

CORNERSTONE STRATEGIC VALUE FUND INC/ NEW
Form N-CSRS
September 08, 2005

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

FORM N-CSRS

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, NY 10179

(Address of principal executive offices) (Zip code)

Jodi B. Levine
383 Madison Avenue, New York, NY 10179

(Name and address of agent for service)

Registrant's telephone number, including area code: (212) 272-2889

Date of fiscal year end: December 31, 2005

Date of reporting period: January 1, 2005 - June 30, 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.

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CORNERSTONE STRATEGIC
VALUE FUND, INC.

JUNE 30, 2005

This update contains the following two documents:
o Letter from the Fund's President
o Semi-Annual Report to Shareholders

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LETTER FROM THE FUND'S PRESIDENT

July 29, 2005

Dear Fellow Shareholders:

Following is the semi-annual report for Cornerstone Strategic Value Fund, Inc., (the "Fund"), for the six months ended June 30, 2005. At the end of the period, the Fund's net assets were \$142.2 million and the Net Asset Value per share was \$5.84. The share price closed at \$7.19. After reflecting the reinvestment of monthly distributions (some of which may be classified as a return-of-capital after year-end) totaling \$0.52 per share, the Fund achieved a total investment return at market value of (7.98)% for the six months ended June 30, 2005.

ECONOMIC AND MARKET SUMMARY

Although there were few surprises during the first six months of 2005, the fundamentals of the economy remained healthy while the financial markets were down. The economy posted a solid 3.8% annual growth rate, as measured by Gross Domestic Product, during the first quarter of the year and a 3.4% rate during the second quarter. This is particularly impressive in view of the difficult conditions caused by persistently high crude oil prices and increasing short-term interest rates. Even so, all of the major market indices were down for the first six months of the year. Although concerns about the war in Iraq have receded somewhat, institutional and private investors are now focused on whether economic growth and earnings growth can be sustained if energy prices remain high. The Federal Reserve has continued its policy of raising short-term interest rates by 0.25% at each of its open market committee meetings. The federal-funds rate now stands at 3.25% after the ninth quarter point increase in a row. In its most recent assessment, the Federal Reserve noted that inflationary pressures have stayed elevated, although they are under control. The Federal Reserve has signaled that it will probably continue its policy of tightening short-term rates through the end of the year. Although there has been some improvement in capital spending in corporate America, most companies have continued to stockpile cash, which remains at historically high levels. As always, the financial markets will be looking carefully at future earnings growth and the ability of the economy to sustain strong earnings in the future. Most commentators anticipate modest, single-digit gains in the major market indices through the end of the year.

DISTRIBUTION POLICY

The Fund has continued its policy of regular distributions to shareholders. The Board of Directors and Cornerstone Advisors, Inc. regard this policy as an important feature of the management philosophy of the Fund. It is an important tool for enhancing shareholder value by creating liquidity for individual investors and flexibility in managing their investment in the Fund. We believe

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that many investors are willing to accept the inherent volatility of an equity portfolio, but would prefer to have a predictable and stable cash flow as well, either to take in cash or to reinvest in shares of the Fund. The Fund's distribution policy is designed to address this issue.

Pursuant to the distribution policy, the Fund pays a substantial, fixed monthly distribution. At the end of each year, each shareholder receives a final determination of the total distribution attributable to income, capital gains, or return-of-capital. The allocation among these categories may vary greatly from year to year depending on portfolio performance. It is important for shareholders to consult their tax advisor on proper recognition of the return-of-capital distributions with regard to the cost basis of their shares.

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LETTER FROM THE FUND'S PRESIDENT (CONCLUDED)

The Fund's investment focus is to generate total investment returns that exceed the amount of the distributions, although there can be no guarantee that this will be achieved. To the extent that the amount of distributions taken in cash exceeds the total net investment returns of the Fund, the assets of the Fund will decline. If the total net investment returns exceed the amount of cash distributions, the assets of the Fund will increase. Either way, the Fund's shareholders have complete flexibility to take their distributions in cash or to reinvest in Fund shares through the Fund's Dividend Reinvestment Plan, and they can change this election as often as they desire. Shareholders may find that recent changes in this Plan make it even more beneficial for them and are encouraged to consider the reinvestment option for their distributions.

OUTLOOK

We believe that the Fund's broadly diversified portfolio continues to be well-positioned to take advantage of the current economic recovery. Through the first six months of the year, the Fund's portfolio contained a significant percentage of small-cap stocks. Many analysts believe that the small-cap sector is nearing the end of its run, and we will be looking for opportunities to reposition this portion of the portfolio into large-cap securities which may be undervalued relative to their small-cap counterparts. Although the small-cap sector has continued to do well in recent months, it has been noted that small-cap companies will be more vulnerable than the large-cap sector to the continued rise in short-term interest rates, which could have a dampening effect on future small-cap performance. The investment manager also attempts to enhance portfolio performance by taking advantage of temporary and occasional pricing inefficiencies in certain securities. In addition to its small-cap component, the Fund continues to hold positions in selected closed-end funds. The availability and magnitude of such opportunities are unpredictable, and therefore, their effect on possible portfolio performance may vary considerably from year to year.

We expect continued strength in the economy and in the prospects for measured growth in the financial markets. The Fund's Board of Directors, its officers, and its Investment Manager realize that the Fund's shareholders have placed their trust in us. We know you have a choice, we appreciate your support, and we look forward to continuing our service to you in the future.

Sincerely,

/s/ Ralph W. Bradshaw

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Ralph W. Bradshaw
President

IN ADDITION TO HISTORICAL INFORMATION, THIS REPORT CONTAINS FORWARD-LOOKING STATEMENTS, WHICH MAY CONCERN, AMONG OTHER THINGS, DOMESTIC AND FOREIGN MARKETS, INDUSTRY AND ECONOMIC TRENDS AND DEVELOPMENTS AND GOVERNMENT REGULATION AND THEIR POTENTIAL IMPACT ON THE FUND'S INVESTMENT PORTFOLIO. THESE STATEMENTS ARE SUBJECT TO RISKS AND UNCERTAINTIES AND ACTUAL TRENDS, DEVELOPMENTS AND REGULATIONS, IN THE FUTURE AND THEIR IMPACT ON THE FUND COULD BE MATERIALLY DIFFERENT FROM THOSE PROJECTED, ANTICIPATED OR IMPLIED. THE FUND HAS NO OBLIGATION TO UPDATE OR REVISE FORWARD-LOOKING STATEMENTS.

THIS LETTER FROM THE FUND'S PRESIDENT IS NOT PART OF THE SEMI-ANNUAL REPORT TO SHAREHOLDERS THAT FOLLOWS.

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CORNERSTONE STRATEGIC
VALUE FUND, INC.

SEMI-ANNUAL REPORT
JUNE 30, 2005

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CORNERSTONE STRATEGIC VALUE FUND, INC.
PORTFOLIO SUMMARY - AS OF JUNE 30, 2005 (UNAUDITED)

SECTOR ALLOCATION

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| Sector | Percent of Net Assets |
|----------------------------|--------------------------|
| Financials | 19.5 |
| Consumer Discretionary | 14.5 |
| Information Technology | 14.5 |
| Healthcare | 12.3 |
| Industrials | 10.7 |
| Energy | 8.4 |
| Consumer Staples | 6.5 |
| Materials | 5.6 |
| Telecommunication Services | 2.6 |
| Utilities | 2.5 |
| Closed-End Domestic Funds | 2.3 |
| Other | 0.6 |

TOP TEN HOLDINGS, BY ISSUER

| Holding | Sector | Percent of Net Assets |
|---|------------------------|--------------------------|
| 1. Exxon Mobil Corp. | Energy | 3.2 |
| 2. General Electric Co. | Industrials | 3.0 |
| 3. Microsoft Corp. | Information Technology | 2.5 |
| 4. Citigroup Inc. | Financials | 2.4 |
| 5. FMC Technologies, Inc. | Energy | 2.1 |
| 6. EMC Corp. | Information Technology | 2.1 |
| 7. Wal-Mart Stores Inc. | Consumer Discretionary | 2.0 |
| 8. Pfizer Inc. | Healthcare | 1.9 |
| 9. Fairchild Semiconductor International, Inc. | Information Technology | 1.9 |
| 10. Johnson & Johnson | Healthcare | 1.9 |

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CORNERSTONE STRATEGIC VALUE FUND, INC.
SUMMARY SCHEDULE OF INVESTMENTS - JUNE 30, 2005 (UNAUDITED)

| Description | No. of Shares | Value |
|---|------------------|--------------------|
| EQUITY SECURITIES - 99.65% | | |
| CLOSED-END DOMESTIC FUNDS - 2.25% | | |
| Tri-Continental Corp. | 77,000 | \$ 1,371,370 |
| Zweig Fund, Inc. | 176,600 | 944,810 |
| Other Closed-End Domestic Funds (a) | | 887,765 |
| | | ----- 3,203,945 |
| CONSUMER DISCRETIONARY - 14.55% | | |
| Comcast Corp., Class A + Furniture Brands International, Inc. | 31,537 | 968,186 |
| Gildan Activewear Inc., Class A + | 52,200 | 1,128,042 |
| | 88,600 | 2,334,610 |

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| | | |
|---------------------------------------|---------|------------------------------|
| Home Depot, Inc. (The) | 30,600 | 1,190,340 |
| United Natural Foods, Inc. + | 57,400 | 1,743,238 |
| Wal-Mart Stores, Inc. | 59,800 | 2,882,360 |
| Other Consumer Discretionary (a) | | 10,436,842 |
| | | ----- 20,683,618 ----- |
| CONSUMER STAPLES - 6.56% | | |
| Altria Group, Inc. | 29,300 | 1,894,538 |
| PepsiCo, Inc. | 24,800 | 1,337,464 |
| Procter & Gamble Co. (The) | 37,600 | 1,983,400 |
| Other Consumer Staples (a) | | 4,117,819 |
| | | ----- 9,333,221 ----- |
| ENERGY - 8.41% | | |
| ChevronTexaco Corp. | 19,330 | 1,080,934 |
| Exxon Mobil Corp. | 80,000 | 4,597,600 |
| FMC Technologies, Inc. + | 93,300 | 2,982,801 |
| Western Gas Resources, Inc. | 50,800 | 1,772,920 |
| Other Energy (a) | | 1,530,243 |
| | | ----- 11,964,498 ----- |
| FINANCIALS - 19.45% | | |
| Affiliated Managers Group, Inc. + | 30,300 | 2,070,399 |
| American International Group, Inc. | 37,531 | 2,180,551 |
| Bank of America Corp. | 55,616 | 2,536,646 |
| Citigroup Inc. | 74,300 | 3,434,889 |
| First Marblehead Corp. (The) + | 40,700 | 1,426,942 |
| Freddie Mac | 14,500 | 945,835 |
| JPMorgan Chase & Co. | 30,332 | 1,071,326 |
| Wachovia Corp. | 22,600 | 1,120,960 |
| Wells Fargo & Co. | 24,200 | 1,490,236 |
| Other Financials (a) | | 11,387,376 |
| | | ----- 27,665,160 ----- |
| HEALTHCARE - 12.27% | | |
| Abbott Laboratories | 21,000 | 1,029,210 |
| Amgen Inc. + | 18,900 | 1,142,694 |
| Cooper Companies, Inc. (The) | 40,500 | 2,464,830 |
| Edwards Lifesciences Corp. + | 39,200 | 1,686,384 |
| Johnson & Johnson | 40,900 | 2,658,500 |
| Pfizer Inc. | 99,660 | 2,748,623 |
| UnitedHealth Group Inc. | 23,000 | 1,199,220 |
| Wyeth | 19,200 | 854,400 |
| Other Healthcare (a) | | 3,658,184 |
| | | ----- 17,442,045 ----- |
| INDUSTRIALS - 10.74% | | |
| General Electric Co. | 122,700 | 4,251,555 |
| Shuffle Master, Inc. + | 48,300 | 1,353,849 |
| Tyco International Ltd. | 33,397 | 975,192 |
| United Parcel Service, | | |

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| | | |
|-----------------------|--------|------------|
| Inc., Class B | 16,300 | 1,127,308 |
| Other Industrials (a) | | 7,563,111 |
| | | ----- |
| | | 15,271,015 |
| | | ----- |

See accompanying notes to financial statements.

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CORNERSTONE STRATEGIC VALUE FUND, INC.
SUMMARY SCHEDULE OF INVESTMENTS - JUNE 30, 2005 (UNAUDITED) (CONCLUDED)

| Description | No. of Shares | Value |
|---|------------------|--------------|
| ----- | | |
| INFORMATION TECHNOLOGY - 14.54% | | |
| Cisco Systems, Inc. + | 96,400 | \$ 1,842,204 |
| Dell Inc. + | 29,700 | 1,173,447 |
| EMC Corp. + | 212,648 | 2,915,404 |
| Fairchild Semiconductor International, Inc. + | 180,500 | 2,662,375 |
| Intel Corp. | 65,500 | 1,706,930 |
| International Business Machines Corp. | 21,000 | 1,558,200 |
| Microsoft Corp. | 142,100 | 3,529,764 |
| Other Information Technology (a) | | 5,293,185 |
| | | ----- |
| | | 20,681,509 |
| | | ----- |
| MATERIALS - 5.59% | | |
| Joy Global Inc. | 60,000 | 2,015,400 |
| Packaging Corporation of America | 70,700 | 1,488,235 |
| Peabody Energy Corp. | 34,400 | 1,790,176 |
| Steel Dynamics, Inc. | 61,900 | 1,624,875 |
| Other Materials (a) | | 1,029,754 |
| | | ----- |
| | | 7,948,440 |
| | | ----- |
| REAL ESTATE INVESTMENT TRUSTS - 0.20% | | |
| Total Real Estate Investment Trusts (a) | 4,000 | 289,960 |
| | | ----- |
| TELECOMMUNICATION SERVICES - 2.56% | | |
| Verizon Communications Inc. | 37,100 | 1,281,805 |
| Other Telecommunication Services (a) | | 2,350,812 |
| | | ----- |
| | | 3,632,617 |
| | | ----- |
| UTILITIES - 2.53% | | |
| Total Utilities (a) | | 3,602,547 |
| | | ----- |
| TOTAL EQUITY SECURITIES (cost - \$120,033,444) | | 141,718,575 |
| | | ----- |

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| Description | Principal Amount (000's) | Value |
|--|--------------------------------|---------------|
| SHORT-TERM INVESTMENTS - 8.64% | | |
| REPURCHASE AGREEMENTS - 8.64% | | |
| Bear, Stearns & Co. Inc. * | | |
| (Agreement dated 6/30/05 | | |
| to be repurchased at | | |
| \$12,289,135) (b) | \$ 12,288 | \$ 12,288,052 |
| TOTAL SHORT-TERM INVESTMENTS | | 12,288,052 |
| (cost - \$12,288,052) | | ----- |
| TOTAL INVESTMENTS - 108.29% | | 154,006,627 |
| (cost - \$132,321,496) | | ----- |
| LIABILITIES IN EXCESS OF OTHER ASSETS - (8.29)% | | (11,795,693) |
| NET ASSETS - 100.00% | | \$142,210,934 |
| | | ===== |

+ Non-income producing security.

* Includes investment purchased with cash collateral received for securities on loan.

(a) Represents issues not identified as a top 50 holding in terms of market value and issues or issuers not exceeding 1% of net assets individually or in the aggregate, respectively, as of June 30, 2005.

(b) At June 30, 2005, the maturity date for all repurchase agreements held was 07/01/05, with interest rates ranging from 1.6875% to 3.375% and collateralized by \$12,647,358 in U.S. Treasury Bonds and U.S. Treasury STRIPS.

See accompanying notes to financial statements.

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CORNERSTONE STRATEGIC VALUE FUND, INC.
STATEMENT OF ASSETS AND LIABILITIES - JUNE 30, 2005 (UNAUDITED)

| | |
|--|---------------|
| ASSETS | |
| Investments, at value (Cost \$132,321,496) | \$154,006,627 |
| Receivables: | |
| Dividends | 149,052 |
| Interest | 4,957 |
| Prepaid expenses | 17,091 |
| | ----- |
| Total Assets | 154,177,727 |
| | ----- |
| LIABILITIES | |
| Payables: | |
| Upon return of securities loaned | 11,789,698 |
| Investment management fees | 109,268 |
| Directors' fees | 27,929 |
| Other accrued expenses | 39,898 |
| | ----- |
| Total Liabilities | 11,966,793 |

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| | |
|---|---------------|
| NET ASSETS (applicable to 24,336,069 shares of common stock outstanding) | \$142,210,934 |
| | ===== |
| NET ASSET VALUE PER SHARE (\$142,210,934 / 24,336,069) | \$ 5.84 |
| | ===== |
| NET ASSETS CONSISTS OF | |
| Capital stock, \$0.001 par value; 24,336,069 shares outstanding (100,000,000 shares authorized) | \$ 24,336 |
| Paid-in capital | 157,554,682 |
| Cost of 2,239,440 shares repurchased | (26,999,661) |
| Distributions in excess of net investment income | (3,006,837) |
| Accumulated net realized loss on investments | (7,046,717) |
| Net unrealized appreciation in value of investments | 21,685,131 |
| | ----- |
| Net assets applicable to shares outstanding | \$142,210,934 |
| | ===== |

See accompanying notes to financial statements.

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CORNERSTONE STRATEGIC VALUE FUND, INC.
STATEMENT OF OPERATIONS - FOR THE SIX MONTHS ENDED JUNE 30, 2005 (UNAUDITED)

INVESTMENT INCOME

Income:

| | |
|--|--------------|
| Dividends (net of foreign taxes withheld of \$203) | \$ 1,175,217 |
| Interest | 32,265 |
| | ----- |
| Total Investment Income | 1,207,482 |

Expenses:

| | |
|------------------------------|----------|
| Investment management fees | 730,837 |
| Administration fees | 73,060 |
| Directors' fees | 53,556 |
| Legal and audit fees | 33,015 |
| Accounting fees | 20,176 |
| Printing | 18,357 |
| Custodian fees | 14,165 |
| Transfer agent fees | 11,405 |
| Stock exchange listing fees | 5,279 |
| Insurance | 2,910 |
| Miscellaneous | 4,240 |
| | ----- |
| Total Expenses | 967,000 |
| Less: Management fee waivers | (52,632) |
| Less: Fees paid indirectly | (26,898) |
| | ----- |
| Net Expenses | 887,470 |

| | |
|-----------------------|---------|
| Net Investment Income | 320,012 |
|-----------------------|---------|

NET REALIZED AND UNREALIZED LOSS ON INVESTMENTS

| | |
|---|--------------|
| Net realized gain from investments | 10,159,692 |
| Net change in unrealized appreciation in value of investments | (13,186,065) |
| | ----- |
| Net realized and unrealized loss on investments | (3,026,373) |

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NET DECREASE IN NET ASSETS RESULTING FROM OPERATIONS \$ (2,706,361)
=====

See accompanying notes to financial statements.

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CORNERSTONE STRATEGIC VALUE FUND, INC.
STATEMENT OF CHANGES IN NET ASSETS

| | For the Six Months Ended June 30, 2005 (unaudited) |
|---|---|
| | ----- |
| INCREASE/(DECREASE) IN NET ASSETS | |
| Operations: | |
| Net investment income | \$ 320,012 |
| Net realized gain/(loss) from investments | 10,159,692 |
| Net change in unrealized appreciation in value of investments | (13,186,065) |
| | ----- |
| Net increase/(decrease) in net assets resulting from operations | (2,706,361) |
| | ----- |
| Dividends and distributions to shareholders: | |
| Net investment income | (320,012) |
| Net realized capital gains | (9,240,930) |
| Return-of-capital | (3,006,837) |
| | ----- |
| Total dividends and distributions to shareholders | (12,567,779) |
| | ----- |
| Capital stock transactions: | |
| Net assets received in conjunction with Merger Agreement | -- |
| Proceeds from 458,366 and 263,935 shares newly issued in reinvestment of dividends and distributions, respectively | 2,795,088 |
| | ----- |
| Net increase in net assets resulting from capital stock transactions | 2,795,088 |
| | ----- |
| Total increase/(decrease) in net assets | (12,479,052) |
| | ----- |
| NET ASSETS | |
| Beginning of period | 154,689,986 |
| | ----- |
| End of period | \$142,210,934 |
| | ===== |

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

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other supplemental data for each period indicated. This information has been derived from information provided in the financial statements and market price data for the Fund's shares.

| | For the Six Months Ended June 30, 2005 (unaudited) | ----- 2004 ----- | For the Years End 2003 ----- | 2002 ----- |
|---|---|------------------------|------------------------------------|---------------|
| PER SHARE OPERATING PERFORMANCE | | | | |
| Net asset value, beginning of period | \$ 6.48 | \$ 6.90 | \$ 6.41 | \$ 9.00 |
| Net investment income/(loss) # | 0.01 | 0.05 | 0.04 | (0.01) |
| Net realized and unrealized gain/(loss) on investments and foreign currency related translations | (0.13) | 0.55 | 1.44 | (2.00) |
| Net increase/(decrease) in net assets resulting from operations | (0.12) | 0.60 | 1.48 | (2.00) |
| Dividends and distributions to shareholders: | | | | |
| Net investment income | (0.01) | (0.05) | (0.04) | |
| Net realized gain on investments and foreign currency related transactions | (0.38) | -- | -- | |
| Return-of-capital | (0.13) | (0.99) | (0.95) | (0.00) |
| Total dividends and distributions to shareholders | (0.52) | (1.04) | (0.99) | (0.00) |
| Capital stock transactions: | | | | |
| Anti-dilutive effect due to capital stock repurchased | -- | -- | -- | 0.00 |
| Anti-dilutive/(dilutive) effect due to shares issued in reinvestment of dividends and distributions | -- | 0.02 | -- | (0.00) |
| Total capital stock transactions | -- | 0.02 | -- | 0.00 |
| Net asset value, end of period | \$ 5.84 | \$ 6.48 | \$ 6.90 | \$ 6.00 |
| Market value, end of period | \$ 7.19 | \$ 8.51 | \$ 9.00 | \$ 5.00 |
| Total investment return (a) (b) | (7.98)% | 8.38% | 77.69% | (20.00)% |
| RATIOS/SUPPLEMENTAL DATA | | | | |
| Net assets, end of period (000 omitted) | \$142,211 | \$154,690 | \$ 26,565 | \$ 24,000 |
| Ratio of expenses to average net assets, net of fee waivers, if any (c) | 1.21% (e) | 1.28% | 1.20% | 1.10% |
| Ratio of expenses to average net assets, excluding fee waivers, if any (d) | 1.31% (e) | 1.50% | 1.59% | 2.00% |
| Ratio of expenses to average net assets, net of fee waivers, if any (d) | 1.24% (e) | 1.36% | 1.25% | 1.10% |
| Ratio of net investment income/(loss) to average net assets | 0.43% (e) | 0.73% | 0.68% | (0.00)% |
| Portfolio turnover rate | 4.71% | 39.05% | 11.88% | 29.00% |

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- # Based on average shares outstanding.
- (a) Total investment return at market value is based on the changes in market price of a share during the period and assumes reinvestment of dividends and distributions, if any, at actual prices pursuant to the Fund's dividend reinvestment plan. Total investment return does not reflect brokerage commissions.
 - (b) For the year ended December 31, 2000, the Fund paid federal taxes on realized long-term capital gains. Total investment return, assuming reinvestment of distributions and federal taxes paid on long-term capital gains, is (13.88)%.
 - (c) Expenses are net of fees paid indirectly.
 - (d) Expenses exclude the reduction for fees paid indirectly.
 - (e) Annualized.

See accompanying notes to financial statements.

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CORNERSTONE STRATEGIC VALUE FUND, INC.
NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

NOTE A. SIGNIFICANT ACCOUNTING POLICIES

Cornerstone Strategic Value Fund, Inc. (the "Fund") was incorporated in Maryland 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 will 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 will be valued at the closing price on another exchange where it trades. If there are no such

sale prices, the value will be the most recent bid, and if there is no bid, the security will be valued at the most recent asked. If no pricing service is available and there are more than two dealers, the value will be the mean of the highest bid and lowest ask. If there is only one dealer, then the value will be the mean if bid and ask are available, otherwise the value will be the bid. All other securities and assets are valued as determined in good faith by the Board of Directors. Short-term investments having a maturity of 60 days or less are valued on the basis of amortized cost. The Board of Directors has established general guidelines for calculating fair value of not readily marketable securities. At June 30, 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.

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.

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CORNERSTONE STRATEGIC VALUE FUND, INC.
NOTES TO FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

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 it 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

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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 receives from the Fund, an annual fee, calculated weekly and paid monthly, equal to 1.00% of the Fund's average weekly net assets. Cornerstone has voluntarily agreed to continue to waive its management fees from the Fund to the extent that monthly operating expenses exceed 0.10% of average net assets calculated monthly. For the six months ended June 30, 2005, Cornerstone earned \$730,837 for investment management services, of which it waived \$52,632. 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 \$26,898 arising from credits earned on portfolio transactions executed with a broker, pursuant to a directed brokerage arrangement.

The Fund paid approximately \$24,088 for the six months ended June 30, 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.

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CORNERSTONE STRATEGIC VALUE FUND, INC.
NOTES TO FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

NOTE C. INVESTMENT IN SECURITIES

For the six months ended June 30, 2005, purchases and sales of securities, other than short-term investments, were \$6,923,530 and \$16,397,156 respectively.

NOTE D. SHARE REPURCHASE PROGRAM

As has been done in the past to enhance shareholder value, pursuant to Section 23 of the Investment Company Act of 1940, as amended, the Fund may again in the future purchase shares of its common stock on the open market from time to time, at such times, and in such amounts as may be deemed advantageous to the Fund. Nothing herein shall be considered a commitment to purchase such shares. For the six months ended June 30, 2005, the Fund had no repurchases. No limit has been placed on the number of shares to be repurchased by the Fund other than those imposed by federal securities laws.

All purchases are made in accordance with federal securities laws, with shares

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repurchased held in treasury effective January 1, 2002.

NOTE E. 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 June 30, 2005, was \$11,488,760.

During the six months ended June 30, 2005, the Fund earned \$16,694 in securities lending income which is included under the caption INTEREST in the Statement of Operations.

NOTE F. FEDERAL INCOME TAXES

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

The tax character of dividends and distributions paid during the year ended December 31, 2004 for the Fund were as follows:

| ORDINARY INCOME | RETURN-OF-CAPITAL |
|-----------------|-------------------|
| ----- | ----- |
| \$729,442 | \$13,677,285 |

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, 2004, the Fund incurred and elected to defer net realized losses from investments of \$73,676.

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CORNERSTONE STRATEGIC VALUE FUND, INC.
NOTES TO FINANCIAL STATEMENTS (UNAUDITED) (CONCLUDED)

At December 31, 2004, the Fund had a capital loss carryforward for U.S. federal income tax purposes of \$7,891,803 of which \$1,587,987 expires in 2007, \$3,559,173 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 June 30, 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

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unrealized appreciation from investments were \$132,321,496, \$28,615,041, \$(6,929,910) and \$21,685,131, respectively.

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RESULTS OF ANNUAL MEETING OF STOCKHOLDERS (UNAUDITED)

On May 10, 2005, the Annual Meeting of Stockholders of Cornerstone Strategic Value Fund, Inc. was held and the following matter was voted upon:

(1) To approve the re-election of two Class I Directors until the year 2008 Annual Meeting.

| NAME OF CLASS I DIRECTORS ----- | FOR --- | WITHHOLD ----- |
|------------------------------------|------------|-------------------|
| Ralph W. Bradshaw | 22,986,107 | 190,879 |
| Edwin Meese III | 22,894,990 | 281,996 |

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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.

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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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INVESTMENT MANAGEMENT AGREEMENT APPROVAL DISCLOSURE (UNAUDITED)

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The Board of Directors including, the Independent Directors, (the "Board") of the Cornerstone Strategic Value Fund, Inc. (the "Fund") considers the approval of the Investment Management Agreement (the "Agreement") between Cornerstone Advisors, Inc. (the "Investment Manager") and the Fund on an annual basis. The most recent approval of the Agreement occurred at a meeting of the Board held on February 25, 2005.

In determining whether to approve the Agreement, the Board requested and received extensive materials and information from the Investment Manager to assist them in considering the approval of the continuance of the Agreement. Based on their review of the information requested and provided, and the discussions with management of the Investment Manager, the Board determined that the approval of the Agreement was consistent with the best interests of the Fund and its shareholders, and would enable the Fund to continue to receive high quality services at a cost that is appropriate, reasonable, and in the best interests of the Fund and its shareholders. The Board made these determinations on the basis of the following factors, among others: (1) the nature and quality of the services provided by the Investment Manager; (2) the cost to the Investment Manager for providing such services, with special attention to the Investment Manager's profitability (and whether the Investment Manager realizes any economies of scale); (3) the direct and indirect benefits received by the Investment Manager from its relationship with the Fund and the other investment company advised by the Investment Manager; and (4) comparative information as to the management fees, expense ratios and performance of other similarly situated closed-end investment companies.

The materials provided by the Investment Manager to the Board described the services provided by the Investment Manager to the Fund and included an overview of the Investment Manager and its investment process and policies, including the Investment Manager's extensive knowledge and experience in the closed-end fund industry. The Board also discussed the knowledge of the Investment Manager with respect to managing the Fund's monthly distribution policy and the extent to which such policy contributes to the current premium of the Fund's market price to its net asset value. The Board also favorably received the Investment Manager's continued commitment to voluntarily waive its management fees from the Fund to the extent that monthly operating expenses exceed 0.10% of average net assets calculated monthly. The Board also reviewed and discussed a comparison of the Fund's performance with comparable closed-end funds and a comparison of the Fund's expense ratios and management fees with those comparable funds. Additionally, the Investment Manager presented an analysis of its profitability based on its contractual relationship with the Fund and the other investment company advised by the Investment Manager.

The Board carefully evaluated this information, taking into consideration many factors including, the overall high quality of the personnel, operations, financial condition, investment management capabilities, methodologies, and performance of the Investment Manager, and was advised by independent legal counsel with respect to its deliberations. Based on its review of the information requested and provided, the Board determined that the investment management fees payable to the Investment Manager under the Agreement are fair and reasonable in light of the services to be provided, the anticipated costs of these services, the profitability of the Investment Manager's relationship with the Fund, and the comparability of the proposed fee to fees paid by comparable closed-end funds. The Board determined that the Agreement is consistent with the best interests of the Fund and its shareholders, and enables the Fund to receive high quality services at a cost that is appropriate, reasonable, and in the best interests of the Fund and its shareholders.

Accordingly, in light of the above considerations and such other factors and information it considered relevant, the Board by a unanimous vote of those present in person at the meeting (including a separate vote of the Independent Directors present in person at the meeting) approved the continuance of the

Agreement with respect to the Fund.

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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, 2005 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>.

The 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 transactions with the Fund, its affiliates, or others (such as your account number and balance, payment history, parties to transactions, cost basis information, and other financial information).

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

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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.

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.

This report, including the financial statements herein, is sent to the shareholders of the Fund for their information. The financial information included herein is taken from the records of the Fund without examination by independent registered public accountants who do not express an opinion thereon. It is not a prospectus, circular or representation intended for use in the purchase or sale of shares of the Fund or of any securities mentioned in this report.

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CORNERSTONE STRATEGIC VALUE FUND, INC.

DIRECTORS AND CORPORATE OFFICERS

Ralph W. Bradshaw

Chairman of the Board of
Directors and President

William A. Clark

Director and Vice President

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| | |
|----------------------|--------------------------|
| 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. | American Stock Transfer & Trust Co. |
| One West Pack Square | 59 Maiden Lane |
| Suite 1650 | New York, NY 10038 |
| Asheville, NC 28801 | |

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

| | |
|-------------------------|----------------------|
| CUSTODIAN | LEGAL COUNSEL |
| Custodial Trust Company | Blank Rome LLP |
| 101 Carnegie Center | 405 Lexington Avenue |
| Princeton, NJ 08540 | 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.

[GRAPHIC]
AMERICAN
STOCK EXCHANGE (R)
LISTED
CLM (TM)

ITEM 2. CODE OF ETHICS.

This item is inapplicable to a semi-annual report on Form N-CSR.

ITEM 3. AUDIT COMMITTEE FINANCIAL EXPERT.

This item is inapplicable to a semi-annual report on Form N-CSR.

ITEM 4. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

This item is inapplicable to a semi-annual report on Form N-CSR.

ITEM 5. AUDIT COMMITTEE OF LISTED REGISTRANTS.

This item is inapplicable to a semi-annual report on Form N-CSR.

ITEM 6. SCHEDULE OF INVESTMENTS.

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CORNERSTONE STRATEGIC VALUE FUND, INC.
 SCHEDULE OF INVESTMENTS -- JUNE 30, 2005 (UNAUDITED)

| DESCRIPTION | NO. OF SHARES | VALUE |
|--|------------------|------------|
| EQUITY SECURITIES - 99.65% | | |
| CLOSED-END DOMESTIC FUNDS - 2.25% | | |
| Adams Express Co. | 49,500 | \$ 637,065 |
| General American Investors Company, Inc. | 3,000 | 96,000 |
| Salomon Brothers Fund, Inc. (The) | 11,900 | 154,700 |
| Tri-Continental Corp. | 77,000 | 1,371,370 |
| Zweig Fund, Inc. (The) | 176,600 | 944,810 |
| | | ----- |
| | | 3,203,945 |
| | | ----- |
| CONSUMER DISCRETIONARY - 14.55% | | |
| Bed Bath & Beyond Inc. + | 4,200 | 175,476 |
| Best Buy Co., Inc. | 4,750 | 325,612 |
| Carnival Corp. | 11,800 | 643,690 |
| Circuit City Stores, Inc. | 1,000 | 17,290 |
| Clear Channel Communications, Inc. | 8,800 | 272,184 |
| Comcast Corp., Class A + | 31,537 | 968,186 |
| Costco Wholesale Corp. | 6,500 | 291,330 |
| CVS Corp. | 5,000 | 145,350 |
| Delphi Corporation | 7,600 | 35,340 |
| Eastman Kodak Co. | 1,400 | 37,590 |
| Federated Department Stores, Inc. | 1,000 | 73,280 |
| Ford Motor Company | 26,300 | 269,312 |
| Fortune Brands, Inc. | 1,000 | 88,800 |
| Furniture Brands International, Inc. | 52,200 | 1,128,042 |
| Gannett Co., Inc. | 2,000 | 142,260 |
| Gap, Inc. (The) | 12,200 | 240,950 |
| General Motors Corp. | 6,500 | 221,000 |
| Gildan Activewear Inc., Class A + | 88,600 | 2,334,610 |
| Goodyear Tire & Rubber Company (The) + | 4,500 | 67,050 |
| Harley-Davidson, Inc. | 4,400 | 218,240 |
| Hilton Hotels Corp. | 3,200 | 76,320 |
| Home Depot, Inc. (The) | 30,600 | 1,190,340 |
| J.C. Penney Company, Inc. | 4,500 | 236,610 |
| Kohl's Corp. + | 5,000 | 279,550 |
| Lowe's Companies, Inc. | 11,200 | 652,064 |
| Marriott International, Inc., Class A | 2,100 | 143,262 |
| Mattel, Inc. | 5,500 | 100,650 |
| May Department Stores Co. | 4,900 | 196,784 |
| McDonald's Corp. | 17,600 | 488,400 |
| Monsanto Co. | 580 | 36,465 |
| News Corporation, Class A | 30,000 | 485,400 |
| NIKE, Inc., Class B | 2,300 | 199,180 |
| Omnicom Group Inc. | 4,100 | 327,426 |
| Reebok International Ltd. | 1,500 | 62,745 |
| Rockwell Automation, Inc. | 2,500 | 121,775 |
| Sears Holdings Corp. + | 503 | 75,385 |
| Staples, Inc. | 10,800 | 230,256 |
| Starbucks Corp. + | 5,400 | 278,964 |
| Target Corporation | 11,800 | 642,038 |
| | | |
| Time Warner Inc. + | 41,000 | 685,110 |
| TJX Companies, Inc. (The) | 7,000 | 170,450 |
| Toys "R" Us, Inc. + | 1,000 | 26,480 |

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| | | |
|------------------------------------|--------|------------|
| United Natural Foods, Inc. + | 57,400 | 1,743,238 |
| Viacom Inc., non-voting Class B | 23,900 | 765,278 |
| Wal-Mart Stores, Inc. | 59,800 | 2,882,360 |
| Walt Disney Co. (The) | 29,200 | 735,256 |
| Yum! Brands, Inc. | 3,000 | 156,240 |
| | | ----- |
| | | 20,683,618 |
| | | ----- |
| CONSUMER STAPLES - 6.56% | | |
| Altria Group, Inc. | 29,300 | 1,894,538 |
| Anheuser-Busch Companies, Inc. | 8,700 | 398,025 |
| Archer Daniels Midland Company | 5,460 | 116,735 |
| Campbell Soup Company | 2,000 | 61,540 |
| Coca-Cola Co. (The) | 15,500 | 647,125 |
| Coca-Cola Enterprises Inc. | 6,500 | 143,065 |
| Colgate-Palmolive Company | 2,100 | 104,811 |
| ConAgra Foods, Inc. | 4,400 | 101,904 |
| General Mills, Inc. | 2,500 | 116,975 |
| Gillette Company (The) | 12,600 | 637,938 |
| H.J. Heinz Co. | 1,600 | 56,672 |
| Kimberly-Clark Corporation | 6,900 | 431,871 |
| Kroger Co. (The) + | 4,800 | 91,344 |
| Pepsi Bottling Group, Inc. (The) | 4,000 | 114,440 |
| PepsiCo, Inc. | 24,800 | 1,337,464 |
| Procter & Gamble Co. (The) | 37,600 | 1,983,400 |
| Sara Lee Corp. | 11,500 | 227,815 |
| Sysco Corp. | 5,800 | 209,902 |
| Walgreen Co. | 14,300 | 657,657 |
| | | ----- |
| | | 9,333,221 |
| | | ----- |
| ENERGY - 8.41% | | |
| Anadarko Petroleum Corp. | 900 | 73,935 |
| Baker Hughes Inc. | 1,100 | 56,276 |
| CenterPoint Energy, Inc. | 3,900 | 51,519 |
| ChevronTexaco Corp. | 19,330 | 1,080,934 |
| ConocoPhillips | 12,474 | 717,130 |
| Exxon Mobil Corp. | 80,000 | 4,597,600 |
| FMC Technologies, Inc. + | 93,300 | 2,982,801 |
| Marathon Oil Corp. | 1,500 | 80,055 |
| Occidental Petroleum Corp. | 4,000 | 307,720 |
| Reliant Energy Inc. + | 1,104 | 13,668 |
| Schlumberger Ltd. | 2,000 | 151,880 |
| Unocal Corp. | 1,200 | 78,060 |
| Western Gas Resources, Inc. | 50,800 | 1,772,920 |
| | | ----- |
| | | 11,964,498 |
| | | ----- |
| FINANCIALS - 19.45% | | |
| Aetna Inc. | 6,000 | 496,920 |
| Affiliated Managers Group, Inc. + | 30,300 | 2,070,399 |
| AFLAC Inc. | 7,000 | 302,960 |
| Allstate Corp. (The) | 9,300 | 555,675 |
| American Express Company | 15,600 | 830,388 |
| American International Group, Inc. | 37,531 | 2,180,551 |
| Aon Corporation | 4,900 | 122,696 |
| Bank of America Corp. | 55,616 | 2,536,646 |
| Bank of New York Co., Inc. (The) | 8,400 | 241,752 |
| | | |
| Charles Schwab Corporation (The) | 12,000 | 135,360 |
| Citigroup Inc. | 74,300 | 3,434,889 |

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| | | |
|---|--------|-----------|
| Fannie Mae | 13,000 | 759,200 |
| Fifth Third Bancorp | 9,000 | 370,890 |
| First Marblehead Corp. (The) + | 40,700 | 1,426,942 |
| Franklin Resources, Inc. | 3,700 | 284,826 |
| Freddie Mac | 14,500 | 945,835 |
| Goldman Sachs Group, Inc. (The) | 7,300 | 744,746 |
| Hartford Financial Services Group, Inc. (The) | 6,000 | 448,680 |
| JPMorgan Chase & Co. | 30,332 | 1,071,326 |
| Lehman Brothers Holding Inc. | 3,600 | 357,408 |
| Manulife Financial Corp. | 2,963 | 141,661 |
| Marsh & McLennan Companies, Inc. | 4,100 | 113,570 |
| MBNA Corp. | 12,600 | 329,616 |
| Merrill Lynch & Co., Inc. | 10,700 | 588,607 |
| MetLife, Inc. | 10,200 | 458,388 |
| Morgan Stanley | 15,500 | 813,285 |
| National City Corp. | 9,700 | 330,964 |
| Northern Trust Corp. | 3,500 | 159,565 |
| Piper Jaffray Companies, Inc. + | 104 | 3,165 |
| PNC Financial Services Group, Inc. | 4,100 | 223,286 |
| Prudential Financial, Inc. | 8,200 | 538,412 |
| St. Paul Travelers Companies, Inc. (The) | 9,476 | 374,586 |
| State Street Corp. | 3,500 | 168,875 |
| SunTrust Banks, Inc. | 3,600 | 260,064 |
| U.S. Bancorp | 25,401 | 741,709 |
| UnumProvident Corp. | 1,100 | 20,152 |
| Wachovia Corp. | 22,600 | 1,120,960 |
| Washington Mutual, Inc. | 11,550 | 469,970 |
| Wells Fargo & Co. | 24,200 | 1,490,236 |

27,665,160

HEALTHCARE - 12.27%

| | | |
|--------------------------------|--------|-----------|
| Abbott Laboratories | 21,000 | 1,029,210 |
| Amgen Inc. + | 18,900 | 1,142,694 |
| Becton, Dickinson & Co. | 3,900 | 204,633 |
| Biogen Idec Inc. | 3,000 | 103,350 |
| Boston Scientific Corp. + | 12,300 | 332,100 |
| Bristol-Myers Squibb Co. | 10,500 | 262,290 |
| Cardinal Health, Inc. | 5,450 | 313,811 |
| Caremark Rx, Inc. + | 6,500 | 289,380 |
| Cooper Companies, Inc. (The) | 40,500 | 2,464,830 |
| Edwards Lifesciences Corp. + | 39,200 | 1,686,384 |
| Eli Lilly & Co. | 14,500 | 807,795 |
| Guidant Corp. | 1,400 | 94,220 |
| HCA, Inc. | 3,500 | 198,345 |
| Hospira, Inc. + | 700 | 27,300 |
| Johnson & Johnson | 40,900 | 2,658,500 |
| McKesson Corp. | 2,300 | 103,017 |
| Medco Health Solutions, Inc. + | 1,687 | 90,018 |
| Medtronic, Inc. | 1,500 | 77,685 |
| Merck & Co. Inc. | 20,500 | 631,400 |
| Pfizer Inc. | 99,660 | 2,748,623 |
| Schering-Plough Corp. | 5,000 | 95,300 |
| Tenet Healthcare Corp. + | 2,250 | 27,540 |
| United Health Group Inc. | 23,000 | 1,199,220 |
| Wyeth | 19,200 | 854,400 |

17,442,045

INDUSTRIALS - 10.74%

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|--------------------------------------|---------|-----------|
| 3M Co. | 10,400 | 751,920 |
| Automatic Data Processing, Inc. | 4,900 | 205,653 |
| Boeing Company (The) | 11,700 | 772,200 |
| Caterpillar Inc. | 2,900 | 276,399 |
| Cendant Corp. | 14,000 | 313,180 |
| CSX Corp. | 1,000 | 42,660 |
| Emerson Electric Co. | 3,500 | 219,205 |
| FedEx Corp. | 4,500 | 364,545 |
| General Dynamics Corp. | 3,100 | 339,574 |
| General Electric Co. | 122,700 | 4,251,555 |
| Heartland Express, Inc. | 40,435 | 785,652 |
| Honeywell International Inc. | 12,500 | 457,875 |
| Illinois Tool Works Inc. | 2,400 | 191,232 |
| IMS Health Inc. | 1,400 | 34,678 |
| Lockheed Martin Corp. | 4,000 | 259,480 |
| Masco Corp. | 4,200 | 133,392 |
| Northrop Grumman Corp. | 5,000 | 276,250 |
| Paychex, Inc. | 4,200 | 136,668 |
| PHH Corp. + | 700 | 18,004 |
| Shuffle Master, Inc. + | 48,300 | 1,353,849 |
| Southwest Airlines Co. | 6,450 | 89,848 |
| Transocean Inc. + | 2,500 | 134,925 |
| Tyco International Ltd. | 33,397 | 975,192 |
| Union Pacific Corp. | 2,000 | 129,600 |
| United Parcel Service, Inc., Class B | 16,300 | 1,127,308 |
| United Technologies Corp. | 14,400 | 739,440 |
| Waste Management, Inc. | 4,200 | 119,028 |
| Yellow Roadway Corp. + | 15,191 | 771,703 |

15,271,015

INFORMATION TECHNOLOGY - 14.54%

| | | |
|---|---------|-----------|
| Adobe Systems Inc. | 2,200 | 62,964 |
| Agere Systems, Inc. + | 24 | 288 |
| Altera Corp. + | 3,400 | 67,388 |
| Analog Devices, Inc. | 2,700 | 100,737 |
| Apple Computer, Inc. + | 3,000 | 110,430 |
| Applied Materials, Inc. | 7,800 | 126,204 |
| CACI International Inc., Class A + | 9,800 | 618,968 |
| Cisco Systems, Inc. + | 96,400 | 1,842,204 |
| Corning Inc. + | 8,000 | 132,960 |
| Dell Inc. + | 29,700 | 1,173,447 |
| eBay, Inc. + | 19,000 | 627,190 |
| Electronic Arts Inc. + | 2,000 | 113,220 |
| Electronic Data Systems Corp. | 1,000 | 19,250 |
| EMC Corp. + | 212,648 | 2,915,404 |
| Fairchild Semiconductor International, Inc. + | 180,500 | 2,662,375 |
| First Data Corporation | 7,324 | 293,985 |
| Freescale Semiconductor Inc., Class B + | 1,512 | 32,024 |
| Hewlett-Packard Co. | 27,900 | 655,929 |
| Intel Corp. | 65,500 | 1,706,930 |
| International Business Machines Corp. | 21,000 | 1,558,200 |
| Linear Technology Corp. | 2,500 | 91,725 |
| Maxim Integrated Products, Inc. | 2,300 | 87,883 |
| Micron Technology, Inc. + | 2,500 | 25,525 |

| | | |
|---------------------|---------|-----------|
| Microsoft Corp. | 142,100 | 3,529,764 |
| Motorola, Inc. | 25,700 | 469,282 |
| Oracle Corp. + | 26,100 | 344,520 |
| QUALCOMM Inc. | 17,000 | 561,170 |
| Sanmina-SCI Corp. + | 5,500 | 30,085 |

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|--|--------|------------|
| Siebel Systems, Inc. | 2,500 | 22,250 |
| Solectron Corp. + | 3,000 | 11,370 |
| Sun Microsystems, Inc. + | 7,500 | 27,975 |
| Symantec Corp. + | 10,000 | 217,400 |
| Texas Instruments Inc. | 4,900 | 137,543 |
| Yahoo! Inc. + | 8,800 | 304,920 |
| | | ----- |
| | | 20,681,509 |
| | | ----- |
| MATERIALS - 5.59% | | |
| Air Products & Chemicals, Inc. | 1,000 | 60,300 |
| Alcoa Inc. | 4,200 | 109,746 |
| Dow Chemical Co. (The) | 5,400 | 240,462 |
| E.I. du Pont de Nemours & Co. | 3,800 | 163,438 |
| Georgia-Pacific Corporation | 2,000 | 63,600 |
| International Paper Co. | 4,500 | 135,945 |
| Joy Global Inc. | 60,000 | 2,015,400 |
| Neenah Paper, Inc. | 209 | 6,473 |
| Packaging Corporation of America | 70,700 | 1,488,235 |
| Peabody Energy Corp. | 34,400 | 1,790,176 |
| Praxair, Inc. | 3,000 | 139,800 |
| Rohm & Haas Co. | 1,000 | 46,340 |
| Steel Dynamics, Inc. | 61,900 | 1,624,875 |
| Weyerhaeuser Co. | 1,000 | 63,650 |
| | | ----- |
| | | 7,948,440 |
| | | ----- |
| REAL ESTATE INVESTMENT TRUSTS - 0.20% | | |
| Simon Property Group, Inc. | 4,000 | 289,960 |
| | | ----- |
| TELECOMMUNICATIONS SERVICES - 2.56% | | |
| ALLTEL Corporation | 4,000 | 249,120 |
| AT&T Corp. | 9,320 | 177,453 |
| BellSouth Corporation | 14,000 | 371,980 |
| Lucent Technologies Inc. + | 10,700 | 31,137 |
| Nextel Communications, Inc., Class A + | 15,500 | 500,805 |
| SBC Communications Inc. | 23,100 | 548,625 |
| Sprint Corp. | 18,800 | 471,692 |
| Verizon Communications Inc. | 37,100 | 1,281,805 |
| | | ----- |
| | | 3,632,617 |
| | | ----- |
| UTILITIES - 2.53% | | |
| American Electric Power Co., Inc. | 2,700 | 99,549 |
| Dominion Resources, Inc. | 7,100 | 521,069 |
| Duke Energy Corp. | 13,300 | 395,409 |
| Edison International | 4,000 | 162,200 |
| Exelon Corp. | 11,000 | 564,630 |
| FirstEnergy Corp. | 5,000 | 240,550 |
| FPL Group, Inc. | 7,000 | 294,420 |
| Progress Energy, Inc. | 3,500 | 158,340 |
| Public Service Enterprises Group Inc. | 1,000 | 60,820 |
| Scottish Power plc, ADR | 4,000 | 142,400 |
| Southern Co. (The) | 11,900 | 412,573 |
| TXU Corp. | 4,700 | 390,523 |
| Xcel Energy, Inc. | 8,200 | 160,064 |
| | | ----- |
| | | 3,602,547 |
| | | ----- |

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| | | |
|--|--------------------------------|---------------|
| TOTAL EQUITY SECURITIES | | 141,718,575 |
| (cost - \$120,033,444) | | ----- |
| | PRINCIPAL AMOUNT (000'S) | ----- |
| SHORT-TERM INVESTMENTS - 8.64% | | |
| REPURCHASE AGREEMENTS - 8.64% | | |
| Bear, Stearns & Co. Inc. * ** | \$ 10,475 | 10,475,207 |
| (Agreement dated 6/30/05 to be repurchased at \$10,476,189), 3.375%, 07/01/05, collateralized by \$10,780,823 in U.S. Treasuries | | |
| Bear, Stearns & Co. Inc. * ** | 1,314 | 1,314,491 |
| (Agreement dated 6/30/05 to be repurchased at \$1,314,553), 1.6875%, 07/01/05, collateralized by \$1,353,669 in U.S. Treasury Bonds | | |
| Bear, Stearns & Co. Inc. | 498 | 498,354 |
| (Agreement dated 6/30/05 to be repurchased at \$498,393), 2.80%, 07/01/05, collateralized by \$512,866 in U.S. Treasury Bonds | | |
| TOTAL SHORT-TERM INVESTMENTS | | 12,288,052 |
| (cost - \$12,288,052) | | ----- |
| TOTAL INVESTMENTS - 108.29% | | 154,006,627 |
| (cost - \$132,321,496) | | ----- |
| LIABILITIES IN EXCESS OF OTHER ASSETS - (8.29)% | | (11,795,693) |
| | | ----- |
| NET ASSETS - 100.00% | | \$142,210,934 |
| | | ===== |

- + Non-income producing security.
- * Stated interest rate, before rebate earned by borrower of securities on loan.
- ** Represents investment purchased with collateral received for securities on loan.
- ADR American Depositary Receipts

See accompanying notes to financial statements.

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

This item is inapplicable to a semi-annual report on Form N-CSR.

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

Form N-CSR disclosure requirement not yet effective with respect to the Registrant.

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

Not applicable.

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

There have been no material changes to the procedures by which shareholders may recommend nominees to the registrant's Board of Directors since the registrant last provided disclosure in response to the requirements of Item 7(d)(2)(ii)(g) of Schedule 14A in its definitive proxy statement dated April 7, 2005.

ITEM 11. CONTROLS AND PROCEDURES.

(a) At a date within 90 days from the filing date of this report, the principal executive officer and the principal financial officer concluded that the registrant's disclosure controls and procedures (as defined in Rule 30a-3(c) under the Investment Company Act of 1940 (the "Act")) were effective based on their evaluation of the disclosure controls and procedures required by Rule 30a-3 (b) under the Act and Rules 13a-15(b) or 15d-15(b) under the Securities and Exchange Act of 1934.

(b) There were no changes in the registrant's internal control over financial reporting (as defined in Rule 30a-3(d) under the Act) that occurred during the second fiscal quarter of the period covered by this report that have materially affected, or are reasonably likely to materially affect, the registrant's internal control over financial reporting.

ITEM 12. EXHIBITS.

(a) (1) Not applicable.

(a) (2) The certifications of the registrant as required by Rule 30a-2(a) under the Act are exhibits to this report.

(a) (3) Not applicable.

(b) The certifications of the registrant as required by Rule 30a-2(b) under the Act are an exhibit to this report.

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.

Cornerstone Strategic Value Fund, Inc.

By: /s/ Ralph W. Bradshaw

Name: Ralph W. Bradshaw
Title: Principal Executive Officer
Date: September 8, 2005

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.

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By: /s/ Ralph W. Bradshaw

Name: Ralph W. Bradshaw
Title: Principal Executive Officer
Date: September 8, 2005

By: /s/ Jodi B. Levine

Name: Jodi B. Levine
Title: Principal Financial Officer
Date: September 8, 2005