

CORNERSTONE PROGRESSIVE RETURN FUND
Form N-CSR
March 08, 2011

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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 811-22066

Cornerstone Progressive Return Fund

(Exact name of registrant as specified in charter)

350 Jericho Turnpike, Suite 206 Jericho, New York 11753
(Address of principal executive offices) (Zip code)

Frank J. Maresca

Ultimus Fund Solutions, LLC 350 Jericho Turnpike, Suite 206 Jericho,
New York 11753
(Name and address of agent for service)

Registrant's telephone number, including area code: (513) 326-3597

Date of fiscal year end: December 31, 2010

Date of reporting period: December 31, 2010

Form N-CSR is to be used by management investment companies to file reports with the Commission not later than 10 days after the transmission to stockholders of any report that is required to be transmitted to stockholders under Rule 30e-1 under the Investment Company Act of 1940 (17 CFR 270.30e-1). The Commission may use the information provided on Form N-CSR in its regulatory, disclosure review, inspection, and policymaking roles.

A registrant is required to disclose the information specified by Form N-CSR, and the Commission will make this information public. A registrant is not required to respond to the collection of information contained in Form N-CSR unless the Form displays a currently valid Office of Management and Budget ("OMB") control number. Please direct comments concerning the accuracy of the information collection burden estimate and any suggestions for reducing the burden to Secretary, Securities and Exchange Commission, 450 Fifth Street, NW, Washington, DC 20549-0609. The OMB has reviewed this collection of information under the clearance requirements of 44 U.S.C. ss. 3507.

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ITEM 1. REPORTS TO STOCKHOLDERS.

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CORNERSTONE PROGRESSIVE RETURN FUND PORTFOLIO SUMMARY - AS OF DECEMBER 31, 2010 (UNAUDITED)

SECTOR ALLOCATION

| Sector | Percent of Net Assets |
|------------------------|--------------------------|
| Closed-End Funds | 90.2 |
| Information Technology | 1.5 |
| Healthcare | 1.1 |
| Industrials | 1.1 |
| Consumer Staples | 1.0 |

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| | |
|------------------------|-----|
| Energy | 0.8 |
| Consumer Discretionary | 0.5 |
| Financials | 0.5 |
| Materials | 0.2 |
| Other | 3.1 |

TOP TEN HOLDINGS, BY ISSUER

| Holding | Sector | Percent of Net Assets |
|---|------------------|--------------------------|
| 1. Royce Value Trust, Inc. | Closed-End Funds | 6.4 |
| 2. AllianceBernstein Income Fund | Closed-End Funds | 5.4 |
| 3. Eaton Vance Risk-Managed Diversified Equity Income Fund | Closed-End Funds | 5.2 |
| 4. Eaton Vance Tax-Managed Diversified Equity Income Fund | Closed-End Funds | 5.2 |
| 5. Alpine Total Dynamic Dividend Fund | Closed-End Funds | 5.0 |
| 6. Calamos Strategic Total Return Fund | Closed-End Funds | 3.3 |
| 7. Alpine Global Premier Properties Fund | Closed-End Funds | 3.3 |
| 8. Eaton Vance Tax-Managed Global Diversified Equity Income Fund | Closed-End Funds | 3.1 |
| 9. Dow 30 Enhanced Premium & Income Fund, Inc. | Closed-End Funds | 3.1 |
| 10. Adams Express Company (The) | Closed-End Funds | 2.8 |

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CORNERSTONE PROGRESSIVE RETURN FUND
SUMMARY SCHEDULE OF INVESTMENTS - DECEMBER 31, 2010

| Description | No. of Shares | Value |
|---|------------------|--------------|
| EQUITY SECURITIES - 97.00% | | |
| CLOSED-END FUNDS - 90.19% | | |
| CORE - 19.39% | | |
| Adams Express Company (The) (a) | 141,606 | \$ 1,518,016 |
| Gabelli Equity Trust, Inc. | 66,280 | 375,808 |
| General American Investors Company, Inc. | 46,200 | 1,239,084 |
| Liberty All-Star Equity Fund | 170,160 | 838,889 |

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| | | |
|---|---------|------------|
| Royce Micro-Cap Trust, Inc. | 124,930 | 1,224,314 |
| Royce Value Trust, Inc. | 241,594 | 3,512,777 |
| SunAmerica Focused Alpha Growth Fund, Inc. | 20,500 | 359,365 |
| Tri-Continental Corporation | 109,034 | 1,500,308 |
| Other Core (b) | | 157,431 |
| | | ----- |
| | | 10,725,992 |
| | | ----- |

CORPORATE DEBT FUNDS

INVESTMENT GRADE-RATED - 8.49%

| | | |
|--|---------|-----------|
| AllianceBernstein Income Fund | 375,700 | 2,979,301 |
| Federated Enhanced Treasury Income Fund | 59,977 | 1,001,616 |
| Invesco Van Kampen Bond Fund | 25,000 | 466,000 |
| Other Corporate Debt Funds Investment Grade-Rated (b) | | 246,957 |
| | | ----- |
| | | 4,693,874 |
| | | ----- |

DEVELOPED MARKET - 0.75%

| | | |
|----------------------------|--|---------|
| Other Developed Market (b) | | 417,465 |
| | | ----- |

EMERGING MARKETS - 1.32%

| | | |
|--|--------|---------|
| Templeton Russia & East European Fund, Inc. | 23,700 | 542,019 |
| Other Emerging Markets (b) | | 186,917 |
| | | ----- |
| | | 728,936 |
| | | ----- |

FLEXIBLE INCOME - 0.27%

| | | |
|---------------------------|--|---------|
| Total Flexible Income (b) | | 151,966 |
| | | ----- |

GENERAL & INSURED UNLEVERAGED - 0.26%

| | | |
|--|--|---------|
| Other General & Insured Unleveraged (b) | | 141,538 |
| | | ----- |

| Description | No. of Shares | Value |
|--|------------------|------------|
| ----- | | |
| GENERAL MUNICIPAL LEVERAGED - 0.40% | | |
| Other General Municipal Leveraged (b) | | \$ 220,961 |
| | | ----- |
| GLOBAL - 7.32% | | |
| Alpine Global Dynamic Dividend Fund | 91,437 | 663,833 |
| Alpine Total Dynamic Dividend Fund | 469,770 | 2,781,038 |
| Clough Global Allocation Fund | 29,600 | 462,944 |
| Other Global (b) | | 136,852 |
| | | ----- |
| | | 4,044,667 |
| | | ----- |

GLOBAL INCOME - 1.27%

| | | |
|--------------------------|--|--|
| AllianceBernstein Global | | |
|--------------------------|--|--|

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| | | |
|---|---------|-----------|
| High Income Fund | 48,461 | 692,992 |
| Other Global Income (b) | | 11,900 |
| | | ----- |
| | | 704,892 |
| | | ----- |
| HIGH CURRENT YIELD (LEVERAGED) - 3.01% | | |
| BlackRock Debt Strategies Fund, Inc. | 115,103 | 438,542 |
| First Trust Strategic High Income Fund | 68,716 | 229,511 |
| First Trust Strategic High Income Fund II | 51,700 | 241,956 |
| Other High Current Yield (Leveraged) (b) | | 749,563 |
| | | ----- |
| | | 1,659,572 |
| | | ----- |
| HIGH YIELD MUNICIPAL DEBT - 0.71% | | |
| Other High Yield Municipal Debt (b) | | 383,260 |
| | | ----- |
| INCOME & PREFERRED STOCK - 6.66% | | |
| BlackRock Credit Allocation Income Trust II, Inc. | 74,678 | 734,085 |
| BlackRock Credit Allocation Income Trust III | 33,074 | 347,938 |
| Calamos Strategic Total Return Fund | 279,538 | 2,588,522 |
| Other Income & Preferred Stock (b) | | 8,760 |
| | | ----- |
| | | 3,679,305 |
| | | ----- |

See accompanying notes to financial statements.

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CORNERSTONE PROGRESSIVE RETURN FUND
SUMMARY SCHEDULE OF INVESTMENTS - DECEMBER 31, 2010 (CONTINUED)

| Description | No. of Shares | Value |
|---|---------------|------------|
| ----- | | |
| INSURED MUNICIPAL LEVERAGED - 0.67% | | |
| Nuveen Insured Quality Municipal Fund, Inc. | 17,200 | \$ 215,860 |
| Other Insured Municipal Leveraged (b) | | 158,350 |
| | | ----- |
| | | 374,210 |
| | | ----- |
| LOAN PARTICIPATION - 0.94% | | |
| BlackRock Floating Rate Income Strategies Fund II, Inc. | 18,908 | 259,229 |
| Invesco Van Kampen Dynamic Credit Opportunities Fund | 21,403 | 261,331 |

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| ----- | | |
|---|------------------|------------|
| | | 520,560 |
| ----- | | |
| Description | No. of Shares | Value |
| ----- | | |
| OPTION ARBITRAGE/OPTIONS STRATEGIES - 25.84% | | |
| BlackRock International Growth & Income Trust | 57,891 | 588,751 |
| Dow 30 Enhanced Premium & Income Fund, Inc. | 164,900 | 1,711,662 |
| Eaton Vance Enhanced Equity Income Fund | 24,457 | 309,136 |
| Eaton Vance Enhanced Equity Income Fund II | 30,200 | 368,742 |
| Eaton Vance Risk-Managed Diversified Equity Income Fund | 218,150 | 2,897,032 |
| Eaton Vance Tax-Managed Buy-Write Income Fund | 23,725 | 343,064 |
| Eaton Vance Tax-Managed Buy-Write Opportunities Fund | 92,924 | 1,215,446 |
| Eaton Vance Tax-Managed Diversified Equity Income Fund | 256,000 | 2,895,360 |
| Eaton Vance Tax-Managed Global Buy-Write Opportunities Fund | 103,000 | 1,261,750 |
| Eaton Vance Tax-Managed Global Diversified Equity Income Fund | 162,857 | 1,714,884 |
| NFJ Dividend, Interest & Premium Strategy Fund | 44,521 | 779,563 |
| ----- | | |
| OPTION ARBITRAGE/OPTIONS STRATEGIES (CONTINUED) | | |
| Other Option Arbitrage/Options Strategies (b) | | \$ 193,804 |
| | | ----- |
| | | 14,279,194 |
| ----- | | |
| PACIFIC EX JAPAN - 1.33% | | |
| Greater China Fund, Inc. (The) | 40,447 | 531,878 |
| Other Pacific Ex-Japan (b) | | 203,848 |
| | | ----- |
| | | 735,726 |
| ----- | | |
| REAL ESTATE - 3.65% | | |
| Alpine Global Premier Properties Fund | 258,148 | 1,830,269 |
| Other Real Estate (b) | | 185,996 |
| | | ----- |
| | | 2,016,265 |
| ----- | | |
| SECTOR EQUITY - 4.83% | | |
| Cohen & Steers Infrastructure Fund, Inc. | 36,722 | 602,975 |

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| | | |
|---|---------|------------------------------|
| Evergreen Utilities and High Income Fund | 63,000 | 730,800 |
| Macquarie Global Infrastructure Total Return Fund, Inc. | 55,934 | 966,540 |
| Petroleum & Resources Corporation (a) | 2,475 | 66,850 |
| Other Sector Equity (a) (b) | | 306,594 |
| | | ----- 2,673,759 ----- |
| U.S. MORTGAGE - 1.37% BlackRock Income Trust, Inc. | 110,467 | 755,594 |
| VALUE - 1.71% Claymore Dividend & Income Fund | 36,200 | 544,086 |
| Royce Focus Trust, Inc. | 53,014 | 401,316 |
| | | ----- 945,402 ----- |
| TOTAL CLOSED-END FUNDS | | ----- 49,853,138 ----- |

See accompanying notes to financial statements.

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CORNERSTONE PROGRESSIVE RETURN FUND
SUMMARY SCHEDULE OF INVESTMENTS - DECEMBER 31, 2010 (CONCLUDED)

| Description | No. of Shares | Value |
|---|------------------|---|
| CONSUMER DISCRETIONARY - 0.54% Other Consumer Discretionary (b) | | \$ 297,835 ----- |
| CONSUMER STAPLES - 0.96% Procter & Gamble Company (The) Other Consumer Staples (b) | 5,233 | 336,639 194,398 ----- 531,037 ----- |
| ENERGY - 0.82% ConocoPhillips Other Energy (b) | 4,000 | 272,400 180,972 ----- 453,372 ----- |
| FINANCIALS - 0.46% Other Financials (b) | | ----- 252,436 ----- |
| HEALTHCARE - 1.11% Becton, Dickinson and Company Johnson & Johnson | 3,000 4,000 | 253,560 247,400 |

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| | | |
|--------------------------------|--------|---------|
| Other Healthcare (b) | | 111,270 |
| | | ----- |
| | | 612,230 |
| | | ----- |
| INDUSTRIALS - 1.09% | | |
| Other Industrials (b) | | 600,834 |
| | | ----- |
| INFORMATION TECHNOLOGY - 1.50% | | |
| Cisco Systems, Inc. * | 18,470 | 373,648 |
| Google, Inc. - Class A * | 532 | 315,992 |
| Other Information | | |
| Technology (b) | | 143,069 |
| | | ----- |
| | | 832,709 |
| | | ----- |

| Description | No. of Shares | Value |
|--|------------------|--------------|
| ----- | | |
| MATERIALS - 0.24% | | |
| Total Materials (b) | | \$ 134,381 |
| | | ----- |
| UTILITIES - 0.09% | | |
| Total Utilities (b) | | 53,430 |
| | | ----- |
| TOTAL EQUITY SECURITIES | | |
| (cost - \$48,949,302) | | 53,621,402 |
| | | ----- |
| SHORT-TERM INVESTMENTS - 3.70% | | |
| MONEY MARKET SECURITY - 3.70% | | |
| JPMorgan U.S. Government Money Market Fund | | |
| (cost - \$ 2,044,471) | 2,044,471 | 2,044,471 |
| | | ----- |
| TOTAL INVESTMENTS - 100.70% | | |
| (cost - \$50,993,773) | | 55,665,873 |
| | | ----- |
| LIABILITIES IN EXCESS OF OTHER ASSETS - (0.70)% | | |
| | | (388,875) |
| | | ----- |
| NET ASSEETS - 100.00% | | |
| | | \$55,276,998 |

(a) Affiliated investment. The Fund holds 2.75% and 0.12% (based on net assets) of Adams Express Company and Petroleum & Resources Corporation, respectively. A trustee of the Fund also serves as a director to such companies. During the year ended December 31, 2010 there were additional purchases of 34,875 shares of Petroleum & Resources Corporation with a cost of \$800,706 and additional sales of 36,400 with a cost of \$843,941. There were no purchases or sales of Adams Express Company during the year.

(b) Represents issuers not identified as a top 50 holding in terms market value and issues or issuers not exceeding 1% of net assets individually or in the aggregate, respectively, as December 31, 2010.

* Non-income producing security.

See accompanying notes to financial statements.

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CORNERSTONE PROGRESSIVE RETURN FUND
STATEMENT OF ASSETS AND LIABILITIES - DECEMBER 31, 2010

ASSETS

| | |
|--|--------------|
| Investments, at value: | |
| Unaffiliated issuers (cost - \$49,708,035) | \$54,081,007 |
| Affiliated issuers (cost - \$ 1,285,738) | 1,584,866 |
| | ----- |
| Total investments (cost - \$50,993,773) | 55,665,873 |
| Receivables: | |
| Investments sold | 1,570,079 |
| Dividends | 173,629 |
| | ----- |
| Total Assets | 57,409,581 |
| | ----- |

LIABILITIES

| | |
|----------------------------|-----------|
| Payables: | |
| Securities purchased | 2,011,607 |
| Investment management fees | 46,291 |
| Trustees' fees | 19,750 |
| Other accrued expenses | 54,935 |
| | ----- |
| Total Liabilities | 2,132,583 |
| | ----- |

| | |
|--|---------------|
| NET ASSETS (applicable to 9,374,829 shares of common share outstanding) | \$ 55,276,998 |
| | ===== |

| | |
|---|---------|
| NET ASSET VALUE PER SHARE ((\$55,276,998 (divided by) 9,374,829) | \$ 5.90 |
| | ===== |

| | |
|---|---------------|
| NET ASSETS CONSISTS OF | |
| Paid-in capital | \$ 80,081,591 |
| Accumulated net realized loss on investments | (29,476,693) |
| Net unrealized appreciation in value of investments | 4,672,100 |
| | ----- |
| Net assets applicable to shares outstanding | \$ 55,276,998 |
| | ===== |

See accompanying notes to financial statements.

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CORNERSTONE PROGRESSIVE RETURN FUND
STATEMENT OF OPERATIONS - FOR THE YEAR ENDED DECEMBER 31, 2010

INVESTMENT INCOME

| | |
|---|--------------|
| Income: | |
| Dividends from non-affiliated investments | \$ 1,960,233 |
| Dividends from affiliated investments | 9,580 |
| Securities lending | 323 |
| | ----- |

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| | | |
|--|--|--------------|
| Total Investment Income | | 1,970,136 |
| ----- | | |
| Expenses: | | |
| Investment management fees | | 538,817 |
| Trustees' fees | | 81,801 |
| Administration fees | | 54,375 |
| Accounting fees | | 40,684 |
| Legal and audit fees | | 40,649 |
| Printing | | 38,902 |
| Insurance | | 24,776 |
| Custodian fees | | 18,002 |
| Transfer agent fees | | 15,001 |
| Stock exchange listing fees | | 9,575 |
| Miscellaneous | | 4,797 |
| ----- | | |
| Total Expenses | | 867,379 |
| Less: Fees paid indirectly | | (78,847) |
| ----- | | |
| Net Expenses | | 788,532 |
| ----- | | |
| Net Investment Income | | 1,181,604 |
| ----- | | |
| NET REALIZED AND UNREALIZED GAIN/(LOSS) ON INVESTMENTS | | |
| Net realized gain from unaffiliated investments | | 10,053,969 |
| Net realized gain from affiliated investments | | 105,202 |
| Capital gain distributions from regulated investment companies | | 153,044 |
| Capital gains distributions from affiliated regulated investment companies | | 80,331 |
| Net change in unrealized appreciation in value of investments | | (795,580) |
| ----- | | |
| Net realized and unrealized gain on investments | | 9,596,966 |
| ----- | | |
| NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS | | \$10,778,570 |
| ===== | | |

See accompanying notes to financial statements.

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CORNERSTONE PROGRESSIVE RETURN FUND
STATEMENT OF CHANGES IN NET ASSETS

| | For the Years Ended December 31, | |
|--|----------------------------------|--------------|
| | 2010 | 2009 |
| | ----- | |
| INCREASE/(DECREASE) IN NET ASSETS | | |
| Operations: | | |
| Net investment income | \$ 1,181,604 | \$ 1,477,832 |
| Net realized gain/(loss) from investments | 10,392,546 | (20,263,956) |
| Net change in unrealized appreciation/(depreciation) in value of investments | (795,580) | 33,599,505 |
| | ----- | ----- |
| Net increase in net assets resulting | | |

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| | | |
|--|---------------|---------------|
| from operations | 10,778,570 | 14,813,381 |
| | ----- | ----- |
| Dividends and distributions to shareholders: | | |
| Net investment income | (10,660,166) | (1,477,832) |
| Return-of-capital | (3,769,736) | (21,498,436) |
| | ----- | ----- |
| Total dividends and distributions to shareholders | (14,429,902) | (22,976,268) |
| | ----- | ----- |
| Transactions in common share of beneficial interest: | | |
| Proceeds from 27,803 and 10,294 shares newly issued in reinvestment of dividends and distributions, respectively | 189,938 | 90,582 |
| | ----- | ----- |
| Total decrease in net assets | (3,461,394) | (8,072,305) |
| | ----- | ----- |
| NET ASSETS | | |
| Beginning of year | 58,738,392 | 66,810,697 |
| | ----- | ----- |
| End of year | \$ 55,276,998 | \$ 58,738,392 |
| | ===== | ===== |

See accompanying notes to financial statements.

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CORNERSTONE PROGRESSIVE RETURN FUND
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 period 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 December 31, | | For the Per Sept. 10, 2 through Dec. 31, 20 |
|---|---------|--|----------|--|
| | 2010 | 2009 | 2008 | |
| | ----- | ----- | ----- | ----- |
| PER SHARE OPERATING PERFORMANCE | | | | |
| Net asset value, beginning of period | \$ 6.28 | \$ 7.16 | \$ 14.10 | \$ 14.96^ |
| | ----- | ----- | ----- | ----- |
| Net investment income # | 0.13 | 0.16 | 0.16 | 0.06 |
| Net realized and unrealized gain/(loss) on investments | 1.03 | 1.42 | (4.64) | (0.35) |
| | ----- | ----- | ----- | ----- |
| Net increase/(decrease) in net assets resulting from operations | 1.16 | 1.58 | (4.48) | (0.29) |
| | ----- | ----- | ----- | ----- |
| Dividends and distributions to shareholders: | | | | |
| Net investment income | (1.14) | (0.16) | (0.16) | (0.06) |
| Net realized capital gains | -- | -- | -- | (0.15) |
| Return-of-capital | (0.40) | (2.30) | (2.30) | (0.41) |

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| | | | | |
|--|---------|---------|----------|----------|
| Total dividends and distributions to shareholders | (1.54) | (2.46) | (2.46) | (0.62) |
| Capital stock transactions: | | | | |
| Anti-dilutive effect due to issuance of common shares | -- | -- | -- | 0.05 |
| Anti-dilutive effect due to shares issued in reinvestment of dividends and distributions | --+ | -- | -- | -- |
| Total capital stock transactions | -- | -- | -- | 0.05 |
| Net asset value, end of period | \$ 5.90 | \$ 6.28 | \$ 7.16 | \$ 14.10 |
| Market value, end of period | \$ 7.46 | \$ 8.90 | \$ 7.10 | \$ 16.75 |
| Total investment return (a) | 4.73% | 65.40% | (47.53)% | 16.02% |

RATIOS/SUPPLEMENTAL DATA

| | | | | |
|--|----------|----------|----------|-----------|
| Net assets, end of year (000 omitted) | \$55,277 | \$58,738 | \$66,811 | \$131,628 |
| Ratio of expenses to average net assets, net of fee waivers, if any (c) (d) | 1.47% | 1.39% | 1.25% | 1.29% |
| Ratio of expenses to average net assets, excluding fee waivers, if any (d) (f) | 1.61% | 1.54% | 1.32% | 1.42% |
| Ratio of expenses to average net assets, net of fee waivers, if any (d) (f) | 1.61% | 1.54% | 1.32% | 1.42% |
| Ratio of net investment income to average net assets | 2.20% | 2.54% | 1.48% | 1.46% |
| Portfolio turnover rate | 117.45% | 115.99% | 20.19% | 6.77% |

* Commencement of operations.

^ Based on \$15.00 per share public offering price less \$0.04 per share of offering expenses related to the Fund's initial public offering.

Based on average shares outstanding.

+ Amount rounds to less than \$0.01

(a) Total investment return at market value is based on the changes in market price of a share during the period 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.

(b) Not annualized

(c) Expenses are net of fees paid indirectly.

(d) Expenses do not include expenses of investment companies in which the Fund invests.

(e) Annualized

(f) Expenses exclude the reduction for fees paid indirectly.

See accompanying notes to financial statements.

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CORNERSTONE PROGRESSIVE RETURN FUND
NOTES TO FINANCIAL STATEMENTS

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NOTE A. ORGANIZATION

Cornerstone Progressive Return Fund (the "Fund") was organized as a Delaware statutory trust on April 26, 2007 and commenced investment operations on September 10, 2007. Prior to such date it had no operations other than the sale and issuance of 6,668 shares at an aggregate purchase price of \$100,020 on July 20, 2007. Its investment objective is to provide total return. The Fund is registered under the Investment Company Act of 1940, as amended, as a closed-end, diversified management investment company.

NOTE B. SIGNIFICANT ACCOUNTING POLICIES

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.

SUBSEQUENT EVENTS: The Fund has evaluated the need for additional disclosures and/or adjustments resulting from subsequent events through the date its financial statements were issued. Based on this evaluation, no additional disclosures or adjustments were required to such financial statements.

PORTFOLIO VALUATION: Investments are stated at value in the accompanying financial statements. Readily marketable portfolio securities listed on the NYSE are valued, except as indicated below, at the last sale price reflected on the consolidated tape at the close of the NYSE on the business day as of which such value is being determined. If there has been no sale on such day, the securities are valued at the mean of the closing bid and asked prices on such day. If no bid or asked prices are quoted on such day or if market prices may be unreliable because of events occurring after the close of trading, then the security is valued by such method as the Board of Trustees shall determine in good faith to reflect its fair market value. Readily marketable securities not listed on the NYSE but listed on other domestic or foreign securities exchanges are valued in a like manner. Portfolio securities traded on more than one securities exchange are valued at the last sale price on the business day as of which such value is being determined as reflected on the consolidated tape at the close of the exchange representing the principal market for such securities. Securities trading on the Nasdaq Stock Market, Inc. ("NASDAQ") are valued at the closing price.

Readily marketable securities traded in the over-the-counter market, including listed securities whose primary market is believed by Cornerstone Advisors, Inc. (the "Investment Manager" or "Cornerstone") to be over-the-counter, are valued at the mean of the current bid and asked prices as reported by the NASDAQ or, in the case of securities not reported by the NASDAQ or a comparable source, as the Board of Trustees deem appropriate to reflect their fair market value. Where securities are traded on more than one exchange and also over-the-counter, the securities will generally be valued using the quotations the Board of Trustees believes reflect most closely the value of such securities.

At December 31, 2010, the Fund held no securities valued in good faith by the Board of Trustees. 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 NYSE Amex LLC is closed.

The Fund is exposed to financial market risks, including the valuations of its investment portfolio. For the year ended December 31, 2010, the Fund did not engage in derivative instruments and other hedging activities.

REPURCHASE AGREEMENTS: The Fund has agreed to purchase securities from financial

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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 considers creditworthy. The seller under a repurchase

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CORNERSTONE PROGRESSIVE RETURN FUND
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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 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.

RISKS ASSOCIATED WITH INVESTMENTS IN OTHER CLOSED-END FUNDS: Closed-end investment companies are subject to the risks of investing in the underlying securities. The Fund, as a holder of the securities of the closed-end investment company, will bear its pro rata portion of the closed-end investment company's expenses, including advisory fees. These expenses are in addition to the direct expenses of the Fund's own operations.

TAXES: No provision is made for U.S. federal income or excise taxes as it is the Fund's intention 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.

The Accounting for Uncertainty in Income Taxes Topic of the FASB Accounting Standards Codification defines the threshold for recognizing the benefits of tax-return positions in the financial statements as "more-likely-than-not" to be sustained by the taxing authority and requires measurement of a tax position meeting the more-likely-than-not criterion, based on the largest benefit that is more than 50 percent likely to be realized. The Fund's policy is to classify interest and penalties associated with underpayment of federal and state income taxes, if any, as income tax expense on its Statement of Operations. As of December 31, 2010, the Fund does not have any interest or penalties associated with the underpayment of any income taxes. Management reviewed any uncertain tax positions for open tax years 2007 through 2009; or expected to be taken in the Fund's 2010 tax return. There was no material impact to the financial statements or the disclosures thereto as a result of the adoption of this pronouncement.

DISTRIBUTIONS TO SHAREHOLDERS: The Fund seeks to make a level distribution to its shareholders each month pursuant to a distribution policy adopted by the Board of Trustees ("Distribution Policy"). 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 portfolio. The distribution rate may be modified by the Board of Trustees from time to time. If, for any

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monthly distribution, investment company taxable income, if any (which term includes net short-term capital gain), and net tax-exempt income, if any, is less than the amount of the distribution, the difference will generally be a tax-free return of capital distributed from the Fund's assets. The Fund's final distribution for each calendar year is expected to include any remaining investment company taxable income and net tax exempt income undistributed during the year, as well as all net capital gain realized during the year.

However, if they determine it is appropriate to do so, the Board of Trustees may elect to not distribute realized gains and to pay taxes incurred. In general, the total distributions made in any taxable year (other than distributions of net capital gain or return of capital) would be treated as ordinary dividend income to the extent of the Fund's current and accumulated earnings and profits. Distributions in excess of the earnings and profits would first be a tax-free return of capital to the extent of the adjusted tax basis in the shares.

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CORNERSTONE PROGRESSIVE RETURN FUND
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

The Distribution Policy described above would result in the payment of approximately the same amount or percentage to the Fund's shareholders each month. These distributions will not be tied to the Fund's investment income and capital gains and will not represent yield or investment return on the Fund's portfolio. Section 19(a) of the 1940 Act and Rule 19a-1 there-under require the Fund to provide a written statement accompanying any such payment that adequately discloses its source or sources, other than net investment income. Thus, if the source of some or all of the dividend or other distribution were the original capital contribution of the shareholder, and the payment amounted to a return of capital, the Fund would be required to provide written disclosure to that effect. Nevertheless, persons who periodically receive the payment of a dividend or other distribution may be under the impression that they are receiving net profits when they are not. Shareholders should read any written disclosure provided pursuant to Section 19(a) and Rule 19a-1 carefully, and should not assume that the source of any distribution from the Fund is net profit.

The Board of Trustees reserves the right to change the monthly distribution policy from time to time. Distribution Policy Risk: The Fund seeks to make monthly distributions to shareholders at a rate that may include periodic distributions of its net income and net capital gains, ("Net Earnings"), or from return-of-capital. If, for any fiscal year where total cash distributions exceeded Net Earnings (the "Excess"), the Excess would decrease the Fund's total assets and, as a result, would have the likely effect of increasing the Fund's expense ratio. There is a risk that the total Net Earnings from the Fund's portfolio would not be great enough to offset the amount of cash distributions paid to Fund shareholders. If this were to be the case, the Fund's assets would be depleted, and there is no guarantee that the Fund would be able to replace the assets. In addition, in order to make such distributions, the Fund may have to sell a portion of its investment portfolio at a time when independent investment judgment might not dictate such action. Furthermore, such assets used to make distributions will not be available for investment pursuant to the Fund's investment objective.

NOTE C. FAIR VALUE

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As required by the Fair Value Measurement and Disclosures Topic of the FASB Accounting Standards Codification, the Fund has performed an analysis of all assets and liabilities measured at fair value to determine the significance and character of all inputs to their fair value determination. The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into the following three broad categories.

- o Level 1 - quoted unadjusted prices for identical instruments in active markets to which the Fund has access at the date of measurement.

- o Level 2 - quoted prices for similar in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets. Level 2 inputs are those in markets for which there are few transactions, the prices are not current, little public information exists or instances where prices vary substantially over time or among brokered market makers.

- o Level 3 - model derived valuations in which or more significant inputs or significant value drivers are unobservable. Unobservable inputs are those inputs that reflect the Fund's own assumptions that market participants would use to price the asset or liability based on the best available information.

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CORNERSTONE PROGRESSIVE RETURN FUND
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

The following is a summary of the inputs used as of December 31, 2010 in valuing the Fund's investments carried at value:

| Valuation Inputs | Investments in Securities | Other Financial Instruments* |
|---|------------------------------|---------------------------------|
| ----- | | |
| Level 1 - Quoted Prices | | |
| Equity Investments | \$53,621,402 | -- |
| Short-Term Investments | 2,044,471 | -- |
| Level 2 - Other Significant Observable Inputs | -- | -- |
| Level 3 - Significant Unobservable Inputs | -- | -- |
| | ----- | ----- |
| Total | \$55,665,873 ===== | -- ===== |

* Other financial instruments include futures, and swap contracts.

The breakdown of the Fund's investments into major categories is disclosed in its Summary Schedule of Investments.

During the year ended December 31, 2010 the Fund did not have any significant transfers in and out of Level 1 or Level 2.

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The Fund did not have any assets or liabilities that were measured at fair value on a recurring basis using significant unobservable inputs (Level 3) at December 31, 2010.

In January 2010, the FASB Accounting Standards Board issued Accounting Standards Update ("ASU") No. 2010-06 "Improving Disclosures about Fair Value Measurements". ASU 2010-06 amends FASB Accounting Standards Codification Topic, Fair Value Measurements and Disclosures, to require additional disclosures regarding fair value measurements. Certain disclosures required by ASU No. 2010-06 are effective for interim and annual reporting periods beginning after December 15, 2009, and other required disclosures are effective for fiscal years beginning after December 15, 2010, and for interim periods within those fiscal years. Management has evaluated the impact ASU No. 2010-06 and has determined that it is not expected to have a significant impact on its financial statement disclosures.

NOTE D. AGREEMENTS

Certain officers of the Fund are also officers of Cornerstone or Ultimus Fund Solutions, LLC ("Ultimus"). Such officers are paid no fees by the Fund for serving as officers of the Fund.

Included in the Statement of Operations, under the caption Fees paid indirectly, are expense offsets of \$78,847 arising from credits earned on portfolio transactions executed with brokers, pursuant to directed brokerage arrangements.

INVESTMENT MANAGEMENT AGREEMENT

Cornerstone serves as the Fund's Investment Adviser 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. For the year ended December 31, 2010, Cornerstone earned \$538,817 for investment management services.

ADMINISTRATION AGREEMENT

Under the terms of the Administration Agreement, Ultimus supplies executive, administrative and regulatory services for the Fund. Ultimus supervises the preparation of reports to stockholders for the Fund, reports to and filings with the Securities and Exchange Commission and materials for meetings of the Board of Trustees. For these services, the Fund pays Ultimus a monthly fee at an annual rate of 0.100% of its average daily net assets up to \$250 million and 0.075% of such assets in excess of \$250 million, subject to an annual minimum fee of \$50,000.

FUND ACCOUNTING AGREEMENT

Under the terms of the Fund Accounting Agreement, Ultimus calculates the net asset value per share and maintains the financial books and records of the Fund. For the performance of these services, the Fund pays Ultimus a base fee of \$2,500 per month plus an asset based fee of 0.010% of the first \$500 million of average daily net assets and 0.005% of such assets in excess of \$500 million.

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CORNERSTONE PROGRESSIVE RETURN FUND
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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NOTE E. AFFILIATED INVESTMENTS

Transactions in affiliates for the year ended December 31, 2010 were as follows:

| | Adams Express Company ----- | Petroleum & Resources Corporation ----- |
|--|--------------------------------------|--|
| Market value at beginning of year | \$1,430,221 ===== | \$ 94,960 ===== |
| Shares at beginning of year | 141,606 | 4,000 |
| Shares purchased during the year | -- | 34,875 |
| Shares sold during the year | -- | 36,400 |
| Shares at end of year | ----- 141,606 ===== | ----- 2,475 ===== |
| Dividend income earned during the year | \$ 22,656 ===== | \$ 8,449 ===== |
| Cost of purchases during the year | -- | \$800,706 |
| Proceeds from sales during the year | -- | \$949,143 |
| Net realized loss during the year | -- | \$105,202 |
| Capital gain distribution | \$ 49,561 | \$ 30,770 |
| Market value at end of year | \$1,518,016 | \$ 66,850 |

NOTE F. INVESTMENT IN SECURITIES

For the year ended December 31, 2010, purchases and sales of securities, other than short-term investments, were \$62,253,147 and \$75,146,306, respectively.

NOTE G. COMMON SHARES OF BENEFICIAL INTEREST

The Fund has unlimited common shares of beneficial interest authorized and has 9,374,829 shares outstanding at December 31, 2010. As of that date, two individuals that control Cornerstone owned 6,210 shares related to the initial issuance of the seed capital shares of the Fund. Transactions in common shares for the year ended December 31, 2010 were as follows:

| | |
|--|-----------------------------|
| Shares at beginning of year | 9,347,026 |
| Shares newly issued in reinvestment of dividends and distributions | 27,803 |
| Shares at end of year | ----- 9,374,829 ===== |

NOTE H. SHARE REPURCHASE PROGRAM

Pursuant to Section 23 of the Investment Company Act of 1940, as amended, the Fund may purchase shares of its common shares of beneficial interest 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

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purchase such shares. The Fund had no repurchases during the year ended December 31, 2010. No limit has been placed on the number of shares to be repurchased by the Fund other than those imposed by federal securities laws. To the extent such purchases are made they will be in accordance with federal securities laws, with shares repurchased held in treasury for future use by the Fund.

NOTE I. SECURITIES LENDING

To generate additional income, the Fund may lend up to 331/3% 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 the 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 Fund had no securities on loan to brokers at December 31, 2010. During the year ended December 31, 2010, the Fund earned \$323 in securities lending income which is included under the caption Securities lending in the Statement of Operations.

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CORNERSTONE PROGRESSIVE RETURN FUND
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE J. 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 years ended December 31, for the Fund were as follows:

| Ordinary Income | | Return-of-Capital | |
|-----------------|-------------|-------------------|--------------|
| 2010 | 2009 | 2010 | 2009 |
| ---- | ---- | ---- | ---- |
| \$10,660,166 | \$1,477,832 | \$3,769,736 | \$21,498,436 |

At December 31, 2010 the components of accumulated deficit on a tax basis, for the Fund were as follows:

| | |
|-----------------------------|-----------------|
| Capital loss carryforward | \$ (29,362,102) |
| Net unrealized appreciation | 4,557,509 |
| | ----- |
| Total accumulated deficit | \$ (24,804,593) |
| | ===== |

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Accounting principles generally accepted in the United States of America require that certain components of net assets relating to permanent differences be reclassified between financial and tax reporting. These reclassifications have no effect on net assets or net asset value per share. For the year ended December 31, 2010, the Fund reclass net realized gains of \$9,478,562 to ordinary income distributions and reclassified \$9,478,562 from paid-in capital to accumulated net realized loss on investments. 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"). The Fund incurred no such loss.

At December 31, 2010, the Fund had a capital loss carryforward for U.S. federal income tax purposes of \$29,362,102 which expires in 2017.

At December 31, 2010, 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 \$51,108,364, \$5,203,385, \$(645,876) and \$4,557,509, respectively.

NOTE K. SUBSEQUENT EVENTS

On February 11, 2011, the Board of Trustees approved U.S. Bank, N.A. to replace JPMorgan Chase Bank, N.A. as Custodian.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Trustees
Cornerstone Progressive Return Fund
Jericho, New York

We have audited the accompanying statement of assets and liabilities of the Cornerstone Progressive Return Fund (the "Fund"), including the summary schedule of investments as of December 31, 2010, 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 three years in the period then ended and for the period September 10, 2007 (commencement of operations) to December 31, 2007. 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.

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. The Fund is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit

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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, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. Our procedures included confirmation of securities owned as of December 31, 2010, by correspondence with the custodian and brokers. 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 the Cornerstone Progressive Return Fund as of December 31, 2010, the results of its operations, 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 three years in the period then ended and for the period September 10, 2007 (commencement of operations) to December 31, 2007, in conformity with accounting principles generally accepted in the United States of America.

Tait, Weller & Baker LLP
 Philadelphia, Pennsylvania
 February 28, 2011

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2010 TAX INFORMATION (UNAUDITED)

Cornerstone Progressive Return Fund (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, 2010) as to the federal tax status of the dividends and distributions received by the Fund's shareholders in respect of such fiscal year. The \$14,429,902 in dividends and distributions paid to shareholders in respect of such year, is represented by \$10,660,166 of ordinary income, and \$3,769,736 of return-of-capital. As indicated in this notice, a portion of the Fund's distributions for 2010 were comprised of a return-of-capital; accordingly these distributions do not represent yield or investment return on the Fund's portfolio.

SOURCES OF DIVIDENDS AND DISTRIBUTIONS
 (Per Share Amounts)

| Payment Dates: | 1/29/10 | 2/26/10 | 3/31/10 | 4/30/10 | 5/28/10 | 6/30/10 |
|----------------------|----------|----------|----------|----------|----------|----------|
| Ordinary Income(1) | \$0.1480 | \$0.1480 | \$0.1480 | \$0.0743 | \$0.0743 | \$0.0743 |
| Return-of-Capital(2) | 0.0570 | 0.0570 | 0.0570 | 0.0287 | 0.0287 | 0.0287 |
| Total: | \$0.2050 | \$0.2050 | \$0.2050 | \$0.1030 | \$0.1030 | \$0.1030 |

| Payment Dates: | 7/30/10 | 8/31/10 | 9/30/10 | 10/29/10 | 11/30/10 | 12/31/10 |
|----------------------|----------|----------|----------|----------|----------|----------|
| Ordinary Income(1) | \$0.0743 | \$0.0743 | \$0.0743 | \$0.0743 | \$0.0743 | \$0.0743 |
| Return-of-Capital(2) | 0.0287 | 0.0287 | 0.0287 | 0.0287 | 0.0287 | 0.0287 |

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| | | | | | | |
|--------|----------|----------|----------|----------|----------|----------|
| Total: | \$0.1030 | \$0.1030 | \$0.1030 | \$0.1030 | \$0.1030 | \$0.1030 |
| | ===== | ===== | ===== | ===== | ===== | ===== |

(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. This 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 5.17% of its ordinary income dividends as qualified dividends, which are subject to a maximum federal 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 Keogh's) 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. They will generally not be entitled to foreign tax credit or deduction for the withholding taxes paid by the Fund.

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 TRUSTEES AND CORPORATE OFFICERS (UNAUDITED)

| Name and Address* (Birth Date) | Position(s) Held with Fund | Principal Occupation over Last 5 Years | Position with Fund Since |
|---------------------------------------|--|---|--------------------------------|
| Ralph W. Bradshaw** (Dec. 1950) | Chairman of the Board of Trustees and President | President, Cornerstone Advisors, Inc.; Financial Consultant; President and Director of Cornerstone Total Return Fund, Inc. and Cornerstone Strategic Value Fund, Inc. | 2007 |
| Thomas H. Lenagh | Trustee; Audit, Nominating | Independent Financial Advisor; Director of Photonics Products Group; Director of | 2007 |

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| | | | |
|--------------------------------|--|--|------|
| (Nov. 1924) | and Corporate Governance Committee Member | Cornerstone Total Return Fund, Inc. and Cornerstone Strategic Value Fund, Inc.; Director of Adams Express Company, Petroleum & Resources Corporation and PPGI Industries. | |
| Edwin Meese III (Dec. 1931) | Trustee; 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.; Director of Cornerstone Total Return Fund, Inc. and Cornerstone Strategic Value Fund, Inc. | 2007 |
| Scott B. Rogers (July 1955) | Trustee; Audit, Nominating and Corporate Governance Committee Member | Chairman, Board of Health Partners, Inc.; Chief Executive Officer, Asheville Buncombe Community Christian Ministry; and President, ABCCM Doctor's Medical Clinic; Appointee, NC Governor's Commission on Welfare to Work; Director of Cornerstone Total Return Fund, Inc. and Cornerstone Strategic Value Fund, Inc. | 2007 |

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

| Name and Address* (Birth Date) | Position(s) Held with Fund | Principal Occupation over Last 5 Years | Position with Fund Since |
|-------------------------------------|---|--|--------------------------------|
| Andrew A. Strauss (Nov. 1953) | Trustee; Chairman of Nominating and Corporate Governance Committee and Audit Committee Member | Attorney and senior member of Strauss & Associates; Director of Cornerstone Total Return Fund, Inc. and Cornerstone Strategic Value Fund, Inc. | 2007 |
| Glenn W. Wilcox, Sr. (Dec. 1931) | Trustee; Chairman of Audit Committee, Nominating and Corporate Governance Committee Member | Chairman of the Board, Tower Associates, Inc.; Chairman of the Board and Chief Executive Officer of Wilcox Travel Agency, Inc.; Director of Cornerstone Total Return Fund, Inc. and Cornerstone Strategic Value Fund, Inc. | 2007 |

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

| Name and Address* (Birth Date) | Position(s) Held with Fund | Principal Occupation over Last 5 Years | Pos wit Sin |
|-----------------------------------|--|---|-------------------|
| Gary A. Bentz (June 1956) | Chief Compliance Officer, Secretary, and Assistant Treasurer | Chairman and Chief Financial Officer of Cornerstone Advisors, Inc.; Financial Consultant, C.P.A., Chief Compliance Officer, Secretary, and Assistant Treasurer of Cornerstone Total Return Fund, Inc. and Cornerstone Strategic Value Fund, Inc. | 200 200 |
| Frank J. Maresca (Oct. 1958) | Treasurer | Executive Vice President of Ultimus Fund Solutions, LLC (since March 2009); previous Executive Director, JP Morgan Chase & Co. (since June 2008); previous President of Bear Stearns Funds Management, Inc.; previous Senior Managing Director of Bear Stearns & Co., Inc.; Treasurer of Cornerstone Total Return Fund, Inc. and Cornerstone Strategic Value Fund, Inc. (since May 2009). | 200 |

* The mailing address of each Director and/or Officer with respect to the Fund's operation is 350 Jericho Turnpike, Suite 206, Jericho, NY

** Designates a director who is an "interested person" of the Fund as defined by the Investment Company Act of 1940, as amended. Mr. Bradshaw is an interested person of the Fund by virtue of his current position with the Investment Adviser of the Fund.

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DESCRIPTION OF DIVIDEND REINVESTMENT PLAN (UNAUDITED)

Cornerstone Progressive Return Fund (the "Fund") operates a Dividend Reinvestment Plan (the "Plan"), sponsored and administered by American Stock Transfer & Trust Company (the "Agent"), pursuant to which the Fund's income dividends or capital gains or other distributions (each, a "Distribution" and

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collectively, "Distributions"), net of any applicable U.S. withholding tax, are reinvested in shares of the Fund.

Shareholders automatically participate in the Fund's Plan, unless and until an election is made to withdraw from the Plan on behalf of such participating shareholder. Shareholders who do not wish to have Distributions automatically reinvested should so notify their broker, or if a registered shareholder, the Agent in writing at P.O. Box 922, Wall Street Station, New York, New York 10269-0560. Such written notice must be received by the Agent prior to the record date of the Distribution or the shareholder will receive such Distribution in shares through the Plan. Under the Plan, the Fund's Distributions to shareholders are reinvested in full and fractional shares as described below.

When the Fund declares a Distribution the Agent, on the shareholder's 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) purchase outstanding shares on the open market, on the NYSE Amex LLC or elsewhere, with cash allocated to it by the Fund ("Open Market Purchases").

The method for determining the number of shares to be received when Distributions are reinvested will vary depending upon whether the net asset value of the Fund's shares is higher or lower than its market price. If the net asset value of the Fund's shares is lower than its market price, the number of Newly Issued Shares received will be determined by dividing the amount of the Distribution either by the Fund's net asset value per share or by 95% of its market price, whichever is higher. If the net asset value of the Fund's shares is higher than its market price, 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.

Whenever the Fund declares a Distribution and the net asset value of the Fund's shares is higher than its market price, the Agent will apply the amount of such Distribution payable to Plan participants of the Fund in Fund shares (less such Plan participant's pro rata share of brokerage commissions incurred with respect to Open Market Purchases in connection with the reinvestment of such Distribution) to the purchase on the open market of Fund shares for such Plan participant's account. Such purchases will be made on or after the payable date for such Distribution, and in no event more than 30 days after such date except where temporary curtailment or suspension of purchase is necessary to comply with applicable provisions of federal securities laws. The Agent may aggregate a Plan participant's purchases with the purchases of other Plan participants, and the average price (including brokerage commissions) of all shares purchased by the Agent shall be the price per share allocable to each Plan participant.

Participants in the Plan may withdraw from the Plan by providing written notice to the Agent at least 30 days prior to the applicable Distribution payment date. When a Participant withdraws from the Plan, or upon suspension or termination of the Plan at the sole discretion of the Fund's Board of Trustees, certificates for whole shares credited to his or 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 the 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

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DESCRIPTION OF DIVIDEND REINVESTMENT PLAN (UNAUDITED) (CONCLUDED)

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.

Neither the Agent nor the Fund shall have any responsibility or liability beyond the exercise of ordinary care for any action taken or omitted pursuant to the Plan, nor shall they have any duties, responsibilities or liabilities except such as expressly set forth herein. Neither shall they be liable hereunder for any act done in good faith or for any good faith omissions to act, including, without limitation, failure to terminate a participants account prior to receipt of written notice of his or her death or with respect to prices at which shares are purchased or sold for the participants account and the terms on which such purchases and sales are made, subject to applicable provisions of the federal securities laws.

The automatic reinvestment of Distributions will not relieve participants of any federal, state or local income tax that may be payable (or required to be withheld) on such Distributions. The Fund reserves the right to amend or terminate the Plan. There is no direct service charge to participants with regard to purchases in the Plan.

All correspondence concerning the Plan should be directed to the Agent at P.O. Box 922, Wall Street Station, New York, New York 10269-0560. Certain transactions can be performed online at www.amstock.com or by calling the toll free number 877-864-4833.

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PROXY VOTING AND PORTFOLIO HOLDINGS INFORMATION (UNAUDITED)

Information regarding how Cornerstone Progressive Return Fund (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 by calling (513) 326-3597 or on the website of the Securities and

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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 (513) 326-3597. 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 is 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 (202) 551-8090.

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PRIVACY POLICY (UNAUDITED)

FACTS WHAT DOES CORNERSTONE PROGRESSIVE RETURN FUND (THE "FUND") DO WITH YOUR PERSONAL INFORMATION?

Why? Financial companies choose how they share your personal information. Federal law gives consumers the right to limit some but not all sharing. Federal law also requires us to tell you how we collect, share, and protect your personal information. Please read this notice carefully to understand what we do.

What? The types of personal information we, and our service providers, on our behalf, collect and share depend on the product or service you have with us. This information can include:

-
- o Social Security number
 - o account balances
 - o account transactions
 - o transaction history
 - o wire transfer instructions
 - o checking account information

When you are no longer our customer, we continue to share your information as described in this notice.

How? All financial companies need to share customers' personal information to run their everyday business. In the section below, we list the reasons financial companies can share their customers' personal information; the reasons the Fund, and our service providers, on our behalf, choose to share; and whether you can limit this sharing.

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PRIVACY POLICY (UNAUDITED) (CONTINUED)

| Reasons we can share your personal information | Does the Cornerstone Fund share? | Can you limit this sharing? |
|--|----------------------------------|-----------------------------|
| FOR OUR EVERYDAY BUSINESS PURPOSES - such as to process your transactions, maintain your account(s), respond to court orders and legal investigations, or report to credit bureaus | Yes | No |
| FOR OUR MARKETING PURPOSES - to offer our products and services to you | No | We don't share |
| FOR JOINT MARKETING WITH OTHER FINANCIAL COMPANIES | No | We don't share |
| FOR OUR AFFILIATES' EVERYDAY BUSINESS PURPOSES - information about your transactions and experiences | Yes | No |
| FOR OUR AFFILIATES' EVERYDAY BUSINESS PURPOSES - information about your creditworthiness | No | We don't share |
| FOR OUR AFFILIATES TO MARKET TO YOU | No | We don't share |
| FOR NONAFFILIATES TO MARKET TO YOU | No | We don't share |
| QUESTIONS? | Call (513) 326-3597. | |

WHAT WE DO

WHO IS PROVIDING THIS NOTICE? Cornerstone Progressive Return Fund (the "Fund")

HOW DOES THE FUND AND THE FUND'S SERVICE PROVIDERS, ON THE FUND'S BEHALF PROTECT MY PERSONAL INFORMATION? To protect your personal information from unauthorized access and use, we and our service providers use security measures that comply with federal law. These measures include computer safeguards and secured files and buildings.

HOW DOES THE FUND AND THE FUND'S SERVICE PROVIDERS, ON THE FUND'S BEHALF COLLECT MY PERSONAL INFORMATION? We collect your personal information, for example, when you:

- o open an account
- o provide account information
- o give us your contact information
- o make a wire transfer

We also collect your information from others, such as credit bureaus, affiliates, or other companies.

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PRIVACY POLICY (UNAUDITED) (CONCLUDED)

WHY CAN'T I LIMIT ALL SHARING?

Federal law gives you the right to limit only

- o sharing for affiliates' everyday business purposes - information about your creditworthiness
- o affiliates from using your information to market to you
- o sharing for nonaffiliates to market to you

State laws and individual companies may give you additional rights to limit sharing.

DEFINITIONS

Affiliates

Companies related by common ownership or control. They can be financial and nonfinancial companies.

- o CORNERSTONE ADVISORS, INC.

NONAFFILIATES

Companies not related by common ownership or control. They can be financial and nonfinancial companies.

- o THE FUND DOES NOT SHARE WITH NONAFFILIATES, SO THEY CAN MARKET TO YOU.

JOINT MARKETING

A formal agreement between nonaffiliated financial companies that together market financial products or services to you.

- o THE FUND DOES NOT JOINTLY MARKET.
-

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SUMMARY OF GENERAL INFORMATION (UNAUDITED)

Cornerstone Progressive Return Fund is a closed-end, diversified investment company whose shares trade on the NYSE Amex LLC. Its investment objective is to provide total return. The Fund is managed by Cornerstone Advisors, Inc.

SHAREHOLDER INFORMATION (UNAUDITED)

The Fund is listed on the NYSE Amex LLC (symbol "CFP"). The previous week's net asset value per share, market price, and related premium or discount are available on The Wall Street Journal website at http://online.wsj.com/mdc/public/page/2_3040-CEF34.html under the designation "Cornerstone Prog Return (CFP)" and on the Barron's website at http://online.barrons.com/mdc/public/page/2_3040-CEF34.html under the same designation. Such information is available weekly and may be obtained by

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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 PROGRESSIVE RETURN FUND MAY
FROM TIME TO TIME PURCHASE ITS SHARES 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 PROGRESSIVE RETURN FUND

ITEM 2. CODE OF ETHICS.

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 financial officer, principal accounting officer or controller, or persons performing similar functions, regardless of whether these individuals are employed by the registrant or a third party. Pursuant to Item 12(a)(1), a copy of registrant's code of ethics is filed as an exhibit to this Form N-CSR. During the period covered by this report, the code of ethics has not been amended, and the registrant has not granted any waivers, including implicit waivers, from the provisions of the code of ethics.

ITEM 3. AUDIT COMMITTEE FINANCIAL EXPERT.

The registrant's board of trustees has determined that the registrant does not have an audit committee financial expert serving on its audit committee. The audit committee determined that, although none of its members meet the technical definition of an audit committee financial expert, the experience provided by each member of the audit committee together offer the registrant adequate oversight for the registrant's current level of financial complexity.

ITEM 4. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

- (a) Audit Fees. The aggregate fees billed for professional services rendered by the principal accountant for the audit of the registrant's annual financial statements or for services that are normally provided by the accountant in connection with statutory and regulatory filings or engagements were \$14,500 and \$14,100 with respect to the registrant's fiscal years ended December 31, 2010 and 2009, respectively.
- (b) Audit-Related Fees. No fees were billed in either of the last two fiscal years for assurance and related services by the principal accountant that are reasonably related to the performance of the audit

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of the registrant's financial statements and are not reported under paragraph (a) of this Item.

- (c) Tax Fees. The aggregate fees billed for professional services rendered by the principal accountant for tax compliance, tax advice, and tax planning were \$3,300 and \$3,000 with respect to the registrant's fiscal years ended December 31, 2010 and 2009, respectively. The services comprising these fees are the preparation of the registrant's federal and state income and federal excise tax returns.
- (d) All Other Fees. No fees were billed in either of the last two fiscal years for products and services provided by the principal accountant, other than the services reported in paragraphs (a) through (c) of this Item.
- (e) (1) Before the principal accountant is engaged by the registrant to render (i) audit, audit-related or permissible non-audit services to the registrant or (ii) non-audit services to the registrant's investment adviser and any entity controlling, controlled by, or under common control with the adviser that provides ongoing services to 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 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 minimus thresholds are not exceeded, as such thresholds are determined by the audit committee in accordance with applicable Commission regulations.

- (e) (2) None of the services described in paragraph (b) through (d) of this Item were approved by the audit committee pursuant to paragraph (c) (7) (i) (C) of Rule 2-01 of Regulation S-X.
- (f) Less than 50% of hours expended on the principal accountant's engagement to audit the registrant's financial statements for the most recent fiscal year were attributed to work performed by persons other than the principal accountant's full-time, permanent employees.
- (g) During the fiscal years ended December 31, 2010 and 2009, aggregate non-audit fees of \$3,300 and \$3,000, respectively, were billed by the registrant's principal accountant for services rendered to the registrant. No non-audit fees were billed in either of the last two fiscal years by the registrant's principal accountant for services rendered to the registrant's investment adviser (not including any sub-adviser whose role is primarily portfolio management and is subcontracted with or overseen by another investment adviser), and any entity controlling, controlled by, or under common control with the adviser that provides ongoing services to the registrant.
- (h) The principal accountant has not provided any non-audit services to the registrant's investment adviser (not including any sub-adviser

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whose role is primarily portfolio management and is subcontracted with or overseen by another investment adviser), and any entity controlling, controlled by, or under common control with the investment adviser that provides ongoing services to the registrant.

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. Glenn W. Wilcox, Sr., (Chairman), Edwin Meese, III, Thomas H. Lenagh, Andrew A. Strauss and Scott B. Rogers are the members of the registrant's audit committee.
- (b) Not applicable

ITEM 6. SCHEDULE OF INVESTMENTS.

(a)

CORNERSTONE PROGRESSIVE RETURN FUND SCHEDULE OF INVESTMENTS - DECEMBER 31, 2010

| DESCRIPTION | NO. OF SHARES | VALUE |
|---|---------------|-------------|
| EQUITY SECURITIES - 97.00% | | |
| CLOSED-END FUNDS - 90.19% | | |
| CORE - 19.39% | | |
| Adams Express Company (The) | 141,606 | \$1,518,016 |
| Gabelli Equity Trust, Inc. | 66,280 | 375,808 |
| General American Investors Company, Inc. | 46,200 | 1,239,084 |
| Liberty All-Star Equity Fund | 170,160 | 838,889 |
| Royce Micro-Cap Trust, Inc. | 124,930 | 1,224,314 |
| Royce Value Trust, Inc. | 241,594 | 3,512,777 |
| SunAmerica Focused Alpha Growth Fund, Inc. | 20,500 | 359,365 |
| SunAmerica Focused Alpha Large-Cap Fund, Inc. | 10,002 | 157,431 |
| Tri-Continental Corporation | 109,034 | 1,500,308 |
| | | ----- |
| | | 10,725,992 |
| | | ----- |
| CORPORATE DEBT FUNDS INVESTMENT | | |
| GRADE-RATED - 8.49% | | |
| AllianceBernstein Income Fund | 375,700 | 2,979,301 |
| BlackRock Income Opportunity Trust, Inc. | 5,000 | 48,450 |
| Federated Enhanced Treasury Income Fund | 59,977 | 1,001,616 |
| Invesco Van Kampen Bond Fund | 25,000 | 466,000 |
| Rivus Bond Fund | 291 | 5,157 |
| Western Asset Income Fund | 15,000 | 193,350 |
| | | ----- |
| | | 4,693,874 |
| | | ----- |
| DEVELOPED MARKET - 0.75% | | |
| Ibero-America Fund, Inc. | 24,000 | 156,960 |

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| | | |
|---|--------|---------|
| Japan Equity Fund | 16,422 | 100,667 |
| New Ireland Fund, Inc. (The) | 23,300 | 159,838 |
| | | ----- |
| | | 417,465 |
| | | ----- |
| EMERGING MARKETS - 1.32% | | |
| First Israel Fund, Inc. | 10,730 | 186,917 |
| Templeton Russia & East European Fund, Inc. | 23,700 | 542,019 |
| | | ----- |
| | | 728,936 |
| | | ----- |
| FLEXIBLE INCOME - 0.27% | | |
| Zweig Total Return Fund, Inc. (The) | 42,687 | 151,966 |
| | | ----- |
| GENERAL & INSURED UNLEVERAGED - 0.26% | | |
| Nuveen Select Maturities Municipal Fund | 400 | 3,988 |
| Nuveen Select Tax-Free Income Portfolio 3 | 10,500 | 137,550 |
| | | ----- |
| | | 141,538 |
| | | ----- |
| GENERAL MUNICIPAL LEVERAGED - 0.40% | | |
| Nuveen Enhanced Municipal Value Fund | 7,000 | 88,970 |
| Nuveen Municipal Income Fund | 3,720 | 38,316 |

See accompanying notes to schedule of investments.

CORNERSTONE PROGRESSIVE RETURN FUND
SCHEDULE OF INVESTMENTS - DECEMBER 31, 2010 (CONTINUED)

CLOSED-END FUNDS (CONTINUED)

| | | |
|---|---------|-----------|
| Van Kampen Municipal Trust | 7,500 | \$ 93,675 |
| | | ----- |
| | | 220,961 |
| | | ----- |
| GLOBAL - 7.32% | | |
| Alpine Global Dynamic Dividend Fund | 91,437 | 663,833 |
| Alpine Total Dynamic Dividend Fund | 469,770 | 2,781,038 |
| Calamos Global Dynamic Income Fund | 15,904 | 133,116 |
| Clough Global Allocation Fund | 29,600 | 462,944 |
| DCA Total Return Fund | 1,083 | 3,736 |
| | | ----- |
| | | 4,044,667 |
| | | ----- |
| GLOBAL INCOME - 1.27% | | |
| Alliancebernstein Global High Income Fund | 48,461 | 692,992 |
| Western Asset Global Partners Income Fund, Inc. | 1,000 | 11,900 |
| | | ----- |
| | | 704,892 |
| | | ----- |
| HIGH CURRENT YIELD (LEVERAGED) - 3.01% | | |
| BlackRock Corporate High Yield Fund III, Inc. | 15,900 | 107,643 |
| BlackRock Corporate High Yield Fund V, Inc. | 8,101 | 93,486 |
| BlackRock Corporate High Yield Fund, Inc. | 31,446 | 213,518 |
| BlackRock Debt Strategies Fund, Inc. | 115,103 | 438,542 |
| BlackRock High Yield Trust | 576 | 3,767 |
| BlackRock Strategic Bond Trust | 9,000 | 114,300 |

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| | | |
|--|--------|-----------|
| First Trust Strategic High Income Fund | 68,716 | 229,511 |
| First Trust Strategic High Income Fund II | 51,700 | 241,956 |
| First Trust Strategic High Income Fund III | 48,500 | 210,975 |
| Helios Strategic Income Fund, Inc. | 1,102 | 5,874 |
| | | ----- |
| | | 1,659,572 |
| | | ----- |

| | | |
|--|--------|---------|
| HIGH YIELD MUNICIPAL DEBT - 0.71% | | |
| BlackRock Muni Assets Fund, Inc. | 12,700 | 148,463 |
| Invesco Municipal Income Opportunities Trust II | 7,000 | 47,740 |
| Invesco Municipal Income Opportunities Trust III | 3,500 | 25,585 |
| Nuveen Municipal High Income Opportunity Fund 2 | 5,500 | 59,510 |
| Putnam Managed Municipal Income Trust | 2,200 | 15,202 |
| Western Asset Municipal High Income Fund, Inc. | 12,000 | 86,760 |
| | | ----- |
| | | 383,260 |
| | | ----- |

| | | |
|--|---------|-----------|
| INCOME & PREFERRED STOCK - 6.66% | | |
| BlackRock Credit Allocation Income Trust II | 74,678 | 734,085 |
| BlackRock Credit Allocation Income Trust III | 33,074 | 347,938 |
| Calamos Strategic Total Return Fund | 279,538 | 2,588,522 |

See accompanying notes to schedule of investments.

CORNERSTONE PROGRESSIVE RETURN FUND
SCHEDULE OF INVESTMENTS - DECEMBER 31, 2010 (CONTINUED)

| | | |
|---|---------|-----------|
| CLOSED-END FUNDS (CONTINUED) | | |
| Preferred Income Strategies Fund | 74,678 | \$ 8,760 |
| | | ----- |
| | | 3,679,305 |
| | | ----- |
| INSURED MUNICIPAL LEVERAGED - 0.67% | | |
| Invesco Trust For Insured Municipals | 2,000 | 24,120 |
| Nuveen Insured Quality Municipal Fund, Inc. | 17,200 | 215,860 |
| Nuveen Insured Tax-Free Advantage Municipal Fund | 7,000 | 93,730 |
| Nuveen Premier Insured Municipal Income Fund, Inc. | 3,000 | 40,500 |
| | | ----- |
| | | 374,210 |
| | | ----- |
| LOAN PARTICIPATION - 0.94% | | |
| BlackRock Floating Rate Income Strategies Fund II, Inc. | 18,908 | 259,229 |
| Invesco Van Kampen Dynamic Credit Opportunities Fund | 21,403 | 261,331 |
| | | ----- |
| | | 520,560 |
| | | ----- |
| OPTION ARBITRAGE/OPTIONS STRATEGIES - 25.84% | | |
| BlackRock International Growth & Income Trust | 57,891 | 588,751 |
| Dow 30 Enhanced Premium & Income Fund, Inc. | 164,900 | 1,711,662 |
| Eaton Vance Enhanced Equity Income Fund | 24,457 | 309,136 |
| Eaton Vance Enhanced Equity Income Fund II | 30,200 | 368,742 |
| Eaton Vance Risk-Managed Diversified Equity Income Fund | 218,150 | 2,897,032 |
| Eaton Vance Tax-Managed Buy-Write Income Fund | 23,725 | 343,064 |
| Eaton Vance Tax-Managed Buy-Write Opportunities Fund | 92,924 | 1,215,446 |
| Eaton Vance Tax-Managed Diversified Equity Income Fund | 256,000 | 2,895,360 |
| Eaton Vance Tax-Managed Global Buy-Write Opportunities Fund | 103,000 | 1,261,750 |
| Eaton Vance Tax-Managed Global Diversified Equity Income Fund | 162,857 | 1,714,884 |
| Nasdaq Premium Income & Growth Fund, Inc. | 13,745 | 193,804 |

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| | | |
|--|--------|------------|
| NFJ Dividend, Interest & Premium Strategy Fund | 44,521 | 779,563 |
| | | ----- |
| | | 14,279,194 |
| | | ----- |
| PACIFIC EX JAPAN - 1.33% | | |
| Asia Pacific Fund, Inc. (The) | 11,198 | 134,040 |
| Greater China Fund, Inc. (The) | 40,447 | 531,878 |

See accompanying notes to schedule of investments.

CORNERSTONE PROGRESSIVE RETURN FUND SCHEDULE OF INVESTMENTS - DECEMBER 31, 2010 (CONTINUED)

| | | |
|---|---------|------------|
| CLOSED-END FUNDS (CONTINUED) | | |
| JF China Region Fund, Inc. | 4,421 | \$ 69,808 |
| | | ----- |
| | | 735,726 |
| | | ----- |
| REAL ESTATE - 3.65% | | |
| Alpine Global Premier Properties Fund | 258,148 | 1,830,269 |
| LMP Real Estate Income Fund, Inc. | 5,864 | 59,226 |
| RMR Asia Pacific Real Estate Fund | 6,901 | 126,770 |
| | | ----- |
| | | 2,016,265 |
| | | ----- |
| SECTOR EQUITY - 4.83% | | |
| Cohen & Steers Infrastructure Fund, Inc. | 36,722 | 602,975 |
| Evergreen Utilities and High Income Fund | 63,000 | 730,800 |
| Gabelli Healthcare & Wellness Rx Trust (The) | 17,159 | 121,486 |
| H&Q Healthcare Investors | 13,845 | 185,108 |
| Macquarie Global Infrastructure Total Return Fund, Inc. | 55,934 | 966,540 |
| Petroleum & Resources Corporation (a) | 2,475 | 66,850 |
| | | ----- |
| | | 2,673,759 |
| | | ----- |
| U.S. MORTGAGE - 1.37% | | |
| BlackRock Income Trust, Inc. | 110,467 | 755,594 |
| | | ----- |
| VALUE - 1.71% | | |
| Claymore Dividend & Income Fund | 36,200 | 544,086 |
| Royce Focus Trust, Inc. | 53,014 | 401,316 |
| | | ----- |
| | | 945,402 |
| | | ----- |
| TOTAL CLOSED-END FUNDS | | |
| | | 49,853,138 |
| | | ----- |
| CONSUMER DISCRETIONARY - 0.54% | | |
| Comcast Corporation - Class A | 3,358 | 73,775 |
| DIRECTV Group, Inc. (The) - Class A * | 4,000 | 159,720 |
| Time Warner, Inc. | 2,000 | 64,340 |
| | | ----- |
| | | 297,835 |
| | | ----- |
| CONSUMER STAPLES - 0.96% | | |
| CVS Caremark Corporation | 2,746 | 95,478 |
| H.J. Heinz Company | 2,000 | 98,920 |

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| | | |
|--------------------------------|-------|---------|
| Procter & Gamble Company (The) | 5,233 | 336,639 |
| | | 531,037 |
| ENERGY - 0.82% | | |
| ConocoPhillips | 4,000 | 272,400 |
| Exxon Mobil Corporation | 2,475 | 180,972 |
| | | 453,372 |
| FINANCIALS - 0.46% | | |
| AFLAC, Inc. | 2,000 | 112,860 |

See accompanying notes to schedule of investments.

CORNERSTONE PROGRESSIVE RETURN FUND SCHEDULE OF INVESTMENTS - DECEMBER 31, 2010 (CONTINUED)

| | | |
|---|--------|------------|
| FINANCIALS (CONTINUED) | | |
| American Express Company | 3,252 | \$ 139,576 |
| | | 252,436 |
| HEALTH CARE - 1.11% | | |
| Becton, Dickinson and Company | 3,000 | 253,560 |
| Johnson & Johnson | 4,000 | 247,400 |
| Medtronic, Inc. | 3,000 | 111,270 |
| | | 612,230 |
| INDUSTRIALS - 1.09% | | |
| 3M Company | 1,567 | 135,232 |
| Emerson Electric Company | 2,000 | 114,340 |
| Union Pacific Corporation | 2,000 | 185,320 |
| United Technologies Corporation | 2,108 | 165,942 |
| | | 600,834 |
| INFORMATION TECHNOLOGY - 1.50% | | |
| AOL, Inc. * | 181 | 4,292 |
| Cisco Systems, Inc. * | 18,470 | 373,648 |
| Google, Inc. - Class A * | 532 | 315,992 |
| Intel Corporation | 6,599 | 138,777 |
| | | 832,709 |
| MATERIALS - 0.24% | | |
| Freeport-McMoRan Copper & Gold, Inc. | 1,119 | 134,381 |
| UTILITIES - 0.09% | | |
| Duke Energy Corporation | 3,000 | 53,430 |
| TOTAL EQUITY SECURITIES (cost - \$48,849,302) | | 53,621,402 |

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| | | |
|---|-----------|--------------|
| SHORT-TERM INVESTMENTS - 3.70% | | |
| MONEY MARKET SECURITY - 3.70% | | |
| JPMorgan U.S. Government Money Market Fund | | |
| (cost - \$2,044,471) | 2,044,471 | \$ 2,044,471 |
| | | ----- |
| TOTAL INVESTMENTS - 100.70% (cost - \$50,993,773) | | 55,665,873 |
| | | ----- |
| LIABILITIES IN EXCESS OF OTHER ASSETS - (0.70)% | | (388,875) |
| | | ----- |
| NET ASSETS - 100.00% | | \$55,276,998 |
| | | ===== |

(a) Affiliated investment. The Fund holds 2.75% and 0.12% (based on net assets) of Adams Express Company and Petroleum & Resources Corporation, respectively. A trustee of the Fund also serves as a director to such companies. During the year ended December 31, 2010 there were additional purchases of 34,875 shares of Petroleum & Resources Corporation with a cost of \$800,706 and additional sales of 36,400 with a cost of \$843,941. There were no purchases or sales of Adams Express Company during the year.

* Non-income producing security.

See accompanying notes to schedule of investments.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

TO THE SHAREHOLDERS AND BOARD OF TRUSTEES
 CORNERSTONE PROGRESSIVE RETURN FUND
 NEW YORK, NEW YORK

We have audited the accompanying statement of assets and liabilities of the Cornerstone Progressive Return Fund (the "Fund"), including the summary schedule of investments as of December 31, 2010, 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 three years in the period then ended and for the period September 10, 2007 (commencement of operations) to December 31, 2007. 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.

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. The Fund is not required to have, nor were we engaged to perform, an audit of its 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

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examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. Our procedures included confirmation of securities owned as of December 31, 2010, by correspondence with the custodian and brokers. 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 the Cornerstone Progressive Return Fund as of December 31, 2010, the results of its operations, 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 three years in the period then ended and for the period September 10, 2007 (commencement of operations) to December 31, 2007, 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, 2010 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 28, 2011

(b) Not applicable

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

The registrant and Cornerstone Advisors, Inc., the registrant's investment adviser, share the same proxy voting policies and procedures. The proxy voting policies and procedures of the registrant and Cornerstone Advisors, Inc. are attached as Exhibit 99.VOTEREG.

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

(a)(1) All information included in this Item is as of the date of the filing of this Form N-CSR, unless otherwise noted. Ralph W. Bradshaw is the portfolio manager of the registrant. Mr. Bradshaw has acted as the portfolio manager since 2007. Mr. Bradshaw is President and Chief Financial Officer of Cornerstone Advisors, Inc. and serves as President and Chairman of the Board of the registrant, Cornerstone Strategic Value Fund, Inc. and Cornerstone Total Return Fund, Inc.

(a)(2) Ralph W. Bradshaw manages two other closed-end registered investment companies: Cornerstone Strategic Value Fund, Inc. and Cornerstone Total Return Fund, Inc. As of December 31, 2010, net assets of Cornerstone Strategic Value Fund, Inc. were \$64,265,689 and net assets of Cornerstone Total Return Fund, Inc. were \$25,913,220. Mr. Bradshaw manages no accounts except for the registrant, Cornerstone Strategic Value Fund, Inc. and Cornerstone Total Return Fund, Inc. Mr. Bradshaw manages no accounts where the advisory fee is based on

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the performance of the account. No material conflicts of interest exist in connection with the portfolio manager's management of the registrant's investments, on the one hand, and the investment of the other accounts included in response to this Item, on the other.

(a) (3) Compensation of Ralph W. Bradshaw includes a fixed salary paid by Cornerstone Advisors, Inc. plus his share of the profits of Cornerstone Advisors, Inc. The profitability of Cornerstone Advisors, Inc. is primarily dependent upon the value of the assets of the registrant and other managed accounts. However, compensation is not directly based upon the registrant's performance or on the value of the registrant's assets.

(a) (4) The dollar range of equity securities in the registrant beneficially owned by the portfolio manager as of December 31, 2010 is as follows: Ralph W. Bradshaw: \$10,001 - \$50,000

(b) Not applicable

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

None

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

There have been no material changes to the procedures by which shareholders may recommend nominees to the registrant's board of trustees that have been implemented after the registrant last provided disclosure in response to the requirements of Item 407(c) (2) (iv) of Regulation S-K (17 CFR 229.407) or this Item.

ITEM 11. CONTROLS AND PROCEDURES.

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

(b) There were no changes in the registrant's internal control over financial reporting (as defined in Rule 30a-3(d) under the Investment Company Act of 1940) that occurred during the second fiscal quarter of the period covered by this report that have materially affected, or are reasonably likely to materially affect, the registrant's internal control over financial reporting.

ITEM 12. EXHIBITS.

File the exhibits listed below as part of this Form. Letter or number the exhibits in the sequence indicated.

(a) (1) Any code of ethics, or amendment thereto, that is the subject of the disclosure required by Item 2, to the extent that the registrant intends to satisfy the Item 2 requirements through filing of an exhibit: Attached hereto

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

(a) (3) Any written solicitation to purchase securities under Rule 23c-1 under the Act (17 CFR 270.23c-1) sent or given during the period covered by the report by or on behalf of the registrant to 10 or more persons: Not applicable

(b) Certifications required by Rule 30a-2(b) under the Act (17 CFR 270.30a-2(b)): Attached hereto

- Exhibit 99.CODE ETH Code of Ethics
- Exhibit 99.VOTEREG Proxy Voting Policies and Procedures
- Exhibit 99.CERT Certifications required by Rule 30a-2(a) under the Act
- Exhibit 99.906CERT Certifications required by Rule 30a-2(b) under the Act

SIGNATURES

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

thereunto duly authorized.

(Registrant) Cornerstone Progressive Return Fund

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

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

Date March 8, 2011

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

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

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

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Date March 8, 2011

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

Frank J. Maresca, Treasurer
(Principal Financial Officer)

Date March 8, 2011

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