

UNIVERSAL ELECTRONICS INC  
Form 8-K  
December 02, 2013

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SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT  
PURSUANT TO SECTIONS 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934

Date of Report (date of earliest event reported): November 29, 2013

UNIVERSAL ELECTRONICS INC.  
(Exact name of Registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	0-21044 (Commission File No.)	33-0204817 (I.R.S. Employer Identification No.)
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201 E. Sandpointe Avenue, 8<sup>th</sup> Floor  
Santa Ana, California 92707  
(Address of principal executive offices, with Zip Code)

(714) 918-9500  
(Registrant's telephone number, including area code):

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- £ Written communications pursuant to Rule 425 under the Securities Act
  - £ Soliciting material pursuant to Rule 14a-12 under the Exchange Act
  - £ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act
  - £ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act
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Item 8.01 Other Events

On November 29, 2013, Paul D. Arling, Chairman and CEO of Universal Electronics Inc., established a new trading plan in accordance with Rule 10b5-1 of the Securities Exchange Act (the "Plan"). Rule 10b5-1 promulgated under the Securities Exchange Act of 1934 permits an individual who is not then in possession of material nonpublic information to establish a prearranged plan to buy or sell stock. The rule allows an individual to buy or sell shares of stock at a specific price in the future, regardless of any subsequent material nonpublic information.

Under the Plan, Arling intends to exercise up to 72,000 employee stock options and to immediately sell the underlying shares of UEI common stock beginning immediately and continuing from time to time until May 1, 2014, the date on which the Plan terminates, subject to the market price of our common stock. This process will facilitate the orderly exercise of employee stock options and the sale of common stock for personal financial planning purposes with the goal of minimizing any market impact and avoiding any concerns about the timing of the transactions.

On December 2, 2013, UEI issued a press release regarding Mr. Arling's trading plan. A copy of the press release is included as Exhibit 99.1 to this report.

Item 9.01 Financial Statements and Exhibits

(d) Exhibits. The following exhibit is furnished with this report.

99.1 Press Release of Universal Electronics Inc. dated December 2, 2013

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: December 2, 2013

Universal Electronics Inc.

By: /s/ Bryan Hackworth  
Bryan Hackworth  
Chief Financial Officer  
(Principal Financial Officer)

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INDEX TO EXHIBITS

Exhibit Number	Description
99.1	Press Release dated December 2, 2013

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2,600 89,726 Becton, Dickinson & Co. 2,500 129,500 Biomet, Inc. 2,500 111,100 Boston Scientific Corp. + 5,500 235,400 Bristol-Myers Squibb Co. 9,600 235,200 Cardinal Health, Inc. 2,500 175,125 CIGNA Corp. 800 55,048 Eli Lilly & Co. 6,600 461,406 Forest Laboratories, Inc. + 2,500 141,575 Genzyme Corp. + 5,000 236,650 Guidant Corp. 2,500 139,700 HCA Inc. 2,600 108,134 Health Management Associates, Inc., Class A 2,500 56,050 HEALTHSOUTH Corp. + 2,500 14,875 Hospira, Inc. + 820 22,632 Johnson & Johnson 18,200 1,013,740 King Pharmaceuticals, Inc. + 2,500 28,625 McKesson Corp. 2,500 85,825 Medco Health Solutions, Inc. + 1,531 57,413 Medtronic, Inc. 7,100 345,912 Merck & Co. Inc. 12,700 603,250 Pfizer Inc. 42,460 1,455,529 Schering-Plough Corp. 8,400 155,232 Stryker Corp. 2,000 110,000 Tenet Healthcare Corp. + 5,000 67,050 UnitedHealth Group Inc. 5,000 311,250 Wyeth 7,500 271,200 ----- 7,813,210 -----

===== See accompanying notes to financial statements. 3 -----

CORNERSTONE TOTAL RETURN FUND, INC. SCHEDULE OF INVESTMENTS - JUNE 30, 2004

(UNAUDITED)(CONTINUED) ----- No. of Value Description Shares (Note A) ----- INDUSTRIALS - 11.09% 3M Co. 5,000 \$ 450,050 Apollo Group, Inc., Class A 1,000 88,290 Automatic Data Processing, Inc. 4,500 188,460 Boeing Co. (The) 6,700 342,303 Burlington Northern Santa Fe Corp. 2,000 70,140 Caterpillar Inc. 2,500 198,600 Cendant Corp. 7,100 173,808 CSX Corp. 2,500 81,925 Dover Corp. 3,500 147,350 Emerson Electric Co. 2,000 127,100 FedEx Corp. 2,500 204,225 General Dynamics Corp. 2,500 248,250 General Electric Co. 68,000 2,203,200 Honeywell International Inc. 3,300 120,879 Illinois Tool Works Inc. 2,500 239,725 Lockheed Martin Corp. 2,500 130,200 Masco Corp. 4,600 143,428 Paychex, Inc. 5,000 169,400 Raytheon Co. 2,500 89,425 Southwest Airlines Co. 6,100 102,297 Transocean Inc. + 2,500 72,350 Tyco International Ltd. 14,600 483,844 United Parcel Service, Inc., Class B 6,500 488,605 United Technologies Corp. 2,200 201,256 Waste Management, Inc. 5,300 162,445 ----- 6,927,555 ----- INFORMATION TECHNOLOGY - 16.66% Agere Systems Inc., Class A + 75 173 Agere Systems Inc., Class B + 1,851 3,980 Agilent Technologies, Inc. + 5,000 146,400 Analog Devices, Inc. 2,500 117,700 Apple Computer, Inc. + 2,500 81,350 Applied Materials, Inc. + 13,400 262,908 CIENA Corp. + 1,500 5,580 Cisco Systems, Inc. + 48,000 1,137,600 Computer Associates International, Inc. 2,700 75,762 Corning Inc. + 3,200 41,792 Dell Inc. + 20,200 723,564 eBay Inc. + 3,500 321,825 Electronic Data Systems Corp. 7,500 143,625 EMC Corp. + 8,000 91,200 First Data Corp. 4,325 192,549 No. of Value Description Shares (Note A) ----- INFORMATION TECHNOLOGY (CONTINUED) Hewlett-Packard Co. 15,842 \$ 334,266 Intel Corp. 44,500 1,228,200 International Business Machines Corp. 10,700 943,205 JDS Uniphase Corp. + 9,700 36,763 Lucent Technologies Inc. + 7,000 26,460 Maxim Integrated Products, Inc. 2,500 131,050 Micron Technology, Inc. + 5,500 84,205 Microsoft Corp. 73,800 2,107,728 Motorola, Inc. 16,100 293,825 Oracle Corp. + 37,600 448,568 PerkinElmer, Inc. 1,500 30,060 QUALCOMM Inc. 3,400 248,132 Sanmina-SCI Corp. + 4,000 36,400 Siebel Systems, Inc. + 5,000 53,400 Solectron Corp. + 5,700 36,879 Sun Microsystems, Inc. + 24,600 106,764 Texas Instruments Inc. 13,500 326,430 VERITAS Software Corp. + 2,500 69,250 Waters Corp. + 2,500 119,450 Xerox Corp. + 6,000 87,000 Yahoo! Inc. + 8,500 308,805 ----- 10,402,848 ----- MATERIALS - 2.63% Air Products & Chemicals, Inc. 2,500 131,125 Alcan Inc. 1,500 62,100 Alcoa Inc. 6,800 224,604 Dow Chemical Co. (The) 7,200 293,040 E.I. du Pont de Nemours & Co. 5,800 257,636 Georgia-Pacific Corp. 2,500 92,450 International Paper Co. 4,800 214,560 Newmont Mining Corp. 2,500 96,900 Praxair, Inc. 2,500 99,775 Rohm & Haas Co. 2,500 103,950 Weyerhaeuser Co. 1,000 63,120 ----- 1,639,260 ----- REAL ESTATE INVESTMENT TRUSTS - 0.21% Simon Property Group Inc. 2,500 128,550 -----

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TELECOMMUNICATION SERVICES - 3.46% ALLTEL Corp. 2,500 126,550 AT&T Corp. 5,260 76,954 AT&T Wireless Services Inc. + 10,067 144,159 BellSouth Corp. 12,700 332,994

===== See accompanying notes to financial statements. 4 -----

CORNERSTONE TOTAL RETURN FUND, INC. SCHEDULE OF INVESTMENTS - JUNE 30, 2004

(UNAUDITED)(CONTINUED) ----- No. of Value Description Shares (Note A) -----

TELECOMMUNICATION SERVICES (CONTINUED) Nextel Communications, Inc., Class A + 6,000 \$ 159,960 SBC Communications Inc. 25,600 620,800 Sprint Corp. (FON Group) 4,100 72,160 Verizon Communications Inc. 17,400 629,706 ----- 2,163,283 ----- UTILITIES - 2.37% American Electric Power Co., Inc. 5,500 176,000 Dominion Resources, Inc. 2,000 126,160 Duke Energy Corp. 6,600 133,914 Edison International 2,500 63,925 Exelon Corp. 5,000 166,450 FirstEnergy Corp. 2,500 93,525 Public Service Enterprise Group Inc. 2,500 100,075 Scottish Power plc, ADR 4,000 118,040 Sempra Energy 2,500 86,075 Southern Co. (The) 5,000 145,750 TXU Corp. 3,700 149,887 Williams Companies, Inc. (The) 2,500 29,750 Xcel Energy, Inc. 5,500 91,905 ----- 1,481,456 ----- TOTAL UNITED STATES (cost - \$65,345,022) 61,685,387 ----- CZECH REPUBLIC - 1.12% CONSUMER DISCRETIONARY - 1.12% Bonton AS + # 68,590 116,282 Bonton Book AS + # 68,590 116,282 Bonton Discs AS + # 68,590 116,282 Bonton Film Entertainment AS + # 68,590 116,282 Bonton Music AS + # 68,590 116,282 Bonton Pictures AS + # 68,590 116,282 TOTAL CZECH REPUBLIC (cost - \$894,866) 697,692 ----- TOTAL EQUITY SECURITIES (cost - \$66,239,888) 62,383,079 ----- Principal Amount Value Description (000's) (Note A)

----- SHORT-TERM INVESTMENTS - 1.66%

REPURCHASE AGREEMENTS - 1.66% Bear, Stearns & Co. Inc. (Agreement dated 06/30/04 to be repurchased at \$141,351), 1.25%, 07/01/04 (Note F) \$ 141 \$ 141,346 ----- Bear, Stearns & Co. Inc. (Agreement dated 06/30/04 to be repurchased at \$535,032), 1.50%\*, 07/01/04\*\* (Note E) 535 535,010 ----- Bear, Stearns & Co. Inc. (Agreement dated 06/30/04 to be repurchased at \$359,787), 0.75%\*, 07/01/04\*\* (Note E) 360 359,779 -----

TOTAL SHORT-TERM INVESTMENTS (cost - \$1,036,135) 1,036,135 ----- TOTAL INVESTMENTS - 101.56% (cost - \$67,276,023) (Notes A, E, F, G) 63,419,214 ----- LIABILITIES IN EXCESS OF OTHER ASSETS - (1.56)% (972,693) ----- NET ASSETS - 100.00% \$62,446,521 ===== + Non-income producing security. # Security fair valued in accordance with procedures established by the Board of Directors. \* Stated interest rate, before rebate earned by borrower of securities on loan. \*\* Represents investment purchased with cash collateral received for securities on loan. ADR American Depositary Receipts.

===== See accompanying notes to financial statements. 5 -----

CORNERSTONE TOTAL RETURN FUND, INC. STATEMENT OF ASSETS AND LIABILITIES - JUNE 30, 2004 (UNAUDITED) -----

ASSETS Investments, at value (Cost \$67,276,023) (A, E, F, G) \$ 63,419,214 Receivables: Dividends 64,669 Interest 497 Prepaid expenses 9,693 ----- Total Assets 63,494,073 ----- LIABILITIES Payables: Upon return of securities loaned (Note E) 894,789 Investment management fees (Note B) 51,088 Directors' Fees 12,920 Other accrued expenses 88,755 ----- Total Liabilities 1,047,552 ----- NET ASSETS (applicable to 4,759,123 shares of common stock outstanding) \$ 62,446,521 ===== NET ASSET VALUE PER SHARE (\$62,446,521/4,759,123) \$ 13.12 ===== NET ASSETS CONSISTS OF Capital stock, \$0.01 par value; 4,759,123 shares issued and outstanding (15,000,000 shares authorized) \$ 47,591 Paid-in capital 86,085,065 Distributions in excess of net investment income (4,913,641) Accumulated net realized loss on investments (14,915,685) Net unrealized depreciation in value of investments (3,856,809) ----- Net assets applicable to shares outstanding \$ 62,446,521 =====

===== See accompanying notes to financial statements. 6 -----

CORNERSTONE TOTAL RETURN FUND, INC. STATEMENT OF OPERATIONS - FOR THE SIX MONTHS ENDED JUNE 30, 2004 (UNAUDITED) -----

INVESTMENT INCOME Income (Note A) : Dividends \$ 530,458 Interest 2,947 Foreign taxes withheld (29) ----- Total Investment Income 533,376 ----- Expenses: Investment management fees (Note B) 318,467 Administration fees 31,852 Legal and audit fees (Note B) 26,738 Directors' fees 22,128 Accounting fees 17,282

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Transfer agent fees 16,475 Printing 11,648 Custodian fees 5,222 Stock exchange listing fees 3,992 Insurance 2,424  
 Miscellaneous 1,886 ----- Total Expenses 458,114 Less: Management fee waivers (Note B) (11,305) Less: Fees  
 paid indirectly (Note B) (5,222) ----- Net Expenses 441,587 ----- Net Investment Income 91,789 -----  
**NET REALIZED AND UNREALIZED GAIN ON INVESTMENTS** Net realized loss from investments (272,528)  
 Net change in unrealized depreciation in value of investments 1,456,030 ----- Net realized and unrealized gain  
 on investments 1,183,502 ----- **NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS \$**  
**1,275,291 =====**

===== See  
 accompanying notes to financial statements. 7 -----

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

----- For the Six Months Ended For the Year June 30,  
 2004 Ended (unaudited) December 31, 2003 ----- **INCREASE/(DECREASE) IN NET ASSETS**  
 Operations: Net investment income \$ 91,789 \$ 394,232 Net realized loss on investments (272,528) (403,402) Net  
 change in unrealized depreciation in value of investments 1,456,030 13,990,328 ----- Net increase in  
 net assets resulting from operations 1,275,291 13,981,158 ----- Dividends and distributions to  
 shareholders (Note A, G): Net investment income (91,789) (394,232) Return-of-capital (4,913,641) (8,947,881)  
 ----- Total dividends and distributions to shareholders (5,005,430) (9,342,113) -----  
 Capital stock transactions (Note D): Proceeds from 32,493 and 68,969 new shares issued in reinvestment of  
 distributions, respectively 534,919 941,371 Cost of 7,500 shares repurchased -- (90,050) ----- Net  
 increase in net assets resulting from capital stock transactions 534,919 851,321 ----- Total  
 increase/(decrease) in net assets (3,195,220) 5,490,366 ----- **NET ASSETS** Beginning of period  
 65,641,741 60,151,375 ----- End of period \$ 62,446,521 \$ 65,641,741 =====  
 =====

===== See  
 accompanying notes to financial statements. 8 -----

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

----- Contained below is per share operating  
 performance data for a share of common stock outstanding, total investment return, ratios to average net assets and  
 other supplemental data for each 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, 2004 For the  
 Years Ended December 31, ----- (unaudited) 2003 2002 2001 2000 1999  
**PER SHARE OPERATING PERFORMANCE** Net asset value, beginning of period \$ 13.89 \$ 12.89 \$ 18.30 \$ 18.28 \$  
 17.62 \$ 18.78 ----- Net investment income 0.02# 0.08# 0.15# 0.52 1.07 1.03  
 Net realized and unrealized gain/(loss) on investments 0.25 2.91 (3.57) 0.24 0.63 (1.20) -----  
 ----- Net increase/(decrease) in net assets resulting from operations 0.27 2.99 (3.42) 0.76 1.70 (0.17) -----  
 ----- Dividends and distributions to shareholders: Net investment income (0.02)  
 (0.08) (0.18) (0.66) (1.05) (1.01) Return-of-capital (1.04) (1.91) (1.80) (0.09) -- -- -----  
 ----- Total dividends and distributions to (1.06) (1.99) (1.98) (0.75) (1.05) (1.01) shareholders -----  
 ----- 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 dividends and distributions 0.02 --  
 (0.03) -- -- ----- Total capital stock transactions 0.02 -- (0.01) 0.01 0.01  
 0.02 ----- Net asset value, end of period \$ 13.12 \$ 13.89 \$ 12.89 \$ 18.30 \$  
 18.28 \$ 17.62 ===== Market value, end of period  
 \$ 16.65 \$ 17.95 \$ 11.35 \$ 16.29 \$ 15.875 \$ 14.250 =====  
 ===== **Total investment return (a)** (1.13)% 82.96% (19.30)% 8.91% 19.02% (8.39)% =====  
 ===== **RATIOS/SUPPLEMENTAL DATA** Net assets, end of period (000  
 omitted) \$ 62,447 \$ 65,642 \$ 60,151 \$ 39,547 \$ 39,640 \$ 38,283 Ratio of expenses to average net assets, net of fee  
 waivers, if any (b) 1.38%(d) 1.20% 1.50% 3.01% 1.06% 1.05% Ratio of expenses to average net assets, excluding fee  
 waivers, if any (c) 1.43%(d) 1.43% 2.07% 3.01% 1.06% 1.05% Ratio of expenses to average net assets, net of fee  
 waivers, if any (c) 1.40%(d) 1.23% 1.63% 3.01% 1.06% 1.05% Ratio of net investment income to average net assets



0.29%(d) 0.65% 1.01% 2.77% 5.97% 5.60% Portfolio turnover rate 5.30% 3.62% 86.60% -- 15.87% 16.09%

----- # Based on average shares outstanding. (a) Total investment return at market value is based on the changes in market price of a share during the period and assumes reinvestment of dividends and distributions, if any, at actual prices pursuant to the Fund's dividend Total investment return does not reinvestment plan. reflect brokerage commissions. (b) Expenses are net of fees paid indirectly. (c) Expenses exclude the reduction for fees paid indirectly. (d) Annualized.

===== See accompanying notes to financial statements. 9 -----

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

----- 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. 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 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 June 30, 2004, the Fund held 1.12% of its net assets in securities valued in good faith by the Board of Directors with an aggregate cost of \$894,866 and a fair value of \$697,692. 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 American Stock Exchange, LLC 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 "Investment 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 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 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.

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

----- 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. To the extent these distributions are not represented by net investment income and capital gains, they will not represent yield or investment return on the Fund's investment portfolio. The Fund plans to maintain this distribution policy even if regulatory requirements would make part of a return-of-capital necessary to maintain the distribution taxable to shareholders and to disclose that portion of the distribution that is classified as ordinary income. Although it has no current intention to do so, the Board may terminate this distribution policy at any time and such termination may have an adverse effect on the market price for the Fund's common shares. The Fund determines annually whether to distribute any net realized long-term capital gains in excess of net realized short-term capital losses, including capital loss carryovers, if any. To the extent that the Fund's taxable income in any calendar year exceeds the aggregate amount distributed pursuant to this distribution policy, an additional distribution may be made to avoid the payment of a 4% U.S. federal excise tax, and to the extent that the aggregate amount distributed in any calendar year exceeds the Fund's taxable income, the amount of that excess may constitute a return-of-capital for tax purposes. A return-of-capital distribution reduces the cost basis of an investor's shares in the Fund. Dividends and distributions to shareholders are recorded by the Fund on the ex-dividend date. The character of dividends and distributions made during the six months ended June 30, 2004 from net investment income or net realized gains, if any, may differ from their ultimate characterization for U.S. 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. Cornerstone has voluntarily agreed to waive its management fees from the Fund to the extent that monthly operating expenses exceed 0.125% of average net assets calculated monthly. For the six months ended June 30, 2004, Cornerstone earned \$318,467 for investment management services, of which it waived \$11,305. The Investment Manager may discontinue such undertaking at any time during the fiscal year without notice to fund shareholders. Included in the Statement of Operations, under the caption FEES PAID INDIRECTLY, are expense offsets of \$5,222 arising from credits earned on portfolio transactions executed with a broker, pursuant to directed brokerage arrangement. The Fund paid or accrued approximately \$13,079 for the six months ended June 30, 2004 for legal services to Blank Rome LLP ("Blank"), counsel to the Fund. Thomas R. Westle, a partner of Blank, serves as secretary of the Fund. At June 30, 2004, pursuant to regulatory filings, affiliates owned approximately 29% and 6% of the outstanding shares of the Fund based on Schedule 13G/A filings with the Securities and Exchange Commission on March 9, 2004 and March 18, 2004, respectively. NOTE C. INVESTMENT IN SECURITIES For the six months ended June 30, 2004, purchases and sales of securities, other than short-term investments, were \$3,382,082 and \$7,216,058, respectively. NOTE D. SHARE REPURCHASE PROGRAM As has been done in the past to enhance shareholder value, pursuant to Section 23 of the Investment Company Act of 1940, as amended, the Fund may again 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 six months ended June 30, 2004, the

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

----- Fund had no repurchases. For the year ended December 31, 2003, the Fund repurchased 7,500 of its shares for a total cost of \$ 90,050 at a weighted average discount of 12.01% from net asset value. The discount of the individual repurchases ranged from 11.76% - 12.13%. 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 at June 30, 2004 was \$883,234. Any cash collateral received is reinvested into repurchase agreements, which in turn are collateralized by various U.S. Government and Agency securities. These repurchase agreements have been segregated to satisfy the future commitment to return the cash collateral. During the six months ended June 30, 2004, the Fund earned \$566 in securities lending income that 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, 2004. PRINCIPAL ISSUER AMOUNT MATURITY MARKET (000'S) VALUE

----- United States Treasury Bond, (interest only) \$295  
 08/15/17 \$147,282 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. The tax characteristic of dividends and distributions paid during the year ended December 31, 2003 were ordinary income and return-of-capital of \$394,232 and \$8,947,881, respectively. 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"). At December 31, 2003, the Fund had a capital loss carryforward for U.S. federal income tax purposes of \$14,569,481 of which \$91,132 expires in 2008, \$14,052,643 expires in 2010 and \$425,706 expires in 2011. At June 30, 2004, 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 \$67,327,652, \$4,924,334, \$(8,832,772) and \$(3,908,438), respectively.

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 RESULTS OF ANNUAL MEETING OF STOCKHOLDERS (UNAUDITED) On June 10, 2004, the Annual Meeting of Stockholders of Cornerstone Total Return Fund, Inc. was held and the following matter was voted upon: (1) To elect seven Directors until the year 2005 Annual Meeting. NAME OF DIRECTORS FOR WITHHOLD -----  
 --- ----- Ralph W. Bradshaw 4,410,834 19,857 William A. Clark 4,411,231 19,460 Thomas H. Lenagh 4,409,739  
 20,952 Edwin Meese III 4,405,929 24,762 Scott B. Rogers 4,409,841 20,850 Andrew A. Strauss 4,410,135 20,556  
 Glenn W. Wilcox, Sr. 4,410,033 20,658

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 DESCRIPTION OF DIVIDEND REINVESTMENT PLAN (UNAUDITED) Shareholders who have Shares registered directly in their own names automatically participate in the Fund's Dividend Reinvestment 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 P.O. Box 922, Wall Street Station, New York, NY 10269-0560 or call (877) 248-6416. 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 "Distribution" and collectively, "Distributions"), 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, LLC 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 the lower of (i) a price equal to the average closing price of the Fund over the five trading days preceding the payment date of such distribution or (ii) the net asset value of the Fund as last determined prior to such payment date. Registered shareholders who acquire their shares through Open Market Purchases and who do not wish to have their Distributions automatically reinvested should so notify the Fund in writing. If a Shareholder has not elected to receive cash Distributions and the Agent does not receive notice of an election to receive cash Distributions prior to the record date of any dividend, the shareholder

will automatically receive such Distributions in additional Shares. Participants in the Plan may withdraw from the Plan by providing written notice to the Agent at least 30 days prior to the applicable Distributions 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 Distributions other than their share of brokerage commissions as discussed below. The Agent's fees for administering the Plan and handling the reinvestment of Distributions will be paid by the Fund. Each participant's account will be charged a

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DESCRIPTION OF DIVIDEND REINVESTMENT PLAN (UNAUDITED) (CONCLUDED) pro-rata share of brokerage commissions incurred with respect to the Agent's Open Market Purchases in connection with the reinvestment of Distributions. 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 Distributions will not relieve participants of any income tax that may be payable on such Distributions. 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 Distributions are subject to U.S. income tax withholding and in the case of participants subject to 28% federal backup withholding, the Agent will reinvest Distributions 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 (UNAUDITED) The Fund - Cornerstone Total Return Fund, Inc. is a closed-end, diversified investment company whose shares trade on the American Stock Exchange, LLC. 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 (UNAUDITED) The Fund is listed on the American Stock Exchange, LLC (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 available weekly and may be obtained by contacting the Fund at the general inquiry phone number.

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

----- This report, including the financial statements herein, is sent to the shareholders of the Fund for their information. The financial information included 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 the report. -----

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**PROXY VOTING (UNAUDITED)** The policies and procedures that Cornerstone Total Return Fund, Inc. uses to determine how to vote proxies relating to its portfolio securities are available: o by calling (212) 272-3550; o on the website of the Securities and Exchange Commission, <http://www.sec.gov>. **PRIVACY POLICY NOTICE**

**(UNAUDITED)** 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 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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**CORNERSTONE TOTAL RETURN FUND, INC. ITEM 2. CODE OF ETHICS.** This item is inapplicable to a semi-annual report on Form N-CSR. **ITEM 3. AUDIT COMMITTEE FINANCIAL EXPERT.** This item is inapplicable to a semi-annual report on Form N-CSR. **ITEM 4. PRINCIPAL ACCOUNTANT FEES AND SERVICES.** This item is inapplicable to a semi-annual report on Form N-CSR. **ITEMS 5. AUDIT COMMITTEE OF LISTED REGISTRANTS** This item is inapplicable to a semi-annual report on Form N-CSR. **ITEM 6. SCHEDULE OF INVESTMENTS** Form N-CSR disclosure requirement not yet effective with respect to the registrant. **ITEM 7. DISCLOSURE OF PROXY VOTING POLICIES AND PROCEDURES FOR CLOSED-END MANAGEMENT INVESTMENT COMPANIES.** This item is inapplicable to a semi-annual report on Form N-CSR. **ITEM 8. PURCHASES OF EQUITY SECURITIES BY CLOSED-END MANAGEMENT INVESTMENT COMPANIES AND AFFILIATED PURCHASERS** Form N-CSR disclosure requirement not yet effective with respect to the registrant. **ITEM 9. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS** There have been no material changes to the procedures by which shareholders may recommend nominees to the registrant's board of directors since the registrant last provided disclosure in response to the requirements of Item 7(d)(2)(ii)(g) of Schedule 14A in its definitive proxy statement dated April 28, 2004. **ITEM 10. CONTROLS AND PROCEDURES.** (a) As of a date within 90 days from the filing date of this report, the principal executive officer and the principal financial officer concluded that the Registrant's Disclosure Controls and Procedures (as defined in Rule 30a-3(c) under the Investment Company Act of 1940 (the "Act")) were effective based on their evaluation of the disclosure controls and procedures required by Rule 30a-3(b) under the Act and Rules 13a-15(b) or 15d-15(b) under the Securities and Exchange Act of 1934. (b) There were no changes in the registrant's internal control over financial reporting (as defined in Rule 30a-3(d) under the Act) that occurred during the registrant's second fiscal half-year that have materially affected, or are reasonably likely to materially affect, the registrant's internal control over financial reporting. **ITEM 11. EXHIBITS.** File the exhibits listed below as part of this Form. Letter or number the exhibits in the sequence indicated. (a)(1) Not applicable. (a)(2) The certifications of the registrant as required by Rule 30a-2(a) under the Act are exhibits to this report. (a)(3) Not applicable. (b)The certifications of the registrant as required by Rule 30a-2(b) under the Act are an exhibit to this report. **SIGNATURES** Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized. (Registrant) **CORNERSTONE TOTAL RETURN FUND, INC.** By (Signature and Title)\* /S/ RALPH W. BRADSHAW ----- RALPH W. BRADSHAW, CHAIRMAN AND PRESIDENT (PRINCIPAL EXECUTIVE OFFICER) Date: September 9, 2004 Pursuant to the requirements of the

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Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated. By (Signature and Title)\* /S/ RALPH W. BRADSHAW ----- RALPH W. BRADSHAW CHAIRMAN AND PRESIDENT (PRINCIPAL EXECUTIVE OFFICER) Date: September 9, 2004 By (Signature and Title)\* /S/ JODI B. LEVINE ----- JODI B. LEVINE TREASURER (PRINCIPAL FINANCIAL OFFICER) Date: September 9, 2004