CORNERSTONE PROGRESSIVE RETURN FUND
Form N-CSR
February 24, 2015

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF REGISTERED
MANAGEMENT INVESTMENT COMPANIES

Investment Company Act file number 811-22066

Cornerstone Progressive Return Fund

(Exact name of registrant as specified in charter)

48 Wall Street, 22nd Floor, New York, New York 10005
(Address of principal executive offices) (Zip code)

Frank J. Maresca

AST Fund Solutions, LLC, 48 Wall Street, 22nd Floor, New York, New York 10005
(Name and address of agent for service)

Registrant's telephone number, including area code: (866) 668-6558

Date of fiscal year end: December 31, 2014

Date of reporting period: December 31, 2014

ITEM 1. REPORTS TO STOCKHOLDERS.

Cornerstone Progressive Return Fund

Annual Report
December 31, 2014

CONTENTS

Cornerstone Progressive Return Fund
Portfolio Summary – as of December 31, 2014 (unaudited)

SECTOR ALLOCATION

Sector	Percent of Net Assets
Closed-End Funds	68.8
Exchange-Traded Funds	6.8
Information Technology	4.5
Financials	3.7
Health Care	3.1
Industrials	2.7
Consumer Discretionary	2.6
Consumer Staples	2.0
Energy	1.8
Telecommunication Services	1.0
Materials	0.5
Utilities	0.3
Other	2.2

TOP TEN HOLDINGS, BY ISSUER

	Holding	Sector	Percent of Net Assets
1.	Cohen & Steers Preferred Securities and Income Fund, Inc.	Closed-End Funds	3.8
2.	BlackRock Resources & Commodities Strategy Trust	Closed-End Funds	3.8
3.	iShares Core S&P 500 ETF	Exchange-Traded funds	3.4
4.	SPDR S&P 500 ETF Trust	Exchange-Traded funds	3.4
5.	Alpine Global Total Dynamic Dividend Fund	Closed-End Funds	3.1
6.	Cohen & Steers Quality Income Realty Fund, Inc.	Closed-End Funds	2.5
7.	CBRE Clarion Global Real Estate Income Fund	Closed-End Funds	2.2
8.	ClearBridge Energy MLP Opportunity Fund Inc.	Closed-End Funds	2.2
9.	ClearBridge Energy MLP Total Return Fund Inc.	Closed-End Funds	2.2
10.	Apple Inc.	Information Technology	2.1

Cornerstone Progressive Return Fund
Schedule of Investments – December 31, 2014

Description	No. of Shares	Value
EQUITY SECURITIES — 97.81%		
CLOSED-END FUNDS — 68.78%		
CONVERTIBLE SECURITIES — 0.49%		
AllianzGI Equity & Convertible Income Fund	61,912	$1,280,340
CORE — 5.44%		
Adams Express Company (The)	294,662	4,030,976
Advent/Claymore Enhanced Growth & Income Fund	3,110	27,679
General American Investors Company, Inc.	92,121	3,224,235
Guggenheim Equal Weight Enhanced Equity Income Fund	76,345	1,558,965
Liberty All-Star Equity Fund	385,887	2,307,604
Source Capital, Inc.	16,000	1,154,064
Tri-Continental Corporation	89,526	1,916,752
		14,220,275
CORPORATE DEBT INVESTMENT GRADE-RATED — 0.00%		
Cutwater Select Income Fund	1	26
DEVELOPED MARKET — 0.72%		
Aberdeen Australia Equity Fund, Inc.	84,733	581,268
Aberdeen Singapore Fund, Inc.	27,892	332,473
Eurpean Equity Fund, Inc. (The)	3,000	24,600
New Ireland Fund, Inc. (The)	27,520	347,302
Swiss Helvetia Fund, Inc. (The)	53,969	601,215
		1,886,858

Description	No. of Shares	Value
EMERGING MARKETS — 2.01%		
Aberdeen Chile Fund, Inc.	118,136	$878,932
First Trust/Aberdeen Emerging Opportunity Fund	28,096	462,179
JPMorgan China Region Fund, Inc.	200	3,378
Morgan Stanley India Investment Fund, Inc. *	59,108	1,588,232
Turkish Investment Fund, Inc. (The)	33,087	365,280
Voya Emerging Markets High Dividend Equity Fund	188,122	1,948,944
		5,246,945
EMERGING MARKETS DEBT — 0.19%		
Global High Income Fund Inc.	49,761	438,892
Western Asset Emerging Markets Debt Fund Inc.	3,239	51,047
		489,939
FLEXIBLE INCOME — 0.40%		
MFS Charter Income Trust	114,139	1,048,937
ENERGY MLP — 9.22%		
ClearBridge Energy MLP Fund Inc.	156,544	4,320,614
ClearBridge Energy MLP Opportunity Fund Inc.	247,426	5,841,728

ClearBridge Energy MLP Total Return Fund Inc.	272,606	5,831,042
First Trust MLP and Energy Income Fund	127,892	2,756,073
Nuveen Energy MLP Total Return Fund	263,725	5,358,892
		24,108,349

See accompanying notes to financial statements.

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Cornerstone Progressive Return Fund
Schedule of Investments – December 31, 2014 (Continued)

Description	No. of Shares	Value
GENERAL & INSURED LEVERAGED — 2.94%		
BlackRock MuniHoldings Quality Fund II, Inc.	96,305	$1,298,191
Invesco Advantage Municipal Income Trust II	133,008	1,542,893
Invesco Municipal Opportunity Trust	50,199	645,559
Invesco Municipal Trust	31,550	399,423
Invesco Trust for Investment Grade Municipals	122,922	1,633,633
Invesco Value Municipal Income Trust	0	7
Managed Duration Investment Grade Municipal Fund	1,582	21,373
MFS Investment Grade Municipal Trust	28,806	270,200
Nuveen Dividend Advantage Municipal Fund 3	83,092	1,145,008
Nuveen Dividend Advantage Municipal Income Fund	11,119	156,889
Nuveen Quality Municipal Fund, Inc.	5,671	74,744
Nuveen Select Quality Municipal Fund, Inc.	34,936	487,707
		7,675,627
GENERAL BOND — 0.30%		
Deutsche Multi-Market Income Trust	23,093	196,752
MFS Multimarket Income Trust	91,451	594,432
		791,184

Description	No. of Shares	Value
GLOBAL — 6.87%		
Alpine Global Dynamic Dividend Fund	200,705	$1,974,937
Alpine Global Total Dynamic Dividend Fund	945,029	8,023,296
Clough Global Allocation Fund	16,202	239,142
Clough Global Opportunities Fund	24,616	315,577
Delaware Enhanced Global Dividend and Income Fund	172,572	1,944,886
Gabelli Multimedia Trust Inc. (The)	44,840	448,848
GDL Fund (The)	83,098	850,093
Nuveen Global Value Opportunities Fund	87,946	1,144,177
Virtus Total Return Fund	124,984	564,928
Wells Fargo Advantage Global Dividend Opportunity Fund	325,819	2,440,384
		17,946,268
GLOBAL INCOME — 0.41%		
Legg Mason BW Global Income Opportunities Fund Inc.	36,587	611,369
Nuveen Global High Income Fund	27,010	465,923
		1,077,292
GROWTH FUNDS — 0.08%		
Liberty All-Star Growth Fund, Inc.	41,476	214,016

See accompanying notes to financial statements.

Cornerstone Progressive Return Fund
Schedule of Investments – December 31, 2014 (Continued)

Description	No. of Shares	Value
HIGH CURRENT YIELD (LEVERAGED) — 2.62%		
AllianceBernstein Global High Income Fund, Inc.	112,427	$1,397,468
BlackRock Corporate High Yield Fund VI, Inc.	246,309	2,807,923
BlackRock Debt Strategies Fund, Inc.	13,834	51,462
Deutsche High Income Opportunities Fund, Inc.	96,489	1,353,741
Deutsche High Income Trust	66,861	584,365
Franklin Universal Trust	54,076	383,940
Invesco High Income Trust II	10,684	160,367
MFS Intermediate High Income Fund	38,669	102,473
		6,841,739
HIGH YIELD — 0.56%		
Credit Suisse Asset Management Income Fund, Inc.	1,100	3,619
First Trust High Income Long/Short Fund	46,839	749,424
Western Asset High Yield Defined Opportunity Fund Inc.	32,648	514,859
Western Asset Managed High Income Fund Inc.	37,498	191,615
		1,459,517
HIGH YIELD MUNICIPAL DEBT — 0.22%		
MFS High Income Municipal Trust	83,247	406,245
MFS Municipal Income Trust	22,981	152,594
Putnam Managed Municipal Income Trust	3,400	24,650
		583,489

Description	No. of Shares	Value
INCOME & PREFERRED STOCK — 0.80%		
LMP Capital and Income Fund Inc.	78,074	$1,308,520
Nuveen Quality Preferred Income Fund 3	92,642	771,708
		2,080,228
LOAN PARTICIPATION — 5.56%		
BlackRock Floating Rate Income Strategies Fund, Inc	37,775	505,807
Blackstone / GSO Senior Floating Rate Term Fund	12,620	211,259
Eaton Vance Floating-Rate Income Trust	166,601	2,314,088
Eaton Vance Senior Floating-Rate Trust	57,668	789,475
Eaton Vance Senior Income Trust	15,365	95,878
First Trust Senior Floating Rate Income Fund II	61,356	798,242
Invesco Senior Income Trust	241,758	1,102,416
Nuveen Credit Strategies Income Fund	571,540	5,012,406
Nuveen Floating Rate Income Fund	101,995	1,120,925
Nuveen Senior Income Fund	140,117	917,766
Nuveen Short Duration Credit Opportunities Fund	2,000	33,300
Voya Prime Rate Trust	305,188	1,620,548
		14,522,110
NATURAL RESOURCES — 4.52%		
BlackRock Resources & Commodities Strategy Trust	1,009,976	9,806,867

See accompanying notes to financial statements.

Cornerstone Progressive Return Fund
Schedule of Investments – December 31, 2014 (Continued)

Description	No. of Shares	Value
NATURAL RESOURCES (continued)		
First Trust Energy Income and Growth Fund	18,799	$686,164
First Trust Energy Infrastructure Fund	55,059	1,309,303
		11,802,334
OPTION ARBITRAGE/OPTIONS STRATEGIES — 2.72%		
AllianzGI NFJ Dividend, Interest & Premium Strategy Fund	27,600	441,600
BlackRock Global Opportunities Equity Trust	250,786	3,292,820
BlackRock International Growth and Income Trust	445,042	2,999,583
Madison Strategic Sector Premium Fund	1,300	15,483
Voya Asia Pacific High Dividend Equity Income Fund	6,400	73,152
Voya Global Equity Dividend and Premium Opportunity Fund	33,000	274,560
		7,097,198
PACIFIC EX JAPAN — 1.24%		
Aberdeen Greater China Fund, Inc.	58,382	579,149
China Fund, Inc. (The)	88,790	1,618,642
Morgan Stanley Thai Fund, Inc.	61,771	728,898
Taiwan Fund, Inc.	18,973	310,209
		3,236,898
REAL ESTATE — 14.04%		
Alpine Global Premier Properties Fund	569,304	4,104,682
CBRE Clarion Global Real Estate Income Fund	652,019	5,861,651

Description	No. of Shares	Value
REAL ESTATE (continued)		
Cohen & Steers Preferred Securities and Income Fund, Inc.	522,978	$9,931,352
Cohen & Steers Quality Income Realty Fund, Inc.	542,870	6,617,585
Cohen & Steers Total Return Realty Fund, Inc.	156,384	2,064,269
LMP Real Estate Income Fund Inc.	129,383	1,623,757
Neuberger Berman Real Estate Securities Income Fund Inc.	551,451	2,917,176
Nuveen Diversified Dividend and Income Fund	105,519	1,241,959
Nuveen Real Estate Income Fund	82,932	953,718
RMR Real Estate Income Fund	66,558	1,385,736
		36,701,885
SECTOR EQUITY — 2.05%		
Gabelli Healthcare & Wellness^{Rx} Trust (The)	20,634	215,006
GAMCO Global Gold, Natural Resources & Income Trust	122,396	856,772
GAMCO Natural Resources, Gold & Income Trust by Gabelli	171,084	1,380,648
John Hancock Financial Opportunities Fund	85,216	2,007,689
Tekla Healthcare Investors	28,667	902,724
		5,362,839
U.S. MORTGAGE — 0.21%		
First Trust Mortgage Income Fund	25,118	373,253

See accompanying notes to financial statements.

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Cornerstone Progressive Return Fund
Schedule of Investments – December 31, 2014 (Continued)

Description	No. of Shares	Value
U.S. MORTGAGE (continued)		
Nuveen Mortgage Opportunity Term Fund 2	7,078	$163,997
		537,250
UTILITY — 5.18%		
BlackRock Utility and Infrastructure Trust	133,645	2,771,797
Brookfield Global Listed Infrastructure Income Fund Inc.	87,960	1,837,484
Cohen & Steers Infrastructure Fund, Inc.	101,864	2,314,350
Gabelli Global Utility & Income Trust (The)	34,971	678,437
Duff & Phelps Global Utility Income Fund Inc.	161,784	3,501,006
Reaves Utility Income Fund	74,322	2,441,478
		13,544,552
TOTAL CLOSED-END FUNDS		179,756,095
CONSUMER DISCRETIONARY — 2.58%		
Comcast Corporation - Class A	31,358	1,819,078
DIRECTV *	4,000	346,800
Ford Motor Company	30,000	465,000
Johnson Controls, Inc.	7,000	338,380
Macy's, Inc.	4,000	263,000
Time Warner Cable Inc.	2,000	304,120
Time Warner Inc.	12,000	1,025,040
Walt Disney Company (The)	23,000	2,166,370
		6,727,788
CONSUMER STAPLES — 2.01%		
Archer-Daniels-Midland Company	8,000	416,000

Description	No. of Shares	Value
CONSUMER STAPLES (continued)		
CVS Caremark Corporation	18,000	$1,733,580
Kroger Co. (The)	8,000	513,680
Mondelēz International, Inc. - Class A	12,000	435,900
PepsiCo, Inc.	10,000	945,600
Wal-Mart Stores, Inc.	14,000	1,202,320
		5,247,080
ENERGY — 1.78%		
Chevron Corporation	10,000	1,121,800
ConocoPhillips	8,000	552,480
Devon Energy Corporation	3,000	183,630
EOG Resources, Inc.	8,000	736,560
Halliburton Company	8,000	314,640
Kinder Morgan, Inc.	12,000	507,720
Marathon Oil Corporation	2,000	56,580
Phillips 66	7,000	501,900

Schlumberger Limited	8,000	683,280
		4,658,590
EXCHANGE-TRADED FUNDS — 6.79%		
iShares Core S&P 500 ETF	43,000	8,896,700
SPDR S&P 500 ETF Trust	43,000	8,836,500
		17,733,200
FINANCIALS — 3.67%		
Allstate Corporation (The)	4,000	281,000
American Express Company	8,000	744,320
American International Group, Inc.	8,000	448,080
Aon plc	3,000	284,490
Bank of New York Mellon Corporation (The)	6,000	243,420
BlackRock, Inc. - Class A	2,000	715,120
Discover Financial Services	3,000	196,470
Franklin Resources, Inc.	8,000	442,960
JPMorgan Chase & Co.	20,000	1,251,600

See accompanying notes to financial statements.

Cornerstone Progressive Return Fund
Schedule of Investments – December 31, 2014 (Continued)

Description	No. of Shares	Value
FINANCIALS (continued)		
Marsh & McLennan Companies, Inc.	4,000	$228,960
MetLife, Inc.	9,000	486,810
Morgan Stanley	16,000	620,800
Prudential Financial, Inc.	4,000	361,840
Wells Fargo & Company	60,000	3,289,200
		9,595,070
HEALTH CARE — 3.08%		
Abbott Laboratories	13,000	585,260
AbbVie Inc.	3,000	196,320
Actavis plc *	2,000	514,820
Aetna Inc.	6,000	532,980
Allergan, Inc.	2,500	531,475
Amgen Inc.	8,000	1,274,320
Anthem, Inc.	4,500	565,515
Baxter International	7,000	513,030
Boston Scientific Corporation *	2,000	26,500
Cardinal Health, Inc.	6,000	484,380
Cigna Corporation	2,500	257,275
Gilead Sciences, Inc. *	14,000	1,319,640
McKesson Corporation	3,000	622,740
Thermo Fisher Scientific Inc.	5,000	626,450
		8,050,705
INDUSTRIALS — 2.73%		
Boeing Company (The)	6,000	779,880
Deere & Company	3,000	265,410
Delta Air Lines, Inc.	9,000	442,710
FedEx Corporation	3,000	520,980
General Dynamics Corporation	3,000	412,860
General Electric Company	90,000	2,274,300
Honeywell International Inc.	6,000	599,520
Lockheed Martin Corporation	3,000	577,710

Description	No. of Shares	Value
INDUSTRIALS (continued)		
Northrop Grumman Corporation	2,000	$294,780
Union Pacific Corporation	8,000	953,040
		7,121,190
INFORMATION TECHNOLOGY — 4.56%		
Apple Inc.	49,000	5,408,620
Cisco Systems, Inc.	30,000	834,450
Corning, Inc.	9,000	206,370
Hewlett-Packard Company	12,400	497,612
Intel Corporation	20,000	725,800

Microsoft Corporation	22,000	1,021,900
Oracle Corporation	40,000	1,798,800
QUALCOMM Incorporated	14,500	1,077,785
Yahoo! Inc. *	7,000	353,570
		11,924,907
MATERIALS — 0.52%		
Dow Chemical Company (The)	14,500	661,345
LyondellBasell Industries N.V.	3,000	238,170
PPG Industries, Inc.	2,000	462,300
		1,361,815
TELECOMMUNICATION SERVICES — 0.98%		
Verizon Communications, Inc.	55,000	2,572,900
UTILITIES — 0.33%		
Exelon Corporation	7,000	259,560
PG&E Corporation	6,000	319,440
Southern Company (The)	6,000	294,660
		873,660
TOTAL EQUITY SECURITIES		
(cost - $240,411,037)		255,623,000

See accompanying notes to financial statements.

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Cornerstone Progressive Return Fund
Schedule of Investments – December 31, 2014 (Concluded)

Description	No. of Shares	Value
SHORT-TERM INVESTMENTS — 2.34%		
MONEY MARKET FUNDS — 2.34%		
Fidelity Institutional Money Market Government Portfolio - Class I, 0.01%^ (cost - $6,111,599)	6,111,599	$6,111,599
TOTAL INVESTMENTS — 100.15% (cost - $246,522,636)		261,734,599
LIABILITIES IN EXCESS OF OTHER ASSETS — (0.15)%		(392,323)
NET ASSETS — 100.00%		$261,342,276

* Non-income producing security.
^ The rate shown is the 7-day effective yield as of December 31, 2014.

See accompanying notes to financial statements.

Cornerstone Progressive Return Fund
Statement of Assets and Liabilities – December 31, 2014

ASSETS	
Investments, at value (cost – $246,522,636) (Notes B and C)	$261,734,599
Cash	17,981
Receivables:	
Dividends	1,101,278
Investments sold	306,182
Prepaid expenses	1,599
Total Assets	263,161,639
LIABILITIES	
Payables:	
Investments purchased	1,423,730
Investment management fees (Note D)	222,087
Trustees' fees and expenses	48,646
Administration fees (Note D)	16,072
Other accrued expenses	108,828
Total Liabilities	1,819,363
NET ASSETS (applicable to 16,565,151 common shares of beneficial interest)	$261,342,276
NET ASSET VALUE PER SHARE ($261,342,276 ÷ 16,565,151)	$15.78
NET ASSETS CONSISTS OF	
Paid-in capital	$252,159,626
Accumulated net realized loss on investments	(6,029,313)
Net unrealized appreciation in value of investments	15,211,963
Net assets applicable to shares outstanding	$261,342,276

See accompanying notes to financial statements.

Cornerstone Progressive Return Fund
Statement of Operations – for the Year Ended December 31, 2014

INVESTMENT INCOME	
Income:	
Dividends	$7,361,665
Expenses:	
Investment management fees (Note D)	2,284,138
Administration fees (Note D)	171,311
Trustees' fees and expenses	117,519
Accounting fees	56,229
Custodian fees	51,128
Printing	47,531
Legal and audit fees	47,049
Reverse stock split expenses	30,500
Transfer agent fees	16,201
Stock exchange listing fees	13,320
Insurance	7,110
Miscellaneous	19,546
Total Expenses	2,861,582
Net Investment Income	4,500,083
NET REALIZED AND UNREALIZED GAIN ON INVESTMENTS	
Net realized gain from investments	1,335,482
Capital gain distributions from regulated investment companies	2,513,645
Net change in unrealized appreciation in value of investments	10,853,916
Net realized and unrealized gain on investments	14,703,043
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	$19,203,126

See accompanying notes to financial statements.

Cornerstone Progressive Return Fund
Statement of Changes in Net Assets

	For the Years Ended December 31, 2014	2013
INCREASE IN NET ASSETS		
Operations:		
Net investment income	$4,500,083	$3,751,076
Net realized gain from investments	3,849,127	7,731,797
Net change in unrealized appreciation/(depreciation) in value of investments	10,853,916	1,541,738
Net increase in net assets resulting from operations	19,203,126	13,024,611
Dividends and distributions to shareholders (Note B):		
Net investment income	(8,417,055)	(11,482,874)
Return-of-capital	(42,411,734)	(20,156,702)
Total dividends and distributions to shareholders	(50,828,789)	(31,639,576)
Transactions in common shares of beneficial interest:*		
Proceeds from rights offering of 6,393,537 and 3,338,001 shares of newly issued shares, respectively	117,896,818	64,890,744
Offering expenses associated with rights offering	(106,495)	(147,557)
Cash in lieu of 3 fractional shares from the reverse stock split	(53)	—
Proceeds from 373,872 and 206,148 shares newly issued in reinvestment of dividends and distributions, respectively	6,365,524	3,662,776
Net increase in net assets from common shares of beneficial interest transactions	124,155,794	68,405,963
Total increase in net assets	92,530,131	49,790,998
NET ASSETS		
Beginning of year	168,812,145	119,021,147
End of year	$261,342,276	$168,812,145

* Shares are adjusted for the one-for-four reverse stock split that was effective December 29, 2014.

See accompanying notes to financial statements.
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Cornerstone Progressive Return Fund
Financial Highlights

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

	For the Years Ended December 31,*				
	2014	2013	2012	2011	2010
PER SHARE OPERATING PERFORMANCE					
Net asset value, beginning of year	$17.24	$19.04	$20.00	$23.60	$25.12
Net investment income #	0.33	0.48	0.48	0.48	0.52
Net realized and unrealized gain/(loss) on investments	1.45	1.12	2.48	(0.44)	4.12
Net increase in net assets resulting from operations	1.78	1.60	2.96	0.04	4.64
Dividends and distributions to shareholders:					
Net investment income	(0.61)	(1.52)	(1.60)	(2.44)	(4.56)
Return-of-capital	(3.10)	(2.60)	(2.80)	(2.52)	(1.60)
Total dividends and distributions to shareholders	(3.71)	(4.12)	(4.40)	(4.96)	(6.16)
Transactions in common shares of beneficial interest:					
Anti-dilutive effect due to shares issued:					
Rights offering	0.47	0.72	0.48	1.24	—
Reinvestment of dividends and distributions	0.00 +	0.00 +	0.00 +	0.08	0.00 +
Total transactions in common shares of beneficial interest	0.47	0.72	0.48	1.32	0.00 +
Net asset value, end of year	$15.78	$17.24	$19.04	$20.00	$23.60
Market value, end of year	$15.21	$20.56	$20.04	$24.16	$29.84
Total investment return (a)	(7.73)%	28.59 %	3.24 %	(2.12)%	4.73 %
RATIOS/SUPPLEMENTAL DATA					
Net assets, end of year (000 omitted)	$261,342	$168,812	$119,021	$78,435	$55,277
Ratio of expenses to average net assets, net of fee waivers and fees paid indirectly, if any (b)	1.25 %	1.33 %	1.25 %	1.30 %	1.47 %
Ratio of expenses to average net assets, before fee waivers and fees paid indirectly, if any (b)	1.25 %	1.33 %	1.34 %	1.45 %	1.61 %
Ratio of net investment income to average net assets (c)	1.97 %	2.70 %	2.44 %	2.20 %	2.20 %
Portfolio turnover rate	41.11 %	101.00 %	97.29 %	112.69%	117.45%

* Effective December 29, 2014, a reverse split of 1:4 occured. All per share amounts have been restated according to the terms of the reverse split.
\# Based on average shares outstanding.
\+ Amount rounds to less than $0.01.
(a) Total investment return at market value is based on the changes in market price of a share during the period and assumes reinvestment of dividends and distributions, if any, at actual prices pursuant to the Fund's dividend reinvestment plan. Total investment return does not reflect brokerage commissions.
(b) Expenses do not include expenses of investment companies in which the Fund invests.

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

See accompanying notes to financial statements.

Cornerstone Progressive Return Fund
Notes to Financial Statements

NOTE A. ORGANIZATION

Cornerstone Progressive Return Fund (the "Fund") was organized as a Delaware statutory trust on April 26, 2007 and commenced investment operations on September 10, 2007. Its investment objective is to provide total return. The Fund is registered under the Investment Company Act of 1940, as amended, as a closed-end, diversified management investment company.

NOTE B. SIGNIFICANT ACCOUNTING POLICIES

Management Estimates: The Fund is an investment company that applies the accounting and reporting guidance issued in Topic 946 by the U.S. Financial Accounting Standards Board. The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America ("GAAP") requires management to make certain estimates and assumptions that may affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

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

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

Readily marketable securities traded in the over-the- counter market, including listed securities whose primary market is believed by Cornerstone Advisors, Inc. (the "Investment Manager" or "Cornerstone") to be over-the-counter, are valued at the mean of the current bid and asked prices as reported by the NASDAQ or, in the case of securities not reported by the NASDAQ or a comparable source, as the Board of Trustees deem appropriate to reflect their fair market value. Where securities are traded on more than one exchange and also over-the-counter, the securities will generally be valued using the quotations the Board of Trustees believes reflect most closely the value of such securities. At December 31, 2014, the Fund held no securities valued in good faith by the Board of Trustees.

The net asset value per share of the Fund is calculated weekly and on the last business day of the month with the exception of those days on which the NYSE is closed.

The Fund is exposed to financial market risks, including the valuations of its investment portfolio. During the year ended December 31, 2014, the Fund did not invest in derivative instruments or engage in hedging activities.

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

Risks Associated with Investments in Other Closed-end Funds: Closed-end investment companies are subject to the risks of investing in the underlying securities. The Fund, as a holder of the securities of the closed-end investment company, will bear its pro rata portion of the closed-end investment company's expenses, including advisory fees. These expenses are in addition to the direct expenses of the Fund's own operations.

Taxes: No provision is made for U.S. federal income or excise taxes as it is the Fund's intention to qualify as a regulated investment company and to make the requisite distributions to its shareholders which will be sufficient to relieve it from all or substantially all U.S. federal income and excise taxes.

The Accounting for Uncertainty in Income Taxes Topic of the FASB Accounting Standards Codification defines the threshold for recognizing the benefits of tax-return positions in the financial statements as "more-likely-than-not" to be sustained by the taxing authority and requires measurement of a tax position meeting the more-likely-than-not criterion, based on the largest benefit that is more than 50 percent likely to be realized. The Fund's policy is to classify interest and penalties associated with underpayment of federal and state income taxes, if any, as income tax expense on its Statement of Operations. As of December 31, 2014, the Fund does not have any interest or penalties associated with the underpayment of any income taxes. Management reviewed any uncertain tax positions for open tax years 2011 through 2013, and for the year ended December 31, 2014. There was no material impact to the financial statements.

Distributions to Shareholders: The Fund seeks to make a level distribution to its shareholders each month pursuant to a distribution policy adopted by the Board of Trustees ("Distribution Policy"). To the extent these distributions are not represented by net investment income and capital gains, they will not represent yield or investment return on the Fund's portfolio. The distribution rate may be modified by the Board of Trustees from time to time. If, for any monthly distribution, investment company taxable income, if any (which term includes net short-term capital gain), and net tax-exempt income, if any, is less than the amount of the distribution, the difference will generally be a tax-free return of capital distributed from the Fund's assets. The Fund's final distribution for each calendar year is expected to include any remaining investment company taxable income and net tax exempt income undistributed during the year, as well as all net capital gain realized during the year.

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

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

Cornerstone Progressive Return Fund
Notes to Financial Statements (continued)

The Board of Trustees reserves the right to change the Distribution Policy from time to time.

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

NOTE C. FAIR VALUE

As required by the Fair Value Measurement and Disclosures Topic of the FASB Accounting Standards Codification, the Fund has performed an analysis of all assets and liabilities measured at fair value to determine the significance and character of all inputs to their fair value determination.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into the following three broad categories.

- Level 1 – quoted unadjusted prices for identical instruments in active markets to which the Fund has access at the date of measurement.
- Level 2 – quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets. Level 2 inputs are those in markets for which there are few transactions, the prices are not current, little public information exists or instances where prices vary substantially over time or among brokered market makers.
- Level 3 – model derived valuations in which one or more significant inputs or significant value drivers are unobservable. Unobservable inputs are those inputs that reflect the Fund's own assumptions that market participants would use to price the asset or liability based on the best available information.

The following is a summary of the inputs used as of December 31, 2014 in valuing the Fund's investments carried at value:

Valuation Inputs	Investments in Securities	Other Financial Instruments*
Level 1 – Quoted Prices		
Equity Investments	$255,623,000	$ —
Short-Term Investments	6,111,599	—
Level 2 – Other Significant Observable Inputs	—	—
Level 3 – Significant Unobservable Inputs	—	—
Total	$261,734,599	$ —

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

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

Cornerstone Progressive Return Fund
Notes to Financial Statements (continued)

During the year ended December 31, 2014, the Fund did not have any transfers in and out of any Level.

The Fund did not have any assets or liabilities that were measured at fair value on a recurring basis using significant unobservable inputs (Level 3) at December 31, 2014.

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

NOTE D. AGREEMENTS WITH AFFILIATES

At December 31, 2014, certain officers of the Fund are also officers of Cornerstone or AST Fund Solutions, LLC ("AFS"). Such officers are paid no fees by the Fund for serving as officers of the Fund.

Investment Management Agreement

Cornerstone serves as the Fund's Investment Manager with respect to all investments. As compensation for its investment management services, Cornerstone receives from the Fund an annual fee, calculated weekly and paid monthly, equal to 1.00% of the Fund's average weekly net assets. For the year ended December 31, 2014, Cornerstone earned $2,284,138 for investment management services.

Administration Agreement

Under the terms of the administration agreement, AFS supplies executive, administrative and regulatory services for the Fund. AFS supervises the preparation of reports to shareholders for the Fund, reports to and filings with the Securities and Exchange Commission and materials for meetings of the Board of Trustees. For these services, the Fund pays AFS a monthly fee at an annual rate of 0.075% of its average daily net assets, subject to an annual minimum fee of $50,000. For the year ended December 31, 2014, AFS earned $171,311 as administrator.

NOTE E. INVESTMENT IN SECURITIES

For the year ended December 31, 2014, purchases and sales of securities, other than short-term investments, were $170,459,482 and $88,400,462, respectively.

NOTE F. COMMON SHARES OF BENEFICIAL INTEREST

The Fund has unlimited common shares of beneficial interest authorized and has 16,565,151 shares issued and outstanding at December 31, 2014. Transactions in common shares of beneficial interest for the year ended December 31, 2014 were as follows+:

Shares at beginning of year	9,797,745
Shares newly issued from rights offering	6,393,537
Shares newly issued in reinvestment of dividends and distributions	373,872
Shares paid cash in lieu of fractional shares from the reverse stock split	(3)
Shares at end of year	16,565,151

+Share amounts reflect the one-for-four reverse stock split that was effective December 29, 2014.

NOTE G. FEDERAL INCOME TAXES

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

The tax character of dividends and distributions paid to shareholders during the years ended December 31, 2014 and December 31, 2013 was as follows:

	2014	2013
Ordinary Income	$8,417,055	$11,482,874
Return-of-Capital	42,411,734	20,156,702
Total Distributions	$50,828,789	$31,639,576

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Cornerstone Progressive Return Fund
Notes to Financial Statements (concluded)

At December 31, 2014, the components of accumulated surplus on a tax basis for the Fund were as follows:

Capital loss carryforwards	$(5,929,057)
Net unrealized appreciation	15,111,706
Total accumulated surplus	$9,182,649

GAAP requires that certain components of net assets relating to permanent differences be reclassified between financial and tax reporting. For the year ended December 31, 2014, the Fund reclassified $42,411,734 of return-of-capital distributions and $3,916,972 of distributions resulting from the recharacterization of capital gain distributions as ordinary income against paid-in capital on the Statement of Assets and Liabilities. These reclassifications have no effect on net assets or net asset value per share. Under current tax law, certain capital losses realized after October 31 within a taxable year may be deferred and treated as occurring on the first day of the following tax year ("Post-October losses"). The Fund incurred no such losses during the year ended December 31, 2014.

At December 31, 2014, the Fund had a capital loss carryforward for U.S. federal income tax purposes of $5,929,057 which expires in 2017.

Under the Regulated Investment Company Modernization Act of 2010 (the "Act"), net capital losses recognized after December 31, 2010 may be carried forward indefinitely, and their character is retained as short-term and/or long-term losses. Under the law in effect prior to the Act, pre-enactment net capital losses were carried forward for eight years and treated as short-term losses. As a transition rule, the Act requires that post-enactment net capital losses be used before pre-enactment net capital losses. Therefore, there may be a greater likelihood that all or a portion of the Fund's capital loss carryforward may expire without being utilized.

During the year ended December 31, 2014, the Fund reduced capital loss carryforwards by $3,916,972.

The following information is computed on a tax basis for each item as of December 31, 2014:

Cost of portfolio investments	$246,622,893
Gross unrealized appreciation	$19,957,618
Gross unrealized depreciation	(4,845,912)
Net unrealized appreciation	$15,111,706

Report of Independent Registered Public Accounting Firm

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

We have audited the accompanying statement of assets and liabilities of the Cornerstone Progressive Return Fund (the "Fund"), including the schedule of investments as of December 31, 2014, and the related statement of operations for the year then ended, the statements of changes in net assets for each of the two years in the period then ended, and the financial highlights for each of the five years in the period then ended. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. The Fund is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. Our procedures included confirmation of securities owned as of December 31, 2014, by correspondence with the custodian and brokers. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of the Cornerstone Progressive Return Fund as of December 31, 2014, the results of its operations, the changes in its net assets for each of the two years in the period then ended, and the financial highlights for each of the five years in the period then ended, in conformity with accounting principles generally accepted in the United States of America.

TAIT, WELLER & BAKER LLP

Philadelphia, Pennsylvania
February 13, 2015

2014 Tax Information (unaudited)

Cornerstone Progressive Return Fund (the "Fund") is providing this notice along with Form 1099-DIV to assist its shareholders in the preparation of their 2014 calendar year U.S. federal income tax returns. The $50,828,789 in dividends and distributions paid to shareholders in respect of such year is represented by $8,417,055 of ordinary income, and $42,411,734 of return-of-capital.

As indicated in this notice, a portion of the Fund's distributions for 2014 consist of ordinary income and return of capital. To the extent a distribution has been designated as return-of-capital, those distributions do not represent yield or investment return on the Fund's portfolio.

SOURCES OF DIVIDENDS AND DISTRIBUTIONS
(Per Share Amounts)+

Payment Dates:	1/31/14
Ordinary Income(1)	$0.0128
Return-of-Capital(2)	0.0645
Total	$0.0773

Payment Dates:	7/31/14
Ordinary Income(1)	$0.0128
Return-of-Capital(2)	0.0645

FORWARD-LOOKING INFORMATION

This quarterly report includes forward-looking statements, including statements with respect to ac estimates and assumptions, litigation-related matters including outcomes, the company s exposur financial market volatility and foreign currency and interest rate risk, the planned spin-off of the biopharmaceuticals business, the planned divestiture of the vaccines business, credit exposure to governments, contingent payments, business development activities including the future market p current investments, future sales growth, the company s R&D pipeline including plans regarding trials, regulatory actions and filings and product launches, potential product competition, future c R&D expenditures, future debt issuances, the adequacy of the company s credit facilities and fin flexibility, the effective tax rate in 2014, future changes to employee benefits, and all other statem do not relate to historical facts. The statements are based on assumptions about many important fa including:

demand for and market acceptance risks for and competitive pressures related to new and products, including ADVATE and other therapies;

future actions of FDA, EMA or any other regulatory body or government authority that c delay, limit or suspend product development, manufacturing or sale or result in seizures, injunctions, monetary sanctions or criminal or civil liabilities;

additional legislation, regulation and other governmental pressures in the United States o which may affect pricing, reimbursement, taxation and rebate policies of government age private payers or other elements of the company s business;

product quality or patient safety issues, leading to product recalls, withdrawals, launch d
sanctions, seizures, litigation, or declining sales;

the impact of U.S. healthcare reform and other similar actions undertaken by foreign gov
with respect to pricing, reimbursements, taxation and rebate policies;

future actions of third parties, including third-party payors, as healthcare reform and othe
measures are implemented in the United States and globally;

the impact of competitive products and pricing, including generic competition, drug reim
and disruptive technologies;

fluctuations in supply and demand and the pricing of plasma-based therapies;

inventory reductions or fluctuations in buying patterns by wholesalers or distributors;

the availability and pricing of acceptable raw materials and component supply;

the product development risks, including satisfactory clinical performance, the ability to
manufacture at appropriate scale, and the general unpredictability associated with the pro
development cycle;

the company s ability to successfully separate its biopharmaceutical and medical produc
businesses on the terms or timeline currently contemplated, if at all, and achieve the inter
results;

the ability to enforce the company s patent rights or patents of third parties preventing o
restricting the company s manufacture, sale or use of affected products or technology;

the company s ability to identify business development and growth opportunities;

the company s ability to successfully integrate and realize the anticipated benefits of the
acquisition;

the company s ability to realize the anticipated benefits from its joint product developm
commercialization arrangements, governmental collaborations and other business develo
activities;

the company s ability to realize the anticipated benefits of its business optimization and transformation initiatives;

the impact of geographic and product mix on the company s sales;

global regulatory, trade and tax policies;

fluctuations in foreign exchange and interest rates;

any changes in law concerning the taxation of income, including income earned outside t States;

actions by tax authorities in connection with ongoing tax audits;

changes in credit agency ratings;

the impact of global economic conditions on the company and its customers and supplier including foreign governments in certain countries in which the company operates; and

other factors identified elsewhere in this report on and other filings with the Securities ar Exchange Commission, including those factors described in Item 1A of the company s A Report on Form 10-K for the year ended December 31, 2013, all of which are available o company s website.

Actual results may differ materially from those projected in the forward-looking statements. The does not undertake to update its forward-looking statements.

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Item 3. Quantitative and Qualitative Disclosures About Market Risk

Currency Risk

The company is primarily exposed to foreign exchange risk with respect to recognized assets and forecasted transactions and net assets denominated in the Euro, Japanese Yen, British Pound, Aus Dollar, Canadian Dollar, Brazilian Real, Colombian Peso, and Swedish Krona. The company mar foreign currency exposures on a consolidated basis, which allows the company to net exposures a advantage of any natural offsets. In addition, the company uses derivative and nonderivative finar instruments to further reduce the net exposure to foreign exchange. Gains and losses on the hedgi instruments offset losses and gains on the hedged transactions and reduce the earnings and shareh equity volatility relating to foreign exchange. Financial market and currency volatility may limit t company s ability to cost-effectively hedge these exposures.

The company may use options, forwards and cross-currency swaps to hedge the foreign exchange earnings relating to forecasted transactions denominated in foreign currencies and recognized ass liabilities. The maximum term over which the company has cash flow hedge contracts in place re forecasted transactions as of September 30, 2014 is 15 months. The company also enters into deri instruments to hedge certain intercompany and third-party receivables and payables and debt den in foreign currencies.

Currency restrictions enacted in Venezuela require Baxter to obtain approval from the Venezuela government to exchange Venezuelan Bolivars for U.S. Dollars and require such exchange to be m official exchange rate established by the government. Since January 1, 2010, Venezuela has been as a highly inflationary economy under GAAP and as a result, the functional currency of the com subsidiary in Venezuela is the U.S. Dollar. The devaluation of the Venezuelan Bolivar and design Venezuela as highly inflationary did not have a material impact on the financial results of the con Effective February 8, 2013, the Venezuelan government devalued the official exchange rate from which resulted in a charge of $11 million during the first quarter of 2013. As of September 30, 20 company s subsidiary in Venezuela had net assets of $22 million denominated in the Venezuelan the first nine months of 2014, net sales in Venezuela represented less than 1% of Baxter s total n

As part of its risk-management program, the company performs a sensitivity analysis to assess po changes in the fair value of its foreign exchange instruments relating to hypothetical and reasonab near-term movements in foreign exchange rates.

A sensitivity analysis of changes in the fair value of foreign exchange option and forward contrac outstanding at September 30, 2014, while not predictive in nature, indicated that if the U.S. Dolla uniformly weakened by 10% against all currencies, on a net-of-tax basis, the net asset balance of million would decrease by $80 million, resulting in a net liability position.

The sensitivity analysis model recalculates the fair value of the foreign exchange option and forw contracts outstanding at September 30, 2014 by replacing the actual exchange rates at September with exchange rates that are 10% weaker to the actual exchange rates for each applicable currency factors are held constant. The sensitivity analysis disregards the possibility that currency exchang move in opposite directions and that gains from one currency may or may not be offset by losses another currency. The analysis also disregards the offsetting change in value of the underlying he transactions and balances.

Interest Rate and Other Risks

Refer to the caption Interest Rate and Other Risks in the Financial Instrument Market Risk company s 2013 Annual Report. There were no significant changes during the quarter ended Sep 2014.

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Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Baxter carried out an evaluation, under the supervision and with the participation of its Disclosur
Committee and management, including the Chief Executive Officer and Chief Financial Officer,
effectiveness of Baxter s disclosure controls and procedures (as defined in Rules 13a-15(e) and 1
under the Securities Exchange Act of 1934, as amended (the Exchange Act)) as of September 30,
Based on that evaluation the Chief Executive Officer and Chief Financial Officer concluded that
company s disclosure controls and procedures were effective as of September 30, 2014.

Changes in Internal Control over Financial Reporting

There have been no other changes in Baxter s internal control over financial reporting (as such te
defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the quarter ended Septe
2014 that have materially affected, or are reasonably likely to materially affect, Baxter s internal
financial reporting.

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Review by Independent Registered Public Accounting Firm

A review of the interim condensed consolidated financial information included in this Quarterly F
Form 10-Q for the three and nine months ended September 30, 2014 and 2013 has been performe
PricewaterhouseCoopers LLP, the company s independent registered public accounting firm. Its
the interim condensed consolidated financial information follows. This report is not considered a
within the meaning of Sections 7 and 11 of the Securities Act of 1933 and therefore, the independ
accountants liability under Section 11 does not extend to it.

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of Baxter International Inc.:

We have reviewed the accompanying condensed consolidated balance sheet of Baxter Internation its subsidiaries as of September 30, 2014, and the related condensed consolidated statements of in the three- and nine-month periods ended September 30, 2014 and 2013, the condensed consolidat statements of comprehensive income for the three- and nine-month periods ended September 30, 2013 and the condensed consolidated statements of cash flows for the nine-month periods ended September 30, 2014 and 2013. These interim financial statements are the responsibility of the cor management.

We conducted our review in accordance with the standards of the Public Company Accounting O Board (United States). A review of interim financial information consists principally of applying procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Accounting Oversight Board (United States), the objective of which is the expression of an opinio regarding the financial statements taken as a whole. Accordingly, we do not express such an opin

Based on our review, we are not aware of any material modifications that should be made to the accompanying condensed consolidated interim financial statements for them to be in conformity accounting principles generally accepted in the United States of America.

We previously audited, in accordance with the standards of the Public Company Accounting Ove Board (United States), the consolidated balance sheet as of December 31, 2013, and the related co statements of income, of comprehensive income, of cash flows and of changes in equity for the ye ended, and in our report dated February 21, 2014, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying c consolidated balance sheet as of December 31, 2013, is fairly stated in all material respects in rela consolidated balance sheet from which it has been derived.

/s/ PricewaterhouseCoopers LLP

Chicago, Illinois

October 29, 2014

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PART II. OTHER INFORMATION

Item 1. Legal Proceedings
The information in Part I, Item 1, Note 12 is incorporated herein by reference.

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Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The following table includes information about the company s common stock repurchases durin three-month period ended September 30, 2014.

Issuer Purchases of Equity Securities

Period	Total number of shares purchased(1)	Average price paid per share	Total number of shares purchased as part of publicly announced program(1)	Approximate dollar value that m purcha the p
July 1, 2014 through July 31, 2014	651,900	$76.71	651,900	
August 1, 2014 through August 31, 2014		$		
September 1, 2014 through September 30, 2014		$		
Total	651,900	$76.71	651,900	$52

(1) In July 2012, the company announced that its board of directors authorized the company to repurchase up to $2.0 billion of its common stock on the open market or in private transactio During the third quarter of 2014, the company repurchased 0.7 million shares for $50 million under this program. This program does not have an expiration date.

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Item 5. Other Information

The following shareholder litigation notice is related to the proposed settlement of that certain co derivative suit filed in the U.S.D.C. for the Northern District of Illinois described in Note 12 to th company s condensed interim consolidated financial statements included under Part I, Item 1 of 10-Q.

UNITED STATES DISTRICT COURT

NORTHERN DISTRICT OF ILLINOIS

EASTERN DIVISION

WESTMORELAND COUNTY	)	
EMPLOYEE RETIREMENT SYSTEM,	)	Case No. 10 C 6514
Derivatively on Behalf of BAXTER	)	
INTERNATIONAL INC.,	)	
	)	Hon. John J. Tharp, Jr.
Plaintiff,	)	
vs.	)	
	)	
ROBERT L. PARKINSON, *et al.*,	)	
	)	
Defendants,	)	
	)	
- and -	)	
	)	
BAXTER INTERNATIONAL INC.	)	
	)	
Nominal Defendant	)	
	)	

NOTICE OF PROPOSED SETTLEMENT OF DERIVATIVE

ACTION, FINAL SETTLEMENT HEARING, AND RIGHT TO APPEAR

TO: ALL RECORD HOLDERS AND BENEFICIAL OWNERS OF SHARES OF THE CO STOCK OF BAXTER INTERNATIONAL INC. AS OF THE PRELIMINARY APPRO SETTLEMENT, OCTOBER 15, 2014, UPDATED OCTOBER 22, 2014, WHO CONTI HOLD SUCH SHARES

PLEASE READ THIS NOTICE CAREFULLY AND IN ITS ENTIRETY

THE UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF IL
HAS AUTHORIZED THIS NOTICE TO BE SENT TO YOU

THIS IS NOT A SOLICITATION

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This notice (the Notice[1]) advises you of the proposed settlement (the Settlement) of derivative
brought by Lead Plaintiff Westmoreland County Employee Retirement System (Lead Plaintiff
certain current and former directors and officers (Individual Defendants[2]) of Baxter International
Company or Baxter) (collectively with the Individual Defendants, Defendants) in the ab
action (the Action). The parties to the Action have entered into a Stipulation, which is subject
the United States District Court for the Northern District of Illinois (the Court) before becomin
Settlement is approved by the Court, all Released Claims against all of the Released Parties (as th
are defined in the Stipulation) will be dismissed with prejudice.

A hearing (the Settlement Hearing) will be held before the Honorable John J. Tharp, Jr. on Feb
2015 at 10:00 a.m. at Courtroom 1419 of the United States District Court for the Northern Distric
Illinois, Everett McKinley Dirksen United States Courthouse, 219 South Dearborn Street, Chicag
60604, to determine: (i) whether the proposed Settlement should be approved by the Court as fair
reasonable, and adequate; (ii) whether the Action should be dismissed with prejudice; (iii) whethe
should award attorneys fees and reimbursement of expenses for Lead Plaintiff s Counsel, and i
amount; and (iv) to hear such other matters as may properly come before the Court.

This Notice summarizes the nature of the Action, the terms of the proposed Settlement, and your
connection with the Settlement and the Settlement Hearing. Nothing in this Notice constitutes a f
the Court regarding the merits of the claims or defenses asserted by any party, the merits of the S
or any other matter. Nor does it reflect the views of the Court.

The Defendants have denied the allegations against them and continue to deny vigorously any wr
or liability with respect to all claims asserted in the Action. They nonetheless support the Settlem
because they recognize and believe that it is in the Company s best interests to resolve the Actio
considering such factors as the time, expense, and distraction further litigation would cause.

The Court-appointed Lead Plaintiff believes that the proposed Settlement will put in place substa
corporate governance reforms that will significantly assist Baxter in maintaining close oversight
interactions with the United States Food & Drug Administration (the FDA). On March 27, 20
announced its plan to spin off in mid-2015 its BioScience business as a separate global healthcar
focused on innovative biopharmaceuticals. Baxter s Medical Products business will retain the
The corporate governance reforms mentioned above will apply solely to Baxter s Medical Produ
and those obligations shall remain solely and exclusively with Baxter s Medical Products busine
spin-off of the biopharmaceuticals business.

The parties believe that the Settlement is in the best interests of Baxter and its shareholders.

YOU SHOULD READ THIS NOTICE CAREFULLY BECAUSE YOUR LEGAL RIGHTS AFFECTED.

1 All capitalized terms not otherwise defined herein have the same meaning as the terms define Stipulation and Agreement of Settlement (Stipulation).

2 The Individual Defendants are: Walter E. Boomer, Blake E. Devitt, John D. Forsyth, Gail D. James R. Gavin III, Peter S. Hellman, Wayne T. Hockmeyer, Joseph B. Martin, Carole J. Sh Thomas T. Stallkamp, K.J. Storm, Albert P.L. Stroucken, Robert L. Parkinson, Jr., Robert M

Norbert G. Riedel, Joy A. Amundson, Bruce H. McGillivray, and Cheryl L. White.

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I. What Is the Action About?

The Action that is the subject of this Notice seeks recovery on behalf of Baxter based on claims o of fiduciary duty asserted against the Individual Defendants in a consolidated shareholder derivat pending in the United States District Court for the Northern District of Illinois on behalf of Baxte Westmoreland County Employee Retirement System was appointed Lead Plaintiff, and Scott+Sc Attorneys at Law, LLP was appointed Lead Counsel, of the consolidated Action. (Lead Counsel i to herein as Lead Plaintiff s Counsel.)

The Action alleges that the Individual Defendants breached the fiduciary duties they owed to Bax connection with a variety of events, including, among others: (i) the FDA s recall of Baxter s C Volumetric Infusion Pumps; (ii) the discovery of a contaminant in the active pharmaceutical ingr heparin, an anticoagulant sold by Baxter, (iii) alleged misrepresentations relating to Baxter s pla therapies business and Baxter s remediation of the Colleague pump; (iv) a warning letter from th Baxter relating to Baxter s marketing of its Aralast NP product; (v) the discovery of contaminate peritoneal dialysis solutions manufactured by Baxter in Castlebar, Ireland, and (vi) alleged sales c Company stock by certain officers and directors.

II. What Are the Terms of the Proposed Settlement?

The proposed Settlement provides, among other things, that Baxter will spend at least $4 million over the next three years on new initiatives directed to quality and regulatory compliance, as set f Exhibit A hereto.

III. What Are the Reasons for the Settlement?

In recommending that the parties settle at this time under the terms and conditions set forth in the Settlement, Lead Plaintiff s Counsel has weighed the risks of further litigation against the benefi counsel was able to obtain for Baxter and its shareholders pursuant to the Settlement. Lead Plaint Counsel believes that the Settlement confers material benefits upon Baxter and its shareholders. T Settlement has been achieved after significant investigation, analysis, and litigation by Lead Plai Counsel, including the reversal of the Court s dismissal of the case by the Seventh Circuit Court The detailed provisions of the Settlement reflect the results of intensive arm s-length negotiation the parties, as well as the expertise of a corporate governance expert retained by Lead Plaintiff s

The Defendants have denied and continue to deny that they have any liability as a result of any o allegations asserted in the Action or that they engaged in any wrongdoing whatsoever. Baxter and Individual Defendants are entering into the Settlement to enhance Baxter s corporate governance benefit Baxter and its shareholders, and to eliminate the burden, distraction, expense, and uncerta further litigation.

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IV. What Attorneys Fees and Reimbursement of Expenses Will Be Sought?
In the Settlement, the parties agree that Lead Plaintiff s Counsel may request a fee award of not r $3,900,000.00, which includes reimbursement of their costs and expenses, subject to Court appro Plaintiff s Counsel have been retained on a contingent fee basis and, thus, to date they have not b their legal services or reimbursed for expenses they have incurred in connection with the litigatio Action.

The attorneys fees and award of expenses for which Lead Plaintiff s Counsel will seek Court ap the subject of arm s-length negotiations begun after the principal terms of the proposed Settleme agreed upon.

V. What Will Happen at the Settlement Hearing?
The Court has scheduled a Settlement Hearing for February 27, 2015 at 10:00 a.m. At this hearin Court will hear any objections to any aspect of the Settlement raised by any current Baxter shareh or following the hearing, the Court will determine whether the Settlement is fair, reasonable, and and determine whether to enter a final order approving the Settlement. The Court will also consid Plaintiff s Counsel s application for attorneys fees and reimbursement of expenses.

Pending final determination of whether the Settlement should be approved, Lead Plaintiff, Defen all Baxter shareholders are barred and enjoined from instituting or prosecuting any action that ass the Released Claims against any of the Released Parties (as those terms are defined in the Stipula

YOU ARE NOT REQUIRED TO PARTICIPATE IN OR ATTEND THE SETTLEMENT HEA BUT MAY DO SO IF YOU WISH. If you are a current Baxter shareholder, and you wish to exp objection to any portion of the Settlement or Lead Plaintiff s Counsel s application for attorneys reimbursement of expenses, you must send a signed letter or other signed written submission pro detailed statement of your specific objections. Your written objection must: (i) state your name, a telephone number; (ii) provide the number of shares of Baxter common stock you own as of the d submission, accompanied by copies of brokerage statements evidencing such ownership of Baxte stock; and (iii) provide a detailed description of your specific objections to any matter before the the grounds for your objections, and any documents you wish the Court to consider. You must m objection and your supporting papers to the Court and each of the attorneys listed at the addresse below to arrive no later than February 6, 2015. YOUR OBJECTION MUST BE IN WRITING A RECEIVED BY THIS DATE TO BE CONSIDERED. If your objection is not received in a time the Court may deem it waived and may not consider it.

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Court:

Clerk of the Court

United States District Court for the Northern District of Illinois

Everett McKinley Dirksen United States Courthouse

219 South Dearborn Street

Chicago, IL 60604

Lead Plaintiff s Counsel:

Judith S. Scolnick, Esq.

Scott+Scott, Attorneys at Law, LLP

The Chrysler Building

405 Lexington Avenue, 40th Floor

New York, NY 10174

Baxter s Counsel:

Robert J. Kopecky, Esq.

Kirkland & Ellis, LLP

300 North LaSalle

Chicago, IL 60601

Individual Defendants Counsel:

Matthew R. Kipp, Esq.

Skadden, Arps, Slate, Meagher & Flom LLP

155 N. Wacker Drive

Chicago, IL 60606-1720

The Court will consider your written objection whether or not you choose to attend the Settlemen You may also choose to retain your own lawyer at your own expense to represent you with respec objection you may have. If you or your lawyer would like to speak at the Settlement Hearing, you a letter stating that you intend to appear and speak at the Settlement Hearing. The letter must incl

name(s) of your attorney(s) and any witness(es) you may call to testify and must identify any doc
you intend to introduce into evidence at the Settlement Hearing. The letter must also include: (i) y
address, and telephone number; and (ii) the number of shares of Baxter common stock you own a
date of the submission, accompanied by copies of brokerage statements evidencing such ownersh
Baxter common stock. Your letter must be received no later than February 6, 2015 by the Clerk o
Court, Lead Plaintiff s Counsel, and Defendants Counsel at the addresses provided above. The
Settlement Hearing is subject to change without further notice to Baxter shareholders. If you or y
intends to attend the Settlement Hearing, you should confirm the date and time with Lead Plaintif

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VI. What Is the Effect of the Court s Approval of the Settlement?

If the Settlement is approved, the Court will enter a Final Order and Judgment. The Final Order a Judgment (the Judgment) will dismiss the Action with prejudice. The full terms of the dismiss Claims are set forth in the Stipulation. The following is only intended as a summary.

Release of Claims by the Company, any Committees of its Board, Company Stockholders a Plaintiff: Upon the Effective Date, Lead Plaintiff, the Company, any Committees of its Board of and all Company Stockholders (derivatively on behalf of the Company) shall, by operation of the and to the fullest extent allowed by law, (i) release and be deemed to release and forever discharg Released Plaintiff Claims against the Released Defendant Persons, (ii) covenant and be deemed t not to sue any of the Released Defendant Persons with regard to any Released Plaintiff Claims, a (iii) forever be barred and enjoined from asserting any Released Plaintiff Claims against any Rele Defendant Persons.

Released Plaintiff Claims means any and all Claims on behalf of Baxter that (a) have been ass Action, or (b) could have been asserted in this Action, or in any other court action or before any c administrative body, tribunal, arbitration panel, or other adjudicatory body, from January 2008 th date of this Stipulation, that are based upon, arise out of, or relate in any way, directly or indirectl allegations made in, or the subject matters of, this Action. Notwithstanding the foregoing, Releas Claims shall not mean and do not include any claims by the Parties to enforce the terms of this St

Released Defendant Persons means Baxter, all current and former directors of the Company, a Defendants and any of their respective employers, parent entities, controlling persons, principals, or subsidiaries and each of their respective past or present officers, directors, partners, stockholde representatives, employees, attorneys, financial or investment advisors, consultants, accountants, bankers, commercial bankers, agents, heirs, executors, trustees, personal representatives, estates, administrators, predecessors, successors, assigns, insurers, and reinsurers.

Release of Claims by Defendants: Upon the Effective Date, the Company, and committees of it Directors, and the Individual Defendants, by operation of the Judgment and to the fullest extent a law, shall (i) release and be deemed to release and forever discharge the Released Defendant Clai the Released Plaintiff Persons, (ii) covenant and be deemed to covenant not to sue any of the Rel Plaintiff Persons with regard to any Released Defendant Claims, and (iii) forever be barred and e from asserting any Released Defendant Claims against any Released Plaintiff Persons.

Released Defendant Claims means any and all Claims that are based upon or arise out of the i prosecution, or settlement of the claims asserted by the Lead Plaintiff in this Action. Notwithstan foregoing, Released Defendant Claims shall not mean and does not include any claims by the Pa enforce the terms of the Stipulation.

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Released Plaintiff Persons means the Lead Plaintiff and Lead Plaintiff s Counsel.

Unknown Claims means any Released Plaintiff Claims that the Company, any committee of it
Directors, Lead Plaintiff, or any other Company Stockholder does not know or suspect to exist in
its favor at the time of the release of the Released Defendant Persons, and any Released Defendar
that the Company, any committee of its Board, or any of the Defendants does not know or suspec
his, her, or its favor at the time of the release of the Released Plaintiff Persons.

Waiver of Rights Conferred by California Civil Code Section 1542: Plaintiff, the Individual D
the Company, and any committee of its Board of Directors expressly acknowledge, and all Comp
Stockholders shall be deemed to acknowledge, that he, she, they, or it has been advised by his, he
its attorney concerning, and/or is familiar with, the provisions of California Code Section 1542, w
provides:

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES
KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING
RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTEI
HER SETTLEMENT WITH THE DEBTOR.

Plaintiff, the Individual Defendants, the Company, and any committee of its Board of Directors e
acknowledge, and all Company Stockholders shall be deemed to acknowledge: (i) that he, she, th
may hereafter discover facts in addition to those that he, she, they, or it now knows or believes to
with respect to the Action and the Released Plaintiff Claims and Released Defendant Claims, as a
and (ii) that he, she, they, or it may have sustained damages, losses, fees, costs and/or expenses th
presently unknown and unsuspected with respect to Released Plaintiff Claims and Released Defe
Claims, as applicable, and that such damages, losses, fees, costs, and/or expenses as the Plaintiff,
Company, any committee of its Board, the Individual Defendants, and any Company Stockholder
have sustained might give rise to additional damages, losses, fees, costs, and/or expenses in the fu
Nevertheless, the Plaintiff, the Company, any committee of its Board, and the Individual Defenda
expressly acknowledge, and all Company Stockholders shall be deemed to acknowledge, that the
has been negotiated and agreed upon in light of such possible unknown facts and such possible da
losses, fees, costs, and/or expenses, and each expressly waives, or shall be deemed to have waive
all rights under California Civil Code Section 1542 and under any other federal or state statute or
similar effect. Plaintiff, the Company, any committees of its Board, and the Individual Defendant
acknowledge, and all Company Stockholders shall be deemed to have acknowledged, that this wa
separately bargained for and is a material term of the Stipulation.

Since the Company will have released the Released Plaintiff Claims against the Released Defend
Persons, upon the Effective Date, no Company Stockholder will be able to bring another action a
those claims against those persons on behalf of Baxter.

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Pending final determination of whether the Settlement should be approved, all proceedings in the other than such proceedings as may be necessary to carry out the terms and conditions of the Sett have been stayed and suspended until further order of this Court. Pending final determination of Settlement should be approved, Lead Plaintiff, Plaintiff s Counsel, all other Company Stockhold Settling Defendants, the Company, and any committee of its Board, or any of them as applicable, enjoined from filing, commencing, or prosecuting any other lawsuit in any jurisdiction with respe Released Plaintiff Claims or Released Defendant Claims.

Neither the Settlement nor any act performed or document executed pursuant to or in furtherance Settlement or the negotiation thereof, including this Notice, is or may be deemed to be an admissi evidence of, any fault, liability, or omission of any of the Individual Defendants or the Released any proceeding of any kind or nature.

VII. How Do You Get More Information About the Action and the Proposed Settlement?

The foregoing description of the lawsuit, the terms of the proposed Settlement, the Settlement He other matters described herein is only a summary. For the full details of the lawsuit and the terms conditions of the Stipulation, Baxter s shareholders are referred to the Court filings, which may during regular business hours at the Office of the Clerk of the Court, Clerk of the Court, United S District Court for the Northern District of Illinois

Everett McKinley Dirksen United States Courthouse, 219 South Dearborn Street, Chicago, IL 60

PLEASE DO NOT CONTACT THE COURT FOR INFORMATION OR

TELEPHONE THE COURT OR CLERK S OFFICE REGARDING THIS NOTI

Any questions regarding this Notice or the proposed Settlement, or requests to obtain copies of Settlement-related documents, including copies of the papers to be submitted in support of final a the Settlement and the application for attorneys fees and reimbursement of expenses, may be di following Lead Plaintiff s Counsel:

Judith S. Scolnick, Esq.

Scott+Scott, Attorneys at Law, LLP

The Chrysler Building

405 Lexington Avenue, 40th Floor

New York, NY 10174

Email: jscolnick@scott-scott.com

DATE: October 29, 2014

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Item 6. Exhibits
Exhibit Index:

Exhibit Number	Description
15*	Letter Re Unaudited Interim Financial Information
31.1*	Certification of Chief Executive Officer Pursuant to Rule 13a-14(a)/15d-14(a) of t Securities Exchange Act of 1934
31.2*	Certification of Chief Financial Officer Pursuant to Rule 13a-14(a)/15d-14(a) of th Securities Exchange Act of 1934
32.1*	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350
32.2*	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document

* Filed herewith.

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Signature

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

BAXTER INTERNATIONAL INC.
(Registrant)

Date: October 29, 2014

By: /s/ Robert J. Hombach
Robert J. Hombach
Corporate Vice President and Chief F
Officer
(duly authorized officer and principa
officer)