
Directors and Corporate Officers

Ralph W. Bradshaw	Chairman of the Board of Directors and President
Robert E. Dean	Director
Edwin Meese III	Director
Scott B. Rogers	Director
Andrew A. Strauss	Director
Glenn W. Wilcox, Sr.	Director
Gary A. Bentz	Chief Compliance Officer, Secretary, and Assistant Treasurer
Frank J. Maresca	Treasurer

Investment Manager

Cornerstone Advisors, Inc.
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Asheville, NC 28803

**Stock Transfer Agent and
Registrar, LLC**

American Stock Transfer &
Trust Co., LLC
6201 15th Avenue
Brooklyn, NY 11219

Administrator

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48 Wall Street, 22nd Floor
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**Independent Registered
Public Accounting Firm**

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Philadelphia, PA 19103

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For stockholder inquiries, please call toll-free (866) 668-6558

Please visit us on the web at
www.cornerstonetotalreturnfund.com

**CORNERSTONE TOTAL
RETURN FUND, INC.**

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DECEMBER 31, 2016

This update contains the following two documents:

- Letter from the Fund's President
 - Annual Report to Stockholders
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LETTER FROM THE FUND'S PRESIDENT

January 31, 2017

Dear Fellow Stockholders:

Following is the annual report for Cornerstone Total Return Fund, Inc. (the "Fund") for the year ended December 31, 2016. At the end of the year, the Fund's net assets were \$170.3 million and the Net Asset Value per share ("NAV") was \$13.04. The share price closed at \$15.07. After reflecting the reinvestment of monthly distributions totaling \$3.35 per share, the Fund achieved a total investment return at market value of 13.88% for the year ended December 31, 2016.

Economic and Market Summary

The first quarter of 2016 was marked by a downturn in the stock market but many stocks rallied later in the year, especially in November and December following the presidential election. Following speculation during most of the year, the Federal Reserve announced a quarter point interest rate hike in December with a forecast of several additional increases in 2017. The positive economic indicators supporting the Fed's decision have reassured investors that the near-term economic outlook might depart from the anemic growth of the past few quarters. The employment situation remained relatively stable during the year starting with an unemployment rate of 4.9% in January and ending at 4.7% in December with a peak of 5.0% in March and April and a trough of 4.6% in November. Job growth was more volatile than the unemployment rate in 2016 with a low of 38,000 jobs added in May followed by a high of 287,000 jobs added in June. Domestic GDP varied quite a bit as well with final estimates for the first and second quarters showing annualized rates of 1.1% and 1.4%, respectively. The final third quarter estimate of 3.5% came in above expectations followed by an initial estimate of 1.9% for the fourth quarter. The Congressional Budget Office projected GDP would grow 2.3% in 2017.

In the stock market, energy stocks led the way in 2016 as oil prices recovered in the wake of a production cap for OPEC members. Financials were up due to greater prospects for deregulation and interest rate increases by the Fed. Industrials rose on hopes for fiscal stimulus. Health care retreated in light of a more uncertain policy environment pursued by the new Presidential administration. Real estate and consumer staples lagged due to rising interest rates. In the closed-end fund industry, discounts to net asset value widened toward the end of the year but have narrowed since the beginning of 2017. There were several initial public offerings in the closed-end fund industry, with more than \$1 billion in combined assets, during the second half of 2016, mostly focused on fixed income investments. There were also several successful rights offerings conducted by the Fund as well as others.

Managed Distribution Policy

The Fund has maintained its policy of regular distributions to stockholders which continues to be popular with investors. These distributions are not tied to the Fund's investment income and capital gains and do not represent yield or investment return on the Fund's portfolio. The policy of maintaining regular monthly distributions is designed to enhance stockholder value by increasing liquidity for individual investors and providing greater flexibility to manage their investment in the Fund. As always, stockholders have the option of taking their distributions in cash or reinvesting them in shares of the Fund pursuant to the Fund's reinvestment plan. Pursuant to the Fund's distribution policy, the monthly distribution amount for the year 2017 was reset to \$0.2289 per share. The Board of Directors again approved a distribution percentage of 21% of net assets for the calendar year 2017. Under this policy the annual percentage rate was applied to the Fund's NAV at the end of October 2016 in order to determine the monthly distribution amount for 2017. The Board of Directors believes that the Fund's distribution policy maintains a stable, high rate of distribution

LETTER FROM THE FUND'S PRESIDENT (CONTINUED)

for stockholders. As always, the monthly distributions are reviewed and approved by the Board throughout the year and are subject to change at their discretion. In addition, be sure to note the Fund's reinvestment plan which may provide additional benefit to participating stockholders, as explained further in the section below. Please read the disclosure notes in the Fund's report for details on the Fund's distribution policy and reinvestment plan. As in previous years, stockholders receive a final determination of the total distribution attributable to income, capital gains, or return-of-capital after the end of each year. The allocation among these categories may vary greatly from year to year. In any given year, there can be no guarantee that the Fund's investment returns will exceed the amount of the distributions. To the extent that the amount of distributions taken in cash exceeds the total net investment returns of the Fund, the assets of the Fund will decline. If the total net investment returns exceed the amount of cash distributions, the assets of the Fund will increase. Either way, the Fund's individual stockholders have complete flexibility to take their distributions in cash or to reinvest in Fund shares through the Fund's reinvestment plan, and they can change this election as they desire.

Distribution Reinvestment Considerations

The Fund's dividend reinvestment plan may at times provide significant benefits to plan participants; therefore, stockholders should evaluate the advantages of reinvesting their distribution payments through the plan. Under the plan, the method for determining the number of newly issued shares received when distributions are reinvested is determined by dividing the amount of the distribution either by the Fund's last reported NAV or by a price equal to the average closing price of the Fund over the five trading days preceding the payment date of the distribution, whichever is lower. When the Fund trades at a premium to its NAV, stockholders may find that reinvestments through the plan provide potential advantages worth considering.

Outlook

The election of Donald Trump as President of the United States has dramatically impacted the trajectory of the stock market. Most media outlets had predicted a win for Hillary Clinton in the days leading up to the election but the stock market adjusted quickly to the pronouncement of a Trump administration for the next four years. Already, President Trump has signaled a renewed focus on infrastructure projects, including the approval of the stalled Keystone XL and Dakota Access pipelines. Additional items on President Trump's agenda include reducing government spending, slashing regulations, and reforming international trade policies, among other things. These areas of focus have the potential to shift the paradigm of the current business climate as a new administration rolls out a more business-friendly political agenda. We believe the Fund's portfolio is well positioned to take advantage of the potential opportunities this administration is creating. The Fund's holdings include a widely diversified portfolio predominantly comprised of large-cap companies and some closed-end funds. The large-cap sector is typically made up of well-capitalized established companies that offer the ability to tap into international markets, while also exhibiting a greater degree of defensive strength during difficult periods. The investment adviser believes that closed-end funds offer unique investment opportunities for the Fund, while also allowing for appropriate exposure to a variety of markets, which can be especially important as a means of reducing overall portfolio risk during and after periods of increases in the equity markets. The percentage of closed-end funds in the portfolio may at times increase or decrease, depending on market conditions. The investment adviser attempts to enhance portfolio performance by taking advantage of temporary and occasional pricing inefficiencies in certain securities. The availability and magnitude of such opportunities are unpredictable, and their effect on possible portfolio performance may vary considerably from year to year.

LETTER FROM THE FUND'S PRESIDENT (CONCLUDED)

The Fund's Board of Directors, its officers and its investment adviser, appreciate your ongoing support. We are all aware that investors have placed their trust in us. We know you have a choice, and we all remain committed to continuing to provide our service to you.

Sincerely,

A handwritten signature in black ink, appearing to read "Ralph W. Bradshaw". The signature is fluid and cursive, with a long horizontal stroke at the end.

Ralph W. Bradshaw
President

In addition to historical information, this report contains forward-looking statements, which may concern, among other things, domestic and foreign markets, industry and economic trends and developments and government regulation and their potential impact on the Fund's investment portfolio. These statements are subject to risks and uncertainties and actual trends, developments and regulations in the future and their impact on the Fund could be materially different from those projected, anticipated or implied. The Fund has no obligation to update or revise forward-looking statements.

This Letter from the Fund's President is not a part of the Annual Report to Stockholders that follows.

**CORNERSTONE TOTAL
RETURN FUND, INC.**

**ANNUAL REPORT
DECEMBER 31, 2016**

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CORNERSTONE TOTAL RETURN FUND, INC.
PORTFOLIO SUMMARY – AS OF DECEMBER 31, 2016 (UNAUDITED)

SECTOR ALLOCATION

Sector	Percent of Net Assets
Closed-End Funds	25.1
Information Technology	15.6
Financials	10.9
Health Care	9.8
Industrials	8.3
Consumer Discretionary	8.1
Consumer Staples	7.5
Energy	5.8
Materials	2.0
Telecommunication Services	1.9
Utilities	1.7
Exchange-Traded Funds	1.6
Other	1.3
Real Estate	0.4

TOP TEN HOLDINGS, BY ISSUER*

Holding	Sector	Percent of Net Assets
1. Alphabet Inc.	Information Technology	3.2
2. Microsoft Corporation	Information Technology	3.0
3. Johnson & Johnson	Health Care	2.5
4. Exxon Mobil Corporation	Energy	2.2
5. General American Investors Company, Inc.	Closed-End Funds	2.2
6. General Electric Company	Industrials	2.1
7. Adams Diversified Equity Fund, Inc.	Closed-End Funds	1.9
8. Alpine Global Total Dynamic Dividend Fund	Closed-End Funds	1.9
9. JPMorgan Chase & Co.	Financials	1.8
10. International Business Machines	Information Technology	1.7

* Excludes short-term investments.

CORNERSTONE TOTAL RETURN FUND, INC.
SCHEDULE OF INVESTMENTS – DECEMBER 31, 2016

Description	No. of Shares	Value	Description	No. of Shares	Value
EQUITY SECURITIES — 98.70%			GLOBAL (CONTINUED)		
CLOSED-END FUNDS — 25.12%					
CORE — 9.03%					
Adams Diversified Equity Fund, Inc.	259,671	\$ 3,300,418	Clough Global Opportunities Fund	280,985	\$ 2,514,816
General American Investors Company, Inc.	117,983	3,672,811	Delaware Enhanced Global Dividend and Income Fund	58,606	592,507
Liberty All-Star Equity Fund	523,884	2,703,241	Eaton Vance Tax-Advantaged Global Dividend Income Fund	11,600	163,212
Royce Micro-Cap Trust, Inc.	129,683	1,054,323	Gabelli Global Small and Mid Cap Value Trust (The)	28,020	297,012
Royce Value Trust	157,726	2,111,951	Gabelli Global Utility & Income Trust (The)	8,203	137,810
Source Capital, Inc.	28,938	1,039,453	GDL Fund (The)	96,213	946,736
Tri-Continental Corporation	68,395	<u>1,508,110</u>	Lazard Global Total Return and Income Fund, Inc.	2,220	30,503
		<u>15,390,307</u>	Royce Global Value Trust, Inc.	50,533	408,307
DEVELOPED MARKET — 0.30%			Wells Fargo Advantage Global Dividend Opportunity Fund	154,185	<u>840,308</u>
Aberdeen Singapore Fund, Inc.	23,724	205,450			<u>9,415,117</u>
Swiss Helvetia Fund, Inc. (The)	30,567	<u>312,089</u>	GLOBAL INCOME — 0.07%		
		<u>517,539</u>	Legg Mason BW Global Income Opportunities Fund Inc.	10,100	<u>119,483</u>
EMERGING MARKETS — 1.55%			INCOME & PREFERRED STOCK — 0.63%		
Aberdeen Chile Fund, Inc.	35,386	210,901	LMP Capital and Income Fund Inc.	80,839	<u>1,074,350</u>
First Trust/Aberdeen Emerging Opportunity Fund	23,365	324,773	NATURAL RESOURCES — 2.34%		
Mexico Fund, Inc. (The)	14,458	203,424	Adams Natural Resources Fund, Inc.	88,552	1,786,094
Morgan Stanley China A Share Fund, Inc.	89,800	1,525,702	BlackRock Resources & Commodities Strategy Trust	266,250	<u>2,201,887</u>
Templeton Dragon Fund, Inc.	20,400	334,152			<u>3,987,981</u>
Turkish Investment Fund, Inc. (The)	5,456	<u>36,992</u>			
		<u>2,635,944</u>			
GLOBAL — 5.53%					
Alpine Global Dynamic Dividend Fund	33,506	293,848			
Alpine Global Total Dynamic Dividend Fund	420,852	3,190,058			

See accompanying notes to financial statements.

CORNERSTONE TOTAL RETURN FUND, INC.**SCHEDULE OF INVESTMENTS – DECEMBER 31, 2016 (CONTINUED)**

Description	No. of Shares	Value	Description	No. of Shares	Value
OPTION ARBITRAGE/OPTIONS STRATEGIES — 1.52%			CONSUMER DISCRETIONARY (CONTINUED)		
AllianzGI NFJ Dividend, Interest & Premium Strategy Fund	175,112	\$ 2,208,162	Delphi Automotive PLC	3,000	\$ 202,050
Eaton Vance Tax-Managed Diversified Equity Income Fund	10,100	104,535	Expedia, Inc.	3,000	339,840
Voya Global Advantage and Premium Opportunity Fund	29,137	286,417	Home Depot, Inc. (The)	10,000	1,340,800
		<u>2,599,114</u>	Marriott International, Inc.	6,000	496,080
PACIFIC EX JAPAN — 0.12%			Mattel, Inc.	5,000	137,750
Aberdeen Greater China Fund, Inc.	21,853	189,903	McDonald's Corporation	11,600	1,411,952
Thai Fund, Inc. (The)	1,100	8,360	Netflix, Inc. *	5,000	619,000
		<u>198,263</u>	Newell Brands Inc.	7,000	312,550
REAL ESTATE — 3.95%			O'Reilly Automotive, Inc. *	1,000	278,410
Alpine Global Premier Properties Fund	400,001	2,052,005	Ross Stores, Inc.	6,000	393,600
CBRE Clarion Global Real Estate Income Fund	258,918	1,890,101	Starbucks Corporation	18,000	999,360
Cohen & Steers Preferred Securities and Income Fund, Inc.	112,200	2,144,142	Target Corporation	8,000	577,840
RMR Real Estate Income Fund	31,211	638,577	Time Warner, Inc.	7,000	675,710
		<u>6,724,825</u>	Twenty-First Century Fox, Inc.	8,500	231,625
SECTOR EQUITY — 0.08%			Twenty-First Century Fox, Inc. - Class A	14,000	392,560
Nuveen Real Asset Income and Growth Fund	8,200	129,068	V.F. Corporation	6,000	320,100
			Viacom, Inc. - Class B	5,000	175,500
TOTAL CLOSED-END FUNDS			Walt Disney Company (The)	21,500	2,240,730
		<u>42,791,991</u>	Yum! Brands, Inc.	3,500	221,655
CONSUMER DISCRETIONARY — 8.11%					<u>13,810,728</u>
Amazon.com, Inc. *	2,000	1,499,740	CONSUMER STAPLES — 7.53%		
CBS Corporation	6,000	381,720	Altria Group, Inc.	21,000	1,420,020
Carnival Corporation	5,000	260,300	Clorox Company (The)	2,000	240,040
Chipotle Mexican Grill, Inc. *	800	301,856	Coca-Cola Company (The)	30,000	1,243,800
			Colgate-Palmolive Company	10,000	654,400
			ConAgra Foods, Inc.	4,500	177,975
			General Mills, Inc.	5,000	308,850
			Kellogg Company	5,000	368,550
			Kimberly-Clark Corporation	2,000	228,240
			Kraft Heinz Company (The)	8,000	698,560

See accompanying notes to financial statements.

CORNERSTONE TOTAL RETURN FUND, INC.**SCHEDULE OF INVESTMENTS – DECEMBER 31, 2016 (CONTINUED)**

Description	No. of Shares	Value	Description	No. of Shares	Value
CONSUMER STAPLES (CONTINUED)			FINANCIALS (CONTINUED)		
Lamb Weston Holdings, Inc.	667	\$ 25,233	Bank of America Corporation	20,000	\$ 442,000
Molson Coors Brewing Company	2,000	194,620	Berkshire Hathaway Inc. - Class B *	14,000	2,281,720
Monster Beverage Corporation *	6,000	266,040	Capital One Financial Corporation	5,000	436,200
PepsiCo, Inc.	3,000	313,890	Chubb Limited	5,203	687,420
Philip Morris International Inc.	15,000	1,372,350	Citigroup Inc.	36,700	2,181,081
Procter & Gamble Company (The)	29,000	2,438,320	CME Group Inc.	4,000	461,400
Reynolds American Inc.	14,000	784,560	Discover Financial Services	4,000	288,360
Sysco Corporation	4,000	221,480	Franklin Resources, Inc.	11,000	435,380
Wal-Mart Stores, Inc.	27,000	<u>1,866,240</u>	Goldman Sachs Group, Inc. (The)	7,000	1,676,150
		<u>12,823,168</u>	JPMorgan Chase & Co.	35,000	3,020,150
ENERGY — 5.85%			Loews Corporation	4,000	187,320
Baker Hughes Incorporated	3,000	194,910	M&T Bank Corporation	3,000	469,290
Chevron Corporation	18,000	2,118,600	MetLife, Inc.	14,000	754,460
Concho Resources Inc. *	2,000	265,200	Progressive Corporation (The)	5,000	177,500
Exxon Mobil Corporation	42,000	3,790,920	Prudential Financial, Inc.	4,000	416,240
Halliburton Company	10,000	540,900	State Street Corporation	6,000	466,320
Occidental Petroleum Corporation	5,900	420,257	Torchmark Corporation	1,600	118,016
ONEOK, Inc.	1,400	80,374	Unum Group	2,700	118,611
Phillips 66	6,000	518,460	U.S. Bancorp	17,000	873,290
Pioneer Natural Resources Company	2,000	360,140	Wells Fargo & Company	33,000	<u>1,818,630</u>
Schlumberger Limited	20,000	<u>1,679,000</u>			<u>18,541,808</u>
		<u>9,968,761</u>	HEALTH CARE — 9.78%		
EXCHANGE-TRADED FUNDS — 1.57%			Abbott Laboratories	21,000	806,610
SPDR S&P 500 ETF Trust	12,000	<u>2,682,360</u>	Anthem, Inc.	4,000	575,080
FINANCIALS — 10.89%			Baxter International Inc.	8,000	354,720
Aflac Incorporated	5,000	348,000	Boston Scientific Corporation *	10,000	216,300
Allstate Corporation (The)	4,000	296,480	Bristol-Myers Squibb Company	22,000	1,285,680
American International Group, Inc.	9,000	587,790	Celgene Corporation *	7,000	810,250
			Cigna Corporation	4,000	533,560

See accompanying notes to financial statements.

CORNERSTONE TOTAL RETURN FUND, INC.**SCHEDULE OF INVESTMENTS – DECEMBER 31, 2016 (CONTINUED)**

Description	No. of Shares	Value	Description	No. of Shares	Value
HEALTH CARE (CONTINUED)			INFORMATION TECHNOLOGY (CONTINUED)		
Eli Lilly and Company	7,000	\$ 514,850	Alphabet Inc. - Class A *	1,000	\$ 792,450
Johnson & Johnson	37,000	4,262,770	Alphabet Inc. - Class C *	6,002	4,632,464
Medtronic Plc	13,000	925,990	Automatic Data Processing, Inc.	6,500	668,070
Merck & Company, Inc.	38,000	2,237,060	Broadcom Limited	6,200	1,095,974
Mylan N.V. *	4,000	152,600	Cisco Systems, Inc.	50,000	1,511,000
Pfizer Inc.	74,200	2,410,016	Corning Incorporated	13,000	315,510
Stryker Corporation	6,000	718,860	eBay Inc. *	7,000	207,830
Thermo Fisher Scientific Inc.	6,000	846,600	Facebook, Inc. *	19,900	2,289,495
		<u>16,650,946</u>	Fidelity National Information Services, Inc.	4,000	302,560
INDUSTRIALS — 8.33%			International Business Machines	17,000	2,821,830
3M Company	8,000	1,428,560	Microsoft Corporation	83,600	5,194,904
AdvanSix Inc. *	320	7,085	Oracle Corporation	45,700	1,757,165
Boeing Company (The)	7,000	1,089,760	Paychex, Inc.	2,600	158,288
Caterpillar Inc.	7,000	649,180	PayPal Holdings, Inc. *	14,000	552,580
Danaher Corporation	9,000	700,560	QUALCOMM Incorporated	8,000	521,600
Deere & Company	6,000	618,240	salesforce.com, inc. *	5,000	342,300
Emerson Electric Co.	7,000	390,250	Symantec Corporation	7,000	167,230
Fortive Corporation	3,500	187,705	Visa Inc.	16,000	<u>1,248,320</u>
General Dynamics Corporation	3,000	517,980			<u>26,551,942</u>
General Electric Company	112,100	3,542,360	MATERIALS — 1.99%		
Johnson Controls International plc	6,000	247,140	Air Products & Chemicals, Inc.	2,000	287,640
Lockheed Martin Corporation	4,500	1,124,730	Dow Chemical Company (The)	11,000	629,420
Raytheon Company	4,000	568,000	E. I. du Pont de Nemours and Company	10,000	734,000
United Parcel Service, Inc.	10,100	1,157,864	Freeport-McMoRan Inc.	18,100	238,739
United Technologies Corporation	14,000	1,534,680	Monsanto Company	5,000	526,050
Waste Management, Inc.	6,000	425,460	Newmont Mining Corporation	5,000	170,350
		<u>14,189,554</u>	Nucor Corporation	3,300	196,416
INFORMATION TECHNOLOGY — 15.59%			Praxair, Inc.	5,000	585,950
Accenture plc - Class A	9,500	1,112,735			
Activision Blizzard, Inc.	6,700	241,937			
Adobe Systems Incorporated *	6,000	617,700			

See accompanying notes to financial statements.

CORNERSTONE TOTAL RETURN FUND, INC.
SCHEDULE OF INVESTMENTS – DECEMBER 31, 2016 (CONCLUDED)

Description	No. of Shares	Value	Description	No. of Shares	Value
MATERIALS (CONTINUED)			SHORT-TERM INVESTMENT — 2.26%		
Versum Materials, Inc.	1,000	\$ 28,070	MONEY MARKET FUND — 2.26%		
		<u>3,396,635</u>	Fidelity Institutional		
REAL ESTATE — 0.41%			Money Market		
American Tower Corporation	4,000	422,720	Government Portfolio		
Weyerhaeuser Company	9,000	270,810	- Class I, 0.39%^		
		<u>693,530</u>	(cost - \$3,847,513)	3,847,513	\$ 3,847,513
TELECOMMUNICATION SERVICES — 1.85%			TOTAL INVESTMENTS — 100.96%		
AT&T, Inc.	54,103	2,301,001	(cost - \$158,877,160)		<u>171,969,945</u>
Verizon Communications, Inc.	16,000	854,080	LIABILITIES IN EXCESS OF		
		<u>3,155,081</u>	OTHER ASSETS — (0.96)%		
UTILITIES — 1.68%					<u>(1,633,043)</u>
American Electric Power Company, Inc.	5,000	314,800	NET ASSETS — 100.00%		
Dominion Resources, Inc.	3,000	229,770			<u>\$170,336,902</u>
Duke Energy Corporation	8,600	667,532	* Non-income producing security.		
Edison International	2,000	143,980	^ The rate shown is the 7-day effective yield as of December 31, 2016.		
NextEra Energy, Inc.	4,000	477,840			
PPL Corporation	5,000	170,250			
Public Service Enterprises Group, Inc.	4,000	175,520			
Southern Company (The)	9,400	462,386			
Xcel Energy Inc.	5,500	223,850			
		<u>2,865,928</u>			
TOTAL EQUITY SECURITIES					
(cost - \$155,029,647)		<u>168,122,432</u>			

See accompanying notes to financial statements.

CORNERSTONE TOTAL RETURN FUND, INC.**STATEMENT OF ASSETS AND LIABILITIES – DECEMBER 31, 2016**

ASSETS

Investments, at value (cost – \$158,877,160) (Notes B and C)	\$ 171,969,945
Cash	266,045
Receivables:	
Dividends	345,001
Prepaid expenses	2,087
Total Assets	<u>172,583,078</u>

LIABILITIES

Payables:	
Investments purchased	1,966,722
Investment management fees (Note D)	150,291
Directors' fees and expenses	19,909
Administration fees (Note D)	12,183
Other accrued expenses	97,071
Total Liabilities	<u>2,246,176</u>

NET ASSETS (applicable to 13,064,730 shares of common stock) \$ 170,336,902

NET ASSET VALUE PER SHARE ($\$170,336,902 \div 13,064,730$) \$ 13.04

NET ASSETS CONSISTS OF

Common stock, \$0.01 par value; 13,064,730 shares issued and outstanding (50,000,000 shares authorized)	130,647
Paid-in capital	157,114,902
Accumulated net realized loss on investments	(1,432)
Net unrealized appreciation in value of investments	13,092,785
Net assets applicable to shares outstanding	<u>\$ 170,336,902</u>

CORNERSTONE TOTAL RETURN FUND, INC.
STATEMENT OF OPERATIONS – FOR THE YEAR ENDED DECEMBER 31, 2016

INVESTMENT INCOME

Income:

Dividends \$ 2,895,251

Expenses:

Investment management fees (Note D) 1,176,172

Administration fees (Note D) 88,214

Directors' fees and expenses 87,180

Printing 41,935

Legal and audit fees 41,890

Accounting fees 41,751

Transfer agent fees 41,098

Custodian fees 21,760

Insurance 8,123

Stock exchange listing fees 5,907

Miscellaneous 6,566

Total Expenses 1,560,596

Net Investment Income 1,334,655

NET REALIZED AND UNREALIZED GAIN/(LOSS) ON INVESTMENTS

Net realized gain from investments 8,500,715

Capital gain distributions from regulated investment companies 821,560

Net change in unrealized appreciation in value of investments (621,155)

Net realized and unrealized gain/(loss) on investments 8,701,120

NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS \$ 10,035,775

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

	For the Years Ended December 31,	
	<u>2016</u>	<u>2015</u>
INCREASE IN NET ASSETS		
Operations:		
Net investment income	\$ 1,334,655	\$ 798,841
Net realized gain from investments	9,322,275	1,653,955
Net change in unrealized appreciation in value of investments	<u>(621,155)</u>	<u>(2,813,330)</u>
Net increase (decrease) in net assets resulting from operations	<u>10,035,775</u>	<u>(360,534)</u>
Dividends and distributions to stockholders (Note B):		
Net investment income	(1,273,915)	(798,841)
Net realized gains	(9,344,509)	(1,674,771)
Return-of-capital	<u>(18,258,684)</u>	<u>(19,586,472)</u>
Total dividends and distributions to stockholders	<u>(28,877,108)</u>	<u>(22,060,084)</u>
Common stock transactions:		
Proceeds from rights offering of 5,196,240 and 3,027,098 shares of newly issued common stock, respectively	71,136,525	51,642,292
Offering expenses associated with rights offerings	(109,436)	(117,077)
Proceeds from 207,514 and 156,817 shares newly issued in reinvestment of dividends and distributions, respectively	<u>2,819,947</u>	<u>2,548,964</u>
Net increase in net assets from common stock transactions	<u>73,847,036</u>	<u>54,074,179</u>
Total increase in net assets	<u>55,005,703</u>	<u>31,653,561</u>
NET ASSETS		
Beginning of year	<u>115,331,199</u>	<u>83,677,638</u>
End of year	<u>\$ 170,336,902</u>	<u>\$ 115,331,199</u>

CORNERSTONE TOTAL RETURN FUND, INC.**FINANCIAL HIGHLIGHTS**

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

	For the Years Ended December 31,				
	2016	2015	2014*	2013*	2012*
PER SHARE OPERATING PERFORMANCE					
Net asset value, beginning of period	\$ 15.05	\$ 18.69	\$ 20.56	\$ 20.36	\$ 21.88
Net investment income/(loss) #	0.15	0.14	0.16	0.24	0.20
Net realized and unrealized gain/(loss) on investments	0.83	(0.25)	2.15	3.76	2.48
Net increase/(decrease) in net assets resulting from operations	0.98	(0.11)	2.31	4.00	2.68
Dividends and distributions to stockholders:					
Net investment income	(0.15)	(0.14)	(0.16)	(0.92)	(1.24)
Net realized capital gain	(1.08)	(0.30)	(0.82)	(0.80)	—
Return-of-capital	(2.12)	(3.54)	(3.20)	(2.64)	(3.44)
Total dividends and distributions to stockholders	(3.35)	(3.98)	(4.18)	(4.36)	(4.68)
Common stock transactions:					
Anti-dilutive effect due to shares issued:					
Rights offering	0.36	0.45	—	0.56	0.48
Reinvestment of dividends and distributions	0.00 ⁺	0.00 ⁺	0.00 ⁺	0.00 ⁺	0.00 ⁺
Total common stock transactions	0.36	0.45	0.00 ⁺	0.56	0.48
Net asset value, end of period	\$ 13.04	\$ 15.05	\$ 18.69	\$ 20.56	\$ 20.36
Market value, end of period	\$ 15.07	\$ 16.89	\$ 19.41	\$ 24.20	\$ 21.40
Total investment return ^(a)	13.88%	10.28%	(0.68)%	40.08%	11.16%
RATIOS/SUPPLEMENTAL DATA					
Net assets, end of period (000 omitted)	\$170,337	\$115,331	\$ 83,678	\$ 89,147	\$ 51,575
Ratio of expenses to average net assets, net of fee waivers and fees paid indirectly, if any ^(b)	1.33%	1.35%	1.44%	1.46%	1.73%
Ratio of expenses to average net assets, excluding fee waivers and fees paid indirectly, if any ^(b)	1.33%	1.35%	1.44%	1.46%	1.73%
Ratio of net investment income/(loss) to average net assets ^(d)	1.12%	0.86%	0.84%	1.13%	0.85%
Portfolio turnover rate	64%	53%	32%	48%	45%

* Effective December 29, 2014, a reverse split of 1:4 occurred. All per share amounts have been restated according to the terms of the reverse split.

Based on average shares outstanding.

+ Amount rounds to less than \$0.01 per share.

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

(c) Annualized.

(d) Recognition of net investment income/(loss) by the Fund may be affected by the timing of the declaration of dividends, if any, by investment companies in which the Fund invests.

See accompanying notes to financial statements.

NOTE A. ORGANIZATION

Cornerstone Total Return Fund, Inc. (the “Fund”) was incorporated in New York on March 16, 1973 and commenced investment operations on May 15, 1973. Its investment objective is to seek capital appreciation with current income as a secondary objective. The Fund is registered under the Investment Company Act of 1940, as amended, as a closed-end, diversified management investment company. As an investment company, the Fund follows the accounting and reporting guidance of the Financial Accounting Standards Board Accounting Standards Codification Topic 946 “Financial Services – Investment Companies”.

NOTE B. SIGNIFICANT ACCOUNTING POLICIES

Management Estimates: The Fund is an investment company that applies the accounting and reporting guidance issued in Topic 946 by the U.S. Financial Accounting Standards Board. The preparation of financial statements in conformity 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 New York Stock Exchange (“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 Directors 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 NASDAQ Official 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 Directors 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 Directors believes reflect most closely the value of such securities. At December 31, 2016 the Fund held no securities valued in good faith by the Board of Directors.

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 is closed.

The Fund is exposed to financial market risks, including the valuations of its investment portfolio. During the year ended December 31, 2016, the Fund did not invest in derivative instruments or engage in hedging activities.

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 continue to qualify as a regulated investment company and to make the requisite distributions to its stockholders 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, 2016, 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 2013 through 2015, and for the year ended December 31, 2016. There was no material impact to the financial statements.

Distributions to Stockholders: Effective January 2002, the Fund initiated a fixed, monthly distribution to stockholders. On November 29, 2006, this distribution policy was updated to provide for the annual resetting of the monthly distribution amount per share based on the Fund's net asset value on the last business day in each October. The terms of the distribution policy will be reviewed and approved at least annually by the Fund's Board of Directors and can be modified at their discretion. To the extent that these distributions exceed the current earnings of the Fund, the balance will be generated from sales of portfolio securities held by the Fund, which will either be short-term or long-term capital gains, or a tax-free return-of-capital. To the extent these distributions are not represented by net investment income and capital gains, they will not represent yield or investment return on the Fund's investment portfolio. The Fund plans to maintain this distribution policy even if regulatory requirements would make part of a return-of-capital, necessary to maintain the distribution, taxable to stockholders and to disclose that portion of the distribution that is classified as ordinary income. Although it has no current intention to do so, the Board may terminate this distribution policy at any time and such termination may have an adverse effect on the market price for the Fund's common shares. The Fund determines annually whether to distribute any net realized long-term capital gains in excess of net realized short-term capital losses, including capital loss carryovers, if any. To the extent that the Fund's taxable income in any calendar year exceeds the aggregate amount distributed pursuant to this distribution policy, an additional distribution may be made to avoid the payment of a 4% U.S. federal excise tax, and to the extent that the aggregate amount distributed in any calendar year exceeds the Fund's taxable income, the amount of that excess may constitute a return-of-capital for tax purposes. A return-of-capital distribution reduces the cost basis of an investor's shares in the Fund. Dividends and distributions to stockholders are recorded by the Fund on the ex-dividend date.

Managed Distribution Risk: Under the managed distribution policy, the Fund makes monthly distributions to stockholders 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 stockholders. 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

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.

- Level 1 – quoted unadjusted prices for identical instruments in active markets to which the Fund has access at the date of measurement.
- Level 2 – quoted prices for similar instruments 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.

- Level 3 – model derived valuations in which one 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.

The following is a summary of the inputs used as of December 31, 2016 in valuing the Fund’s investments carried at value:

Valuation Inputs	Investments in Securities	Other Financial Instruments*
Level 1 – Quoted Prices		
Equity Investments	\$ 168,122,432	\$ —
Short-Term Investments	3,847,513	—
Level 2 – Other Significant Observable Inputs	—	—
Level 3 – Significant Unobservable Inputs	—	—
Total	<u>\$ 171,969,945</u>	<u>\$ —</u>

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

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

During the year ended December 31, 2016 the Fund did not have any transfers in and out of any Level.

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, 2016.

It is the Fund’s policy to recognize transfers into and out of any Level at the end of the reporting period.

In May 2015, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2015-07, Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or its Equivalent). The amendments apply to reporting entities that elect to measure the fair value of an investment using the net asset value per share (or its equivalent) practical expedient. The ASU is essentially effective for public entities beginning in 2016 and for all other entities beginning in 2017, but earlier application is permitted. Although still evaluating the potential impacts of ASU 2015-07 to the Fund, the Investment Manager does not expect the adoption of the ASU to have an effect on the Fund.

On October 13, 2016, the Securities and Exchange Commission (the “SEC”) adopted new rules and forms and amended existing rules and forms which are intended to modernize and enhance the reporting and disclosure of information by registered investment companies and to improve the quality of information that funds provide to investors, including modifications to Regulation S-X which would require standardized, enhanced disclosure about derivatives in investment company financial statements. In an effort to enhance monitoring and regulation, the new rules and forms will allow the SEC to more effectively collect and use data reported by funds. The compliance dates of the modifications to Regulation S-X are August 1, 2017 and other amendments and rules are generally June 1, 2018 and December 1, 2018. Management is currently evaluating the impacts to the financial statement disclosures, if any.

NOTE D. AGREEMENTS WITH AFFILIATES

At December 31, 2016 certain officers of the Fund are also officers of Cornerstone or AST Fund Solutions, LLC (“AFS”). Such officers are paid no fees by the Fund for serving as officers of the Fund.

Investment Management Agreement

Cornerstone serves as the Fund’s Investment Manager with respect to all investments. As compensation for its investment management services, Cornerstone receives from the Fund an annual fee, calculated weekly and paid monthly, equal to 1.00% of the Fund’s average weekly net assets. For the year ended December 31, 2016 Cornerstone earned \$1,176,172 for investment management services.

Administration Agreement

Under the terms of the administration agreement, AFS supplies executive, administrative and regulatory services for the Fund. AFS supervises the preparation of reports to shareholders for the Fund, reports to and filings with the Securities and Exchange Commission and materials for meetings of the Board of Directors. For these services, the Fund pays AFS a monthly fee at an annual rate of 0.075% of its average daily net assets, subject to an annual minimum fee of \$50,000. AFS has agreed to discount the annual minimum fee to \$30,000 and such discount will remain in place until an amended fee is agreed upon. For the year ended December 31, 2016, AFS earned \$88,214 as administrator.

NOTE E. INVESTMENT IN SECURITIES

For the year ended December 31, 2016, purchases and sales of securities, other than short-term investments, were \$120,482,066 and \$74,446,043, respectively.

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

NOTE F. SHARES OF COMMON STOCK

The Fund has 50,000,000 shares of common stock authorized and 13,064,730 shares issued and outstanding at December 31, 2016. Transactions in common stock for the year ended December 31, 2016 were as follows:

Shares at beginning of year	7,660,976
Shares newly issued from rights offering	5,196,240
Shares newly issued in reinvestment of dividends and distributions	<u>207,514</u>
Shares at end of year	<u><u>13,064,730</u></u>

NOTE G. FEDERAL INCOME TAXES

Income and capital gains distributions are determined in accordance with federal income tax regulations, which may differ from GAAP. These differences are primarily due to differing treatments of losses deferred due to wash sales.

The tax character of dividends and distributions paid to stockholders during the years ended December 31, 2016 and December 31, 2015 was as follows:

	<u>2016</u>	<u>2015</u>
Ordinary Income	\$ 2,137,494	\$ 798,841
Long-Term Capital Gains	8,480,930	1,674,771
Return-of-Capital	<u>18,258,684</u>	<u>19,586,472</u>
Total Distributions	<u>\$ 28,877,108</u>	<u>\$ 22,060,084</u>

At December 31, 2016, the components of accumulated earnings on a tax basis for the Fund were as follows:

Net unrealized appreciation	<u>\$ 13,091,353</u>
Total accumulated earnings	<u>\$ 13,091,353</u>

GAAP requires 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, 2016, the Fund decreased accumulated net realized loss on investments by \$60,740 and decreased undistributed net investment income by \$60,740 on the Statement of Assets and Liabilities. 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 losses during the year ended December 31, 2016.

The following information is computed on a tax basis for each item as of December 31, 2016:

Cost of portfolio investments	<u>\$ 158,878,592</u>
Gross unrealized appreciation	\$ 15,452,735
Gross unrealized depreciation	<u>(2,361,382)</u>
Net unrealized appreciation	<u>\$ 13,091,353</u>

The difference between book-basis and tax-basis unrealized appreciation is attributable to the tax deferral of losses on wash sales.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited the accompanying statement of assets and liabilities of the Cornerstone Total Return Fund, Inc. (the "Fund"), including the schedule of investments as of December 31, 2016, the related statement of operations for the year then ended, the statements of changes in net assets for each of the two years in the period then ended, and the financial highlights for each of the five years in the period then ended. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

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 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, 2016, by correspondence with the custodian and brokers or through other appropriate auditing procedures where confirmations from brokers were unable to be obtained. 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 Total Return Fund, Inc. as of December 31, 2016, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended, and the financial highlights for each of the five years in the period then ended, in conformity with accounting principles generally accepted in the United States of America.

TAIT, WELLER & BAKER LLP

**Philadelphia, Pennsylvania
February 21, 2017**

2016 TAX INFORMATION (UNAUDITED)

This notification along with Form 1099-DIV reflects the amount to be used by calendar year taxpayers on their U.S. federal income tax returns. As indicated in this notice, a portion of the Fund's distributions for 2016 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:	1/29/16	2/29/16	3/31/16	4/29/16	5/31/16	6/30/16
Ordinary Income ⁽¹⁾	\$ 0.0207	\$ 0.0207	\$ 0.0207	\$ 0.0207	\$ 0.0207	\$ 0.0207
Return-of-Capital ⁽²⁾	0.1765	0.1765	0.1765	0.1765	0.1765	0.1765
Capital Gain ⁽³⁾	0.0820	0.0820	0.0820	0.0820	0.0820	0.0820
Total	<u>\$ 0.2792</u>					

Payment Dates:	7/29/16	8/31/16	9/30/16	10/31/16	11/30/16	12/30/16
Ordinary Income ⁽¹⁾	\$ 0.0207	\$ 0.0207	\$ 0.0207	\$ 0.0207	\$ 0.0207	\$ 0.0207
Return-of-Capital ⁽²⁾	0.1765	0.1765	0.1765	0.1765	0.1765	0.1765
Capital Gain ⁽³⁾	0.0820	0.0820	0.0820	0.0820	0.0820	0.0820
Total	<u>\$ 0.2792</u>					

Notes:

- (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.
- (3) **Capital Gains Distributions** – This is the total per share amount of capital gain distribution included in the amount reported in Box 2a on Form 1099-DIV.

The Fund has met the requirements to pass through 99.64% of its ordinary income dividends as qualified dividends, which are subject to a maximum federal tax rate of 23.8% (20% qualified dividends maximum long-term capital gain rate plus 3.8% Medicare tax). 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, stockholders 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.

Long-term capital gain distributions arise from gains on securities held by the Fund for more than one year. They are subject to a maximum federal rate of 20% (23.8%, reflecting 3.8% Medicare tax on income exceeding certain threshold amounts).

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

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

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

**ADDITIONAL INFORMATION REGARDING THE FUND'S DIRECTORS
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 Directors and President	President, Cornerstone Advisors, Inc.; Financial Consultant; President and Director of Cornerstone Strategic Value Fund, Inc.	2001
Robert E. Dean (Apr. 1951)	Director; Audit, Nominating and Corporate Governance Committee Member	Director, National Bank Holdings Corp.; Director of Cornerstone Strategic Value Fund, Inc.	2014
Edwin Meese III (Dec. 1931)	Director; Audit, Nominating and Corporate Governance Committee Member	Ronald Reagan Distinguished Fellow Emeritus, The Heritage Foundation Washington D.C.; Distinguished Visiting Fellow at the Hoover Institution, Stanford University; Director of Cornerstone Strategic Value Fund, Inc.	2001
Scott B. Rogers (July 1955)	Director; Audit, Nominating and Corporate Governance Committee Member	Director, Board of Health Partners, Inc.; Chief Executive Officer, Asheville Buncombe Community Christian Ministry ("ABCCM"); President, ABCCM Doctor's Medical Clinic; Member of North Carolina Governor's Council on Homelessness (from July 2014); Director of Cornerstone Strategic Value Fund, Inc.	2001
Andrew A. Strauss (Nov. 1953)	Director; Chairman of Nominating and Corporate Governance Committee and Audit Committee Member	Attorney and senior member of Strauss & Associates, P.A., Attorneys; Director of Cornerstone Strategic Value Fund, Inc.	2001
Glenn W. Wilcox, Sr. (Dec. 1931)	Director; Chairman of Audit Committee, Nominating and Corporate Governance Committee Member	Chairman of the Board of Tower Associates, Inc.; Chairman of the Board of Wilcox Travel Agency, Inc.; Director of Champion Industries, Inc.; Director of Cornerstone Strategic Value Fund, Inc.	2001

**ADDITIONAL INFORMATION REGARDING THE FUND’S DIRECTORS
AND CORPORATE OFFICERS (UNAUDITED) (CONCLUDED)**

Name and Address* (Birth Date)	Position(s) Held with Fund	Principal Occupation over Last 5 Years	Position with Fund Since
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 Strategic Value Fund, Inc.	2004, 2008, 2009
Frank J. Maresca (Oct. 1958)	Treasurer	Executive Vice President of AST Fund Solutions, LLC (since February 2012), Executive Vice President of Ultimus Fund Solutions, LLC (from March 2009-February 2012) previous Executive Director, JP Morgan Chase & Co.; Treasurer of The Asia Pacific Fund, Inc. (since July 2016); Treasurer of Cornerstone Strategic Value Fund, Inc. (from May 2009 through February 2012 and since April 2013)	2013

* The mailing address of each Director and/or Officer with respect to the Fund’s operation is 48 Wall Street, 22nd floor, New York, NY 10005.

** 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.

DESCRIPTION OF DIVIDEND REINVESTMENT PLAN (UNAUDITED)

Cornerstone Total Return Fund, Inc. (the “Fund”) operates a Dividend Reinvestment Plan (the “Plan”), administered by American Stock Transfer & Trust Company, LLC (the “Agent”), pursuant to which the Fund’s income dividends or capital gains or other distributions (each, a “Distribution” and collectively, “Distributions”), net of any applicable U.S. withholding tax, are reinvested in shares of the Fund.

Stockholders automatically participate in the Fund’s Plan, unless and until an election is made to withdraw from the Plan on behalf of such participating stockholder. Stockholders who do not wish to have Distributions automatically reinvested should so notify the Agent at P.O. Box 922, Wall Street Station, New York, New York 10269-0560. Under the Plan, the Fund’s Distributions to stockholders are reinvested in full and fractional shares as described below.

When the Fund declares a Distribution the Agent, on the stockholder’s behalf, will (i) receive additional authorized shares from the Fund either newly issued or repurchased from stockholders by the Fund and held as treasury stock (“Newly Issued Shares”) or (ii) purchase outstanding shares on the open market, on the NYSE MKT or elsewhere, with cash allocated to it by the Fund (“Open Market Purchases”).

The method for determining the number of Newly Issued Shares received when Distributions are reinvested will be determined by dividing the amount of the Distribution either by the Fund’s last reported net asset value per share or by a price equal to the average closing price of the Fund over the five trading days preceding the payment date of the Distribution, whichever is lower. However, if the last reported net asset value of the Fund’s shares is higher than the average closing price of the Fund over the five trading days preceding the payment date of the Distribution (i.e., the Fund is selling at a discount), shares may be acquired by the Agent in Open Market Purchases and allocated to the reinvesting stockholders based on the average cost of such Open Market Purchases. Upon notice from the Fund, the Agent will receive the distribution in

cash and will purchase shares of common stock in the open market, on the NYSE MKT or elsewhere, for the participants’ accounts, except that the Agent will endeavor to terminate purchases in the open market and cause the Fund to issue the remaining shares if, following the commencement of the purchases, the market value of the shares, including brokerage commissions, exceeds the net asset value at the time of valuation. These remaining shares will be issued by the Fund at a price equal to the net asset value at the time of valuation.

In a case where the Agent has terminated open market purchases and caused the issuance of remaining shares by the Fund, the number of shares received by the participant in respect of the cash dividend or distribution will be based on the weighted average of prices paid for shares purchased in the open market, including brokerage commissions, and the price at which the Fund issues the remaining shares. To the extent that the Agent is unable to terminate purchases in the open market before the Agent has completed its purchases, or remaining shares cannot be issued by the Fund because the Fund declared a dividend or distribution payable only in cash, and the market price exceeds the net asset value of the shares, the average share purchase price paid by the Agent may exceed the net asset value of the shares, resulting in the acquisition of fewer shares than if the dividend or distribution had been paid in shares issued by the Fund.

Whenever the Fund declares a Distribution and the last reported 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

DESCRIPTION OF DIVIDEND REINVESTMENT PLAN (UNAUDITED) (CONCLUDED)

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.

Registered stockholders who do not wish to have their Distributions automatically reinvested should so notify the Fund in writing. If a stockholder has not elected to receive cash Distributions and the Agent does not receive notice of an election to receive cash Distributions prior to the record date of any Distribution, the stockholder will automatically receive such Distributions in additional shares.

Participants in the Plan may withdraw from the Plan by providing written notice to the Agent at least 30 days prior to the applicable Distribution payment date. The Agent will maintain all stockholder accounts in the Plan and furnish written confirmations of all transactions in the accounts, including information needed by stockholders 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 stockholder's proxy will include those shares purchased pursuant to the Plan. The Agent will distribute all proxy solicitation materials to participating stockholders.

In the case of stockholders, 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 stockholder as representing the total amount of shares registered in the stockholder'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 participant's 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 participant's 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.

Participants may at any time sell some or all of their shares through the Agent. Shares may be sold via the internet at www.amstock.com or through the toll free number. Participants can also use the tear off portion attached to the bottom of their statement and mail the request to American Stock Transfer and Trust Company LLC, P.O. Box 922 Wall Street Station, New York, N.Y. 10269-0560. There is a fee of \$15.00 per transaction and commission of \$0.10 per share.

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 (866) 668-6558.

PROXY VOTING AND PORTFOLIO HOLDINGS INFORMATION (UNAUDITED)

The policies and procedures that the Fund uses to determine how to vote proxies relating to its portfolio securities are available:

- without charge, upon request, by calling toll-free (866) 668-6558; and
- on the website of the Securities and Exchange Commission, <http://www.sec.gov>.

Information regarding how the Fund voted proxies relating to portfolio securities during the most recent period ended June 30, 2016 is available without charge, upon request, by calling toll-free (866) 668-6558, and on the SEC's website at <http://www.sec.gov> or on the Fund's website at www.cornerstonetotalreturnfund.com (See Form N-PX).

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 Form 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 toll-free 1-800-SEC-0330.

SUMMARY OF GENERAL INFORMATION (UNAUDITED)

Cornerstone Total Return Fund, Inc. is a closed-end, diversified investment company whose shares trade on the NYSE MKT. Its investment objective is to seek capital appreciation with current income as a secondary objective. The Fund is managed by Cornerstone Advisors, Inc.

STOCKHOLDER INFORMATION (UNAUDITED)

The Fund is listed on the NYSE MKT (symbol "CRF"). The previous week's net asset value per share, market price, and related premium or discount are available on the Fund's website at www.cornerstonetotalreturnfund.com.

Notice is hereby given in accordance with Section 23(c) of the Investment Company Act of 1940, as amended, that Cornerstone Total Return Fund, Inc. may from time to time purchase shares of its common stock in the open market.

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CORNERSTONE TOTAL RETURN FUND, INC.