

CORNERSTONE STRATEGIC VALUE FUND INC/ NEW  
Form N-CSR  
March 10, 2006

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 811-05150

CORNERSTONE STRATEGIC VALUE FUND, INC.

(Exact name of registrant as specified in charter)

383 Madison Avenue, New York, New York 10179

(Address of principal executive offices) (Zip code)

Jodi Levine  
383 Madison Avenue, New York, New York 10179

(Name and address of agent for service)

Registrant's telephone number, including area code: (212) 272-3550

Date of fiscal year end: December 31, 2005

Date of reporting period: December 31, 2005

Form N-CSR is to be used by management investment companies to file reports with the Commission not later than 10 days after the transmission to stockholders of any report that is required to be transmitted to stockholders under Rule 30e-1 under the Investment Company Act of 1940 (17 CFR 270.30e-1). The Commission may use the information provided on Form N-CSR in its regulatory, disclosure review, inspection, and policymaking roles.

A registrant is required to disclose the information specified by Form N-CSR, and the Commission will make this information public. A registrant is not required to respond to the collection of information contained in Form N-CSR unless the Form displays a currently valid Office of Management and Budget ("OMB") control number. Please direct comments concerning the accuracy of the information collection burden estimate and any suggestions for reducing the burden to Secretary, Securities and Exchange Commission, 450 Fifth Street, NW, Washington, DC 20549-0609. The OMB has reviewed this collection of information under the clearance requirements of 44 U.S.C. ss. 3507.

ITEM 1. REPORTS TO STOCKHOLDERS.

The report of Cornerstone Strategic Value Fund, Inc. (the "Registrant")

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to stockholders for the year ended December 31, 2005 follows.

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CORNERSTONE STRATEGIC  
VALUE FUND, INC.

ANNUAL REPORT  
DECEMBER 31, 2005

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CORNERSTONE STRATEGIC VALUE FUND, INC.

PORTFOLIO SUMMARY - AS OF DECEMBER 31, 2005 (UNAUDITED)

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SECTOR ALLOCATION	
Sector	Percent of Net Assets
Financials	20.0
Information Technology	15.1
Healthcare	12.6
Consumer Discretionary	10.7
Industrials	10.5
Consumer Staples	10.3
Energy	9.1
Utilities	3.5
Telecommunication Services	2.9
Materials	2.3
Closed-End Domestic Funds	2.2
Other	0.8

TOP TEN HOLDINGS, BY ISSUER

Holding	Sector	Percent of Net Assets
1. General Electric Co.	Industrials	3.6
2. Exxon Mobil Corp.	Energy	3.4

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3. Microsoft Corp.	Information Technology	2.7
4. Citigroup Inc.	Financials	2.6
5. Procter & Gamble Co. (The)	Consumer Staples	2.2
6. EMC Corp.	Information Technology	2.1
7. Bank of America Corp.	Financials	1.8
8. American International Group, Inc.	Financials	1.8
9. Johnson & Johnson	Healthcare	1.8
10. Pfizer Inc.	Healthcare	1.7

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CORNERSTONE STRATEGIC VALUE FUND, INC.

SUMMARY SCHEDULE OF INVESTMENTS - DECEMBER 31, 2005

Description	No. of Shares	Value
EQUITY SECURITIES - 99.39%		
CLOSED-END DOMESTIC FUNDS - 2.21%		
Tri-Continental Corp.	77,000	\$ 1,430,660
Zweig Fund, Inc.	176,600	932,448
Other Closed-End Domestic Funds (a)		724,845
		3,087,953
CONSUMER DISCRETIONARY - 10.67%		
Comcast Corp., Class A +	35,037	909,561
eBay, Inc. +	19,000	821,750
Home Depot, Inc. (The)	30,600	1,238,688
Time Warner Inc.	76,000	1,325,440
Other Consumer Discretionary (a)		10,610,494
		14,905,933
CONSUMER STAPLES - 10.33%		
Altria Group, Inc.	29,300	2,189,296
Coca-Cola Co. (The)	32,500	1,310,075
PepsiCo, Inc.	24,800	1,465,184
Procter & Gamble Co. (The)	53,297	3,084,830
Wal-Mart Stores, Inc.	39,800	1,862,640
Other Consumer Staples (a)		4,526,042

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		----- 14,438,067 -----
ENERGY - 9.12%		
ChevronTexaco Corp.	27,532	1,562,992
ConocoPhillips	17,974	1,045,727
Exxon Mobil Corp.	84,000	4,718,280
Schlumberger Ltd.	11,000	1,068,650
Other Energy (a)		4,344,949
		----- 12,740,598 -----
FINANCIALS - 19.96%		
American International Group, Inc.	37,531	2,560,740
Bank of America Corp.	55,616	2,566,678
Citigroup Inc.	74,300	3,605,779
Freddie Mac	14,500	947,575

Description	No. of Shares	Value
-----		
FINANCIALS (CONTINUED)		
Goldman Sachs Group, Inc. (The)	7,300	\$ 932,283
JPMorgan Chase & Co.	48,332	1,918,297
Morgan Stanley	15,500	879,470
U.S. Bancorp ^	28,401	848,906
Wachovia Corp. ^	22,600	1,194,636
Wells Fargo & Co.	24,200	1,520,486
Other Financials (a)		10,908,663
		----- 27,883,513 -----
HEALTHCARE - 12.62%		
Abbott Laboratories ^	21,000	828,030
Amgen Inc. +	18,900	1,490,454
Eli Lilly & Co.	14,500	820,555
Johnson & Johnson	40,900	2,458,090
Medtronic, Inc.	21,500	1,237,755
Merck & Co. Inc.	28,000	890,680
Pfizer Inc. ^	99,660	2,324,071
UnitedHealth Group Inc.	23,000	1,429,220
Wyeth	19,200	884,544
Other Healthcare (a)		5,268,027
		----- 17,631,426 -----
INDUSTRIALS - 10.44%		
Boeing Company (The)	11,700	821,808
General Electric Co.	141,700	4,966,585
Tyco International Ltd.	33,397	963,837
United Parcel Service, Inc., Class B	16,300	1,224,945
Other Industrials (a)		6,604,458
		----- 14,581,633 -----

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INFORMATION TECHNOLOGY - 15.10%		
Cisco Systems, Inc. +	96,400	1,650,368
Dell Inc. +	29,700	890,703
EMC Corp. +	212,648	2,896,266
Intel Corp.	82,500	2,059,200
International Business Machines Corp.	21,000	1,726,200

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See accompanying notes to financial statements  
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CORNERSTONE STRATEGIC VALUE FUND, INC.

SUMMARY SCHEDULE OF INVESTMENTS - DECEMBER 31, 2005 (CONTINUED)  
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Description	No. of Shares	Value
-----		
INFORMATION TECHNOLOGY (CONTINUED)		
Microsoft Corp.	142,100	\$ 3,715,915
QUALCOMM Inc. ^	21,000	904,680
Other Information Technology (a)		7,254,019
		-----
		21,097,351
		-----
MATERIALS - 2.28%		
Total Materials (a)		3,177,109
		-----
REAL ESTATE INVESTMENT TRUSTS - 0.22%		
Total Real Estate Investment Trusts (a)		306,520
		-----
TELECOMMUNICATION SERVICES - 2.92%		
AT&T Inc.	48,364	1,184,434
Sprint Corp.	38,446	898,099
Verizon Communications Inc. ^	37,100	1,117,452
Other Telecommunication Services (a)		875,700
		-----
		4,075,685
		-----
UTILITIES - 3.52%		
Total Utilities (a)		4,926,918
		-----
TOTAL EQUITY SECURITIES (cost - \$126,420,026)		138,852,706
		-----

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Description	Principal Amount (000's)	Value
SHORT-TERM INVESTMENTS - 2.11%		
REPURCHASE AGREEMENTS - 2.11%		
Bear, Stearns & Co. Inc.* (Agreement dated 12/31/05 to be repurchased at \$2,945,898) (b)	\$ 2,945	\$ 2,944,899
TOTAL SHORT-TERM INVESTMENTS (cost - \$2,944,899)		2,944,899
TOTAL INVESTMENTS - 101.50% (cost - \$129,364,925)		141,797,605
LIABILITIES IN EXCESS OF OTHER ASSETS - (1.50)%		(2,091,489)
NET ASSETS - 100.00%		\$ 139,706,116

See accompanying notes to financial statements.

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CORNERSTONE STRATEGIC VALUE FUND, INC.

STATEMENT OF ASSETS AND LIABILITIES - DECEMBER 31, 2005

ASSETS

Investments, at value, including collateral for securities on loan of \$1,708,575 (Cost \$129,364,925) (1)	\$ 141,797,605
Receivables:	
Securities sold	178,970
Dividends	177,445
Interest	4,855
Prepaid expenses	1,994
Total Assets	142,160,869

LIABILITIES

Payables:	
Upon return of securities loaned	1,708,575
Securities purchased	537,266
Investment management fees	114,157
Directors' fees	28,161
Other accrued expenses	66,594
Total Liabilities	2,454,753

NET ASSETS (applicable to 24,710,305 shares of common stock outstanding)	\$ 139,706,116
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NET ASSET VALUE PER SHARE (\$139,706,116 / 24,710,305)	\$ 5.65
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NET ASSETS CONSISTS OF

Capital stock, \$0.001 par value; 24,710,305 shares issued and outstanding (100,000,000 shares authorized)	\$ 24,710
Paid-in capital	159,540,411
Cost of 2,239,440 shares repurchased	(26,999,661)
Accumulated net realized loss on investments	(5,292,024)
Net unrealized appreciation in value of investments	12,432,680
Net assets applicable to shares outstanding	\$ 139,706,116

See accompanying notes to financial statements.

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CORNERSTONE STRATEGIC VALUE FUND, INC.

STATEMENT OF OPERATIONS - FOR THE YEAR ENDED DECEMBER 31, 2005

INVESTMENT INCOME

Income:	
Dividends (net of foreign taxes withheld of \$428)	\$ 2,506,367
Securities lending	38,615
Interest	34,513
Total Investment Income	2,579,495



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Expenses:	
Investment management fees	1,446,817
Administration fees	144,796
Legal and audit fees	113,957
Directors' fees	108,000
Printing	41,533
Accounting fees	40,933
Custodian fees	26,072
Transfer agent fees	22,999
Stock exchange listing fees	16,087
Insurance	7,199
Miscellaneous	4,000
	-----
Total Expenses	1,972,393
Less: Management fee waivers	(153,244)
Less: Fees paid indirectly	(74,407)
	-----
Net Expenses	1,744,742
	-----
Net Investment Income	834,753
	-----
NET REALIZED AND UNREALIZED GAIN ON INVESTMENTS	
Net realized gain from investments	27,008,793
Net change in unrealized appreciation in value of investments	(22,438,516)
	-----
Net realized and unrealized gain on investments	4,570,277
	-----
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	\$ 5,405,030
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See accompanying notes to financial statements.

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CORNERSTONE STRATEGIC VALUE FUND, INC.

STATEMENT OF CHANGES IN NET ASSETS  
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	For the Years Ended December 31,	
	2005	2004
	-----	-----
INCREASE/(DECREASE) IN NET ASSETS		
Operations:		
Net investment income	\$ 834,753	\$ 646,242
Net realized gain/(loss) from investments	27,008,793	(127,914)
Net change in unrealized appreciation in value of investments	(22,438,516)	12,198,020

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Net increase in net assets resulting from operations	5,405,030	12,716,348
Dividends and distributions to shareholders:		
Net investment income	(980,195)	(729,442)
Net realized capital gains	(24,369,995)	--
Return-of-capital	--	(13,677,285)
Total dividends and distributions to shareholders	(25,350,190)	(14,406,727)
Capital stock transactions:		
Net assets received in conjunction with Merger Agreement	--	127,962,525
Proceeds from 832,602 and 263,935 shares newly issued in reinvestment of dividends and distributions, respectively	4,961,290	1,852,533
Net increase in net assets resulting from capital stock transactions	4,961,290	129,815,058
Total increase/(decrease) in net assets	(14,983,870)	128,124,679
NET ASSETS		
Beginning of year	154,689,986	26,565,307
End of year	\$ 139,706,116	\$ 154,689,986

See accompanying notes to financial statements  
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CORNERSTONE STRATEGIC VALUE FUND, INC.

FINANCIAL HIGHLIGHTS

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

	2005	For the Years Ended December 2004	2003	2002
PER SHARE OPERATING PERFORMANCE				

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Net asset value, beginning of year	\$ 6.48	\$ 6.90	\$ 6.41	\$ 9
	-----	-----	-----	-----
Net investment income/(loss) #	0.03	0.05	0.04	(0)
Net realized and unrealized gain/(loss) on investments and foreign currency related translations	0.18	0.55	1.44	(2)
	-----	-----	-----	-----
Net increase/(decrease) in net assets resulting from operations	0.21	0.60	1.48	(2)
	-----	-----	-----	-----
Dividends and distributions to shareholders:				
Net investment income	(0.04)	(0.05)	(0.04)	—
Net realized gain on investments and foreign currency related transactions	(1.00)	--	--	—
Return-of-capital	--	(0.99)	(0.95)	(0)
	-----	-----	-----	-----
Total dividends and distributions to shareholders	(1.04)	(1.04)	(0.99)	(0)
	-----	-----	-----	-----
Capital stock transactions:				
Anti-dilutive effect due to capital stock repurchased	--	--	--	0
Anti-dilutive/(dilutive) effect due to shares issued in reinvestment of dividends and distributions	--	0.02	--	(0.
	-----	-----	-----	-----
Total capital stock transactions	--	0.02	--	0.
	-----	-----	-----	-----
Net asset value, end of year	\$ 5.65	\$ 6.48	\$ 6.90	\$ 6.
	=====	=====	=====	=====
Market value, end of year	\$ 7.05	\$ 8.51	\$ 9.00	\$ 5.
	=====	=====	=====	=====
Total investment return (a)	(1.32)%	8.38%	77.69%	(20.
	=====	=====	=====	=====
RATIOS/SUPPLEMENTAL DATA				
Net assets, end of year (000 omitted)	\$ 139,706	\$ 154,690	\$ 26,565	\$ 24
Ratio of expenses to average net assets, net of fee waivers, if any (b)	1.20%	1.28%	1.20%	
Ratio of expenses to average net assets, excluding fee waivers, if any (c)	1.36%	1.50%	1.59%	
Ratio of expenses to average net assets, net of fee waivers, if any (c)	1.26%	1.36%	1.25%	
Ratio of net investment income/(loss) to average net assets	0.58%	0.73%	0.68%	(
Portfolio turnover rate	21.60%	39.05%	11.88%	2

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See accompanying notes to financial statements.

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CORNERSTONE STRATEGIC VALUE FUND, INC.

NOTES TO FINANCIAL STATEMENTS  
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NOTE A. SIGNIFICANT ACCOUNTING POLICIES

Cornerstone Strategic Value Fund, Inc. (the "Fund") was incorporated in Maryland

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on May 1, 1987 and commenced investment operations on June 30, 1987. Its investment objective is to seek long-term capital appreciation through investment in equity securities of companies listed in the United States. The Fund is registered under the Investment Company Act of 1940, as amended, as a closed-end, diversified management investment company. On June 25, 2004, the Fund consummated tax-free mergers with Progressive Return Fund, Inc. ("PGF") and Investors First Fund, Inc. ("MGC") (collectively, the "Predecessor Funds"). Pursuant to the terms of the agreements governing the mergers, each share of common stock of the Predecessor Funds was converted into an equivalent dollar amount of full shares of common stock of the Fund, based on the net asset values of the Fund, MGC and PGF as of June 25, 2004 (\$6.47, \$10.42 and \$20.96, respectively), resulting in a conversion ratio of 1.6094 and 3.2378 shares of the Fund for each share of MGC and PGF, respectively. This resulted in the issuance of 15,955,350 and 3,808,891 Fund shares for MGC and PGF, respectively. Cash was paid in lieu of fractional shares. Net assets of the Fund, MGC and PGF as of the merger date were \$25,105,399, \$103,302,250 and \$24,660,275, including unrealized appreciation/(depreciation) of \$2,516,413, \$23,078,675 and \$(2,519,953), respectively. In addition, PGF's net assets included undistributed capital losses of \$13,754,555. Total net assets after the merger were \$153,067,924.

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. Securities and assets for which market quotations are not readily available are valued at their fair value as determined in good faith under procedures established by and under the general supervision of the Board. Fair valuation methodologies and procedures may include, but are not limited to: analysis and review of financial and non-financial information about the company; comparisons to the valuation and changes in valuation of similar securities, including reference to special reports prepared by analysts and or reports published in the financial press, the financial conditions and prospects of the issuer available, including considering any recent management or capital structure changes or other recent events that may impact the price of the security; and evaluation of any other information that could be indicative of the value of the security. At December 31, 2005, the Fund held no securities valued in good faith by the Board of Directors. The net asset value per share of the Fund is calculated weekly and on the last business day of the month with the exception of those days on which the American Stock Exchange, LLC is closed.

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CORNERSTONE STRATEGIC VALUE FUND, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
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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.

DISTRIBUTIONS OF INCOME AND GAINS: Effective June 25, 2002, the Fund initiated a fixed, monthly distribution to shareholders. To the extent that these distributions exceed the current earnings of the Fund, the balance will be generated from sales of portfolio securities held by the Fund, which will either be short-term or long-term capital gains or a tax-free return-of-capital. 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.

NOTE B. AGREEMENTS

Cornerstone serves as the Fund's Investment Manager with respect to all investments. As compensation for its investment management services, Cornerstone

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receives from the Fund, an annual fee, calculated weekly and paid monthly, equal to 1.00% of the Fund's average weekly net assets. During the year ended December 31, 2005, Cornerstone volun-

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CORNERSTONE STRATEGIC VALUE FUND, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
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tarily agreed to waive its management fees from the Fund to the extent that monthly operating expenses exceed a rate of 0.10% of average net assets calculated monthly. For the year 2006, Cornerstone undertakes to waive its advisory fees to the extent that the Fund's net monthly operating expenses (including basic legal fees but excluding other legal expenses) exceed a specified rate of average net assets of 0.10%. For the year ended December 31, 2005, Cornerstone earned \$1,446,817 for investment management services, of which it waived \$153,244. 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 \$74,407 arising from credits earned on portfolio transactions executed with a broker, pursuant to a directed brokerage arrangement.

The Fund paid or accrued approximately \$95,955 for the year ended December 31, 2005 for legal services to Blank Rome LLP ("Blank"), counsel to the Fund. Thomas R. Westle, partner of Blank, serves as Secretary of the Fund.

### NOTE C. INVESTMENT IN SECURITIES

For the year ended December 31, 2005, purchases and sales of securities, other than short-term investments, were \$31,215,063 and \$51,120,254 respectively.

### NOTE D. SECURITIES LENDING

To generate additional income, the Fund may lend up to 10% of its total assets. The Fund receives payments from borrowers equivalent to the dividends and interest that would have been earned on securities lent while simultaneously seeking to earn interest on the investment of cash collateral. Loans are subject to termination by the Fund or the borrower at any time, and are, therefore, not considered to be illiquid investments. Loans of securities are required at all times to be secured by collateral equal to at least 100% of the market value of securities on loan. However, in the event of default or bankruptcy of the other party to the agreement, realization and/or retention of the collateral may be subject to legal proceedings. In the event that the borrower fails to return securities, and collateral maintained by the lender is insufficient to cover the value of loaned securities, the borrower is obligated to pay the amount of the shortfall (and interest thereon) to the Fund. However, there can be no assurance the Fund can recover this amount. The value of securities on loan to brokers at December 31, 2005, was \$1,685,896.

During the year ended December 31, 2005, the Fund earned \$38,615 in securities lending income which is included under the caption Interest in the Statement of Operations.

### NOTE E. 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

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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 character of dividends and distributions paid during the years ended December 31, for the Fund were as follows:

ORDINARY INCOME		RETURN-OF-CAPITAL	
2005	2004	2005	2004
\$980,195	\$729,442	--	\$13,677,285
LONG-TERM CAPITAL GAINS			
2005		2004	
\$24,369,995		--	

At December 31, 2005, the components of distributable earnings on a tax basis, for the Fund were as follows:

Accumulated net realized loss	\$ (5,292,024)
Unrealized appreciation	12,432,680
Total distributable earnings	\$ 7,140,656

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CORNERSTONE STRATEGIC VALUE FUND, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

The Fund reclassified \$145,442 from distributions in excess of net investment income and \$34,657 from accumulated net realized loss to paid-in capital to adjust for certain permanent book/tax differences. Under current tax law, certain capital losses realized after October 31 within a taxable year may be deferred and treated as occurring on the first day of the following tax year ("Post-October losses"). For the tax period ended December 31, 2005, the Fund did not incur Post-October losses. At December 31, 2005, the Fund had a capital loss carryforward for U.S. federal income tax purposes of \$5,292,024 of which \$2,547,381 expires in 2008, \$1,281,365 expires in 2009, \$693,207 expires in 2010, \$635,700 expires in 2011 and \$134,371 expires in 2012. At December 31, 2005, 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 appreciation from investments were \$129,364,925, \$18,929,755, \$(6,497,075) and \$12,432,680, respectively.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors  
Cornerstone Strategic Value Fund, Inc.  
New York, New York

We have audited the accompanying statement of assets and liabilities of Cornerstone Strategic Value Fund, Inc., including the schedule of investments as of December 31, 2005, and the related statement of operations for the year then ended, the statement of changes in net assets for each of the two years in the period then ended, and the financial highlights for each of the four 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. The financial highlights for the year ended December 31, 2001 have been audited by other auditors, whose report dated February 8, 2002 expressed an unqualified opinion on such financial highlights.

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. We were not engaged to perform an audit of the Fund's 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. Our procedures included confirmation of securities owned as of December 31, 2005 by correspondence with the custodian and brokers. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our 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 Cornerstone Strategic Value Fund, Inc. as of December 31, 2005, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended, and the financial highlights for each of the four 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 7, 2006



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2005 TAX INFORMATION (UNAUDITED)

Cornerstone Strategic Value Fund, Inc. (the "Fund") is required by Subchapter M of the Internal Revenue Code of 1986, as amended, to advise its shareholders within 60 days of the Fund's year end (December 31, 2005) as to the U.S. federal tax status of the dividends and distributions received by the Fund's shareholders in respect of such fiscal year. During the year ended December 31, 2005 the following dividends and distributions per share were paid by the Fund:

SOURCES OF DIVIDENDS AND DISTRIBUTIONS  
(PER SHARE AMOUNTS)

PAYMENT DATES:	1/31/05	2/28/05	3/31/05	4/29/05	5/31/05	6/30/05
	-----	-----	-----	-----	-----	-----
Ordinary Income(1)	\$ 0.003	\$ 0.003	\$ 0.003	\$ 0.003	\$ 0.003	\$ 0.003
Long-term Capital Gains(2)	\$ 0.084	\$ 0.084	\$ 0.084	\$ 0.084	\$ 0.084	\$ 0.084
	-----	-----	-----	-----	-----	-----
Total:	\$ 0.087	\$ 0.087	\$ 0.087	\$ 0.087	\$ 0.087	\$ 0.087
	=====	=====	=====	=====	=====	=====

  

PAYMENT DATES:	7/31/05	8/31/05	9/30/05	10/31/05	11/30/05	12/31/05
	-----	-----	-----	-----	-----	-----
Ordinary Income(1)	\$ 0.003	\$ 0.003	\$ 0.003	\$ 0.003	\$ 0.003	\$ 0.003
Long-term Capital Gains(2)	\$ 0.084	\$ 0.084	\$ 0.084	\$ 0.084	\$ 0.084	\$ 0.084
	-----	-----	-----	-----	-----	-----
Total:	\$ 0.087	\$ 0.087	\$ 0.087	\$ 0.087	\$ 0.087	\$ 0.087
	=====	=====	=====	=====	=====	=====

The Fund has met the requirements to pass through all of its (100%) ordinary income dividends as qualified dividends, which are subject to a maximum federal tax rate of 15%. This is reported in Box 1b on Form 1099-DIV. Ordinary income dividends should be reported as dividend income on Form 1040. Please note that to utilize the lower tax rate for qualifying dividend income, shareholders generally must have held their shares in the Fund for at least 61 days during the 121 day period beginning 60 days before the ex-dividend date.

Long-term capital gain distributions arise from gains on securities held by the Fund for more than one year. They are subject to a maximum federal rate of 15%.

Foreign shareholders will generally be subject to U.S. withholding tax on the amount of their distribution(s).

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

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

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

NAME AND ADDRESS (AGE) *	POSITION(S) HELD WITH FUND	PRINCIPAL OCCUPATION OVER LAST 5 YEARS	POSITION WITH FUND SINCE
Ralph W. Bradshaw** (55)	Chairman of the Board of Directors and President	President, Cornerstone Advisors, Inc.; Financial Consultant; previous Director of The Austria Fund, Inc.; President and Director of Cornerstone Total Return Fund, Inc.	1998
William A. Clark** (60)	Director and Vice President	Director and Stockholder of Cornerstone Advisors, Inc., former financial consultant of Deep Discount Advisors, Inc.; previous Director of The Austria Fund, Inc.; Director of Cornerstone Total Return Fund, Inc.	2004
Glenn W. Wilcox, Sr. (74)	Director; Audit Committee Chairman, Nominating and Corporate Governance Committee Member	Chairman of the Board and Chief Executive Officer of Wilcox Travel Agency, Inc.; Director, Champion Industries, Inc.; Chairman of Tower Associates, Inc. (a real estate venture); Director of Wachovia Corp. WNC Regional Advisory Board; Director and Chairman of Audit Committee of Cornerstone Total Return Fund, Inc.	2000
Thomas H. Lenagh (83)	Director; Audit, Nominating and Corporate Governance Committee Member	Chairman of the Board of Photonics Products Group; Independent Financial Adviser; Director of The Adams Express Company and Petroleum and Resources Corporation; Director of Cornerstone Total Return Fund, Inc.	1987
Edwin Meese III (74)	Director; Audit, Nominating and Corporate Governance Committee Member	Distinguished Fellow, The Heritage Foundation, Washington D.C.; Distinguished Visiting Fellow at the Hoover Institution, Stanford University; Senior Adviser, Revelation L.P .; formerly U.S. Attorney General under President Ronald Reagan; Director of Carrington Laboratories Inc.; Director of Cornerstone Total Return Fund, Inc.	2001

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

NAME AND ADDRESS (AGE) *	POSITION(S) HELD WITH FUND	PRINCIPAL OCCUPATION OVER LAST 5 YEARS	POSITION WITH FUND SINCE
Scott B. Rogers (50)	Director; Audit, Nominating and Corporate Governance Committee Member	Chief Executive Officer, Asheville Buncombe Community Christian Ministry; President, ABCCM Doctor's Medical Clinic; Appointee, NC Governor's Commission on Welfare to Work; Chairman and Director, Recycling Unlimited; Director of A-B Vision Board, Interdenominational Ministerial Alliance, Faith Partnerships, Inc.; Director of Cornerstone Total Return Fund, Inc.	2000
Andrew A. Strauss (52)	Director; Chairman of Nominating and Corporate Governance Committees and Audit Committee Member	Attorney and senior member of Strauss & Associates, P.A., Attorneys, Asheville and Hendersonville, NC; previous President of White Knight Healthcare, Inc. and LMV Leasing, Inc., a wholly owned subsidiary of Xerox Credit Corporation; Director of Memorial Mission Hospital Foundation, Deerfield Episcopal Retirement Community and Asheville Symphony; Director of Cornerstone Total Return Fund, Inc.	2000

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

NAME AND ADDRESS (AGE) *	POSITION HELD WITH FUND	PRINCIPAL OCCUPATION OVER LAST 5 YEARS
Gary A. Bentz** (49)	Chief Compliance Officer	Chief Financial Officer, Chairman and Stockholder of Cornerstone Advisors, Inc.; previous Director, Vice President and Treasurer of the Fund and Cornerstone Total Return Fund; previous Director of The Austria Fund, Inc., Financial Consultant, Certified Public Accountant; Chief Compliance Officer of Cornerstone Total Return Fund, Inc.

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Thomas R. Westle 405 Lexington Avenue New York, NY 10174 (52)	Secretary	Partner, Blank Rome LLP, a law firm; previous partner, Spitzer & Feldman P.C., a law firm.
Jodi B. Levine (36)	Treasurer	Associate Director, Bear Stearns & Co. Inc.

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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 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 distribution, 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 Distribution 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

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DESCRIPTION OF DIVIDEND REINVESTMENT PLAN (UNAUDITED) (CONCLUDED)

Fund. Each participant's account will be charged a pro-rata share of brokerage commissions incurred with respect to the Agent's Open Market Purchases in connection with the reinvestment of 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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PROXY VOTING AND PORTFOLIO HOLDINGS INFORMATION (UNAUDITED)

Information regarding how the Cornerstone Strategic Value Fund, Inc. (the "Fund") voted proxies related to its portfolio securities during the 12-month period ended June 30 of each year as well as the policies and procedures that the Fund 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>. This report incorporates a Summary Schedule of Investments for the Fund. A complete Schedule of Investments for the Fund may be obtained free of charge by contacting the Fund at (212) 272-3550.

The Fund files a complete schedule of its portfolio holdings for the first and third quarters of its fiscal year with the SEC on Form N-Q. The Fund's Forms N-Q are available on the SEC's website at <http://www.sec.gov> and may be reviewed and copied at the SEC's Public Reference Room in Washington, DC. Information on the operation of the SEC's Public Reference Room may be obtained by calling 1-800-SEC-0330.

PRIVACY POLICY NOTICE (UNAUDITED)

The following is a description of Cornerstone Strategic Value 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 trans- actions 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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SUMMARY OF GENERAL INFORMATION (UNAUDITED)

The Fund - Cornerstone Strategic Value Fund, Inc. is a closed-end, diversified investment company whose shares trade on the American Stock Exchange, LLC. Its investment objective is to seek long-term capital appreciation through investment in equity securities of companies listed 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 "CLM"). The share price is published in: THE NEW YORK TIMES (daily) under the designation "CornerStrt" and THE WALL STREET JOURNAL (daily) and BARRON'S (each Monday) under the designation "CornstnStrat." The net asset value per share is available weekly and may be obtained by contacting the Fund at the general inquiry phone number.

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NOTICE IS HEREBY GIVEN IN ACCORDANCE WITH SECTION 23(C) OF THE INVESTMENT COMPANY ACT OF 1940, AS AMENDED, THAT CORNERSTONE STRATEGIC VALUE FUND, INC. MAY FROM TIME TO TIME PURCHASE SHARES OF ITS CAPITAL STOCK IN THE OPEN MARKET.  
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This report, including the financial statements herein, is sent to the shareholders of the Fund for their information. It is not a prospectus, circular or representation intended for use in the purchase or sale of shares of the Fund or of any securities mentioned in the report.  
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CORNERSTONE STRATEGIC VALUE FUND, INC.

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DIRECTORS AND CORPORATE OFFICERS

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

INVESTMENT MANAGER	STOCK TRANSFER AGENT AND REGISTRAR
Cornerstone Advisors, Inc. One West Pack Square Suite 1650 Asheville, NC 28801	American Stock Transfer & Trust Co. 59 Maiden Lane New York, NY 10038

ADMINISTRATOR	INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM
Bear Stearns Funds Management Inc. 383 Madison Avenue New York, NY 10179	Tait, Weller & Baker, LLP 1818 Market Street Suite 2400 Philadelphia, PA 19103

CUSTODIAN	LEGAL COUNSEL
Custodial Trust Company 101 Carnegie Center Princeton, NJ 08540	Blank Rome LLP 405 Lexington Avenue New York, NY 10174

EXECUTIVE OFFICES  
383 Madison Avenue  
New York, NY 10179

For shareholder inquiries, registered shareholders should call (800) 937-5449.  
For general inquiries, please call (212) 272-3550.

AMERICAN  
STOCK EXCHANGE(R)  
LISTED  
CLM(tm)

## ITEM 2. CODE OF ETHICS.

(a) As of the end of the period covered by this report, the Registrant has adopted a code of ethics that applies to the Registrant's principal executive officer, principal accounting officer, and persons performing similar functions.

(c) and (d). During the period covered by this report, there was no amendment to, and no waiver granted from, any provision of the code of ethics that applies to the Registrant's principal executive officer, principal accounting officer, and persons performing similar functions.

(f)(1) Pursuant to Item 12(a), the Registrant is attaching as an exhibit



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(EX-99.CODE ETH) a copy of its code of ethics that applies to its principal executive officer, principal financial officer, and persons performing similar functions.

### ITEM 3. AUDIT COMMITTEE FINANCIAL EXPERT.

(a)(1) The registrant's board of directors has determined that it does not have an audit committee financial expert serving on its audit committee.

(a)(2) Not applicable

(a)(3) At this time, the registrant believes that the experience provided by each member of the audit committee together offer the registrant adequate oversight for the registrant's level of financial complexity.

### ITEM 4. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

(a) through (d). The information in the table below is provided for services rendered to the registrant by its independent registered public accounting firm, Tait, Weller & Baker, LLP, for the Registrant's fiscal years ended December 31, 2005 and December 31, 2004.

	2005	2004
	-----	-----
Audit Fees	\$15,600	\$15,000
Audit-related Fees	--	--
Tax (1)	\$ 3,100	\$ 3,000
Other	--	\$ 4,250*
	-----	-----
Total	\$18,700	\$22,250
	=====	=====

(1) Tax services in connection with the registrant's excise tax calculations and review of the registrant's applicable tax returns.

\* These fees are related to the mergers of Progressive Return Fund, Inc. and Investors First Fund, Inc. with and into Cornerstone Strategic Value Fund, Inc.

(e)(1) Audit Committee Pre-Approval Policies and Procedures.

Before the auditor is (i) engaged by the Registrant to render audit, audit related or permissible non-audit services to the Registrant or (ii) with respect to non-audit services to be provided by the auditor to the Registrant's investment adviser or any entity in the investment Registrant complex, if the nature of the services provided relate directly to the operations or financial reporting of the Registrant, either: (a) the Audit Committee shall pre-approve such engagement; or (b) such engagement shall be entered into pursuant to pre-approval policies and procedures established by the Audit Committee. Any such policies and procedures must be detailed as to the particular service and not involve any delegation of the Audit Committee's responsibilities to the Registrant's investment adviser. The Audit Committee may delegate to one or more of its members the authority to grant pre-approvals. The pre-approval policies and procedures shall include the requirement that the decisions of any member to whom authority is delegated under this provision shall be presented to the full Audit Committee at its next scheduled meeting. Under certain limited circumstances, pre-approvals are not required if certain de minimis thresholds are not exceeded, as such thresholds are set forth by the Audit Committee and in accordance with applicable SEC rules and regulations.

(e)(2) None of the services provided to the Registrant described in paragraphs (b)-(d) of Item 4 were pre-approved by the Audit Committee pursuant to paragraph (c)(7)(i)(C) of Rule 2-01 of regulation S-X.

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(f) No disclosures are required by this Item 4(f).

(g) There were no non-audit fees billed by Tait, Weller & Baker LLP for services rendered to the Registrant, the Registrant's investment advisor (not including any sub-advisor whose role is primarily portfolio management and is subcontracted with or overseen by another investment advisor) or any entity controlling, controlled by, or under common control with the investment advisor that provides ongoing services to the Registrant for the Registrant's last two fiscal years (December 31, 2004 and December 31, 2005).

(h) No disclosures are required by this Item 4(h).

### ITEM 5. AUDIT COMMITTEE OF LISTED REGISTRANTS.

(a) The Registrant has a separately-designated standing audit committee established in accordance with Section 3(a)(58)(A) of the Securities and Exchange Act of 1934, as amended. Glenn Wilcox (Chair), Edwin Meese, Thomas Lenagh, Andy Strauss and Scott Rogers are the members of the Registrant's audit committee.

(b) Not applicable.

### ITEM 6. SCHEDULE OF INVESTMENTS.

#### CORNERSTONE STRATEGIC VALUE FUND, INC. SCHEDULE OF INVESTMENTS -- DECEMBER 31, 2005

EQUITY SECURITIES - 99.39%	SHARES	VALUE
	-----	-----
CLOSED-END DOMESTIC FUNDS - 2.21%		
Adams Express Co.	49,500	\$ 621,225
General American Investors Company, Inc.	3,000	103,620
Tri-Continental Corp.	77,000	1,430,660
Zweig Fund, Inc.	176,600	932,448
		-----
		3,087,953
		=====
CONSUMER DISCRETIONARY - 10.67%		
Acco Brands Corporation	235	5,757
Bed Bath & Beyond Inc. +	4,200	151,830
Best Buy Co., Inc. ^	7,125	309,795
Black & Decker Corp.	3,000	260,880
Carnival Corp.	11,800	630,946
CCE Spinco, Inc. + ^^	1,100	14,410
Circuit City Stores, Inc.	5,000	112,950
Clear Channel Communications, Inc.	8,800	276,760
Comcast Corp., Class A +	35,037	909,561
D.R. Horton, Inc.	7,000	250,110
Eastman Kodak Co.	1,400	32,760
eBay, Inc. +	19,000	821,750
Federated Department Stores, Inc.	5,526	366,540
Ford Motor Company	26,300	203,036
Fortune Brands, Inc.	3,500	273,070
Gannett Co., Inc.	6,000	363,420
Gap, Inc. (The) ^	12,200	215,208

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Goodyear Tire & Rubber Company (The) + ^	4,500	78,210
Harley-Davidson, Inc. ^	4,400	226,556
Hilton Hotels Corp.	11,200	270,032
Home Depot, Inc. (The)	30,600	1,238,688
J.C. Penney Company, Inc.	4,500	250,200
Kohl's Corp. + ^	5,000	243,000
Lowe's Companies, Inc. ^	11,200	746,592
Marriott International, Inc., Class A	2,100	140,637
Mattel, Inc.	5,500	87,010
McDonald's Corp. ^	17,600	593,472
News Corporation, Class A	30,000	466,500
NIKE, Inc., Class B	2,300	199,617
Omnicom Group Inc.	4,100	349,033
Reebok International Ltd.	1,500	87,345
Sears Holdings Corp. +	503	58,112
Staples, Inc.	10,800	245,268
Starbucks Corp. +	10,800	324,108
Target Corporation	11,800	648,646
Time Warner Inc.	76,000	1,325,440
TJX Companies, Inc. (The)	7,000	162,610
Univision Communications Inc., Class A +	7,000	205,730
Viacom Inc., non-voting Class B	23,900	779,140
Walt Disney Co. (The)	29,200	699,924
Yum! Brands, Inc.	6,000	281,280
		-----
		14,905,933
		=====
CONSUMER STAPLES - 10.33%		
Altria Group, Inc.	29,300	2,189,296
Anheuser-Busch Companies, Inc.	16,700	717,432
Archer Daniels Midland Company	5,460	134,644
Campbell Soup Company	2,000	59,540
Coca-Cola Co. (The)	32,500	1,310,075
Coca-Cola Enterprises Inc.	6,500	124,605
Colgate-Palmolive Company	11,100	608,835
ConAgra Foods, Inc. ^	4,400	89,232
Costco Wholesale Corp.	6,500	321,555
CVS Corp.	5,000	132,100
General Mills, Inc.	9,500	468,540
H.J. Heinz Co.	6,600	222,552
Kimberly-Clark Corporation	6,900	411,585
Kroger Co. (The) +	4,800	90,624
Pepsi Bottling Group, Inc. (The)	4,000	114,440
PepsiCo, Inc.	24,800	1,465,184
Procter & Gamble Co. (The)	53,297	3,084,830
Sara Lee Corp.	11,500	217,350
Sysco Corp.	5,800	180,090
Walgreen Co.	14,300	632,918
Wal-Mart Stores, Inc.	39,800	1,862,640
		-----
		14,438,067
		=====
ENERGY - 9.12%		
Anadarko Petroleum Corp.	5,900	559,025
Baker Hughes Inc. ^	8,100	492,318
ChevronTexaco Corp.	27,532	1,562,992
ConocoPhillips	17,974	1,045,727
Devon Energy Corporation	5,000	312,700
Exxon Mobil Corp.	84,000	4,718,280

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FMC Technologies, Inc. +	7,300	313,316
Marathon Oil Corp.	7,500	457,275
Occidental Petroleum Corp.	8,000	639,040
Peabody Energy Corp. ^	8,000	659,360
Schlumberger Ltd.	11,000	1,068,650
Transocean Inc. +	2,500	174,225
Western Gas Resources, Inc.	11,000	517,990
XTO Energy Inc.	5,000	219,700

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12,740,598  
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FINANCIALS - 19.96%

AFLAC Inc.	7,000	324,940
Allstate Corp. (The)	9,300	502,851
American Express Company	15,600	802,776
American International Group, Inc.	37,531	2,560,740
Ameriprise Financial, Inc.	3,120	127,920
AONCorporation	4,900	176,155
Bank of America Corp.	55,616	2,566,678
Bank of New York Co., Inc. (The)	11,400	363,090
Charles Schwab Corporation (The)	12,000	176,040
Citigroup Inc.	74,300	3,605,779
Fannie Mae	13,000	634,530
Fifth Third Bancorp	9,000	339,480
Franklin Resources, Inc. ^	3,700	347,837
Freddie Mac	14,500	947,575
Goldman Sachs Group, Inc. (The)	7,300	932,283
Hartford Financial Services Group, Inc. (The)	6,000	515,340
JPMorgan Chase & Co.	48,332	1,918,297
Lehman Brothers Holding Inc.	3,600	461,412
Marsh & McLennan Companies, Inc. ^	10,100	320,776
MBNA Corp.	24,600	668,136

Merrill Lynch & Co., Inc.	10,700	724,711
MetLife, Inc.	15,200	744,800
Morgan Stanley	15,500	879,470
National City Corp.	12,700	426,339
Northern Trust Corp. ^	3,500	181,370
PNC Financial Services Group, Inc.	7,100	438,993
Prudential Financial, Inc. ^	8,200	600,158
St. Paul Travelers Companies, Inc. (The)	9,476	423,293
State Street Corp.	3,500	194,040
SunTrust Banks, Inc.	7,600	552,976
U.S. Bancorp ^	28,401	848,906
UnumProvident Corp.	8,100	184,275
Wachovia Corp. ^	22,600	1,194,636
Washington Mutual, Inc.	15,550	676,425
Wells Fargo & Co.	24,200	1,520,486

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27,883,513  
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HEALTHCARE - 12.62%

Abbott Laboratories ^	21,000	828,030
Aetna Inc.	6,000	565,860
Amgen Inc. +	18,900	1,490,454
Applera Corp. - Applied Biosystems Group	8,000	212,480
Becton, Dickinson & Co.	3,900	234,312
Biogen Idec Inc.	8,000	362,640
Boston Scientific Corp. +	12,300	301,227

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Bristol-Myers Squibb Co. ^	30,500	700,890
Cardinal Health, Inc.	5,450	374,687
Caremark Rx, Inc. +	9,000	466,110
Eli Lilly & Co.	14,500	820,555
Guidant Corp.	6,400	414,400
HCA, Inc.	8,500	429,250
Hospira, Inc. + ^	3,700	158,286
IMS Health Inc.	7,400	184,408
Johnson & Johnson	40,900	2,458,090
McKesson Corp.	2,300	118,657
Medco Health Solutions, Inc. +	6,687	373,135
Medtronic, Inc.	21,500	1,237,755
Merck & Co. Inc.	28,000	890,680
Pfizer Inc. ^	99,660	2,324,071
Schering-Plough Corp.	17,000	354,450
Tenet Healthcare Corp. +	2,250	17,235
United Health Group Inc.	23,000	1,429,220
Wyeth	19,200	884,544
		-----
		17,631,426
		=====
INDUSTRIALS - 10.44%		
3M Co.	10,400	806,000
Boeing Company (The)	11,700	821,808
Caterpillar Inc.	11,800	681,686
Cendant Corp.	19,000	327,750
CSX Corp.	5,000	253,850
Emerson Electric Co.	8,500	634,950
FedEx Corp.	4,500	465,255
General Dynamics Corp.	3,100	353,555
General Electric Co.	141,700	4,966,585
Honeywell International Inc.	12,500	465,625
Illinois Tool Works Inc.	2,400	211,176
Lockheed Martin Corp.	4,000	254,520
Masco Corp.	4,200	126,798
Northrop Grumman Corp.	5,000	300,550
Rockwell Automation, Inc.	2,500	147,900
Southwest Airlines Co.	6,450	105,973
Tyco International Ltd.	33,397	963,837
Union Pacific Corp.	2,000	161,020
United Parcel Service, Inc., Class B	16,300	1,224,945
United Technologies Corp.	14,400	805,104
Waste Management, Inc.	8,200	248,870
Yellow Roadway Corp. +	5,691	253,876
		-----
		14,581,633
		=====
INFORMATION TECHNOLOGY - 15.10%		
Adobe Systems Inc.	9,200	340,032
Altera Corp. +	3,400	63,002
Analog Devices, Inc.	6,700	240,329
Apple Computer, Inc. +	3,000	215,670
Applied Materials, Inc.	23,800	426,972
Automatic Data Processing, Inc.	9,900	454,311
Cisco Systems, Inc. +	96,400	1,650,368
Corning Inc. +	17,000	334,220
Dell Inc. +	29,700	890,703
Electronic Arts Inc. +	2,000	104,620

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Electronic Data Systems Corp.	10,000	240,400
EMC Corp. +	212,648	2,896,266
First Data Corporation	11,324	487,045
Freescale Semiconductor Inc., Class B +	6,512	163,907
Hewlett-Packard Co.	27,900	798,777
Intel Corp.	82,500	2,059,200
International Business Machines Corp.	21,000	1,726,200
Linear Technology Corp. ^	6,500	234,455
Lucent Technologies Inc. +	10,700	28,462
Maxim Integrated Products, Inc.	2,300	83,352
Micron Technology, Inc. +	11,500	153,065
Microsoft Corp.	142,100	3,715,915
Motorola, Inc.	34,700	783,873
Oracle Corp. +	46,100	562,881
Paychex, Inc.	4,200	160,104
QUALCOMM Inc. ^	21,000	904,680
Sanmina-SCI Corp. +	5,500	23,430
Siebel Systems, Inc.	2,500	26,450
Solelectron Corp. + ^	3,000	10,980
Sun Microsystems, Inc. + ^	7,500	31,425
Symantec Corp. +	10,000	175,000
Texas Instruments Inc. ^	23,900	766,473
Yahoo! Inc. +	8,800	344,784
		-----
		21,097,351
		=====
MATERIALS - 2.28%		
Air Products & Chemicals, Inc.	1,000	59,190
Alcoa Inc.	14,200	419,894
Dow Chemical Co. (The)	15,400	674,828
E.I. du Pont de Nemours & Co.	14,800	629,000
International Paper Co.	10,500	352,905
Monsanto Co.	5,080	393,852
Newmont Mining Corporation	7,000	373,800
Praxair, Inc. ^	3,000	158,880
Rohm & Haas Co.	1,000	48,420
Weyerhaeuser Co.	1,000	66,340
		-----
		3,177,109
		=====
REAL ESTATE INVESTMENT TRUSTS- 0.22%		
Simon Property Group, Inc.	4,000	306,520
		=====
TELECOMMUNICATIONS SERVICES - 2.92%		
ALLTEL Corporation	4,000	252,400
AT&T Inc.	48,364	1,184,434
BellSouth Corporation ^	23,000	623,300
Sprint Corp.	38,446	898,099
Verizon Communications Inc. ^	37,100	1,117,452
		-----
		4,075,685
		=====
UTILITIES - 3.52%		
American Electric Power Co., Inc.	10,700	396,863
CenterPoint Energy, Inc. ^	13,900	178,615
Dominion Resources, Inc.	7,100	548,120
Duke Energy Corp.	13,300	365,085

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Edison International	4,000	174,440
Exelon Corp.	11,000	584,540
FirstEnergy Corp.	5,000	244,950
FPL Group, Inc.	7,000	290,920
PG&E Corp. Holdings Company ^	9,000	334,080
Progress Energy, Inc. ^	3,500	153,720
Public Service Enterprises Group Inc.	6,000	389,820
Southern Co. (The)	11,900	410,907
TXU Corp. ^	9,400	471,786
Williams Companies, Inc. (The)	10,000	231,700
Xcel Energy, Inc. ^	8,200	151,372
		-----
		4,926,918
		=====
TOTAL EQUITY SECURITIES (cost - \$126,420,026)		138,852,706
		=====
SHORT-TERM INVESTMENTS - 2.11%		
	PRINCIPAL	
REPURCHASE AGREEMENTS - 2.11%	AMOUNT (000'S)	
	-----	
Bear, Stearns & Co. Inc.		
(Agreement dated 12/30/05 to be repurchased \$1,236,764) 3.20%, 01/03/06, collateralized by \$1,273,982 in U.S. Treasury Bonds	\$1,236	1,236,324
Bear, Stearns & Co. Inc. * **		
(Agreement dated 12/30/05 to be repurchased at \$900,293), 2.00%, 01/03/06, collateralized by \$928,220 in U.S. Treasury Bonds	900	900,093
Bear, Stearns & Co. Inc. * **		
(Agreement dated 12/30/05 to be repurchased at \$808,841), 4.00%, 01/03/06, collateralized by \$833,077 in U.S. Treasury Bonds	808	808,482
		-----
TOTAL SHORT-TERM INVESTMENTS (cost - \$2,944,899)		2,944,899
		=====
TOTAL INVESTMENTS - 101.50% (cost - \$129,364,925)		141,797,605
LIABILITIES IN EXCESS OF OTHER ASSETS - (1.50%)		(2,091,489)
		-----
NET ASSETS - 100%		\$139,706,116
		=====

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors  
 Cornerstone Strategic Value Fund, Inc.  
 New York, New York

We have audited the accompanying statement of assets and liabilities of

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Cornerstone Strategic Value Fund, Inc., including the schedule of investments as of December 31, 2005, and the related statement of operations for the year then ended, the statement of changes in net assets for each of the two years in the period then ended, and the financial highlights for each of the four 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. The financial highlights for the year ended December 31, 2001 have been audited by other auditors, whose report dated February 8, 2002 expressed an unqualified opinion on such financial highlights.

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. We were not engaged to perform an audit of the Fund's 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. Our procedures included confirmation of securities owned as of December 31, 2005 by correspondence with the custodian and brokers. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our 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 Cornerstone Strategic Value Fund, Inc. as of December 31, 2005, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended, and the financial highlights for each of the four years in the period then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule of investments in securities as of December 31, 2005 appearing in Item 6 of this Form N-CSR is presented for the purpose of additional analysis and is not a required part of the basic financial statements. This additional information is the responsibility of the Fund's management. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

TAIT, WELLER & BAKER LLP

Philadelphia, Pennsylvania  
February 7, 2006

### ITEM 7. DISCLOSURE OF PROXY VOTING POLICIES AND PROCEDURES FOR CLOSED-END MANAGEMENT INVESTMENT COMPANIES.

The Registrant and Cornerstone Advisors, Inc. share the same Proxy Voting Policies and Procedures. The respective Proxy Voting Policies and Procedures of the Registrant and Adviser are attached as EXHIBIT99.VOTEREG

### ITEM 8. PORTFOLIO MANAGERS OF CLOSED-END MANAGEMENT INVESTMENT COMPANIES.



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(a)(1) All information contained in this item and its subparts is as of the date of this filing, unless otherwise noted. Ralph W. Bradshaw and William A. Clark are employees of Cornerstone Advisors, Inc. (the Investment Manager) and portfolio managers of the Fund. Ralph W. Bradshaw occupation for the last five years is President of Cornerstone Advisors, Inc. and a Financial Consultant. William A. Clark occupation for the last five years is Director and Stockholder of Cornerstone Advisors, Inc. and a former financial consultant of Deep Discount Advisors, Inc.

(a)(2)(i) Ralph W. Bradshaw and William A. Clark

(a)(2)(ii)(A) Registered Investment Companies - Ralph W. Bradshaw and William A. Clark each manage one other registered closed-end fund.

(a)(2)(ii)(B) Not applicable

(a)(2)(ii)(C) Not applicable

(a)(2)(iii) None. Ralph W. Bradshaw and William A. Clark manage no accounts where the Advisory Fee is based on the performance of the account.

(a)(2)(iv) None.

(a)(3) As of the most recent fiscal year end December 31, 2005, the compensation paid to both Ralph W. Bradshaw and William A. Clark was fixed.

(a)(4) The dollar range of equity securities owned in the registrant beneficially by each portfolio manager is as follows: for Ralph W. Bradshaw it is in the range of \$50,001-\$100,000 and for William A. Clark it is over \$100,000.

(b) None.

### ITEM 9. PURCHASES OF EQUITY SECURITIES BY CLOSED-END MANAGEMENT COMPANY AND AFFILIATED PURCHASERS.

None.

### ITEM 10. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

None.

### ITEM 11. CONTROLS AND PROCEDURES.

(a) The Registrant's principal executive officer and principal financial officer have evaluated the Registrant's disclosure controls and procedures as of a date within 90 days of this filing and have concluded that the Registrant's disclosure controls and procedures are effective, as of such date, in ensuring that information required to be disclosed by the registrant in this Form N-CSR was recorded, processed, summarized, and reported timely.

(b) The Registrant's principal executive officer and principal financial officer are aware of no changes in the Registrant's internal control over financial reporting that occurred during the Registrant's last fiscal half-year that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting.

### ITEM 12. EXHIBITS.

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(a) (1) Code of Ethics attached as EX-99.CODE ETH.

(a) (2) Separate certifications of Principal Executive and Financial Officers pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 attached as EX-99.CERT.

(b) Certification of Principal Executive and Financial Officers pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 furnished as EX-99.906 CERT.

(99) Proxy Voting Policies of the Registrant and Adviser attached as EX-99.VOTEREG.

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.

By: /S/ RALPH W. BRADSHAW

-----  
Name: Ralph W. Bradshaw  
Title: Principal Executive Officer  
Date: March 10, 2006

Pursuant to the requirements of the 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.

Cornerstone Strategic Value Fund, Inc.

By: /S/ RALPH W. BRADSHAW

-----  
Name: Ralph W. Bradshaw  
Title: Principal Executive Officer  
Date: March 10, 2006

By: /S/ JODI B. LEVINE

-----  
Name: Jodi B. Levine  
Title: Principal Financial Officer  
Date: March 10, 2006