

CORNERSTONE STRATEGIC VALUE FUND INC/ NEW  
Form N-CSR  
March 09, 2007

=====

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, 2006

Date of reporting period: December 31, 2006

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.

## Edgar Filing: CORNERSTONE STRATEGIC VALUE FUND INC/ NEW - Form N-CSR

The report of Cornerstone Strategic Value Fund, Inc. (the "Registrant") to stockholders for the year ended December 31, 2006 follows.

=====

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.	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 LLP
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.

=====

CORNERSTONE STRATEGIC  
VALUE FUND, INC.

ANNUAL REPORT  
DECEMBER 31, 2006

=====

CONTENTS

Portfolio Summary	1
Summary Schedule of Investments	2
Statement of Assets and Liabilities	4
Statement of Operations	5
Statement of Changes in Net Assets	6
Financial Highlights	7
Notes to Financial Statements	8
Report of Independent Registered Public Accounting Firm	12
Tax Information	13
Additional Information Regarding the Fund's Directors and Corporate Officers	14
Description of Dividend Reinvestment Plan	17
Proxy Voting and Portfolio Holdings Information	19
Privacy Policy Notice	19
Summary of General Information	20
Shareholder Information	20

=====

Edgar Filing: CORNERSTONE STRATEGIC VALUE FUND INC/ NEW - Form N-CSR

-----  
CORNERSTONE STRATEGIC VALUE FUND, INC.  
PORTFOLIO SUMMARY - AS OF DECEMBER 31, 2006 (UNAUDITED)  
-----

SECTOR ALLOCATION

Sector	Percent of Net Assets
Financials	21.4
Information Technology	14.9
Healthcare	11.8
Consumer Discretionary	10.9
Industrials	10.7
Energy	9.8
Consumer Staples	9.4
Utilities	3.5
Telecommunication Services	3.1
Materials	2.5
Closed-End Funds	1.1
Other	0.9

TOP TEN HOLDINGS, BY ISSUER

1.	Holding	Sector	Percent of Net Assets
	Exxon Mobil Corporation	Energy	4.1
	General Electric Company	Industrials	2.9
	Microsoft Corporation	Information Technology	2.4
	Bank of America Corporation	Financials	2.3
	Citigroup Inc.	Financials	2.0
	Johnson & Johnson	Healthcare	2.0
	Procter & Gamble Company (The)	Consumer Staples	2.0
	EMC Corporation	Information Technology	1.9
	Cisco Systems, Inc.	Information Technology	1.7
	American International Group, Inc.	Financials	1.5

-----  
CORNERSTONE STRATEGIC VALUE FUND, INC.  
SUMMARY SCHEDULE OF INVESTMENTS - DECEMBER 31, 2006  
-----

Description	No. of Shares	Value
-----		
EQUITY SECURITIES - 99.59%		
CLOSED-END FUNDS - 1.10%		
Total Closed-End Funds (a)		\$ 1,497,073
-----		
CONSUMER DISCRETIONARY - 10.94%		
Comcast Corporation, Special Class A *	19,037	805,836
Home Depot, Inc. (The)	23,100	927,696
Time Warner Inc. ^	76,000	1,655,280
Other Consumer Discretionary (a)		11,528,546
		-----
		14,917,358
-----		
CONSUMER STAPLES - 9.43%		
Altria Group, Inc.	22,300	1,913,786
Coca-Cola Company (The)	27,000	1,302,750
PepsiCo, Inc. ^	21,100	1,319,805
Procter & Gamble Company (The)	41,297	2,654,158
Wal-Mart Stores, Inc.	21,600	997,488
Other Consumer Staples (a)		4,670,519
		-----
		12,858,506
-----		
ENERGY - 9.81%		
Baker Hughes Incorporated	10,600	791,396
Chevron Corporation	24,532	1,803,838
ConocoPhillips ^	17,974	1,293,229
Exxon Mobil Corporation	73,500	5,632,305
Occidental Petroleum Corporation	16,000	781,280
Schlumberger Limited	22,000	1,389,520
Other Energy (a)		1,688,207
		-----
		13,379,775
-----		
FINANCIALS - 21.35%		
American Express Company	19,600	1,189,132
American International Group, Inc.	28,331	2,030,199
Bank of America Corporation ^	59,138	3,157,378
Citigroup Inc. ^	49,300	2,746,010

Edgar Filing: CORNERSTONE STRATEGIC VALUE FUND INC/ NEW - Form N-CSR

Description	No. of Shares	Value
FINANCIALS (CONTINUED)		
Goldman Sachs Group, Inc. (The)	7,300	\$ 1,455,255
JPMorgan Chase & Co.	40,132	1,938,376
Metlife, Inc.	15,200	896,952
Morgan Stanley	15,500	1,262,165
Prudential Financial, Inc.	10,700	918,702
U.S. Bancorp	28,401	1,027,832
Wachovia Corporation	19,600	1,116,220
Wells Fargo & Company	48,400	1,721,104
Other Financials (a)		9,641,202
		29,100,527
HEALTHCARE - 11.80%		
Abbott Laboratories	28,000	1,363,880
Amgen Inc. *	18,900	1,291,059
Johnson & Johnson	40,900	2,700,218
Medtronic, Inc.	19,000	1,016,690
Merck & Co. Inc.	20,000	872,000
Pfizer Inc.	36,060	933,954
UnitedHealth Group Incorporated	17,000	913,410
WellPoint Inc. *	11,500	904,935
Wyeth	20,200	1,028,584
Other Healthcare (a)		5,063,876
		16,088,606
INDUSTRIALS - 10.73%		
3M Co.	9,400	732,542
Boeing Company (The)	9,200	817,328
Caterpillar Inc.	11,800	723,694
General Electric Company	105,400	3,921,934
Other Industrials (a)		8,433,156
		14,628,654
INFORMATION TECHNOLOGY - 14.93%		
Cisco Systems, Inc. *	82,900	2,265,657
EMC Corporation *	200,648	2,648,554
Google Inc. ^ *	2,500	1,151,200
Hewlett-Packard Company	19,900	819,681
Intel Corporation	82,500	1,670,625

See accompanying notes to financial statements

2

CORNERSTONE STRATEGIC VALUE FUND, INC.  
SUMMARY SCHEDULE OF INVESTMENTS - DECEMBER 31, 2006 (CONCLUDED)

Description	No. of Shares	Value
-------------	------------------	-------

Edgar Filing: CORNERSTONE STRATEGIC VALUE FUND INC/ NEW - Form N-CSR

INFORMATION TECHNOLOGY (CONTINUED)		
International Business Machines Corporation	12,600	\$ 1,224,090
Microsoft Corporation	109,200	3,260,712
Oracle Corporation *	44,272	758,822
Other Information Technology (a)		6,559,429
		-----
		20,358,770
		-----
MATERIALS - 2.46%		
Total Materials (a)		3,350,348
		-----
REAL ESTATE INVESTMENT TRUST - 0.48%		
Total Real Estate Investment Trust (a)		658,385
		-----
TELECOMMUNICATION SERVICES - 3.05%		
AT&T Inc.	31,364	1,121,263
BellSouth Corporation	19,000	895,090
Verizon Communications Inc.	35,600	1,325,744
Other Telecommunication Services (a)		817,045
		-----
		4,159,142
		-----
UTILITIES - 3.51%		
Total Utilities (a)		4,785,770
		-----
TOTAL EQUITY SECURITIES		
(cost - \$106,625,134)		135,782,914
		-----

Description	Principal Amount (000's)	Value
-----		
SHORT-TERM INVESTMENTS - 2.46%		
REPURCHASE AGREEMENTS - 2.46%		
Bear, Stearns & Co. Inc. + (Agreements dated 12/29/2006 to be repurchased at \$3,356,577) (b)	\$ 3,355	\$ 3,355,249
		-----
TOTAL SHORT-TERM INVESTMENTS (cost - \$3,355,249)		3,355,249
		-----
TOTAL INVESTMENTS - 102.05%		
(cost - \$109,980,383)		139,138,163
		-----
LIABILITIES IN EXCESS OF OTHER ASSETS - (2.05)%		
		(2,793,834)
		-----
NET ASSETS - 100.00%		
		\$136,344,329

Edgar Filing: CORNERSTONE STRATEGIC VALUE FUND INC/ NEW - Form N-CSR

-----  
 CORNERSTONE STRATEGIC VALUE FUND, INC.  
 STATEMENT OF ASSETS AND LIABILITIES - DECEMBER 31, 2006  
 -----

ASSETS

Investments, at value, including collateral for securities on loan of \$2,748,824 (Cost \$109,980,383) (1)	\$ 139,138,163
Receivables:	
Securities sold	2,313,478
Dividends	174,261
Interest	4,917
Prepaid expenses	2,116
	-----
Total Assets	141,632,935
	-----

LIABILITIES

Payables:	
Upon return of securities loaned	2,748,824
Securities purchased	2,332,902
Investment management fees	103,285
Directors' fees	30,993
Other accrued expenses	67,544
Due to custodian	5,058
	-----
Total Liabilities	5,288,606
	-----

NET ASSETS (applicable to 25,643,074 shares of common stock outstanding)	\$ 136,344,329
	=====

NET ASSET VALUE PER SHARE (\$136,344,329 / 25,643,074)	\$ 5.32
	=====

NET ASSETS CONSISTS OF

Capital stock, \$0.001 par value; 25,643,074 shares issued and outstanding (100,000,000 shares authorized)	\$ 25,643
Paid-in capital	132,448,640
Cost of 1,060,821 shares repurchased	(19,974,127)
Accumulated net realized loss on investments	(5,313,607)
Net unrealized appreciation in value of investments	29,157,780
	-----
Net assets applicable to shares outstanding	\$ 136,344,329
	=====

(1) Includes securities out on loan to brokers with a market value of  
\$2,730,234.

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



Edgar Filing: CORNERSTONE STRATEGIC VALUE FUND INC/ NEW - Form N-CSR

-----  
CORNERSTONE STRATEGIC VALUE FUND, INC.  
STATEMENT OF OPERATIONS - FOR THE YEAR ENDED DECEMBER 31, 2006  
-----

INVESTMENT INCOME

Income:

Dividends	\$ 2,726,475
Interest	44,799
Securities lending	33,496
	-----
Total Investment Income	2,804,770
	-----

Expenses:

Investment management fees	1,352,257
Administration fees	135,224
Directors' fees	109,900
Legal and audit fees	63,577
Printing	51,001
Accounting fees	39,475
Custodian fees	23,190
Transfer agent fees	19,899
Stock exchange listing fees	15,993
Insurance	8,202
Miscellaneous	2,500
	-----
Total Expenses	1,821,218
Less: Management fee waivers	(134,059)
Less: Fees paid indirectly	(33,228)
	-----
Net Expenses	1,653,931
	-----
Net Investment Income	1,150,839
	-----

NET REALIZED AND UNREALIZED GAIN ON INVESTMENTS

Net realized loss from investments	(61,098)
Capital gain distributions from regulated investment companies	39,515
Net change in unrealized appreciation in value of investments	16,725,100
	-----

Net realized and unrealized gain on investments	16,703,517
	-----

NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	\$ 17,854,356
	=====

=====

See accompanying notes to financial statements

Edgar Filing: CORNERSTONE STRATEGIC VALUE FUND INC/ NEW - Form N-CSR

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

	For the Years Ended December 31,	
	2006	2005
DECREASE IN NET ASSETS		
Operations:		
Net investment income	\$ 1,150,839	\$ 834,753
Net realized gain/(loss) from investments	(61,098)	27,008,793
Capital gain distributions from regulated investment companies	39,515	--
Net change in unrealized appreciation in value of investments	16,725,100	(22,438,516)
Net increase in net assets resulting from operations	17,854,356	5,405,030
Dividends and distributions to shareholders:		
Net investment income	(1,150,839)	(980,195)
Net realized capital gains	--	(24,369,995)
Return-of-capital	(25,065,536)	--
Total dividends and distributions to shareholders	(26,216,375)	(25,350,190)
Capital stock transactions:		
Proceeds from 932,769 and 832,602 shares newly issued or from treasury in reinvestment of dividends and distributions, respectively	5,000,232	4,961,290
Total decrease in net assets	(3,361,787)	(14,983,870)
NET ASSETS		
Beginning of year	139,706,116	154,689,986
End of year	\$ 136,344,329	\$ 139,706,116

See accompanying notes to financial statements.

Edgar Filing: CORNERSTONE STRATEGIC VALUE FUND INC/ NEW - Form N-CSR

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.

	For the Years Ended December 31		
	2006	2005	2004
<b>PER SHARE OPERATING PERFORMANCE</b>			
Net asset value, beginning of year	\$ 5.65	\$ 6.48	\$ 6.90
Net investment income/(loss) #	0.05	0.03	0.05
Net realized and unrealized gain/(loss) on investments	0.66	0.18	0.55
Net increase/(decrease) in net assets resulting from operations	0.71	0.21	0.60
Dividends and distributions to shareholders:			
Net investment income	(0.04)	(0.04)	(0.05)
Net realized gain on investments	--	(1.00)	--
Return-of-capital	(1.00)	--	(0.99)
Total dividends and distributions to shareholders	(1.04)	(1.04)	(1.04)
Capital stock transactions:			
Anti-dilutive effect due to capital stock repurchased	--	--	--
Anti-dilutive/(dilutive) effect due to shares issued in reinvestment of dividends and distributions	--	--	0.02
Total capital stock transactions	--	--	0.02
Net asset value, end of year	\$ 5.32	\$ 5.65	\$ 6.48
Market value, end of year	\$ 8.45	\$ 7.05	\$ 8.51
Total investment return (a)	45.36%	(1.32)%	8.38%
<b>RATIOS/SUPPLEMENTAL DATA</b>			
Net assets, end of year (000 omitted)	\$136,344	\$139,706	\$154,690
Ratio of expenses to average net assets, net of fee waivers, if any (b)	1.22%	1.20%	1.28%
Ratio of expenses to average net assets, excluding fee waivers, if any (c)	1.32%	1.36%	1.50%
Ratio of expenses to average net assets, net of fee waivers, if any (c)	1.25%	1.26%	1.36%
Ratio of net investment income/(loss) to average net assets	0.85%	0.58%	0.73%
Portfolio turnover rate	10.59%	21.60%	39.05%

See accompanying notes to financial statements.

7

---

CORNERSTONE STRATEGIC VALUE FUND, INC.  
NOTES TO FINANCIAL STATEMENTS

---

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 primarily in equity securities of U.S. and non-U.S. companies. The Fund is registered under the Investment Company Act of 1940, as amended, as a closed-end, diversified management investment company.

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

**MANAGEMENT ESTIMATES:** The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America ("GAAP") requires management to make certain estimates and assumptions that may affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

**PORTFOLIO VALUATION:** Investments are stated at value in the accompanying financial statements. All equity securities shall be valued at the closing price on the exchange or market on which the security is primarily traded ("Primary Market"). If the security did not trade on the Primary Market, it shall be valued at the closing price on another exchange where it trades. If there are no such sale prices, the value shall be the most recent bid, and if there is no bid, the security shall be valued at the most recent asked. If no pricing service is available and there are more than two dealers, the value shall be the mean of the highest bid and lowest ask. If there is only one dealer, then the value shall be the mean if bid and ask are available, otherwise the value shall be the bid. All other securities and assets are valued as determined in good faith by the Board of Directors. Short-term investments having a maturity of 60 days or less are valued on the basis of amortized cost. 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, 2006, 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.

In September 2006, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards ("SFAS") 157, Fair Value Measurements, which clarifies the definition of fair value and requires companies to expand their

disclosure about the use of fair value to measure assets and liabilities in interim and annual periods subsequent to initial recognition. Adoption of SFAS 157 requires the use of the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. SFAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. At this time, the Fund is in the process of reviewing SFAS 157 against its current valuation policies to determine future applicability.

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

=====  
8

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

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.

In June 2006, the Financial Accounting Standards Board issued FASB Interpretation No. ("FIN") 48, Accounting for Uncertainty in Income Taxes. FIN 48 is effective for financial statements issued for fiscal years beginning after December 15, 2006. FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with FASB Statement No. 109, Accounting for Income Taxes. The Fund does not expect the FASB's issuance of FIN 48 to materially impact the Fund's financial condition or results of operations.

DISTRIBUTIONS TO SHAREHOLDERS: Effective June 25, 2002, the Fund initiated a fixed, monthly distribution to shareholders. On November 29, 2006, this distribution policy was updated to provide for the annual resetting of the monthly distribution amount per share, beginning in 2007, based on the Fund's net asset value on the last business day in each October. The terms of the distribution policy will be reviewed and approved at least annually by the

Fund's Board of Directors and can be modified at their discretion. 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.

=====

9

-----

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

-----

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. During the year ended December 31, 2006, Cornerstone voluntarily agreed to waive its management fees from the Fund to the extent that the Fund's net monthly operating expenses (including basic legal fees but excluding other legal expenses) exceed a rate of 0.10% of average net assets. For the year ended December 31, 2006, Cornerstone earned \$1,352,257 for investment management services, of which it waived \$134,059. 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 \$33,228 arising from credits earned on portfolio transactions executed with a broker, pursuant to a directed brokerage arrangement.

The Fund paid or accrued approximately \$44,878 for the year ended December 31, 2006 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, 2006, purchases and sales of securities, other than short-term investments, were \$14,329,537 and \$34,033,824 respectively.

Edgar Filing: CORNERSTONE STRATEGIC VALUE FUND INC/ NEW - Form N-CSR

NOTE D. SECURITIES LENDING

To generate additional income, the Fund may lend up to 33-1/3% of its total assets. The Fund receives payments from borrowers equivalent to the dividends and interest that would have been earned on securities lent while simultaneously seeking to earn interest on the investment of cash collateral. Loans are subject to termination by the Fund or the borrower at any time, and are, therefore, not considered to be illiquid investments. Loans of securities are required at all times to be secured by collateral equal to at least 100% of the market value of securities on loan. However, in the event of default or bankruptcy of the other party to the agreement, realization and/or retention of the collateral may be subject to legal proceedings. In the event that the borrower fails to return securities, and collateral maintained by the lender is insufficient to cover the value of loaned securities, the borrower is obligated to pay the amount of the shortfall (and interest thereon) to the Fund. However, there can be no assurance the Fund can recover this amount. The value of securities on loan to brokers at December 31, 2006, was \$2,730,234. During the year ended December 31, 2006, the Fund earned \$33,496 in securities lending income which is included under the caption SECURITIES LENDING 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 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	
2006	2005	2006	2005
\$1,150,839	\$980,195	\$25,065,536	--
LONG-TERM CAPITAL GAINS			
	2006	2005	
	--	\$24,369,995	

10

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

At December 31, 2006 the components of distributable earnings on a tax basis, for the Fund were as follows:

Accumulated net realized loss	\$ (5,257,673)
Unrealized appreciation	29,101,846
Total distributable earnings	\$ 23,844,173

## Edgar Filing: CORNERSTONE STRATEGIC VALUE FUND INC/ NEW - Form N-CSR

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, 2006, the Fund did not incur Post-October losses.

At December 31, 2006, the Fund had a capital loss carryforward for U.S. federal income tax purposes of \$5,257,673 of which \$2,513,030 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, 2006, 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 \$110,036,317, \$30,273,165, \$1,171,319 and \$29,101,846, respectively.

=====  
11

### 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, 2006, 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 five years in the period then ended. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. The Fund is not required to have, nor were we engaged to perform, an audit of 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



Edgar Filing: CORNERSTONE STRATEGIC VALUE FUND INC/ NEW - Form N-CSR

examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. Our procedures included confirmation of securities owned as of December 31, 2006, by correspondence with the custodian and brokers. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of Cornerstone Strategic Value Fund, Inc. as of December 31, 2006, 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 five years in the period then ended, in conformity with accounting principles generally accepted in the United States of America.

TAIT, WELLER & BAKER LLP

Philadelphia, Pennsylvania  
February 7, 2007

=====

12

2006 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, 2006) 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. As indicated in this notice, significant portions of the Fund's distributions for 2006 were comprised of a return-of-capital; accordingly these distributions do NOT represent yield or investment return on the Fund's portfolio.

During the year ended December 31, 2006 the following dividends and distributions per share were paid by the Fund:

	SOURCES OF DIVIDENDS AND DISTRIBUTIONS (PER SHARE AMOUNTS)				
PAYMENT DATES:	1/31/06	2/28/06	3/31/06	4/28/06	5/31/06
	-----	-----	-----	-----	-----

Edgar Filing: CORNERSTONE STRATEGIC VALUE FUND INC/ NEW - Form N-CSR

Ordinary Income(1)	\$ 0.0038	\$ 0.0038	\$ 0.0038	\$ 0.0038	\$ 0.0038
Return-of-Capital(2)	\$ 0.0832	\$ 0.0832	\$ 0.0832	\$ 0.0832	\$ 0.0832
	-----	-----	-----	-----	-----
Total:	\$ 0.0870	\$ 0.0870	\$ 0.0870	\$ 0.0870	\$ 0.0870
	=====	=====	=====	=====	=====

PAYMENT DATES:	7/31/06	8/31/06	9/29/06	10/31/06	11/30/06
	-----	-----	-----	-----	-----
Ordinary Income(1)	\$ 0.0038	\$ 0.0038	\$ 0.0038	\$ 0.0038	\$ 0.0038
Return-of-Capital(2)	\$ 0.0832	\$ 0.0832	\$ 0.0832	\$ 0.0832	\$ 0.0832
	-----	-----	-----	-----	-----
Total:	\$ 0.0870	\$ 0.0870	\$ 0.0870	\$ 0.0870	\$ 0.0870
	=====	=====	=====	=====	=====

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.

Foreign shareholders will generally be subject to U.S. withholding tax on the amount of the actual ordinary income dividend paid by the Fund.

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.

13

=====

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

NAME AND ADDRESS* (BIRTH DATE)	POSITION(S) HELD WITH FUND	PRINCIPAL OCCUPATION OVER LAST 5 YEARS	POSITION WITH FUND SINCE
Ralph W. Bradshaw** (Dec. 1950)	Chairman of the Board of Directors and President	President, Cornerstone Advisors, Inc.; Financial Consultant; President and Director of Cornerstone Total Return Fund, Inc.	1998
William A.	Director and Vice	Director and Stockholder of Cornerstone	2004

Edgar Filing: CORNERSTONE STRATEGIC VALUE FUND INC/ NEW - Form N-CSR

Clark** (Oct. 1945)	President	Advisors, Inc.; Director and Vice President of Cornerstone Total Return Fund, Inc.; former financial consultant of Deep Discount Advisors, Inc.	
Glenn W. Wilcox, Sr. (Dec. 1931)	Director; Audit Committee Chairman, Nominating and Corporate Governance Committee Member	Chairman of the Board and Chief Executive Officer of Wilcox Travel Agency, Inc.; Director of Cornerstone Total Return Fund, Inc.	2000
Thomas H. Lenagh (Nov. 1924)	Director; Audit, Nominating and Corporate Governance Committee Member	Independent Financial Adviser; Director of Photonics Products Group; Director of Cornerstone Total Return Fund, Inc.; Director of Adams Express and Petroleum and Resources; Retired Treasurer and Investment Manager of Ford Foundation.	1987
Edwin Meese III (Dec. 1931)	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 Cornerstone Total Return Fund, Inc.	2001

=====

14

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

NAME AND ADDRESS* (BIRTH DATE)	POSITION(S) HELD WITH FUND	PRINCIPAL OCCUPATION OVER LAST 5 YEARS	POSITION WITH FUND SINCE
Scott B. Rogers (July 1955)	Director; Audit, Nominating and Corporate Governance Committee Member	Chairman, Board of Health Partners, Inc.; Chief Executive Officer, Asheville Buncombe Community Christian Ministry; and President, ABCCM Doctor's Medical Clinic; Appointee, NC Governor's Commission on Welfare to Work; Director of Cornerstone Total Return Fund, Inc.	2000
Andrew A. Strauss (Nov. 1953)	Director; Chairman of Nominating and Corporate	Attorney and senior member of Strauss & Associates, P.A., Attorneys, Asheville and Hendersonville, NC; previous President of White Knight Healthcare,	2000

Edgar Filing: CORNERSTONE STRATEGIC VALUE FUND INC/ NEW - Form N-CSR

Governance Committee and Audit Committee Member	Inc. and LMV Leasing, Inc., a wholly owned subsidiary of Xerox Credit Corporation; Director of Cornerstone Total Return Fund, Inc.
--	---

15

=====

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

NAME AND ADDRESS* (BIRTH DATE)	POSITION HELD WITH FUND	PRINCIPAL OCCUPATION OVER LAST 5 YEARS
Gary A. Bentz (June 1956)	Chief Compliance Officer	Chairman and Chief Financial Officer of Cornerstone Advisors, Inc.; previous Director, Vice President and Treasurer of the Fund and Cornerstone Total Return Fund, Inc.; Financial Consultant, C.P.A., Chief Compliance Officer of Cornerstone Total Return Fund, Inc.
Thomas R. Westle 405 Lexington Avenue New York, NY 10174 (Dec. 1953)	Secretary	Partner, Blank Rome LLP, a law firm; previous partner, Spitzer & Feldman P.C., a law firm; Secretary of Cornerstone Total Return Fund, Inc.
Jodi B. Levine (Aug. 1969)	Treasurer	Associate Director, Bear, Stearns & Co. Inc.; Treasurer of Cornerstone Total Return Fund, Inc.

-----

\* The mailing address of each Director and/or Officer with respect to the Fund's operation is 38  
-23rd Floor, New York, NY 10179 unless otherwise indicated.

\*\* Designates a director who is an "interested person" of the Fund as defined by the Investment C  
as amended. Messrs. Bradshaw and Clark are interested persons of the Fund by virtue of their c  
with the Investment Manager of the Fund.

=====

16

DESCRIPTION OF DIVIDEND REINVESTMENT PLAN (UNAUDITED)

Cornerstone Strategic Value Fund, Inc. operates a Dividend Reinvestment Plan (the "Plan"), sponsored and administered by American Stock Transfer & Trust Company (the "Agent"), pursuant to which the Fund's income dividends or capital gains or other distributions (each, a "Distribution" and collectively, "Distributions"), net of any applicable U.S. withholding tax, are reinvested in shares of the Fund. American Stock Transfer & Trust Company serves as the Agent that administers the Plan for the shareholders in the Plan.

Shareholders automatically participate in the Fund's Plan, unless and until an election is made to withdraw from the Plan on behalf of such participating shareholder. Shareholders who do not wish to have Distributions automatically reinvested should so notify the Agent at P.O. Box 922, Wall Street Station, New York, New York 10269-0560. Under the Plan, the Fund's Distributions to shareholders are reinvested in full and fractional shares as described below.

When the Fund declares a Distribution the Agent, on the shareholder's 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) 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").

The method for determining the number of shares to be received when Distributions are reinvested will vary depending upon whether the net asset value of the Fund's shares is higher or lower than its market price. If the net asset value of the Fund's shares is lower than its market price, the number of Newly Issued Shares received will be determined by dividing the amount of the Distribution either by the Fund's net asset value per share or by 95% of its market price, whichever is higher. If the net asset value of the Fund's shares is higher than its market price, 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.

Whenever the Fund declares a Distribution and the net asset value of the Fund's shares is higher than its market price, the Agent will apply the amount of such Distribution payable to Plan participants of the Fund in Fund shares (less such Plan participant's pro rata share of brokerage commissions incurred with respect to Open Market Purchases in connection with the reinvestment of such Distribution) to the purchase on the open market of Fund shares for such Plan participant's account. Such purchases will be made on or after the payable date for such Distribution, and in no event more than 30 days after such date except where temporary curtailment or suspension of purchase is necessary to comply with applicable provisions of federal securities laws. The Agent may aggregate a Plan participant's purchases with the purchases of other Plan participants, and the average price (including brokerage commissions) of all shares purchased by the Agent shall be the price per share allocable to each Plan participant.

Registered shareholders 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 suspension or termination of the Plan at the sole discretion of the Fund's Board of Directors, certificates for whole shares credited to his or 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.

=====

DESCRIPTION OF DIVIDEND REINVESTMENT PLAN (UNAUDITED) (CONCLUDED)

The Agent will hold shares in the account of the 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.

Neither the Agent nor the Fund shall have any responsibility or liability beyond the exercise of ordinary care for any action taken or omitted pursuant to the Plan, nor shall they have any duties, responsibilities or liabilities except such as expressly set forth herein. Neither shall they be liable hereunder for any act done in good faith or for any good faith omissions to act, including, without limitation, failure to terminate a participants account prior to receipt of written notice of his or her death or with respect to prices at which shares are purchased or sold for the participants account and the terms on which such purchases and sales are made, subject to applicable provisions of the federal securities laws.

All correspondence concerning the Plan should be directed to the Agent at P.O. Box 922, Wall Street Station, New York, New York 10269-0560. Certain transactions can be performed online at [www.amstock.com](http://www.amstock.com) or by calling the toll free number 877-864-4833.

18

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 by calling (212) 272-3550 or 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 (202) 551-8090.

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.

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.

SUMMARY OF GENERAL INFORMATION (UNAUDITED)

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 primarily in equity securities of U.S. and non-U.S. companies. 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. 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.



CORNERSTONE STRATEGIC VALUE FUND, INC.

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) (1), the Registrant is attaching as an exhibit (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.

(f) (3) The Registrant undertakes to provide to any person without charge, upon request, a copy of its code of ethics. This can be accomplished by calling the Registrant at (212)272-3550.

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, 2006 and December 31, 2005.

	2006	2005
	-----	-----
Audit Fees	\$16,400	\$15,600
Audit-related Fees	--	--
Tax Fees (1)	\$ 3,300	\$ 3,100
All Other Fees	--	--
	-----	-----
Total	\$19,700	\$18,700
	=====	=====

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

Edgar Filing: CORNERSTONE STRATEGIC VALUE FUND INC/ NEW - Form N-CSR

(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.

(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, 2005 and December 31, 2006).

(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, 2006  
-----

DESCRIPTION	NO. OF SHARES	VALUE
-----		
EQUITY SECURITIES - 99.59%		
CLOSED-END FUNDS - 1.10%		

Edgar Filing: CORNERSTONE STRATEGIC VALUE FUND INC/ NEW - Form N-CSR

Adams Express Company	49,500	\$ 686,565
General American Investors Company	3,000	111,360
Liberty All-Star Equity Fund	67,300	557,917
Liberty All-Star Growth Fund, Inc.	26,300	141,231

-----  
1,497,073  
-----

CONSUMER DISCRETIONARY - 10.94%

Amazon.com, Inc. *	5,500	217,030
Bed Bath & Beyond Inc. ^ *	4,200	160,020
Best Buy Co., Inc. ^	3,625	178,314
Black & Decker Corporation (The)	3,000	239,910
Carnival Corporation	11,800	578,790
Clear Channel Communications, Inc. ^	6,300	223,902
Coach, Inc. *	3,500	150,360
Comcast Corporation, Special Class A *	19,037	805,836
D.R. Horton, Inc.	7,000	185,430
Federated Department Stores, Inc.	11,052	421,413
Fortune Brands, Inc. ^	3,500	298,865
Gannett Co., Inc.	3,500	211,610
Gap, Inc. (The)	12,200	237,900
Goodyear Tire & Rubber Company (The) *	4,500	94,455
Harley-Davidson, Inc.	4,400	310,068
Hilton Hotels Corporation	6,200	216,380
Home Depot, Inc. (The)	23,100	927,696
J.C. Penney Company, Inc.	4,500	348,120
Johnson Controls, Inc.	2,500	214,800
Kohl's Corporation *	2,500	171,075
Lowe's Companies, Inc.	22,400	697,760
Marriott International, Inc., Class A	4,200	200,424
Mattel, Inc.	5,500	124,630
McDonald's Corporation	15,100	669,383
News Corporation, Class A	23,000	494,040
NIKE, Inc., Class B	7,300	722,919
Omnicom Group Inc. ^	4,100	428,614
Sears Holdings Corporation *	503	84,469
Staples, Inc.	10,800	288,360
Starbucks Corporation *	10,800	382,536
Target Corporation	11,800	673,190
Time Warner Inc. ^	76,000	1,655,280
TJX Companies, Inc. (The)	3,000	85,440
Toyota Motor Corporation ADR	2,500	335,775
Univision Communications Inc., Class A *	7,000	247,940
Viacom Inc., Class B *	11,950	490,308

1

DESCRIPTION	NO. OF SHARES	VALUE
Walt Disney Company (The)	20,200	692,254
Wyndham Worldwide Corp *	3,100	99,262
Yum! Brands, Inc.	6,000	352,800
		----- 14,917,358 -----

CONSUMER STAPLES - 9.43%

Altria Group, Inc.	22,300	1,913,786
Anheuser-Busch Companies, Inc.	6,200	305,040

Edgar Filing: CORNERSTONE STRATEGIC VALUE FUND INC/ NEW - Form N-CSR

Archer-Daniels-Midland Company	9,460	302,342
Campbell Soup Company	2,000	77,780
Coca-Cola Company (The)	27,000	1,302,750
Colgate-Palmolive Company	5,900	384,916
ConAgra Foods, Inc.	4,400	118,800
Costco Wholesale Corporation	6,500	343,655
CVS Corporation	14,000	432,740
General Mills, Inc.	12,000	691,200
H.J. Heinz Company	4,000	180,040
Kimberly-Clark Corporation	5,500	373,725
Kroger Co. (The)	13,800	318,366
PepsiCo, Inc. ^	21,100	1,319,805
Procter & Gamble Company (The)	41,297	2,654,158
Sara Lee Corporation	16,000	272,480
Sysco Corporation ^	5,800	213,208
Walgreen Co.	14,300	656,227
Wal-Mart Stores, Inc.	21,600	997,488
		-----
		12,858,506
		-----
ENERGY - 9.81%		
Anadarko Petroleum Corp.	2,600	113,152
Baker Hughes Incorporated	10,600	791,396
BJ Services Company	3,500	102,620
Chevron Corporation	24,532	1,803,838
ConocoPhillips ^	17,974	1,293,229
Devon Energy Corporation	5,000	335,400
Exxon Mobil Corporation	73,500	5,632,305
Halliburton Company	6,700	208,035
Marathon Oil Corp.	7,500	693,750
Occidental Petroleum Corporation	16,000	781,280
Schlumberger Limited	22,000	1,389,520
XTO Energy, Inc.	5,000	235,250
		-----
		13,379,775
		-----
FINANCIALS - 21.35%		
AFLAC Incorporated	7,000	322,000
Allstate Corporation (The)	9,300	605,523
American Express Company	19,600	1,189,132
American International Group, Inc.	28,331	2,030,199
Aon Corporation	4,900	173,166
Bank of America Corporation ^	59,138	3,157,378
Bank of New York Company, Inc. (The)	11,400	448,818
BB&T Corporation	4,000	175,720

2

DESCRIPTION	NO. OF SHARES	VALUE
Bear Stearns Companies, Inc. (The)	2,500	406,950
Charles Schwab Corporation (The)	6,000	116,040
Chubb Corporation (The)	4,100	216,931
Citigroup Inc. ^	49,300	2,746,010
Fannie Mae	9,300	552,327
Franklin Resources, Inc.	3,700	407,629
Freddie Mac	10,400	706,160

Edgar Filing: CORNERSTONE STRATEGIC VALUE FUND INC/ NEW - Form N-CSR

Goldman Sachs Group, Inc. (The)	7,300	1,455,255
Hartford Financial Services Group, Inc. (The)	6,000	559,860
JPMorgan Chase & Co.	40,132	1,938,376
Lehman Brothers Holdings Inc.	7,200	562,464
Marsh & McLennan Companies, Inc. ^	6,000	183,960
Merrill Lynch & Co., Inc.	7,200	670,320
Metlife, Inc.	15,200	896,952
Morgan Stanley	15,500	1,262,165
National City Corporation	12,700	464,312
PNC Financial Services Group, Inc.	4,600	340,584
Prudential Financial, Inc.	10,700	918,702
Realogy Corporation *	7,000	212,240
St. Paul Travelers Companies, Inc. (The)	9,476	508,766
State Street Corporation	3,500	236,040
SunTrust Banks, Inc.	7,600	641,820
U.S. Bancorp	28,401	1,027,832
UnumProvident Corporation	8,100	168,318
Wachovia Corporation	19,600	1,116,220
Washington Mutual, Inc.	15,550	707,370
Wells Fargo & Company	48,400	1,721,104
Western Union Company ^	11,324	253,884
		-----
		29,100,527
		-----
HEALTHCARE - 11.80%		
Abbott Laboratories	28,000	1,363,880
Aetna Inc. ^	6,000	259,080
Amgen Inc. *	18,900	1,291,059
Applera Corporation	8,000	293,520
Baxter International Inc.	5,000	231,950
Becton, Dickinson and Company	6,900	484,035
Biogen Idec Inc. *	5,500	270,545
Boston Scientific Corporation *	15,551	267,166
Bristol-Myers Squibb Company	25,500	671,160
Cardinal Health, Inc.	5,450	351,144
Caremark Rx, Inc.	9,000	513,990
Eli Lilly and Company	4,700	244,870
Gilead Sciences, Inc. *	3,500	227,255
Hospira, Inc. *	3,700	124,246
IMS Health Incorporated	7,400	203,352
Johnson & Johnson	40,900	2,700,218
McKesson Corporation	5,300	268,710
Medco Health Solutions, Inc. ^ *	6,687	357,353
Medtronic, Inc.	19,000	1,016,690

3

DESCRIPTION	NO. OF SHARES	VALUE
Merck & Co. Inc.	20,000	872,000
Pfizer Inc.	36,060	933,954
Schering-Plough Corporation ^	12,500	295,500
UnitedHealth Group Incorporated	17,000	913,410
WellPoint Inc. *	11,500	904,935
Wyeth	20,200	1,028,584
		-----
		16,088,606

Edgar Filing: CORNERSTONE STRATEGIC VALUE FUND INC/ NEW - Form N-CSR

INDUSTRIALS - 10.73%		
3M Co.	9,400	732,542
Boeing Company (The)	9,200	817,328
Burlington Northern Santa Fe Corporation	2,900	214,049
Caterpillar Inc.	11,800	723,694
CSX Corporation	14,300	492,349
Danaher Corporation ^	3,500	253,540
Emerson Electric Co.	12,000	528,840
FedEx Corp.	4,500	488,790
General Dynamics Corporation	6,200	460,970
General Electric Company	105,400	3,921,934
Honeywell International Inc.	12,500	565,500
Illinois Tool Works Inc.	13,300	614,327
Ingersoll-Rand Company Ltd. Class A	7,000	273,910
Lockheed Martin Corporation	4,000	368,280
Masco Corporation ^	4,200	125,454
Norfolk Southern Corporation	10,000	502,900
Northrop Grumman Corporation	5,000	338,500
Rockwell Automation, Inc.	2,500	152,700
Southwest Airlines Co.	5,700	87,324
Textron Inc.	4,500	421,965
Tyco International Ltd.	10,397	316,069
Union Pacific Corporation	2,000	184,040
United Parcel Service, Inc., Class B	9,600	719,808
United Technologies Corporation ^	11,000	687,720
Waste Management, Inc.	17,300	636,121

-----  
14,628,654  
-----

INFORMATION TECHNOLOGY - 14.93%		
Adobe Systems Incorporated *	6,700	275,504
Agilent Technologies Inc. *	4,500	156,825
Analog Devices, Inc.	3,500	115,045
Apple Computer, Inc. *	3,000	254,520
Applied Materials, Inc. ^	33,800	623,610
Automatic Data Processing, Inc.	12,400	610,700
Cisco Systems, Inc. *	82,900	2,265,657
Corning Incorporated *	8,000	149,680
Dell Inc. *	4,700	117,923
eBay Inc. *	17,000	511,190
Electronic Arts Inc. *	5,000	251,800
Electronic Data Systems Corporation	5,000	137,750
EMC Corporation *	200,648	2,648,554
First Data Corporation	15,824	403,828

DESCRIPTION	NO. OF SHARES	VALUE
Google Inc., Class A ^ *	2,500	1,151,200
Hewlett-Packard Company	19,900	819,681
Intel Corporation	82,500	1,670,625
International Business Machines Corporation	12,600	1,224,090
Linear Technology Corporation ^	4,000	121,280
Micron Technology, Inc. *	11,500	160,540
Microsoft Corporation	109,200	3,260,712
Motorola, Inc.	34,700	713,432

Edgar Filing: CORNERSTONE STRATEGIC VALUE FUND INC/ NEW - Form N-CSR

Oracle Corporation *	44,272	758,822
QUALCOMM Inc.	17,000	642,430
Sun Microsystems, Inc. *	7,500	40,650
Symantec Corporation *	5,000	104,250
Texas Instruments Incorporated	23,900	688,320
Yahoo! Inc. *	18,800	480,152
		-----
		20,358,770
		-----
MATERIALS - 2.46%		
Air Products & Chemicals, Inc.	1,000	70,280
Alcoa Inc.	16,900	507,169
Dow Chemical Company (The)	15,400	615,076
E. I. du Pont de Nemours and Company	14,800	720,908
International Paper Company	10,500	358,050
Monsanto Company	10,160	533,705
Newmont Mining Corporation	7,000	316,050
Praxair, Inc.	3,000	177,990
Rohm and Hass Company	1,000	51,120
		-----
		3,350,348
		-----
REAL ESTATE INVESTMENT TRUST - 0.48%		
Simon Property Group, Inc. ^	6,500	658,385
		-----
		658,385
		-----
TELECOMMUNICATIONS SERVICES - 3.05%		
ALLTEL Corporation	4,000	241,920
AT&T Inc.	31,364	1,121,263
BellSouth Corporation	19,000	895,090
Sprint Nextel Corporation ^	30,446	575,125
Verizon Communications Inc.	35,600	1,325,744
		-----
		4,159,142
		-----
UTILITIES - 3.51%		
American Electric Power Company, Inc.	5,500	234,190
CenterPoint Energy, Inc.	10,000	165,800
Dominion Resources, Inc.	4,600	385,664
Duke Energy Corporation ^	15,800	524,718
Edison International ^	6,500	295,620
Exelon Corporation	6,000	371,340
FirstEnergy Corp.	5,000	301,050
FPL Group, Inc.	4,000	217,680
PG&E Corporation ^	9,000	425,970
Progress Energy, Inc. ^	3,500	171,780
Public Service Enterprise Group Incorporated	6,000	398,280

5

DESCRIPTION	NO. OF SHARES	VALUE
Southern Company (The)	11,900	438,634
TXU Corp.	12,400	672,204
Williams Companies, Inc. (The)	7,000	182,840
		-----

Edgar Filing: CORNERSTONE STRATEGIC VALUE FUND INC/ NEW - Form N-CSR

		4,785,770
		-----
TOTAL EQUITY SECURITIES		
(cost - \$106,625,134)		135,782,914
		-----
	PRINCIPAL AMOUNT (000'S)	
SHORT-TERM INVESTMENTS - 2.46%		
REPURCHASE AGREEMENTS - 2.46%		
Bear, Stearns and Co., Inc. + ++ (Agreement dated 12/29/2006 to be repurchased at \$2,107,246), 2.6565%, 1/2/2007, collateralized by \$2,169,076 in U.S. Treasury Bond Strips)	\$ 2,107	2,106,624
Bear, Stearns and Co., Inc. + ++ (Agreement dated 12/29/2006 to be repurchased at \$642,579), 5.3130%, 1/2/2007, collateralized by \$661,422 in U.S. Treasury Bond Strips)	642	642,200
Bear, Stearns and Co., Inc. (Agreement dated 12/29/2006 to be repurchased at \$606,752), 4.8500%, 1/2/2007, collateralized by \$624,947 in U.S. Treasury Bond Strips)	606	606,425
		-----
		3,355,249
		-----
TOTAL SHORT-TERM INVESTMENTS		
(cost - \$3,355,249)		3,355,249
		-----
TOTAL INVESTMENTS - 102.05%		139,138,163
(cost - \$109,980,383)		139,138,163
		-----
LIABILITIES IN EXCESS OF OTHER ASSETS - (2.05)%		(2,793,834)
		-----
NET ASSETS - 100.00%		\$136,344,329
		=====

-----  
ADR American Depositary Receipt  
\* 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.  
^ Security or a portion thereof is out on loan.



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, 2006, 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 five years in the period then ended. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. The Fund is not required to have, nor were we engaged to perform, an audit of 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, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. Our procedures included confirmation of securities owned as of December 31, 2006, by correspondence with the custodian and brokers. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of Cornerstone Strategic Value Fund, Inc. as of December 31, 2006, 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 five 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, 2006 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, 2007

## Edgar Filing: CORNERSTONE STRATEGIC VALUE FUND INC/ NEW - Form N-CSR

### 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.

(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. Mr. Bradshaw has acted as the portfolio manager since 2001. Mr. Clark has acted as the portfolio manager since 2003. Ralph W. Bradshaw's occupation for the last five years is President of Cornerstone Advisors, Inc. and a Financial Consultant. William A. Clark's 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 (Cornerstone Total Return Fund, Inc.) As of December 31, 2006, the total assets of Cornerstone Total Return Fund, Inc. was \$53.4 million.

(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, 2006, 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.

## Edgar Filing: CORNERSTONE STRATEGIC VALUE FUND INC/ NEW - Form N-CSR

(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.

(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 9, 2007

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 9, 2007

By: /S/ JODI B. LEVINE

-----  
Name: Jodi B. Levine  
Title: Principal Financial Officer  
Date: March 9, 2007