

CORNERSTONE TOTAL RETURN FUND INC

Form N-30D

February 28, 2003

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CORNERSTONE TOTAL  
RETURN FUND, INC.

ANNUAL REPORT  
DECEMBER 31, 2002

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LETTER TO SHAREHOLDERS

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January 24, 2003

Dear Fellow Shareholders:

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

## CREATING VALUE FOR OUR SHAREHOLDERS

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

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

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

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

LETTER TO SHAREHOLDERS (CONCLUDED)

MARKET ENVIRONMENT AND OUTLOOK

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

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

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

Sincerely,

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

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

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TOP TEN, BY SECTOR

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

TOP TEN HOLDINGS, BY ISSUER

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

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

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

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

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See accompanying notes to financial statements.

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

FINANCIALS - 19.43%

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

| DESCRIPTION | NO. OF<br>SHARES | VALUE<br>(NOTE A) |
|-------------|------------------|-------------------|
|-------------|------------------|-------------------|

FINANCIALS (CONTINUED)

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

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

HEALTHCARE - 14.62%

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

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See accompanying notes to financial statements.

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



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

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

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See accompanying notes to financial statements.

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CORNERSTONE TOTAL RETURN FUND, INC.

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SCHEDULE OF INVESTMENTS - DECEMBER 31, 2002 (CONCLUDED)

| DESCRIPTION                           | NO.OF<br>SHARES | VALUE<br>(NOTE A) |
|---------------------------------------|-----------------|-------------------|
| -----                                 |                 |                   |
| MATERIALS (CONTINUED)                 |                 |                   |
| Dow Chemical Co. (The)                | 7,200           | \$213,840         |
| E.I. du Pont de Nemours & Co.         | 8,300           | 351,920           |
| Engelhard Corp.                       | 2,500           | 55,875            |
| Georgia-Pacific Corp.                 | 2,500           | 40,400            |
| International Paper Co.               | 4,800           | 167,856           |
| Newmont Mining Corp.                  | 2,500           | 72,575            |
| Praxair, Inc.                         | 3,500           | 202,195           |
| Rohm & Hass Co.                       | 2,500           | 81,200            |
| Weyerhaeuser Co.                      | 1,000           | 49,210            |
|                                       |                 | -----             |
|                                       |                 | 1,541,130         |
|                                       |                 | -----             |
| REAL ESTATE INVESTMENT TRUSTS - 0.22% |                 |                   |
| Equity Office Properties Trust        | 3,000           | 74,940            |
| Plum Creek Timber Company, Inc.       | 2,500           | 59,000            |
|                                       |                 | -----             |
|                                       |                 | 133,940           |
|                                       |                 | -----             |
| TELECOMMUNICATION SERVICES - 5.77%    |                 |                   |
| ALLTEL Corp.                          | 2,500           | 127,500           |
| AT&T Corp.                            | 5,260           | 137,339           |
| AT&T Wireless Services Inc. +         | 15,567          | 87,954            |
| BellSouth Corp.                       | 15,200          | 393,224           |
| Cisco Systems, Inc. +                 | 55,500          | 727,050           |
| Lucent Technologies Inc. +            | 7,000           | 8,820             |
| SBC Communications Inc.               | 33,200          | 900,052           |
| Sprint Corp. (FON Group)              | 7,100           | 102,808           |
| Sprint Corp. (PCS Group) +            | 4,300           | 18,833            |
| Verizon Communications Inc.           | 24,900          | 964,875           |
|                                       |                 | -----             |
|                                       |                 | 3,468,455         |
|                                       |                 | -----             |
| UTILITIES - 2.29%                     |                 |                   |
| American Electric Power Company, Inc. | 5,500           | 150,315           |
| Dominion Resources, Inc.              | 5,000           | 274,500           |
| Duke Energy Corp.                     | 6,600           | 128,964           |
| Edison International +                | 5,000           | 59,250            |
| Exelon Corp.                          | 2,500           | 131,925           |
| FirstEnergy Corp.                     | 5,000           | 164,850           |
| Mirant Corp. +                        | 4,000           | 7,560             |
| Public Service Enterprise Group Inc.  | 2,500           | 80,250            |
|                                       |                 | -----             |
| -----                                 |                 |                   |
| DESCRIPTION                           | NO.OF<br>SHARES | VALUE<br>(NOTE A) |
| -----                                 |                 |                   |
| UTILITIES (CONTINUED)                 |                 |                   |
| Scottish Power plc, ADR               | 4,000           | \$ 91,680         |
| Southern Co. (The)                    | 5,000           | 141,950           |
| TXU Corp.                             | 3,700           | 69,116            |

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

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See accompanying notes to financial statements.

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

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ASSETS

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

LIABILITIES

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

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

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

NET ASSETS CONSISTS OF

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

See accompanying notes to financial statements.

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

INVESTMENT LOSS

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Income (Note A):

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

Expenses:

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

NET REALIZED AND UNREALIZED LOSS ON INVESTMENTS

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

NET DECREASE IN NET ASSETS RESULTING FROM OPERATIONS

\$ (7,757,915)  
=====

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See accompanying notes to financial statements.

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

See accompanying notes to financial statements.

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CORNERSTONE TOTAL RETURN FUND, INC.  
FINANCIAL HIGHLIGHTS

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

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



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

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See accompanying notes to financial statements.

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CORNERSTONE TOTAL RETURN FUND, INC.  
NOTES TO FINANCIAL STATEMENTS  
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NOTE A.

SIGNIFICANT ACCOUNTING POLICIES

Cornerstone Total Return Fund, Inc. (the "Fund") was incorporated in New York on March 16, 1973 and commenced investment operations on May 15, 1973. Its investment objective is to seek total return consisting of capital appreciation with current income as a secondary objective. The Fund is registered under the Investment Company Act of 1940, as amended, as a closed-end, diversified management investment company. On October 31, 2002, the Fund (then known as "EIS Fund, Inc.") consummated a merger with The Cornerstone Strategic Return Fund, Inc. (the "Predecessor Fund"). Pursuant to the terms of the agreement governing the merger, each share of common stock of the Predecessor Fund was converted into an equivalent dollar amount of full shares of common stock of the Fund, based on the net asset value of the Fund and the Predecessor Fund as of October 30, 2002 (\$13.35 and \$7.33, respectively), resulting in a conversion ratio of 0.5490 shares of the Fund for each share of the Predecessor Fund resulting in the issuance of 2,500,087 Fund shares. Cash was paid in lieu of fractional shares. Net assets of the Fund and the Predecessor Fund as of the merger date were \$29,172,812 and \$33,396,970, including unrealized depreciation of \$5,895,432 and \$12,013,315, respectively. In addition, the Predecessor Fund's net assets included undistributed capital losses of \$14,137,957. Total net assets after the merger were \$62,569,782. Upon the consummation of the merger, the Fund changed its name to Cornerstone Total Return Fund, Inc.

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

MANAGEMENT ESTIMATES: The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America ("GAAP") requires management to make certain estimates and assumptions that may

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

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

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

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

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

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

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Fund's intention to continue to qualify as a regulated investment company and to make the requisite distributions to its shareholders which will be sufficient to relieve it from all or substantially all U.S. federal income and excise taxes.

DISTRIBUTIONS OF INCOME AND GAINS: Effective January 2002, the Fund initiated a fixed, monthly distribution to shareholders. To the extent that these distributions exceed the current earnings of the Fund, the balance will be generated from sales of portfolio securities held by the Fund, which will either be short-term or long-term capital gains or a tax-free return-of-capital. Prior thereto, the Fund distributed at least annually to shareholders, substantially all of its net investment income and net realized short-term capital gains, if any. The Fund determines annually whether to distribute any net realized long-term capital gains in excess of net realized short-term capital losses, including capital loss carryovers, if any. An additional distribution may be made to the extent necessary to avoid the payment of a 4% U.S. federal excise tax. Dividends and distributions to shareholders are recorded by the Fund on the ex-dividend date.

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

### NOTE B. AGREEMENTS

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

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

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

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of the firm, serves as secretary of the Fund.

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

### NOTE C. INVESTMENT IN SECURITIES

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

### NOTE D. SHARE REPURCHASE PROGRAM

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

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

### NOTE E. SECURITIES LENDING

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

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

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

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

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

### NOTE G. FEDERAL INCOME TAXES

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

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

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

Under current tax law, certain capital losses realized after October 31 within a taxable year may be deferred and treated as occurring on the first day of the following tax year ("Post-October losses"). For the tax period ended December 31, 2002, the Fund did not realize any of these losses.

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

At December 31, 2002, the identified cost for federal income tax purposes, as well as the gross unrealized appreciation from investments for those securities having an excess of value over cost, gross unrealized depreciation from investments for those securities having an excess of cost over value and the net unrealized depreciation from investments were \$80,166,099, \$475,748, \$(19,874,895) and \$(19,399,147), respectively.

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

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## REPORT OF INDEPENDENT ACCOUNTANTS

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

We have audited the accompanying statement of assets and liabilities of Cornerstone Total Return Fund, Inc. (formerly, EIS Fund, Inc.), including the schedule of investments, as of December 31, 2002, and the related statement of operations, the statement of changes in net assets and the financial highlights for the year then ended. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audit. The statement of changes in net assets for the year ended December 31, 2001 and the financial highlights for each of the nine years in the period then ended have been audited by other auditors, whose various reports dated February 8, 2002, January 31, 1997 and January 24, 1995 expressed an unqualified opinion on such financial statement and financial highlights.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned as of December 31, 2002 by correspondence with the custodian and brokers. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of Cornerstone Total Return Fund, Inc. as of December 31, 2002, the results of its operations, the changes in its net assets, and the financial highlights for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

TAIT, WELLER & BAKER

Philadelphia, Pennsylvania  
February 12, 2003

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## RESULTS OF SPECIAL MEETING OF STOCKHOLDERS (UNAUDITED)

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

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

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

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

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

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TAX INFORMATION (UNAUDITED)

Cornerstone Total Return Fund, Inc. (the "Fund") is required by Subchapter M of the Internal Revenue Code of 1986, as amended, to advise its shareholders within 60 days of the Fund's year end (December 31, 2002) as to the U.S. federal tax status of distributions received by the Fund's shareholders in respect of such fiscal year. During the year ended December 31, 2002, the following dividends and distributions per share were paid by the Fund:

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

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

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

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

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

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

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



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and Resources Corporation.

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

Director

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

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

Director

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

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

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

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|   |  |  |
|---|--|--|
| Gary Bentz* (46)<br>One West Pack Square<br>Suite 1650<br>Asheville, NC 28801 | Director, Vice<br>President and<br>Treasurer | Chief Financial Officer and Shareholder of<br>Cornerstone Advisors, Inc.; Previous Director<br>of The Austria Fund, Inc.; Financial Consul-<br>tant, Certified Public Accountant; Chief<br>Financial Officer of Deep Discount Advisors,<br>Inc. (1993-2000); Director, Vice President and<br>Treasurer of Progressive Return Fund, Inc.<br>and Cornerstone Strategic Value Fund, Inc.<br>Partner, Spitzer & Feldman P.C. (May 1998-<br>present); Secretary of Cornerstone Strategic<br>Value Fund, Inc. and Progressive<br>Return Fund, Inc. |
| Thomas R. Westle (49)<br>405 Park Avenue<br>New York, NY 10022                | Secretary                                    |  |

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DESCRIPTION OF DIVIDEND REINVESTMENT & CASH PURCHASE PLAN  
(UNAUDITED)

Shareholders who have Shares registered directly in their own names automatically participate in the Fund's Dividend Reinvestment & Cash Purchase Plan (the "Plan"), unless and until an election is made to withdraw from the Plan on behalf of such participating shareholders. Shareholders who do not wish to have distributions automatically reinvested should so notify Fifth Third Bank (the "Agent") at Corporate Trust Operations, 38 Fountain Square Plaza, Mail Drop # 10AT66-3212, Cincinnati, OH 45202. Under the Plan, all of the Fund's dividends and other distributions to shareholders are reinvested in full and fractional Shares as described below.

When the Fund declares an income dividend or a capital gain or other distribution (each, a "Dividend" and collectively, "Dividends"), the Agent, on the shareholders' behalf, will: (i) receive additional authorized shares from the Fund either newly issued or repurchased from shareholders by the Fund and held as treasury stock ("Newly Issued Shares") or, (ii) at the sole discretion of the Board of Directors, be authorized to purchase outstanding shares on the open market, on the American Stock Exchange or elsewhere, with cash allocated to it by the Fund ("Open Market Purchases").

Shares acquired by the Agent in Open Market Purchases will be allocated to the reinvesting shareholders based on the average cost of such Open Market Purchases. Alternatively, the Agent will allocate Newly Issued Shares to the reinvesting shareholders at a price equal to the average closing price of the Fund over the five trading days preceding the payment date of such dividend.

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

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automatically receive such Dividends in additional Shares.

Participants in the Plan may withdraw from the Plan by providing written notice to the Agent at least 30 days prior to the applicable Dividend payment date. When a participant withdraws from the Plan, or upon termination of the Plan as provided below, certificates for whole shares credited to his/her account under the Plan will, upon request, be issued. Whether or not a participant requests that certificates for whole shares be issued, a cash payment will be made for any fraction of a Share credited to such account.

The Agent will maintain all shareholder accounts in the Plan and furnish written confirmations of all transactions in the accounts, including information needed by shareholders for personal and tax records. The Agent will hold shares in the account of each Plan participant in non-certificated form in the name of the participant, and each shareholder's proxy will include those shares purchased pursuant to the Plan. Each participant, nevertheless, has the right to receive certificates for whole shares owned. The Agent will distribute all proxy solicitation materials to participating shareholders.

In the case of shareholders, such as banks, brokers or nominees, that hold shares for others who are beneficial owners participating in the Plan, the Agent will administer the Plan on the basis of the number of shares certified from time to time by the record shareholder as representing the total amount of shares registered in the Shareholder's name and held for the account of beneficial owners participating in the Plan.

There will be no charge to participants for reinvesting Dividends other than their share of brokerage commissions as discussed below. The Agent's fees for administering the Plan and handling the reinvestment of Dividends will be paid by the Fund. Each participant's account will be charged a pro-rata

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

share of brokerage commissions incurred with respect to the Agent's Open Market Purchases in connection with the reinvestment of Dividends. Brokerage charges for purchasing small amounts of shares for individual accounts through the Plan are expected to be less than the usual brokerage charges for such transactions because the Agent will be purchasing shares for all the participants in blocks and pro-rating the lower commission that may be attainable.

The automatic reinvestment of Dividends will not relieve participants of any income tax that may be payable on such Dividends. Participants who receive shares pursuant to the Plan as described above will recognize taxable income in the amount of the fair market value of those shares. In the case of non-U.S. participants whose Dividends are subject to U.S. income tax withholding and in the case of participants subject to 30% federal backup withholding, the Agent will reinvest Dividends after deduction of the amount required to be withheld.

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

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participants. All correspondence concerning the Plan should be directed to the Agent at the address referred to in the first paragraph of this section.

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### SUMMARY OF GENERAL INFORMATION

The Fund - Cornerstone Total Return Fund, Inc. is a closed-end, diversified investment company whose shares trade on the American Stock Exchange. Its investment objective is to seek total return, consisting of capital appreciation and current income by investing primarily all of its assets in equity securities of U.S. and non-U.S. issuers whose securities trade on a U.S. securities exchange or over the counter or as American Depositary Receipts or other forms of depositary receipts which trade in the United States. The Fund is managed by Cornerstone Advisors, Inc.

### SHAREHOLDER INFORMATION

Effective February 21, 2003, the Fund is listed on the American Stock Exchange (symbol "CRF"). The share price is published in: THE NEW YORK TIMES (daily) under the designation "Cnrstn TR" and THE WALL STREET JOURNAL (daily) and BARRON'S (each Monday) under the designation "CornstnTtlRtn." The net asset value per share is published under "Closed-End Funds" each Sunday in THE NEW YORK TIMES under the designation "Cnrstn TR" and each Monday in THE WALL STREET JOURNAL and BARRON'S under the designation "CornrstnTtlRtn Fd."

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

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### PRIVACY POLICY NOTICE

The following is a description of Cornerstone Total Return Fund, Inc.'s (the "Fund") policies regarding disclosure of nonpublic personal information that you provide to the Fund or that the Fund collects from other sources. In the event that you hold shares of the Fund through a broker-dealer or other financial

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

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

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

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

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

CORNERSTONE TOTAL RETURN FUND, INC.

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DIRECTORS AND CORPORATE OFFICERS

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

|                            |                            |
|----------------------------|----------------------------|
| INVESTMENT MANAGER         | STOCK TRANSFER AGENT       |
| Cornerstone Advisors, Inc. | AND REGISTRAR              |
| One West Pack Square       | Fifth Third Bank           |
| Suite 1650                 | Corporate Trust Operations |

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Asheville, NC 28801

38 Fountain Square Plaza  
Mail Drop # 10AT66-3212  
Cincinnati, OH 45202

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

INDEPENDENT ACCOUNTANTS  
Tait, Weller & Baker  
1818 Market Street  
Suite 2400  
Philadelphia, PA 19103

CUSTODIAN  
Custodial Trust Company  
101 Carnegie Center  
Princeton, NJ 08540

LEGAL COUNSEL  
Spitzer & Feldman P.C.  
405 Park Avenue  
New York, NY 10022

EXECUTIVE OFFICES  
383 Madison Avenue  
New York, NY 10179

For shareholder inquiries, registered shareholders should call (800) 837-2755.  
For general inquiries, please call (212) 272-2093.

[GRAPHIC OMITTED]

This report, including the financial statements herein, is sent to the shareholders of the Fund for their information. It is not a prospectus, circular or representation intended for use in the purchase or sale of shares of the Fund or of any securities mentioned in this report.