

CORNERSTONE TOTAL RETURN FUND INC

Form N-30D

February 28, 2003

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CORNERSTONE TOTAL  
RETURN FUND, INC.

ANNUAL REPORT  
DECEMBER 31, 2002

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LETTER TO SHAREHOLDERS

# Edgar Filing: CORNERSTONE TOTAL RETURN FUND INC - Form N-30D

January 24, 2003

Dear Fellow Shareholders:

We are pleased to report the annual results of Cornerstone Total Return Fund, Inc. (the "Fund"), covering the year ended December 31, 2002. This Fund resulted from the merger in October 2002 of The Cornerstone Strategic Return Fund, Inc. with and into EIS Fund, Inc., and the subsequent name and stock ticker symbol changes. At the end of the period, the Fund's net assets were \$60.2 million and the Net Asset Value ("NAV") per share was \$12.89. The share price closed at \$11.35 and the Fund's price discount to NAV finished at 11.9%. Distributions to shareholders during the year totaled \$1.98 per share, most of which was classified as return-of-capital. The 2002 total investment return for a shareholder who reinvested their distributions was (19.3)%, outperforming the fund's benchmark S&P 500 Index, which returned (22.1)% for the year.

## CREATING VALUE FOR OUR SHAREHOLDERS

Cornerstone Advisors, Inc. assumed portfolio management responsibilities for the Fund at the start of 2002. The primary goal of this Fund's investment manager is to add value for the owners of the Fund, our shareholders, by continuing to outperform the Fund's benchmark. This will be accomplished by focusing on portfolio performance, minimizing expenses, and taking advantage of the Fund's discount to NAV to benefit its shareholders.

The Fund attempts to enhance its portfolio performance by exploiting temporary and occasional mispricing in certain securities, which represent different parts of a fully diversified U.S. stock portfolio. The magnitude and availability of such opportunities are unpredictable and therefore, the portfolio outperformance that results may vary considerably from year to year.

Over the past year, diligent attention to Fund expenses has reduced them substantially. In addition, Cornerstone Advisors, Inc. has extended its voluntary agreement to waive a substantial portion of its management fees to the extent that monthly operating expenses exceed a monthly rate of 0.1%. This effort demonstrates how seriously the manager views keeping expenses under control. It will provide a lower expense ratio than would otherwise be the case, resulting in what we believe to be one of the lowest expense ratios among comparable closed-end funds.

Additional contributions to Fund performance are anticipated from various actions designed to exploit the Fund's discount. First, repurchases of shares in the open market have been initiated which should enhance NAV performance, reduce the supply of shares available for sale, change the demand/supply balance, and reduce the discount. Second, the board has established a monthly distribution policy with a high fixed payout. These distributions allow shareholders to receive substantial portions of their investment in cash, or to continue their holdings in the Fund's stock by reinvesting in new shares. This policy gives flexibility to shareholders and such high payouts have a history of reducing or eliminating discounts in closed-end funds, possibly causing shares to trade at premiums. Furthermore, losses in the portfolio allowed most of the distributions for 2002 to be classified as return-of-capital, which defers the impact of capital gains taxes until significant Fund profits are realized in future periods.

LETTER TO SHAREHOLDERS (CONCLUDED)

MARKET ENVIRONMENT AND OUTLOOK

Throughout the year, it paid to keep a long-term view as the markets in 2002 retreated through the first three quarters only to recover some of the losses in the final period. Ultimately, not a single major U.S. industry equity group ended the year with a gain. Like the U.S., most of the major global indices were also down substantially. For most of 2002, our Fund's portfolio stayed fully invested with broad diversification across and within sectors and, at various times, utilized closed-end fund, fixed-income, and global equity positions. This approach served us well as many sectors flip-flopped between being leader and laggard, and led to Fund performance for the year that exceeded our benchmark.

After three straight years of market decline, we approach 2003 with cautious optimism. While uncertainty remains, the economy continues to show signs of recovery, and past bear markets have often ended with steep gains. We believe the most compelling current opportunities exist primarily in the beaten-down equity area, rather than in fixed-income investments. The world will continue to be a dangerous place and earning disappointments or unresolved international situations may prolong negative sentiment, but uncertainty also creates investment opportunity. Widespread investor discomfort may in fact be a good sign as markets often perform best after expectations are lowest.

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

Sincerely,

/s/ Ralph W. Bradshaw  
Ralph W. Bradshaw  
Chairman

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CORNERSTONE TOTAL RETURN FUND, INC.  
PORTFOLIO SUMMARY - AS OF DECEMBER 31, 2002 (UNAUDITED)

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TOP TEN, BY SECTOR

Sector	Percent of Net Assets
1. Financials	19.4
2. Healthcare	14.6
3. Consumer Discretionary	14.2
4. Information Technology	13.1
5. Industrials	11.0
6. Consumer Staples	9.3
7. Energy	5.8
8. Telecommunication Services	5.8
9. Materials	2.6
10. Utilities	2.3

TOP TEN HOLDINGS, BY ISSUER

Holding	Sector	Percent of Net Assets
1. Microsoft Corp.	Information Technology	3.6
2. Exxon Mobil Corp.	Energy	3.1
3. General Electric Co.	Industrials	3.1
4. Wal-Mart Stores, Inc.	Consumer Discretionary	3.1
5. International Business Machines Corp.	Information Technology	2.5
6. Citigroup Inc.	Financials	2.3
7. Pfizer Inc.	Healthcare	2.3
8. American International Group, Inc.	Financials	2.1
9. Johnson & Johnson	Healthcare	2.0
10. Merck & Co. Inc.	Healthcare	1.9

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CORNERSTONE TOTAL RETURN FUND, INC.  
SCHEDULE OF INVESTMENTS - DECEMBER 31, 2002

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DESCRIPTION	NO. OF SHARES	VALUE (NOTE A)
-----		
EQUITY SECURITIES - 99.43%		
UNITED STATES - 98.10%		
CLOSED-END DOMESTIC FUNDS - 1.07%		
Gabelli Global		
Multimedia Trust, Inc.	21,700	\$138,880
John Hancock Bank & Thrift Opportunity Fund	62,700	472,758
Petroleum & Resources Corp.	1,700	32,606
		-----
		644,244
-----		
CONSUMER DISCRETIONARY - 12.86%		
AOL Time Warner Inc. +	31,500	412,650
Bed Bath & Beyond Inc. +	2,500	86,325
Best Buy Co., Inc. +	5,000	120,750
Carnival Corp.	5,300	132,235
Clear Channel Communications Inc. +	5,200	193,908
Comcast Corp., Class A +	8,508	200,534
Comcast Corp., Special Class A +	7,500	169,425
Costco Wholesale Corp. +	4,600	129,076
CVS Corp.	5,000	124,850
Dana Corp.	2,500	29,400
Delphi Corp.	5,100	41,055
Dollar General Corp.	2,500	29,875
Eastman Kodak Co.	2,500	87,600
Federated Department Stores, Inc. +	2,500	71,900
Ford Motor Co.	15,200	141,360
Fortune Brands, Inc.	2,500	116,275
Gannett Co., Inc.	2,500	179,500
Gap, Inc. (The)	6,900	107,088
General Motors Corp.	5,000	184,300
Harley-Davidson, Inc.	5,000	231,000
Harrah's Entertainment, Inc. +	2,500	99,000
Hilton Hotels Corp.	5,000	63,550
Home Depot, Inc. (The)	17,800	426,488
Johnson Controls, Inc.	1,000	80,170
Kohl's Corp. +	2,500	139,875
Limited Brands	4,500	62,685
Lowe's Companies, Inc.	6,200	232,500
Mattel, Inc.	4,500	86,175
May Department Stores Co. (The)	2,500	57,450
McDonald's Corp.	10,600	170,448
Monsanto Co.	1,773	34,130
Office Depot, Inc. +	2,500	36,900
-----		
DESCRIPTION	NO. OF SHARES	VALUE (NOTE A)
-----		
CONSUMER DISCRETIONARY (CONTINUED)		
Omnicom Group Inc.	1,500	\$ 96,900
Reebok International Ltd. +	2,500	73,500
Sears, Roebuck & Co.	5,000	119,750

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Staples, Inc. +	4,600	84,180
Starbucks Corp.+	2,500	50,950
Target Corp.	7,100	213,000
TJX Companies, Inc. (The)	4,000	78,080
Viacom Inc., non-voting Class B +	14,000	570,640
Wal-Mart Stores, Inc.	36,400	1,838,564
Walt Disney Co. (The)	16,700	272,377
Yum! Brands, Inc. +	2,500	60,550
		-----
		7,736,968
		-----
CONSUMER STAPLES - 9.33%		
Albertson's, Inc.	2,500	55,650
Anheuser-Busch Companies, Inc.	6,200	300,080
Archer-Daniels-Midland Co.	5,650	70,060
Campbell Soup Co.	3,200	75,104
Coca-Cola Co. (The)	21,600	946,512
Coca-Cola Enterprises Inc.	2,500	54,300
Colgate-Palmolive Co.	5,100	267,393
ConAgra Foods, Inc.	2,500	62,525
Del Monte Foods Co.	1,205	9,279
General Mills, Inc.	2,500	117,375
Gillette Co. (The)	8,600	261,096
Groupe Danone, ADR	2,700	72,090
H.J. Heinz Co.	2,700	88,749
J.M. Smucker Co. (The)	190	7,564
Kellogg Co.	2,500	85,675
Kimberly-Clark Corp.	5,000	237,350
Kroger Co. (The) +	6,600	101,970
PepsiCo, Inc.	12,600	531,972
Philip Morris Companies Inc.	19,200	778,176
Procter & Gamble Co. (The)	10,000	859,400
Safeway Inc. +	4,900	114,464
Sara Lee Corp.	6,300	141,813
Walgreen Co.	8,100	236,439
Wm. Wrigley Jr. Co.	2,500	137,200
		-----
		5,612,236
		-----
ENERGY - 5.84%		
Anadarko Petroleum Corp.	2,500	119,750
Calpine Corp. +	3,000	9,780
CenterPoint Energy, Inc.	5,700	48,450

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See accompanying notes to financial statements.

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CORNERSTONE TOTAL RETURN FUND, INC.  
SCHEDULE OF INVESTMENTS - DECEMBER 31, 2002 (CONTINUED)  
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DESCRIPTION	NO.OF SHARES	VALUE (NOTE A)
ENERGY (CONTINUED)		
ChevronTexaco Corp.	8,302	\$551,917
ConocoPhillips	7,878	381,216
El Paso Corp.	4,800	33,408
Exxon Mobil Corp.	53,500	1,869,290
Marathon Oil Corp.	2,500	53,225
Occidental Petroleum Corp.	5,000	142,250
Reliant Resources, Inc. + Schlumberger Ltd.	4,494	14,381
	5,100	214,659
Unocal Corp.	2,500	76,450
		-----
		3,514,776
		-----

FINANCIALS - 19.43%

ACE Ltd.	2,500	73,350
AFLAC Inc.	4,000	120,480
Allstate Corp. (The)	5,200	192,348
American Express Co.	11,100	392,385
American International Group, Inc.	21,331	1,233,998
AmSouth Bancorp	1,800	34,560
Bank of America Corp.	10,900	758,313
Bank of New York Co., Inc. (The)	5,900	141,364
Bank One Corp.	9,300	339,915
BB&T Corp.	4,500	166,455
Capital One Financial Corp.	3,500	104,020
Charles Schwab Corp. (The)	10,700	116,095
Chubb Corp. (The)	1,500	78,300
Citigroup Inc.	40,100	1,411,119
Fannie Mae	8,200	527,506
Fifth Third Bancorp	5,100	298,605
Fiserv, Inc. +	2,500	84,875
FleetBoston Financial Corp.	8,500	206,550
Freddie Mac	5,800	342,490
Goldman Sachs Group, Inc. (The)	3,000	204,300
Hartford Financial Services Group, Inc. (The)	4,600	208,978
Household International, Inc.	4,700	130,707
J.P. Morgan Chase & Co.	14,700	352,800
John Hancock Financial Services, Inc.	3,500	97,650
KeyCorp	2,000	50,280
Lehman Brothers Holdings Inc.	2,500	133,225
Marsh & McLennan Companies, Inc.	4,600	212,566

DESCRIPTION	NO. OF SHARES	VALUE (NOTE A)
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FINANCIALS (CONTINUED)

MBNA Corp.	10,050	\$191,151
Mellon Financial Corp.	4,800	125,328
Merrill Lynch & Co., Inc.	6,600	250,470
MetLife, Inc.	6,000	162,240

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Morgan Stanley	9,900	395,208
National City Corp.	5,300	144,796
Northern Trust Corp.	1,100	38,555
PNC Financial Services Group	1,400	58,660
Principal Financial Group, Inc.	2,500	75,325
Progressive Corp. (The)	2,500	124,075
Prudential Financial, Inc.	5,000	158,700
SouthTrust Corp.	1,600	39,760
State Street Corp.	1,600	62,400
SunTrust Banks, Inc.	1,500	85,380
Travelers Property Casualty Corp., Class A + Travelers Property Casualty Corp., Class B + U.S. Bancorp	1,731	25,359
Wachovia Corp.	3,558	52,125
Washington Mutual, Inc.	15,700	333,154
Wells Fargo & Co.	11,600	422,704
	7,250	250,343
	14,500	679,615
		-----
		11,688,582
		-----

HEALTHCARE - 14.62%

Abbott Laboratories	13,200	528,000
Amgen Inc. +	8,300	401,222
Baxter International Inc.	5,100	142,800
Becton, Dickinson & Co.	2,500	76,725
Biomet, Inc.	2,500	71,650
Boston Scientific Corp. +	3,000	127,560
Bristol-Myers Squibb Co.	14,900	344,935
Cardinal Health, Inc.	5,000	295,950
CIGNA Corp.	800	32,896
Eli Lilly & Co.	9,100	577,850
Genzyme Corp. +	5,000	147,850
Guidant Corp. +	2,500	77,125
HCA Inc.	2,600	107,900
Health Management Associates, Inc.	2,500	44,750
Healthsouth Corp. +	2,500	10,500
Johnson & Johnson	22,600	1,213,846
King Pharmaceuticals, Inc. +	2,500	42,975
McKesson Corp.	2,500	67,575

See accompanying notes to financial statements.

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CORNERSTONE TOTAL RETURN FUND, INC.  
SCHEDULE OF INVESTMENTS - DECEMBER 31, 2002 (CONTINUED)



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DESCRIPTION	NO. OF SHARES	VALUE (NOTE A)
HEALTHCARE (CONTINUED)		
Medtronic, Inc.	10,100	\$460,560
Merck & Co. Inc.	20,300	1,149,183
Pfizer Inc.	45,800	1,400,106
Pharmacia Corp.	10,400	434,720
Schering-Plough Corp.	11,400	253,080
Stryker Corp.	1,500	100,680
Tenet Healthcare Corp. +	5,000	82,000
UnitedHealth Group Inc.	2,500	208,750
Wyeth	10,500	392,700
		8,793,888
INDUSTRIALS - 11.03%		
3M Co.	2,500	308,250
American Power Conversion Corp. + Automatic Data Processing, Inc.	2,500	37,875
Boeing Co. (The)	7,500	294,375
Burlington Northern Santa Fe Corp.	6,700	221,033
Caterpillar Inc.	5,000	130,050
Cendant Corp. + Concord EFS, Inc. + CSX Corp.	2,500	114,300
Dover Corp.	7,100	74,408
Emerson Electric Co.	5,000	78,700
FedEx Corp.	2,500	70,775
First Data Corp.	3,500	102,060
General Dynamics Corp.	4,500	228,825
General Electric Co.	2,500	135,550
Honeywell International Inc.	5,000	177,050
Illinois Tool Works Inc.	2,500	198,425
Lockheed Martin Corp.	2,500	1,862,775
Masco Corp.	12,300	295,200
Norfolk Southern Corp.	2,500	162,150
Paychex, Inc.	5,000	288,750
Raytheon Co.	5,000	96,830
Southwest Airlines Co.	3,000	59,970
Transocean Inc.	5,000	139,500
Tyco International Ltd.	2,500	76,875
United Parcel Service Inc., Class B	6,100	84,790
United Technologies Corp.	5,000	116,000
Waste Management, Inc.	17,600	300,608
	9,000	567,720
	4,700	291,118
	5,300	121,476
		6,635,438
INFORMATION TECHNOLOGY - 13.08%		
DESCRIPTION	NO. OF SHARES	VALUE (NOTE A)

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Adobe Systems Inc.	2,500	\$ 62,275
Agere Systems Inc., Class A +	75	108
Agere Systems Inc., Class B +	1,851	2,591
Agilent Technologies, Inc. +	5,000	89,800
Altera Corp. +	1,200	14,808
Analog Devices, Inc. +	5,000	119,350
Apple Computer, Inc. +	2,500	35,825
Applied Materials, Inc. +	19,400	252,782
Avaya Inc. +	17	41
CIENA Corp. +	1,500	7,710
Computer Associates International, Inc.	5,200	70,200
Corning Inc. +	7,500	24,825
Dell Computer Corp. +	20,200	540,148
Electronic Data Systems Corp.	7,500	138,225
EMC Corp. +	8,000	49,120
Hewlett-Packard Co.	15,842	275,017
Intel Corp.	52,500	817,425
International Business Machines Corp.	19,200	1,488,000
Jabil Circuit, Inc. +	2,500	44,800
JDS Uniphase Corp. +	9,700	23,959
Linear Technology Corp.	5,000	128,600
Maxim Integrated Products, Inc.	2,500	82,600
Micron Technology, Inc. +	5,500	53,570
Microsoft Corp. +	42,400	2,192,080
Motorola, Inc.	16,100	139,265
Oracle Corp. +	43,100	465,480
PerkinElmer, Inc.	1,500	12,375
QUALCOMM Inc. +	3,400	123,726
Sanmina-SCI Corp. +	4,000	17,960
Siebel Systems, Inc. +	5,000	37,400
Solectron Corp. +	5,700	20,235
Sun Microsystems, Inc. +	24,600	76,506
Texas Instruments Inc.	13,500	202,635
VERITAS Software, Corp. +	3,200	49,984
Xerox, Corp. +	2,500	20,125
Xilinx, Inc. +	5,100	105,060
Yahoo! Inc. +	5,000	81,750
		-----
		7,866,360
		-----
MATERIALS - 2.56%		
Air Products& Chemicals, Inc.	2,500	106,875
Alcan Inc.	1,500	44,280
Alcoa Inc.	6,800	154,904

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See accompanying notes to financial statements.

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CORNERSTONE TOTAL RETURN FUND, INC.



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Williams Companies, Inc. (The)	4,800	12,960
Xcel Energy, Inc.	5,500	60,500
		-----
		1,373,820
		-----
TOTAL UNITED STATES - 98.10%		
(cost - \$78,216,250)		59,009,837
		-----
CZECH REPUBLIC - 1.33%		
CONSUMER DISCRETIONARY - 1.33%		
Bonton AS (cost - \$894,866)*+	. 68,590	798,112
		-----
TOTAL EQUITY SECURITIES - 99.43%		
(cost - \$79,111,116)		59,807,949
		-----
	PRINCIPAL AMOUNT (000'S)	
SHORT-TERM INVESTMENT - 1.59%		
REPURCHASE AGREEMENT - 1.59%		
Bear, Stearns & Co., Inc.		
(Agreement dated 12/31/02 to be repurchased at \$959,062)		
1.10%, 01/02/03		
(cost - \$959,003)	\$959	959,003
		-----
TOTAL INVESTMENTS - 101.02%		
(cost - \$80,070,119) (Notes A,C,G)		60,766,952
LIABILITIES IN EXCESS OF OTHER ASSETS - (1.02)%		(615,577)
		-----
NET ASSETS - 100.00%		\$60,151,375
		=====

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See accompanying notes to financial statements.

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CORNERSTONE TOTAL RETURN FUND, INC.  
STATEMENT OF ASSETS AND LIABILITIES - DECEMBER 31, 2002

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ASSETS

Investments, at value (Cost \$80,070,119) (Note A,G)	\$60,766,952
Cash collateral received for securities loaned (Note E)	420,948
Receivables:	
Investments sold	348,749
Dividends and reclaims	91,404
Prepaid expenses	9,316
	-----
Total Assets	61,637,369
	-----

LIABILITIES

Payables:	
Investments purchased	697,344
Upon return of securities loaned (Note E)	420,948
Capital shares repurchased (Note D)	86,101
Investment management fees (Note B)	52,852
Other accrued expenses	228,749
Total Liabilities	1,485,994
	-----

NET ASSETS (applicable to 4,665,160 shares of common stock outstanding) \$60,151,375

NET ASSET VALUE PER SHARE (\$60,151,375 / 4,665,160) \$ 12.89

NET ASSETS CONSISTS OF

Capital stock, \$0.01 par value; 4,665,160 shares issued and outstanding (15,000,000 shares authorized)	\$ 46,652
Paid-in capital	94,168,147
Cost of 43,900 shares repurchased	(520,502)
Accumulated net realized loss on investments	(14,239,755)
Net unrealized depreciation in value of investments	(19,303,167)
	-----
Net assets applicable to shares outstanding	\$60,151,375
	-----

See accompanying notes to financial statements.

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CORNERSTONE TOTAL RETURN FUND, INC.  
STATEMENT OF OPERATIONS - FOR THE YEAR ENDED DECEMBER 31, 2002

INVESTMENT LOSS

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Income (Note A):

Dividends	\$ 575,235
Interest	409,655
Less: Foreign taxes withheld	(1,793)
	-----
Total Investment Income	983,097
	-----

Expenses:

Investment management fees (Note B)	385,363
Legal and audit fees (Note B)	80,098
Merger fees	75,980
Printing	57,063
Administration fees	52,189
Transfer agent fees	35,111
Directors' fees	32,701
NYSE listing fees	31,664
Accounting fees	29,207
Custodian fees	14,810
Insurance	9,630
Other	5,990
	-----
Total Expenses	809,806
Less: Management fee waivers (Note B)	(170,496)
Less: Fees paid indirectly (Note B)	(53,498)
	-----
Net Expenses	585,812
	-----
Net Investment Income	397,285
	-----

NET REALIZED AND UNREALIZED LOSS ON INVESTMENTS

Net realized loss from investments	(10,666)
Net change in unrealized depreciation in value of investments	(8,144,534)
	-----
Net realized and unrealized loss on investments	(8,155,200)
	-----

NET DECREASE IN NET ASSETS RESULTING FROM OPERATIONS

\$ (7,757,915)  
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See accompanying notes to financial statements.

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CORNERSTONE TOTAL RETURN FUND, INC.  
STATEMENTS OF CHANGES IN NET ASSETS  
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For the  
Dec  
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	2002
	----
DECREASE IN NET ASSETS	
Operations:	
Net investment income	\$ 397,285
Net realized gain/(loss) on investments	(10,666)
Net change in unrealized appreciation/(depreciation) in value of investments	(8,144,534)
	-----
Net increase/(decrease) in net assets resulting from operations	(7,757,915)
	-----
Dividends and distributions to shareholders (Note A,G):	
Net investment income	(397,285)
Return-of-capital	(4,727,860)
	-----
Total dividends and distributions to shareholders	(5,125,145)
	-----
Capital stock transactions (Note D):	
Net assets received in conjunction with Merger Agreement (Note A)	33,396,970
Proceeds from 47,882 shares newly issued in reinvestment of distributions	610,487
Cost of 43,900 and 8,000 shares repurchased, respectively	(520,502)
	-----
Net increase/(decrease) in net assets resulting from capital stock transactions	33,486,955
	-----
Total increase/(decrease) in net assets	20,603,895
	-----
NET ASSETS	
Beginning of year	39,547,480
	-----
End of year	\$ 60,151,375
	=====

See accompanying notes to financial statements.

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CORNERSTONE TOTAL RETURN FUND, INC.  
FINANCIAL HIGHLIGHTS

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 Contained below is per share operating performance data for a share of common stock outstanding, total investment return, ratios to average net assets and other supplemental data for each year indicated. This information has been derived from information provided in the financial statements and market price data for the Fund's shares.  
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	FOR THE YEARS ENDED DEC					
	2002	2001	2000	1999	1998	1997
	----	----	----	----	----	----
PER SHARE OPERATING PERFORMANCE						
Net asset value, beginning of year	\$ 18.30	\$ 18.28	\$ 17.62	\$18.78	\$18.52	\$ 18.23
Net investment income	0.15	0.52	1.07	1.03	1.06	1.08
Net realized and unrealized gain/(loss) on investments	(3.57)	0.24	0.63	(1.20)	0.23	0.38
Net increase/(decrease) in net assets resulting from operations	(3.42)	0.76	1.70	(0.17)	1.29	1.46
Dividends and distributions to shareholders:						
Net investment income	(0.18)	(0.66)	(1.05)	(1.01)	(1.03)	(1.17)
Net realized gain on investments	--	--	--	--	--	--
Return-of-capital	(1.80)	(0.09)	--	--	--	--
Total dividends and distributions to shareholders	(1.98)	(0.75)	(1.05)	(1.01)	(1.03)	(1.17)
Capital stock transactions:						
Anti-dilutive effect due to capital stock repurchased	0.02	0.01	0.01	0.02	--	--
Dilutive effect due to shares issued in reinvestment of distributions	(0.03)	--	--	--	--	--
Total capital stock transactions	(0.01)	0.01	0.01	0.02	--	--
Net asset value, end of year	\$ 12.89	\$ 18.30	\$ 18.28	\$17.62	\$18.78	\$ 18.52
Market value, end of year	\$ 11.350	\$ 16.290	\$ 15.875	\$14.250	\$16.560	\$ 16.750
Total investment return (a)	(19.30)%	8.91%	19.02%	(8.39)%	5.55%	14.51%
RATIOS/SUPPLEMENTAL DATA						
Net assets, end of year (000 omitted)	\$60,151	\$39,547	\$39,640	\$38,283	\$41,069	\$40,490
Ratio of expenses to average net assets, net of fee	1.50%	--	--	--	--	--



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waivers(b) Ratio of expenses to average net assets, excluding fee waivers, if any(c)	2.07%	3.01%	--	--	--	--
Ratio of expenses to average net assets, net of fee waivers but excluding fees paid indirectly, if any	1.63%	--	1.06%	1.05%	0.97%	1.08%
Ratio of net investment income to average net assets	1.01%	2.77%	5.97%	5.60%	5.62%	5.89%
Portfolio turnover	86.60%	0.00%	15.87%	16.09%	15.88%	2.91%

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See accompanying notes to financial statements.

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CORNERSTONE TOTAL RETURN FUND, INC.  
NOTES TO FINANCIAL STATEMENTS  
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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. On October 31, 2002, the Fund (then known as "EIS Fund, Inc.") consummated a merger with The Cornerstone Strategic Return Fund, Inc. (the "Predecessor Fund"). Pursuant to the terms of the agreement governing the merger, each share of common stock of the Predecessor Fund was converted into an equivalent dollar amount of full shares of common stock of the Fund, based on the net asset value of the Fund and the Predecessor Fund as of October 30, 2002 (\$13.35 and \$7.33, respectively), resulting in a conversion ratio of 0.5490 shares of the Fund for each share of the Predecessor Fund resulting in the issuance of 2,500,087 Fund shares. Cash was paid in lieu of fractional shares. Net assets of the Fund and the Predecessor Fund as of the merger date were \$29,172,812 and \$33,396,970, including unrealized depreciation of \$5,895,432 and \$12,013,315, respectively. In addition, the Predecessor Fund's net assets included undistributed capital losses of \$14,137,957. Total net assets after the merger were \$62,569,782. Upon the consummation of the merger, the Fund changed its name to Cornerstone Total Return Fund, Inc.

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

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affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

**PORTFOLIO VALUATION:** Investments are stated at value in the accompanying financial statements. All equity securities shall be valued at the closing price on the exchange or market on which the security is primarily traded ("Primary Market"). If the security did not trade on the Primary Market, it shall be valued at the closing price on another exchange where it trades. If there are no such sale prices, the value shall be the most recent bid, and if there is no bid, the security shall be valued at the most recent asked. If no pricing service is available and there are more than two dealers, the value shall be the mean of the highest bid and lowest ask. If there is only one dealer, then the value shall be the mean if bid and ask are available, otherwise the value shall be the bid. All other securities and assets are valued as determined in good faith by the Board of Directors. Short-term investments having a maturity of 60 days or less are valued on the basis of amortized cost. The Board of Directors has established general guidelines for calculating fair value of not readily marketable securities. At December 31, 2002, the Fund held 1.33% of its net assets in a security valued in good faith by the Board of Directors with an aggregate cost of \$894,866 and a fair value of \$798,112. 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 New York Stock Exchange is closed.

**REPURCHASE AGREEMENTS:** The Fund has agreed to purchase securities from financial institutions subject to the seller's agreement to repurchase them at an agreed-upon time and price ("repurchase agreements"). The financial institutions with whom the Fund enters into repurchase agreements are banks and broker/dealers, which Cornerstone Advisors, Inc. (the Fund's "Manager" or "Cornerstone") considers creditworthy. The seller under a repurchase agreement will be required to

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CORNERSTONE TOTAL RETURN FUND, INC.  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
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maintain the value of the securities as collateral, subject to the agreement at not less than the repurchase price plus accrued interest. Cornerstone monitors daily, the mark-to-market of the value of the collateral, and, if necessary, requires the seller to maintain additional securities, so that the value of the collateral is not less than the repurchase price. Default by or bankruptcy of the seller would, however, expose the Fund to possible loss because of adverse market action or delays in connection with the disposition of the underlying securities.

**INVESTMENT TRANSACTIONS AND INVESTMENT INCOME:** Investment transactions are accounted for on the trade date. The cost of investments sold is determined by use of the specific identification method for both financial reporting and income tax purposes. Interest income is recorded on an accrual basis; dividend income is recorded on the ex-dividend date.

**TAXES:** No provision is made for U.S. federal income or excise taxes as it is the

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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. Prior thereto, the Fund distributed at least annually to shareholders, substantially all of its net investment income and net realized short-term capital gains, if any. 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. An additional distribution may be made to the extent necessary to avoid the payment of a 4% U.S. federal excise tax. Dividends and distributions to shareholders are recorded by the Fund on the ex-dividend date.

The character of distributions made during the year from net investment income or net realized gains may differ from their ultimate characterization for U.S. federal income tax purposes due to U.S. generally accepted accounting principles/ tax differences in the character of income and expense recognition.

### NOTE B. AGREEMENTS

Cornerstone serves as the Fund's investment manager with respect to all investments. As compensation for its management services, Cornerstone receives from the Fund an annual fee, calculated weekly and paid monthly, equal to 1.00% of the Fund's average weekly net assets. Through December 31, 2002, Cornerstone voluntarily agreed to limit the Fund's annual operating expenses (excluding interest, taxes, brokerage commissions, legal fees, expenditures which are capitalized in accordance with accounting principles generally accepted in the United States of America, and other extraordinary expenses not incurred in the ordinary course of the Fund's business) to 1.50% of the first \$30,000,000 of annual average net assets, and 1% of average annual net assets in excess of \$30,000,000. In addition, effective July 1, 2002, Cornerstone has voluntarily agreed to lower the waiver of its management fees to the Fund to the extent that monthly operating expenses exceed 0.10% of average net assets calculated monthly. Such undertaking continued through the end of 2002 and Cornerstone voluntarily agreed to continue the undertaking until December 31, 2003. For the year ended December 31, 2002, Cornerstone earned \$385,363 for investment management services, of which it waived \$170,496.

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CORNERSTONE TOTAL RETURN FUND, INC.  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
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Included in the Statement of Operations, under the caption FEES PAID INDIRECTLY, are expense offsets of \$53,498 arising from credits earned on portfolio transactions executed with a broker, pursuant to a directed brokerage arrangement.

The Fund paid or accrued approximately \$83,660, of which \$25,000 was attributable to merger expense, for the year ended December 31, 2002 for legal services to Spitzer & Feldman P.C., counsel to the Fund. Mr. Westle, a partner

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of the firm, serves as secretary of the Fund.

At December 31, 2002, pursuant to regulatory filings, a single shareholder and his affiliates owned approximately 43% of the outstanding shares of the Fund based on a Schedule 13G/A filing with the Securities and Exchange Commission on February 7, 2003.

### NOTE C. INVESTMENT IN SECURITIES

For the year ended December 31, 2002, purchases and sales of securities, other than short-term investments, were \$46,787,509 and \$33,860,519, respectively.

### NOTE D. SHARE REPURCHASE PROGRAM

Pursuant to Section 23 of the Investment Company Act of 1940, as amended the Fund may in the future purchase shares of its common stock on the open market from time to time, at such times, and in such amounts as may be deemed advantageous to the Fund. Nothing herein shall be considered a commitment to purchase such shares. For the year ended December 31, 2002, the Fund repurchased 43,900 of its shares for a total cost of \$ 540,395 at a weighted average discount of 13.56% from net asset value. The discount of the individual repurchases ranged from 9.87% - 16.26%. For the year ended December 31, 2001, the Fund purchased 8,000 shares in the open market at a cost of \$136,980. These purchases were made at a weighted average discount to net asset value of 7.85%. No limit has been placed on the number of shares to be purchased by the Fund other than those imposed by federal securities laws.

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

### NOTE E. SECURITIES LENDING

To generate additional income, the Fund may lend up to 33 1/3% of its total assets. The Fund receives payments from borrowers equivalent to the dividends and interest that would have been earned on securities lent while simultaneously seeking to earn interest on the investment of cash collateral. Loans are subject to termination by the Fund or the borrower at any time, and are, therefore, not considered to be illiquid investments. Loans of securities are required at all times to be secured by collateral equal to at least 100% of the market value of securities on loan. However, in the event of default or bankruptcy of the other party to the agreement, realization and/or retention of the collateral may be subject to legal proceedings. In the event that the borrower fails to return securities, and collateral maintained by lender is insufficient to cover the value of loaned securities, the borrower is obligated to pay the amount of the shortfall (and interest thereon) to the Fund. However, there can be no assurance the Fund can recover this amount. The value of securities on loan to brokers and the related collateral received at December 31, 2002, were \$397,391 and \$420,948, respectively. Any cash collateral received is reinvested into repurchase agreements, which in turn are collateralized by various U.S. Government and Agency securities.

During the year ended December 31, 2002, the Fund earned \$595 in securities lending income that is included under the caption INTEREST in the Statement of Operations.

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CORNERSTONE TOTAL RETURN FUND, INC.  
NOTES TO FINANCIAL STATEMENTS (CONCLUDED)  
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### NOTE F. COLLATERAL FOR REPURCHASE AGREEMENT

Listed below is the collateral associated with the repurchase agreement with Bear, Stearns & Co. Inc. outstanding at December 31, 2002.

ISSUER -----	PRINCIPAL AMOUNT (000'S) -----	MATURITY -----	MARKET VALUE -----
United States Treasury Bond, (interest only)	\$2,365	2/15/20	\$978,661 =====

### NOTE G. FEDERAL INCOME TAXES

Income and capital gains distributions are determined in accordance with federal income tax regulations, which may differ from GAAP. These differences are primarily due to differing treatments of losses deferred due to wash sales and Post-October losses (as later defined), and excise tax regulations.

At December 31, 2002, the components of distributable earnings on a tax basis, for the Fund were as follows:

Capital loss carryforwards	\$(14,143,775)
Unrealized depreciation	(19,399,147)
	-----
Total loss	\$(33,542,922) =====

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, 2002, the Fund did not realize any of these losses.

At December 31, 2002, the Fund had a capital loss carryforward for U.S. federal income tax purposes of \$14,143,775 of which \$91,132 expires in 2008 and \$14,052,643 expires in 2010.

At December 31, 2002, 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 \$80,166,099, \$475,748, \$(19,874,895) and \$(19,399,147), respectively.

At December 31, 2002, the Fund reclassified \$4,710,268 from return-of-capital distributions to paid-in capital, to adjust for current period permanent book/tax differences. Net assets were not affected by these reclassifications.

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## REPORT OF INDEPENDENT ACCOUNTANTS

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. (formerly, EIS Fund, Inc.), including the schedule of investments, as of December 31, 2002, and the related statement of operations, the statement of changes in net assets and the financial highlights for the year 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 audit. The statement of changes in net assets for the year ended December 31, 2001 and the financial highlights for each of the nine years in the period then ended have been audited by other auditors, whose various reports dated February 8, 2002, January 31, 1997 and January 24, 1995 expressed an unqualified opinion on such financial statement and financial highlights.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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. 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, 2002 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 audit provides 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, 2002, the results of its operations, the changes in its net assets, and the financial highlights for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

TAIT, WELLER & BAKER

Philadelphia, Pennsylvania  
February 12, 2003

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## RESULTS OF SPECIAL MEETING OF STOCKHOLDERS (UNAUDITED)

On October 25, 2002, the Special Meeting of Stockholders of Cornerstone Total Return Fund, Inc. (the "Fund") was held and the following matters were voted upon:

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1. To consider and vote upon the approval of a Merger Agreement and Plan of Reorganization dated October 25, 2002 whereby The Cornerstone Strategic Return Fund, Inc. ("CRF"), a Maryland corporation, will merge with and into EIS Fund, Inc. in accordance with the New York Business Corporation Law and the Maryland General Corporation Law.

FOR	AGAINST	ABSTAIN
---	-----	-----
1,243,976	55,513	20,243

2. To amend the Certificate of Incorporation to change the name of EIS from "EIS Fund, Inc." to "Cornerstone Total Return Fund, Inc."

FOR	AGAINST	ABSTAIN
---	-----	-----
1,237,593	59,425	22,714

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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, 2002) as to the U.S. federal tax status of distributions received by the Fund's shareholders in respect of such fiscal year. During the year ended December 31, 2002, the following dividends and distributions per share were paid by the Fund:

Payment Date:	1/31/02	2/28/02	3/29/02	4/30/02	5/31/02
Ordinary Income:	\$ 0.015	\$ 0.015	\$ 0.015	\$ 0.015	\$ 0.015
Return-of-Capital:	\$ 0.150	\$ 0.150	\$ 0.150	\$ 0.150	\$ 0.150
	-----	-----	-----	-----	-----
Total:	\$ 0.165	\$ 0.165	\$ 0.165	\$ 0.165	\$ 0.165
	=====	=====	=====	=====	=====
Payment Date:	7/31/02	8/30/02	9/30/02	10/25/02	11/29/02
Ordinary Income:	\$ 0.015	\$ 0.015	\$ 0.015	\$ 0.015	\$ 0.015
Return-of-Capital:	\$ 0.150	\$ 0.150	\$ 0.150	\$ 0.150	\$ 0.150
	-----	-----	-----	-----	-----
Total:	\$ 0.165	\$ 0.165	\$ 0.165	\$ 0.165	\$ 0.165
	=====	=====	=====	=====	=====

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Ordinary income dividends should be reported as dividend income on Form 1040. Dividends from net investment income are taxable as ordinary income. Return-of-capital distributions are not taxed as ordinary income dividends and are sometimes referred to as tax-free dividends or nontaxable distributions. A return-of-capital distribution reduces the cost basis of your shares in the Fund. Notification for calendar year 2002 was mailed in January 2003. The notification along with Form 1099-DIV reflects the amount to be used by calendar year taxpayers on their U.S. federal income tax returns.

Foreign shareholders will generally be subject to U.S. withholding tax on the amount of the ordinary income portion of the dividends received, but will not be subject to U.S. withholding tax on the amount of their non-taxable distributions.

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 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 OFFICERS  
(UNAUDITED)

NAME AND ADDRESS (AGE)	POSITION(S) HELD WITH FUND	PRINCIPAL OCCUPATION OVER LAST 5 YEARS
Ralph W. Bradshaw* (52) One West Pack Square Suite 1650 Asheville, NC 28801	Chairman of the Board of Directors and President	President, Director and Shareholder of Cornerstone Advisors, Inc.; Financial Consultant; Vice President, Deep Discount Advisors, Inc. (1993-1999); Previous Director of The Austria Fund, Inc.; Director of The SMALLCap Fund, Inc., Progressive Return Fund, Inc. and Cornerstone Strategic Value Fund, Inc.
Thomas H. Lenagh (80) 13 Allen's Corner Rd. Flemington, NJ 08822	Director	Chairman of the Board of Inrad Corp.; Independent Financial Adviser; Director of Cornerstone Strategic Value Fund, Inc., Progressive Return Fund, Inc., Gintel Fund, The Adams Express Company and Petroleum



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and Resources Corporation.

Edwin Meese III (71)  
The Heritage Foundation  
214 Massachusetts Ave. NE  
Washington, D.C. 20002

Director

Distinguished Fellow, The Heritage Foundation, Washington D.C.; Distinguished Visiting Fellow at the Hoover Institution, Stanford University; Distinguished Senior Fellow at the Institute of United States Studies, University of London; Formerly U.S. Attorney General under President Ronald Reagan; Director of Cornerstone Strategic Value Fund, Inc. and Progressive Return Fund, Inc.

Scott B. Rogers (47)  
30 Cumberland Ave.  
Asheville, NC 28801

Director

Chief Executive Officer, Asheville Buncombe Community Christian Ministry; President, ABCCM Doctor's Medical Clinic; Director, Southeastern Jurisdiction Urban Networkers; Director, A-B Vision Board, Appointee, NC Governor's Commission on Welfare to Work; Chairman and Director, Recycling Unlimited; Director, Interdenominational Ministerial Alliance; Director of Cornerstone Strategic Value Fund, Inc. and Progressive Return Fund, Inc.

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

NAME AND ADDRESS (AGE)	POSITION(S) HELD WITH FUND	PRINCIPAL OCCUPATION OVER LAST 5 YEARS
Andrew A. Strauss (49) 77 Central Avenue Suite F Asheville, NC 28801	Director	Attorney and senior member of Strauss & 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 Cornerstone Strategic Value Fund, Inc., Progressive Return Fund, Inc., The SMALLCap Fund, Inc., Memorial Mission Hospital Foundation, Deerfield Episcopal Retirement Community and Asheville Symphony.
Glenn W. Wilcox, Sr. (71) One West Pack Square Suite 1700 Asheville, NC 28801	Director	Chairman of the Board and Chief Executive Officer of Wilcox Travel Agency, Inc.; Director of Champion Industries, Inc.; Chairman of Tower Associates, Inc. (a real estate venture); Director, Wachovia Corp.; Board Trustee and Chairman, Appalachian State University; Board Trustee and Director, Mars Hill College; Director of The SMALLCap Fund, Inc., Cornerstone Strategic Value Fund, Inc. and Progressive Return Fund, Inc.

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Gary Bentz\* (46)  
One West Pack Square  
Suite 1650  
Asheville, NC 28801

Director, Vice  
President and  
Treasurer

Chief Financial Officer and Shareholder of  
Cornerstone Advisors, Inc.; Previous Director  
of The Austria Fund, Inc.; Financial Consul-  
tant, Certified Public Accountant; Chief  
Financial Officer of Deep Discount Advisors,  
Inc. (1993-2000); Director, Vice President and  
Treasurer of Progressive Return Fund, Inc.  
and Cornerstone Strategic Value Fund, Inc.  
Partner, Spitzer & Feldman P.C. (May 1998-  
present); Secretary of Cornerstone Strategic  
Value Fund, Inc. and Progressive  
Return Fund, Inc.

Thomas R. Westle (49)  
405 Park Avenue  
New York, NY 10022

Secretary

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DESCRIPTION OF DIVIDEND REINVESTMENT & CASH PURCHASE PLAN  
(UNAUDITED)

Shareholders who have Shares registered directly in their own names automatically participate in the Fund's Dividend Reinvestment & Cash Purchase Plan (the "Plan"), unless and until an election is made to withdraw from the Plan on behalf of such participating shareholders. Shareholders who do not wish to have distributions automatically reinvested should so notify Fifth Third Bank (the "Agent") at Corporate Trust Operations, 38 Fountain Square Plaza, Mail Drop # 10AT66-3212, Cincinnati, OH 45202. 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 "Dividend" and collectively, "Dividends"), 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 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 a price equal to the average closing price of the Fund over the five trading days preceding the payment date of such dividend.

Registered shareholders who acquire their shares through Open Market Purchases and who do not wish to have their Dividends automatically reinvested should so notify the Fund in writing. If a Shareholder has not elected to receive cash Dividends and the Agent does not receive notice of an election to receive cash Dividends prior to the record date of any dividend, the shareholder will

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automatically receive such Dividends 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 Dividend 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 Dividends other than their share of brokerage commissions as discussed below. The Agent's fees for administering the Plan and handling the reinvestment of Dividends will be paid by the Fund. Each participant's account will be charged a pro-rata

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### DESCRIPTION OF DIVIDEND REINVESTMENT & CASH PURCHASE PLAN (UNAUDITED) (CONCLUDED)

share of brokerage commissions incurred with respect to the Agent's Open Market Purchases in connection with the reinvestment of Dividends. 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 Dividends will not relieve participants of any income tax that may be payable on such Dividends. 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 Dividends are subject to U.S. income tax withholding and in the case of participants subject to 30% federal backup withholding, the Agent will reinvest Dividends after deduction of the amount required to be withheld.

The Fund reserves the right to amend or terminate the Plan by written notice to

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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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### SUMMARY OF GENERAL INFORMATION

The Fund - Cornerstone Total Return Fund, Inc. is a closed-end, diversified investment company whose shares trade on the American Stock Exchange. 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

Effective February 21, 2003, the Fund is listed on the American Stock Exchange (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 published under "Closed-End Funds" each Sunday in THE NEW YORK TIMES under the designation "Cnrstn TR" and each Monday in THE WALL STREET JOURNAL and BARRON'S under the designation "CornrstnTtlRtn Fd."

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

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### PRIVACY POLICY NOTICE

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

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intermediary, the privacy policy of the financial intermediary would govern how your nonpublic personal information would be shared with unaffiliated third parties.

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

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

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

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

CORNERSTONE TOTAL RETURN FUND, INC.

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DIRECTORS AND CORPORATE OFFICERS

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

INVESTMENT MANAGER	STOCK TRANSFER AGENT
Cornerstone Advisors, Inc.	AND REGISTRAR
One West Pack Square	Fifth Third Bank
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383 Madison Avenue  
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For shareholder inquiries, registered shareholders should call (800) 837-2755.  
For general inquiries, please call (212) 272-2093.

[GRAPHIC OMITTED]

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 this report.