
		1,514,481
		=====
TOTAL UNITED STATES (cost - \$52,539,112)		53,735,665

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CZECH REPUBLIC - 0.74%		
CONSUMER DISCRETIONARY - 0.74%		
Bonton a.s + #	137,180	7,818
Bonton Book a.s + #	68,590	62,877
Bonton Film Entertainment a.s. + #	68,590	229,892
Bonton Music a.s. + #	68,590	60,126
Bonton Pictures a.s. + #	68,590	39,298
		-----
		400,011
		=====
TOTAL CZECH REPUBLIC (cost -\$894,867)		400,011
		-----
TOTAL EQUITY SECURITIES (cost - \$53,433,979)		54,135,676
		=====
SHORT-TERM INVESTMENTS - 1.25%	PRINCIPAL	
	AMOUNT	
REPURCHASE AGREEMENTS - 1.25%	(000'S)	
	-----	
Bear, Stearns & Co. Inc. * ** (Agreement dated 12/30/05 to be repurchased at \$246,155), 2%, 01/03/06, collateralized by \$255,261 in U.S. Treasury Bonds	\$246	246,114
Bear, Stearns & Co. Inc. * ** (Agreement dated 12/30/05 to be repurchased at \$225,150), 4%, 01/03/06, collateralized by \$232,055 in U.S. Treasury Bonds	225	225,075
Bear, Stearns & Co. Inc. (Agreement dated 12/30/05 to be repurchased at \$205,513), 3.2%, 01/03/06, collateralized by \$213,491 in U.S. Treasury Bonds	205	205,459
		-----
TOTAL SHORT-TERM INVESTMENTS (cost - \$676,648)		676,648
		=====
TOTAL INVESTMENTS - 101.14%		
(cost - \$54,110,627)		54,812,324
LIABILITIES IN EXCESS OF OTHER ASSETS - (1.14)%		(618,008)
		-----
NET ASSETS - 100%		\$54,194,316
		=====

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+ Non-income producing

@ Security or a portion thereof is out on loan

^^ Effective January 9, 2006, CCE Spinco, Inc. changed its name to Live Nation, Inc.

# Securities are fair valued in accordance with procedures established by the Board of Directors

\* Stated interest rate, before rebate earned by borrower of securities on loan

\*\* Represents investment purchased with collateral received for securities on loan.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

TO THE SHAREHOLDERS AND BOARD OF DIRECTORS  
CORNERSTONE TOTAL RETURN FUND, INC.

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NEW YORK, NEW YORK

We have audited the accompanying statement of assets and liabilities of Cornerstone Total Return Fund, Inc., including the schedule of investments as of December 31, 2005, and the related statement of operations for the year then ended, the statement of changes in net assets for each of the two years in the period then ended, and the financial highlights for each of the four years in the period then ended. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits. The financial highlights for the year ended December 31, 2001 have been audited by other auditors, whose report dated February 8, 2002 expressed an unqualified opinion on such financial highlights.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. We were not engaged to perform an audit of the Fund's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned as of December 31, 2005 by correspondence with the custodian and brokers. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of Cornerstone Total Return Fund, Inc. as of December 31, 2005, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended, and the financial highlights for each of the four years in the period then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule of investments in securities as of December 31, 2005 appearing in Item 6 of this Form N-CSR is presented for the purpose of additional analysis and is not a required part of the basic financial statements. This additional information is the responsibility of the Fund's management. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

TAIT, WELLER & BAKER LLP

PHILADELPHIA, PENNSYLVANIA  
FEBRUARY 7, 2006

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

The Registrant has delegated the voting of proxies relating to its voting securities to its investment adviser, Cornerstone Advisors, Inc. (the "Investment Manager"). The respective Proxy Voting Policies and Procedures of

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the Registrant and the Investment Manager are attached as Exhibit 99.VOTEREG.

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

(a) (1) All information contained in this item and its subparts is as of the date of this filing, unless otherwise noted. Ralph W. Bradshaw and William A. Clark are employees of Cornerstone Advisors, Inc. (the Investment Manager) and portfolio managers of the Fund. Ralph W. Bradshaw occupation for the last five years is President of Cornerstone Advisors, Inc. and a Financial Consultant. William A. Clark occupation for the last five years is Director and Stockholder of Cornerstone Advisors, Inc. and a former financial consultant of Deep Discount Advisors, Inc.

(a) (2) (i) Ralph W. Bradshaw and William A. Clark

(a) (2) (ii) (A) Registered Investment Companies - Ralph W. Bradshaw and William A. Clark each manages one other registered closed-end fund.

(a) (2) (ii) (B) Not applicable

(a) (2) (ii) (C) Not applicable

(a) (2) (iii) None. Ralph W. Bradshaw and William A. Clark manage no accounts where the Advisory Fee is based on the performance of the account.

(a) (2) (iv) None.

(a) (3) As of the most recent fiscal year end December 31, 2005, the compensation paid to both Ralph W. Bradshaw and William A. Clark was fixed.

(a) (4) The dollar range of equity securities owned in the registrant beneficially by each portfolio manager is as follows: for Ralph W. Bradshaw it is in the range of \$50,001-\$100,000 and for William A. Clark it is also in the range of \$50,001-\$100,000.

(b) None.

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

None.

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

None.

### ITEM 11. CONTROLS AND PROCEDURES.

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

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

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ITEM 12. EXHIBITS.

(a) (1) Code of Ethics attached as EX-99.CODE ETH.

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

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

(99) Proxy Voting Policies of the Registrant attached as EX-99.VOTEREG.

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.

By: /s/ Ralph W. Bradshaw

-----  
Name: Ralph W. Bradshaw  
Title: Principal Executive Officer  
Date: March 10, 2006

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

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Name: Ralph W. Bradshaw  
Title: Principal Executive Officer  
Date: March 10, 2006

By: /s/ Jodi B. Levine

-----  
Name: Jodi B. Levine  
Title: Principal Financial Officer  
Date: March 10, 2006