

PROGRESSIVE RETURN FUND INC

Form N-30D

August 26, 2002

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PROGRESSIVE RETURN FUND, INC.

SEMI-ANNUAL REPORT
JUNE 30, 2002

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LETTER TO SHAREHOLDERS

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July 26, 2002

Dear Fellow Shareholder:

Our semi-annual report for Progressive Return Fund, Inc. (the "Fund"), covering the six months ended June 30, 2002 follows. At the end of the period, the Fund's net assets were \$28.5 million and the Net Asset Value ("NAV") per share was \$24.80. The share price on the New York Stock Exchange closed at \$23.40, representing a discount to NAV of 5.65%. The Fund's total return investment approach added several fixed-income positions to the broadly diversified equity holdings in the portfolio.

ECONOMIC AND MARKET SUMMARY

The first half of 2002 was marked by a continued retreat from the highs of 2000. Stocks finished flat for the first quarter, only to resume the decline through the second quarter and retest the lows set in the near panic selling immediately following the September 11th tragedy. With concerns surrounding the war on terrorism, earnings disappointments, loss of stock analyst credibility, and reports of corporate malfeasance, investors' increasing pessimism was reflected in the market slide.

Not surprisingly, global investors reacted by shifting their emphasis away from the falling U.S. market. The U.S. dollar also staged a substantial retreat against the euro and the yen. In dollar terms, this strengthened the generally flat performance of equities in Japan and dampened the broad market declines in Europe. The relative benefit for these markets may be short-lived, however, as the export components of these same economies face more competitive U.S. suppliers at home and abroad.

Short-term interest rates remained steady throughout the period as the Federal Reserve held their benchmark rate at a low 1.75%, in contrast to the multiple rate cuts in 2001. Weak expectations for bonds were overcome by the negative sentiment in the equity markets that drove many to seek safer investments.

PORTFOLIO PERFORMANCE

For the first half of 2002, the Fund posted a (13.31)% total return on NAV as compared with the S&P 500 Index return of (13.15)%.

While there was some variation among sectors, stocks finished the first quarter essentially flat. They maintained some balance as the positives in energy, consumer staples and materials offset declines in technology and telecommunications.

During the second quarter, however, most sectors bowed to overwhelming market pressures. Energy and materials finished the half holding slight gains for the year, but technology and telecommunications suffered additional declines of more than 20% for the quarter. This left them with substantial negatives for the period as scandal complicated a difficult quarter for business.

OUTLOOK

Cautious optimism describes our view for the remainder of the year. The economy shows signs of a modest recovery even as terrorism concerns continue and consumer confidence remains weak. Retail sales have increased. Earnings comparisons are beginning to look better. Encouraging data for manufacturers shows that the sharp declines in the rate of capital spending for 2001 are turning favorably for 2002. Letter to Shareholders (concluded)

LETTER TO SHAREHOLDERS (concluded)

U.S. exporters look forward to opportunities for growth as the falling dollar makes their products increasingly competitive. Low mortgage rates have helped keep the U.S. housing market strong and personal income growth compares favorably to the rate of inflation.

Our economy is still strong and growing, despite the interruption of a mild recession. The Federal Reserve (the "Fed") and others in the government aim to keep the fragile recovery going until the economy can stand on its own. Time has proven that betting against the Fed is unprofitable.

Market uncertainty creates investment opportunity as thankfully few of the most-feared scenarios actually occur. In the short-term, larger companies often benefit most from a falling dollar as their competitive positions improve. They also benefit as safety concerns lead investors to the relative stability of size. We expect large-cap U.S. stocks, which have been under pressure since 2000, to provide attractive returns on a risk/reward basis over the longer-term.

SEEKING TO PRODUCE VALUE

We are working to provide value to our shareholders. Recently, additional steps have been taken to benefit the owners of our Fund.

On June 25, 2002, the Board approved a monthly distribution policy with a 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 our owners and we believe that it will have a continuing positive influence on the level of the Fund's discount to NAV.

Over the past year, diligent attention to Fund expenses has reduced them substantially. In addition, Cornerstone Advisors, Inc., the Fund's investment manager, has voluntarily agreed to waive a substantial portion of its management fees to the extent that monthly operating expenses exceed 0.10%. This effort demonstrates how seriously the investment manager views keeping expenses under control and will result in a lower expense ratio than would otherwise be the case. In pursuing the goal of lowering costs, the Board is also studying the possibility of merger among other closed-end funds affiliated with the investment manager to further reduce expenses. We believe that these steps will help control the discount and lead to our Fund having one of the lowest expense ratios among comparable closed-end funds.

The Fund's Board of Directors, its officers, and its investment manager are mindful of the trust that the Fund's 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,

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/s/ RALPH W. BRADSHAW

Ralph W. Bradshaw
Chairman

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PROGRESSIVE RETURN FUND, INC.
PORTFOLIO SUMMARY - AS OF JUNE 30, 2002 (UNAUDITED)

TOP TEN SECTORS

	Sector	Percent of Net Assets
1	Financials	15.7
2	Healthcare	13.3
3	Consumer Discretionary	13.3
4	Information Technology	12.2
5	Industrials	10.6
6	Consumer Staples	8.5
7	Energy	7.5
8	U.S. Government Obligations	5.1
9	Telecommunication Services	4.2
10	Materials	3.0

TOP TEN HOLDINGS, BY ISSUER

	Holding	Sector	Percent of Net Assets
1.	U.S. Treasury Notes	U.S. Government Obligations	5.1
2.	Microsoft Corp.	Information Technology	3.3
3.	General Electric Co.	Industrials	2.9

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4. Exxon Mobil Corp.	Energy	2.8
5. John Hancock Bank & Thrift Opportunity Fund	Closed-End Domestic Funds	2.8
6. Wal-Mart Stores, Inc.	Consumer Discretionary	2.6
7. Citigroup Inc.	Financials	2.2
8. Merck & Co., Inc.	Healthcare	1.9
9. Pfizer Inc.	Healthcare	1.9
10. Johnson & Johnson	Healthcare	1.8

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PROGRESSIVE RETURN FUND, INC. SCHEDULE OF INVESTMENTS - JUNE 30, 2002 (UNAUDITED)

Description	No. of Shares	Value (Note A)
EQUITY SECURITIES - 93.98%		
CLOSED-END DOMESTIC FUNDS - 2.77%		
John Hancock Bank & Thrift Opportunity Fund	92,600	\$ 788,026
CONSUMER DISCRETIONARY - 13.34%		
AOL Time Warner Inc.+	14,250	209,618
Bed, Bath & Beyond Inc.+	1,300	49,062
Best Buy Co., Inc.+	1,250	45,375
Carnival Corp.	2,700	74,763
Circuit City Stores-Circuit City Group	1,000	18,750
Clear Channel Communications, Inc.+	2,700	86,454
Comcast Corp., Special Class A+	4,100	96,063
Delphi Corp.	2,600	34,320
Dollar General Corp.	1,500	28,545
Eastman Kodak Co.	1,400	40,838
Federated Department Stores, Inc.+	1,000	39,700
Ford Motor Co.	5,800	92,800
Gannett Co., Inc.	1,200	91,080
General Motors Corp.	2,600	138,970
Harley-Davidson, Inc.	1,400	71,778
Hilton Hotels Corp.	1,700	23,630
Home Depot, Inc. (The)	7,500	275,475
J.C. Penney Co., Inc.	1,300	28,626
Johnson Controls, Inc.	1,000	81,610
Limited Brands	2,500	53,250

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Lowe's Companies, Inc.	2,600	118,040
Marriott International, Inc., Class A	1,100	41,855
Mattel, Inc.	2,500	52,525
May Department Stores Co. (The)	1,400	46,102
McDonald's Corp.	4,000	113,800
Newell Rubbermaid Inc.	1,300	45,578
Nike, Inc., Class B	1,300	69,745
Office Depot, Inc.+	1,400	23,520
Omnicom Group Inc.	1,600	73,280

Description	No. of Shares	Value (Note A)
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CONSUMER DISCRETIONARY (CONTINUED)

Sears, Roebuck & Co.	1,600	\$ 86,880
Staples, Inc.+	2,500	49,250
Starbucks Corp.+	1,700	42,245
Target Corp.	4,100	152,274
TJX Companies, Inc.	2,600	50,986
Toys "R" Us, Inc.+	1,000	17,470
Tribune Co.	1,400	60,900
Viacom Inc., non-voting Class B+	6,900	306,153
Wal-Mart Stores, Inc.	13,500	742,635
Walt Disney Co. (The)	6,500	122,850

3,796,795

CONSUMER STAPLES - 8.47%

Anheuser-Busch Companies, Inc.	1,600	80,000
Archer-Daniels-Midland Co.	3,045	38,946
Avon Products, Inc.	1,200	62,688
Campbell Soup Co.	2,000	55,320
Clorox Co. (The)	1,100	45,485
Coca-Cola Co. (The)	8,800	492,800
Coca-Cola Enterprises Inc.	2,500	55,200
Colgate-Palmolive Co.	2,600	130,130
ConAgra Foods, Inc.	2,500	69,125
General Mills, Inc.	1,300	57,304
Gillette Co. (The)	3,000	101,610
H.J. Heinz Co.	1,600	65,760
J.M. Smucker Co. (The)	70	2,389
Kellogg Co.	1,900	68,134
Kimberly-Clark Corp.	2,500	155,000
Kroger Co. (The)+	1,300	25,870
Philip Morris Companies Inc.	6,900	301,392
Safeway Inc.+	2,500	72,975
Sara Lee Corp.	3,800	78,432
Sysco Corp.	3,100	84,382
Unilever NV, NY Shares	2,000	129,600
Walgreen Co.	4,600	177,698
Wm. Wrigley Jr. Co.	1,100	60,885

2,411,125

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See accompanying notes to financial statements.

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PROGRESSIVE RETURN FUND, INC.

SCHEDULE OF INVESTMENTS - JUNE 30, 2002 (UNAUDITED) (CONTINUED)

Description	No. of Shares	Value (Note A)
ENERGY - 7.49%		
Andarko Petroleum Corp.	1,200	\$ 59,160
Baker Hughes Inc.	1,100	36,619
Burlington Resources Inc.	1,000	38,000
ChevronTexaco Corp.	4,325	382,762
Conoco Inc.	2,800	77,840
El Paso Corp.	2,500	51,525
Exxon Mobil Corp.	19,800	810,216
Marathon Oil Corp.	1,500	40,680
Occidental Petroleum Corp.	1,700	50,983
Phillips Petroleum Co.	1,200	70,656
Royal Dutch Petroleum Co., NY Shares	6,300	348,201
Schlumberger Ltd.	2,600	120,900
Unocal Corp.	1,200	44,328

		2,131,870

FINANCIALS - 15.66%		
AFLAC Inc.	2,600	83,200
Allstate Corp. (The)	3,300	122,034
American Express Co.	4,100	148,912
American International Group, Inc.	5,989	408,629
AmSouth Bancorp	1,800	40,284
Aon Corp.	1,200	35,376
Bank of New York Co., Inc. (The)	3,400	114,750
Bank One Corp.	2,800	107,744
Charles Schwab Corp. (The)	3,500	39,200
Charter One Financial, Inc.	1,050	36,099
Citigroup Inc.	16,500	639,375
Fannie Mae	1,500	110,625
Fifth Third Bancorp	2,500	166,625
FleetBoston Financial Corp.	4,100	132,635
Franklin Resources, Inc.	1,200	51,168
Freddie Mac	3,100	189,720
H&R Block Inc.	1,000	46,150
Hartford Financial Services Group, Inc. (The)	1,000	59,470
Household International, Inc.	2,500	124,250
Huntington Bancshares Inc.	1,200	23,304
J.P. Morgan Chase & Co.	6,200	210,304
Lehman Brothers Holdings Inc.	1,100	68,772
Marsh & McLennan Companies, Inc.	1,300	125,580
	No. of	Value
Description	Shares	(Note A)

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FINANCIALS (CONTINUED)

MBNA Corp.	1,400	\$ 46,298
Mellon Financial Corp.	2,500	78,575
Merrill Lynch & Co., Inc.	3,700	149,850
MetLife, Inc.	3,500	100,800
Morgan Stanley	2,500	107,700
Northern Trust Corp.	1,000	44,060
Regions Financial Corp.	1,000	35,150
St. Paul Companies, Inc. (The)	1,000	38,920
Synovus Financial Corp.	1,300	35,776
UnumProvident Corp.	1,100	27,995
U.S. Bancorp	6,201	144,793
Wachovia Corp.	4,000	152,720
Washington Mutual, Inc.	3,750	139,163
Wells Fargo & Co.	5,400	270,324

		4,456,330

HEALTHCARE - 13.34%

Abbott Laboratories	5,000	188,250
Allergan, Inc.	1,000	66,750
Amgen Inc.+	3,300	138,204
Baxter International Inc.	2,800	124,432
Becton, Dickinson & Co.	1,200	41,340
Boston Scientific Corp.+	2,500	73,300
Bristol-Myers Squibb Co.	6,400	164,480
Cardinal Health, Inc.	1,950	119,750
Eli Lilly & Co.	2,800	157,920
Genzyme Corp.+	2,500	48,100
Guidant Corp.+	1,400	42,322
HCA Inc.	2,500	118,750
Healthsouth Corp.+	1,800	23,022
Johnson & Johnson	9,778	510,998
McKesson Corp.	1,300	42,510
MedImmune, Inc.+	1,000	26,400
Medtronic, Inc.	3,000	128,550
Merck & Co. Inc.	10,500	531,720
Pfizer Inc.	15,100	528,500
Pharmacia Corp.	3,400	127,330
Schering-Plough Corp.	4,200	103,320
Tenet Healthcare Corp.+	1,500	107,325
UnitedHealth Group Inc.	1,500	137,325
Wyeth	4,200	215,040
Zimmer Holdings, Inc.+	890	31,737

		3,797,375

See accompanying notes to financial statements.

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PROGRESSIVE RETURN FUND, INC.

SCHEDULE OF INVESTMENTS - JUNE 30, 2002 (UNAUDITED) (CONTINUED)

No. of Value

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Description	Shares	(Note A)
INDUSTRIALS - 10.57%		
3M Co.	1,900	\$ 233,700
Automatic Data Processing, Inc.	2,900	126,295
Burlington Northern Santa Fe Corp.	1,900	57,000
Caterpillar Inc.	1,600	78,320
Cendant Corp.+	3,300	52,404
Concord EFS, Inc.+	2,500	75,350
CSX Corp.	1,000	34,810
Deere & Co.	1,100	52,690
Emerson Electric Co.	2,000	107,020
FedEx Corp.	1,300	69,420
First Data Corp.	3,800	143,108
General Dynamics Corp.	600	63,810
General Electric Co.	28,700	833,735
Honeywell International Inc.	3,600	126,828
Illinois Tool Works Inc.	1,400	96,488
Imagistics International Inc.+	88	1,889
IMS Health Inc.	1,400	25,130
Ingersoll-Rand Co., Class A	1,000	45,660
Masco Corp.	2,500	67,775
Norfolk Southern Corp.	1,800	42,084
Paychex, Inc.	1,700	53,193
Pitney Bowes Inc.	1,100	43,692
Raytheon Co.	1,600	65,200
Southwest Airlines Co.	3,750	60,600
Tyco International Ltd.	6,397	86,423
Union Pacific Corp.	1,100	69,608
United Technologies Corp.	2,500	169,750
Vivendi Universal SA, ADR	2,500	53,750
Waste Management, Inc.	2,800	72,940

		3,008,672

INFORMATION TECHNOLOGY - 12.25%		
Adobe Systems Inc.	1,100	31,350
Agere Systems Inc., Class B +	3,069	4,604
Altera Corp.+	1,900	25,840
Analog Devices, Inc.+	1,700	50,490
Apple Computer, Inc.+	1,500	26,580
Applied Materials, Inc.+	7,400	140,748
Cisco Systems, Inc.+	23,500	327,825
Computer Associates International, Inc.	2,700	42,903

Description	No. of Shares	Value (Note A)
INFORMATION TECHNOLOGY (CONTINUED)		
Compuware Corp.+	1,700	\$ 10,319
Conexant Systems, Inc.+	1,100	1,782
Electronic Data Systems Corp.	2,500	92,875
Hewlett-Packard Co.	8,100	123,768
Intel Corp.	21,600	394,632
International Business Machines Corp.	5,500	396,000
Intuit Inc.+	2,000	99,440
Linear Technology Corp.	1,500	47,145
LSI Logic Corp.+	1,500	13,125

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Lucent Technologies Inc.+	11,600	19,256
Maxim Integrated Products, Inc.+	1,300	49,829
Micron Technology, Inc.+	2,600	52,572
Microsoft Corp.+	17,300	936,276
Motorola, Inc.	7,100	102,382
NVIDIA Corp.+	1,000	17,180
Oracle Corp.+	17,800	168,566
PerkinElmer, Inc.	1,000	11,050
QUALCOMM Inc.+	1,500	41,235
Sanmina-SCI Corp.+	3,000	18,930
Skyworks Solutions, Inc.+	386	2,143
Solelectron Corp.+	3,700	22,755
Sun Microsystems, Inc.+	10,000	50,100
Texas Instruments Inc.	5,400	127,980
Yahoo! Inc.+	2,500	36,900
		3,486,580

MATERIALS - 2.96%

Air Products & Chemicals, Inc.	1,100	55,517
Alcan Inc.	1,500	56,280
Alcoa Inc.	4,200	139,230
Barrick Gold Corp.	2,589	49,165
Dow Chemical Co. (The)	4,100	140,958
E.I. du Pont de Nemours & Co.	3,300	146,520
Georgia-Pacific Corp.	1,000	24,580
International Paper Co.	2,500	108,950
Placer Dome Inc.	1,500	16,815
Rohm & Haas Co.	1,000	40,490
Weyerhaeuser Co.	1,000	63,850
		842,355

See accompanying notes to financial statements.

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PROGRESSIVE RETURN FUND, INC.

SCHEDULE OF INVESTMENTS - JUNE 30, 2002 (UNAUDITED) (CONTINUED)

Description	No. of Shares	Value (Note A)
TELECOMMUNICATION SERVICES - 4.21%		
Alcatel SA, ADR	8,400	\$ 59,724
ALLTEL Corp.	1,500	70,500
AT&T Corp.	11,300	120,910
AT&T Wireless Services Inc.+	5,534	32,374
BellSouth Corp.	6,000	189,000
SBC Communications Inc.	10,700	326,350
Sprint Corp. (FON Group)	4,000	42,440
Sprint Corp. (PCS Group)+	1,800	8,046
Verizon Communications Inc.	8,700	349,305
		1,198,649

UTILITIES - 2.92%

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American Electric Power Co., Inc.	1,500	60,030
Consolidated Edison, Inc.	1,000	41,750
Dominion Resources, Inc.	1,100	72,578
Duke Energy Corp.	2,500	77,750
Edison International+	1,500	25,500
Entergy Corp.	1,100	46,684
Exelon Corp.	1,500	78,450
FirstEnergy Corp.	1,100	36,718
Mirant Corp.+	1,232	8,994
NiSource Inc.	1,000	21,830
PG&E Corp.+	1,800	32,202
Progress Energy, Inc.	1,000	52,010
Public Service Enterprises Group Inc.	1,000	43,300
Reliant Energy, Inc.	1,400	23,660
Sempra Energy	1,000	22,130
Southern Co. (The)	3,100	84,940
TXU Corp.	1,200	61,680
Williams Companies, Inc. (The)	2,500	14,975
Xcel Energy, Inc.	1,600	26,832

		832,013

TOTAL EQUITY SECURITIES		
(cost - \$32,698,482)		26,749,790

Description	Principal Amount	Value (Note A)

FIXED INCOME SECURITIES - 5.05%		
U.S. GOVERNMENT OBLIGATIONS - 5.05%		
U.S. TREASURY NOTES - 5.05%		
3.00%, 01/31/04	\$500	\$ 503,260
4.75%, 02/15/04	500	517,244
5.25%, 05/15/04	400	418,074

TOTAL FIXED INCOME SECURITIES		
(cost - \$1,439,859)		1,438,578

SHORT-TERM INVESTMENT -1.01%		
REPURCHASE AGREEMENT - 1.01%		
Bear, Stearns & Co. Inc.		
(Agreement dated 06/28/02 to		
be repurchased at \$287,616),		
1.92%, 07/01/02		
(cost - \$287,570) (Note F)	288	287,570

TOTAL INVESTMENTS - 100.04%		
(cost - \$34,425,911)		
(Notes A,C)		28,475,938

LIABILITIES IN EXCESS OF CASH		
& other assets - (0.04)%		(10,942)

NET ASSETS - 100.00%		\$28,464,996
		=====

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See accompanying notes to financial statements.

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Progressive Return Fund, Inc.
Statement of Assets and Liabilities - June 30, 2002 (unaudited)

ASSETS

Investments, at value (Cost \$34,425,911) (Note A)	\$ 28,475,938
Cash collateral received for securities loaned (Note E)	167,478
Receivables:	
Dividends	35,183
Interest	18,624
Prepaid expenses	17,395

Total Assets	28,714,618

LIABILITIES

Payables:	
Upon return of securities loaned (Note E)	167,478
Investment management fees (Note B)	24,230
Other accrued expenses	57,914

Total Liabilities	249,622

NET ASSETS (applicable to 1,147,786 shares of common stock outstanding)	\$ 28,464,996
	=====

NET ASSET VALUE PER SHARE (\$28,464,996 ./ 1,147,786)	\$ 24.80
	=====

NET ASSETS CONSISTS OF

Capital stock, \$0.004 par value; 1,147,786 shares outstanding (100,000,000 shares authorized)	\$ 4,591
Paid-in capital	62,788,936
Distributions in excess of net investment income	(15,149,979)
Accumulated net realized loss on investments	(13,228,579)
Net unrealized depreciation in value of investments	(5,949,973)

Net assets applicable to shares outstanding	\$ 28,464,996
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See accompanying notes to financial statements.

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Progressive Return Fund, Inc. Statement of Operations -
for the Six Months Ended June 30, 2002 (unaudited)

INVESTMENT LOSS

Income (Note A):

Dividends	\$ 255,396
Interest	6,045
Less: Foreign taxes withheld	(1,254)

Total Investment Income	260,187

Expenses:

Investment management fees (Note B)	175,390
Audit and legal fees (Note B)	52,809
Directors' fees	31,891
Administration fees	24,795
Printing	18,348
Accounting fees	15,048
Transfer agent fees	14,760
NYSE listing fees	13,986
Custodian fees	5,439
Insurance	4,240
Other	8,944

Total Expenses	365,650
Less: Fees paid indirectly (Note B)	(18,365)

Net Expenses	347,285

Net Investment Loss	(87,098)

NET REALIZED AND UNREALIZED LOSS ON INVESTMENTS

Net realized loss from investments	(1,057,403)
Net change in unrealized depreciation in value of investments	(4,030,577)

Net realized and unrealized loss on investments	(5,087,980)

NET DECREASE IN NET ASSETS RESULTING FROM OPERATIONS	\$ (5,175,078)
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See accompanying notes to financial statements.

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PROGRESSIVE RETURN FUND, INC.
STATEMENT OF CHANGES IN NET ASSETS

	For the Six Months Ended June 30, 2002 (unaudited)	For the Year Ended December 31, 2001
	-----	-----
DECREASE IN NET ASSETS		
Operations:		
Net investment income/(loss)	\$ (87,098)	\$ 7,386
Net realized loss on investments	(1,057,403)	(4,384,728)
Net change in unrealized appreciation/ (depreciation) in value of investments	(4,030,577)	(2,439,912)
	-----	-----
Net decrease in net assets resulting from operations	(5,175,078)	(6,817,254)
	-----	-----
Distributions to shareholders (Note A):		
In excess of net investment income	(10,841,751)	(4,228,516)
	-----	-----
Capital stock transactions* (Note D):		
Proceeds from 51,575 shares issued from treasury in reinvestment of distributions ...	1,963,915	--
Proceeds from 39,718 shares newly issued in reinvestment of distributions	688,343	--
Cash paid in-lieu of an aggregate of 36 fractional shares	(1,000)	--
Cost of 600 and 50,975 shares repurchased, respectively	(16,875)	(1,947,040)
	-----	-----
Net increase/(decrease) in net assets resulting from capital stock transactions	2,634,383	(1,947,040)
	-----	-----
Total decrease in net assets	(13,382,446)	(12,992,810)
	-----	-----

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NET ASSETS

Beginning of period	41,847,442	54,840,252
	-----	-----
End of period	\$ 28,464,996	\$ 41,847,442
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See accompanying notes to financial statements.

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Progressive Return Fund, Inc. Financial Highlights ss

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

	For the Six Months Ended June 30, 2002	For the Years Ended	
	(unaudited)	2001	2000
	-----	----	----
PER SHARE OPERATING PERFORMANCE			
Net asset value, beginning of period	\$ 39.60	\$ 49.48	\$ 61.84
Net investment income/(loss)	(0.08) #	- #*	(0.04) #
Net realized and unrealized gain/(loss) on investments and foreign currency related transactions	(4.52)	(6.20)	(12.68)
Net increase/(decrease) in net assets resulting from operations	(4.60)	(6.20)	(12.72)
Dividends and distributions to shareholders:			
Net investment income	--	--	--*
Net realized gain on investments and foreign currency related transactions		--	--
In excess of net investment income .	(10.00)	(4.00)	--

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Total dividends and distributions to shareholders	(10.00)	(4.00)	(1.04)
Capital stock transactions:			
Anti-dilutive effect due to capital stock repurchased	--*	0.32	1.40
Dilutive effect due to shares issued in reinvestment of dividends	(0.20)	--	--
Total capital stock transactions	(0.20)	0.32	1.40
Net asset value, end of period	\$ 24.80	\$ 39.60	\$ 49.48
Market value, end of period	\$ 23.400	\$ 35.800	\$ 38.000
Total investment return (a)	(9.53)%	4.04%	(27.27)%
RATIOS/SUPPLEMENTAL DATA			
Net assets, end of period (000 omitted)	\$ 28,465	\$ 41,847	\$ 54,840
Ratio of expenses to average net assets, net of fee waivers, if any	1.98% (b) (d)	1.63% (b)	2.46%
Ratio of expenses to average net assets, excluding fee waivers, if any	2.09% (c) (d)	1.73% (c)	2.65%
Ratio of expenses to average net assets, net of fee waivers but excluding fees paid indirectly, if any	2.09% (d)	1.72%	--
Ratio of net investment income/(loss) to average net assets	(0.50)% (d)	0.02%	(0.06)%
Portfolio turnover rate	6.35%	36.17%	38.13%
	1997	1996	1995
	----	----	----
Net asset value, beginning of period	\$ 69.72	\$ 53.16	\$ 57.32
Net investment income/(loss)	0.20	0.44	0.68
Net realized and unrealized gain/(loss) on investments and foreign currency related transactions	24.48	16.44	(4.12)
Net increase/(decrease) in net assets resulting from operations	24.68	16.88	(3.44)
Dividends and distributions to shareholders:			
Net investment income	(0.04)	(0.32)	(0.60)
Net realized gain on investments and foreign currency related transactions	(16.52)	--	(0.12)
In excess of net investment income .	--	--	--
Total dividends and distributions to shareholders	(16.56)	(0.32)	(0.72)
Capital stock transactions:			
Anti-dilutive effect due to capital			

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stock repurchased	--	--	--	
Dilutive effect due to shares issued in reinvestment of dividends	(0.04)	--	--	
Total capital stock transactions	(0.04)	--	--	
Net asset value, end of period	\$ 77.80	\$ 69.72	\$ 53.16	\$
Market value, end of period	\$ 63.252	\$ 55.000	\$ 44.500	\$
Total investment return (a)	43.21%	24.28%	(18.65)%	
RATIOS/SUPPLEMENTAL DATA				
Net assets, end of period (000 omitted)	\$ 103,444	\$ 92,399	\$ 70,431	\$
Ratio of expenses to average net assets, net of fee waivers, if any	1.56%	1.62%	1.58%	
Ratio of expenses to average net assets, excluding fee waivers, if any	1.73%	1.81%	1.76%	
Ratio of expenses to average net assets, net of fee waivers but excluding fees paid indirectly, if any	--	--	--	
Ratio of net investment income/(loss) to average net assets	0.23%	0.75%	1.18%	
Portfolio turnover rate	72.25%	35.94%	35.73%	

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See accompanying notes to financial statements.

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PROGRESSIVE RETURN FUND, INC.
NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

NOTE A. SIGNIFICANT ACCOUNTING POLICIES

Progressive Return Fund, Inc. (the "Fund") was incorporated in Maryland on August 11, 1989 and commenced investment operations on November 9, 1989. As a result of a Special Meeting of Stockholders held on December 15, 2000, the Fund, formerly known as The Portugal Fund, Inc., changed its name and investment objective. Its investment objective is to seek total return, consisting of capital appreciation and current income through investing substantially all of its assets in equity securities of U.S. and non-U.S. companies and U.S. dollar denominated debt securities. The Fund is registered under the Investment Company Act of 1940, as amended, as a closed-end, non-diversified management investment company.

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

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

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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 are 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 June 30, 2002, 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 New York Stock Exchange is closed.

REPURCHASE AGREEMENTS: The Fund has agreed to purchase securities from financial institutions subject to the sellers 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 maintain the value of the securities as collateral, subject to the agreement at not less than the repurchase price plus accrued interest. Cornerstone monitors the daily 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 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

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PROGRESSIVE RETURN FUND, INC.
NOTES TO FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

relieve it from all or substantially all U.S. federal income and excise taxes. For U.S. federal income tax purposes, realized capital or foreign exchange

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losses incurred after October 31, 2001 within the prior fiscal year are deemed to arise on the first day of the current fiscal year. The Fund elected to defer such losses of \$263,892. At December 31, 2001, the Fund had a capital loss carryforward of \$11,780,944, of which \$1,587,989 expires in 2008 and \$10,192,955 expires in 2009. Differences between capital loss carryforwards on a book and tax basis primarily relate to timing of the recognition of losses for U.S. federal income tax purposes. There is no undistributable ordinary income on a tax basis.

DISTRIBUTIONS OF INCOME AND GAINS: Effective June 25, 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 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 six months ended, Cornerstone earned \$175,390 for investment management services.

Included in the Statement of Operations, under the caption Fees paid indirectly, are expense offsets of \$18,365 arising from credits earned on portfolio transactions executed with a broker, pursuant to a directed brokerage arrangement.

The Fund paid or accrued approximately \$41,460 for the six months ended June 30, 2002 for legal services to Spitzer & Feldman P.C., counsel to the Fund. Mr. Westle, a partner of the firm, serves as secretary of the Fund.

At June 30, 2002, pursuant to regulatory filings, a single shareholder owned approximately 33% of the outstanding shares of the Fund based on a Schedule 13D/A filing with the Securities and Exchange Commission on July 9, 2002.

NOTE C. INVESTMENT IN SECURITIES

For U.S. federal income tax purposes, the cost of securities owned at June 30, 2002 was \$34,425,911. Accordingly, the net unrealized depreciation of investments of \$5,949,973 was composed of gross appreciation of \$1,104,245 for those investments having an excess of value over cost and gross depreciation of \$7,054,218 for those investments having an excess of cost over value.

For the six months ended June 30, 2002, purchases and sales of securities, other than short-term investments, were \$2,214,983 and \$14,502,879, respectively.

 PROGRESSIVE RETURN FUND, INC.
 NOTES TO FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

NOTE D. SHARE REPURCHASE PROGRAM

On October 21, 1998, the Fund announced that its Board of Directors had authorized the repurchase of up to 15% of the Fund's outstanding common stock, for purposes of enhancing shareholder value. The Fund's Board had authorized management of the Fund to repurchase such shares in open market transactions at prevailing market prices from time to time in a manner consistent with the Fund continuing to seek to achieve its investment objectives. The Board's actions were taken in light of the significant discounts at which the Fund's shares were trading. It is intended both to provide additional liquidity to those shareholders that elect to sell their shares and to enhance the net asset value of the shares held by those shareholders that maintain their investment.

Effective October 22, 1999, the Fund committed to engage in an enhanced and aggressive repurchase program of the Fund's shares whenever those shares trade at more than a nominal discount to net asset value. Shares will be repurchased in open market transactions at prevailing market prices from time to time in a manner consistent with the Fund continuing to seek its investment objective. The repurchase program will be subject to review by the Board of Directors of the Fund.

For the six months ended June 30, 2002, the Fund repurchased 600 of its shares for a total cost of \$16,875 at a weighted average discount of 9.61% from net asset value. The discount of the individual repurchases ranged from 7.98% - 12.77%. For the year ended December 31, 2001, the Fund repurchased 50,975 of its shares for a total cost of \$1,947,040 at a weighted average discount of 15.67% from net asset value. The discount of the individual repurchases ranged from 8.62% - 20.86%. 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 will be made in accordance with federal securities laws, with shares repurchased held in treasury, effective January 1, 2001.

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 the lender is insufficient to cover the value of loaned securities, the borrower is obligated to pay the amount of the shortfall (and interest thereon) to the Fund. However, there can be no assurance the Fund can recover this amount. The value of securities on loan to brokers and the related collateral received at June 30, 2002 was \$159,201 and \$167,478, respectively. Any cash collateral received is reinvested into repurchase agreements, which in turn are collateralized by various U.S. Government and

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Agency securities.

During the six months ended June 30, 2002, the Fund earned \$463 in securities lending income which is included under the caption Interest in the Statement of Operations.

NOTE F. COLLATERAL FOR REPURCHASE AGREEMENT

Listed below is the collateral associated with the repurchase agreement with Bear, Stearns & Co. Inc. outstanding at June 30, 2002.

ISSUER	PRINCIPAL AMOUNT (000'S)	MATURITY	TOTAL MARKET VALUE
-----	-----	-----	-----
United States Treasury Bond (interest only)	\$1,185	02/15/26	\$294,354 =====

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----- PROGRESSIVE RETURN FUND, INC. NOTES TO FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED) -----

NOTE G. SUBSEQUENT EVENTS

Effective July 1, 2002, Cornerstone has voluntarily agreed to waive its management fees to the Fund to the extent that monthly operating expenses exceed 0.1% of net assets, calculated monthly.

On August 2, 2002, the Fund's Board of Directors approved the merger (the "Merger") of Cornerstone Strategic Value Fund, Inc. ("CLM") with and into the Fund. If the Merger receives shareholder approval, CLM will cease to exist, and the Fund will be the surviving legal corporation and each share of common stock of CLM will be converted into an equivalent dollar amount of full shares of common stock of the Fund based on the relative net asset values of the Fund and CLM. The Fund will not issue any fractional shares to CLM shareholders that do not participate in its dividend reinvestment plan. The Fund's transfer agent will aggregate the fractional shares, sell the resulting full shares on the New York Stock Exchange at the current market price for the shares and remit the cash proceeds to CLM's shareholders in proportion to their fractional shares. Consummation of the Merger is subject to a number of conditions, including shareholder approval and certain regulatory approvals. Upon consummation of the Merger, the Fund expects to change its name to "Progressive Total Return Fund, Inc."

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RESULTS OF ANNUAL MEETING OF STOCKHOLDERS (UNAUDITED)

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On April 18, 2002, the Annual Meeting of Stockholders of Progressive Return Fund, Inc. (the "Fund") was held and the following matters were voted upon:

- (1) To elect two Class II Directors until the year 2005 Annual Meeting.

NAME OF CLASS II DIRECTORS	FOR	AGAINST
-----	---	-----
Edwin Meese III	3,924,941	105,495
Ralph W. Bradshaw	3,925,816	104,620

- (2) To ratify the selection of Tait, Weller & Baker as the Fund's independent accountants for the year ending December 31, 2002.

FOR	AGAINST	ABSTAIN
---	-----	-----
3,927,496	98,791	4,146

- (3) To approve a one-for-four reverse stock split of the Fund's issued and outstanding shares of common stock and the amendment to the Articles of Incorporation.

FOR	AGAINST	ABSTAIN
---	-----	-----
3,898,774	129,255	2,404

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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 American Stock Transfer & Trust Co. (the "Agent") at 59 Maiden Lane, New York, NY 10038. 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 NYSE 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

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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 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 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

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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 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 - Progressive Return Fund, Inc. is a closed-end, non-diversified management investment company whose shares trade on the New York Stock Exchange. Its investment objective is to seek total return, consisting of capital appreciation and current income through investing substantially all of its assets in equity securities of U.S. and non-U.S. companies and U.S. dollar denominated debt securities. The Fund is managed by Cornerstone Advisors, Inc.

SHAREHOLDER INFORMATION

The Fund is listed on the New York Stock Exchange (symbol "PGF"). The share price is published in: The New York Times (daily) under the designation "ProgRetFd" and The Wall Street Journal (daily) and Barron's (each Monday) under the designation "PrgrssvRetFd." The net asset value per share is published under "Closed-End Funds" each Sunday in The New York Times and each Monday in The Wall Street Journal and Barron's under the designation "ProgressvFd."

NOTICE IS HEREBY GIVEN IN ACCORDANCE WITH SECTION 23(C) OF THE INVESTMENT COMPANY ACT OF 1940, AS AMENDED, THAT PROGRESSIVE 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 Progressive Return Fund, Inc.'s (the "Fund") policies regarding disclosure of nonpublic personal information that you provide to the Fund or that the Fund collects from other sources. In the event that you hold shares of the Fund through a broker-dealer or other financial intermediary, the privacy policy of the financial intermediary would govern how your nonpublic personal information would be shared with unaffiliated third parties.

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

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

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

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

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DIRECTORS AND CORPORATE OFFICERS

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

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

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

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

INDEPENDENT ACCOUNTANTS
Tait, Weller & Baker
8 Penn Center
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) 937-5449.
For general inquiries, please call (212) 272-2093.

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This report, including the financial statements herein, is sent to the shareholders of the Fund for their information. The financial information herein is taken from the records of the Fund without examination by independent accountants who do not express an opinion thereon. 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.

Progressive Return Fund, Inc.