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CLEMENTE STRATEGIC VALUE FUND INC  
Form DEF 14A  
March 07, 2001

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Materials Pursuant to ss.240.14a-11(c) or ss.240.14a-12

CLEMENTE STRATEGIC VALUE FUND, INC.  
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Name of Registrant as Specified In Its Charter

N/A

Name of Person(s) Filing Proxy Statement if other than the Registrant

No fee required

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11

1) Title of each class of securities to which transaction applies:

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2) Aggregate number of securities to which transaction applies:

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3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):

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4) Proposed maximum aggregate value of transaction:

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5) Total fee paid:

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- [ ] Fee paid previously with preliminary materials:
- [ ] Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which such offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

1) Amount Previously Paid:

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2) Form, Schedule or Registration Statement No.:

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3) Filing Party:

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4) Date Filed:

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CLEMENTE STRATEGIC VALUE FUND, INC.  
575 Lexington Avenue  
New York, New York 10022

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS  
To Be Held On Thursday, April 19, 2001

Notice is hereby given that the Annual Meeting of Stockholders (the "Meeting") of Clemente Strategic Value Fund, Inc. (the "Fund"), a Maryland corporation, will be held at the executive offices of Bear Stearns Funds Management Inc., 245 Park Avenue, 7th Floor, Conference Room F, New York, New York 10167 on Thursday, April 19, 2001 at 11:30 a.m. for the following purposes:

1. To elect two Class I Directors until the year 2002 Annual Meeting, two Class II Directors until the year 2003 Annual Meeting and two Class III Directors, until the year 2004 Annual Meeting (Proposal 1);
2. To approve a new investment management agreement between Cornerstone Advisors, Inc. and the Fund (Proposal 2);
3. To ratify the selection of PricewaterhouseCoopers LLP as the Fund's independent accountants for the year ending December 31, 2001 (Proposal 3); and
4. To consider and vote upon such other matters as may properly come before said Meeting or any adjournment thereof.

The Board of Directors has fixed the close of business on February

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14, 2001 as the record date for the determination of stockholders entitled to notice of, and to vote at this Meeting or any adjournment thereof. The stock transfer books will not be closed.

Copies of the Fund's most recent annual report and semi-annual report may be ordered free of charge to any stockholder by writing to the Fund at c/o PFPC, Inc., 400 Bellevue Parkway, Wilmington, Delaware 19809, or by telephone at (888) 505-4481.

By Order of the Board of Directors  
Thomas R. Westle, Secretary

Dated: March 7, 2001

UNLESS YOU EXPECT TO BE PRESENT AT THE MEETING, PLEASE FILL IN, DATE, SIGN AND MAIL THE ENCLOSED PROXY CARD IN THE ENCLOSED REPLY ENVELOPE. YOUR PROMPT RESPONSE WILL ASSURE A QUORUM AT THE MEETING.

INSTRUCTIONS FOR SIGNING PROXY CARDS

The following general rules for signing proxy cards may be of assistance to you and avoid the time and expense to the Fund involved in validating your vote if you fail to sign your proxy card properly.

1. Individual Accounts: Sign your name exactly as it appears in the registration on the proxy card.
2. Joint Accounts: Either party may sign, but the name of the party signing should conform exactly to a name shown in the registration.
3. Other Accounts: The capacity of the individual signing the proxy card should be indicated unless it is reflected in the form of registration. For example:

REGISTRATION

CORPORATE ACCOUNTS VALID SIGNATURE

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- (1) ABC Corp.....ABC Corp.  
(by John Doe, Treasurer)
- (2) ABC Corp.....John Doe, Treasurer
- (3) ABC Corp.  
c/o John Doe, Treasurer.....John Doe
- (4) ABC Corp. Profit Sharing Plan.....John Doe, Trustee

TRUST ACCOUNTS

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- (1) ABC Trust.....Jane B. Doe, Trustee
- (2) Jane B. Doe, Trustee  
u/t/d/ 12/28/78.....Jane B. Doe

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CUSTODIAL OR ESTATE ACCOUNTS  
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- (1) John B. Smith, Cust.  
f/b/o John B. Smith, Jr. UGMA.....John B. Smith
- (2) John B. Smith.....John B. Smith, Jr., Executor

CLEMENTE STRATEGIC VALUE FUND, INC.  
575 Lexington Avenue  
New York, New York 10022  
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PROXY STATEMENT  
for  
ANNUAL MEETING OF STOCKHOLDERS  
to be held on Thursday, April 19, 2001  
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This Proxy Statement is furnished in connection with the solicitation of proxies by the Board of Directors of Clemente Strategic Value Fund, Inc. (the "Fund") for use at the Annual Meeting of Stockholders (the "Meeting") to be held at the executive offices of Bear Stearns Funds Management Inc., 245 Park Avenue, 7th Floor, Conference Room F, New York, New York 10167 on Thursday, April 19, 2001, at 11:30 a.m., New York time, and at any and all adjournments thereof. A form of proxy is enclosed herewith. This Proxy Statement and the accompanying form of proxy are being first mailed to stockholders on or about March 7, 2001.

Any stockholder who executes and delivers a proxy may revoke it by written communication to the Secretary of the Fund at any time prior to its use or by voting in person at the Meeting. Unrevoked proxies will be voted in accordance with the specifications thereon and, unless specified to the contrary, will be voted FOR the election of the nominees for Director, FOR the approval of the investment management agreement between Cornerstone Advisors, Inc. and the Fund, and FOR the ratification of the selection of PricewaterhouseCoopers LLP as the independent accountants of the Fund for the year ending December 31, 2001.

In general, abstentions and broker non-votes (reflected by signed but unvoted proxies), as defined below, count for purposes of obtaining a quorum but do not count as votes cast with respect to any proposal where the broker does not have discretion. With respect to a proposal requiring the affirmative vote of a majority of the Fund's outstanding shares of Common Stock, the effect of abstentions and broker non-votes is the same as a vote against such proposal. Otherwise, abstentions and broker non-votes have no effect on the outcome of a proposal. Broker non-votes are shares held in the name of the broker or nominee for which an executed proxy is received by the Fund, but are not voted on a proposal because voting instructions have not been received from the beneficial owners or persons entitled to vote and the broker or nominee does not have discretionary voting power.

In the event that a quorum is not present at the Meeting, the persons named as proxies may propose one or more adjournments of the Meeting to a date

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not more than one hundred twenty (120) days after the original record date to permit further solicitation of proxies. Any such adjournment will require the

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affirmative vote of a majority of those shares represented at the Meeting in person or by proxy. The persons named as proxies will vote those proxies which they are entitled to vote FOR or AGAINST any such proposal in their discretion. Under the By-Laws of the Fund, a quorum is constituted by the presence in person or by proxy of the holders of record of a majority of the outstanding shares of Common Stock of the Fund entitled to vote at the Meeting.

The cost of soliciting the proxies will be borne by the Fund. Proxy solicitations will be made primarily by mail, but solicitations may also be made by telephone, telegraph or personal interviews conducted by officers or employees of the Fund, PFPC Inc., the administrator to the Fund (the "Administrator"), or Shareholder Communications Corporation ("SCC"), a proxy solicitation firm that has been retained by the Fund.

The agreement between SCC and the Fund provides for SCC to provide general solicitation services to the Fund at an estimated cost of \$6,000, including expenses. The Fund will, upon request, bear the reasonable expenses of brokers, banks and their nominees who are holders of record of the Fund's Common Stock on the record date, incurred in mailing copies of this Notice of Meeting and Proxy Statement and the enclosed form of proxy to the beneficial owners of the Fund's Common Stock.

Only holders of issued and outstanding shares of the Fund's Common Stock of record at the close of business on February 14, 2001 are entitled to notice of, and to vote at, the Meeting. Each such holder is entitled to one vote per share of Common Stock so held. The number of shares of Common Stock outstanding on February 14, 2001 was 6,010,000. The Fund is a closed-end, management investment company.

COPIES OF THE FUND'S MOST RECENT ANNUAL REPORT AND SEMI-ANNUAL REPORT MAY BE ORDERED FREE OF CHARGE TO ANY STOCKHOLDER BY WRITING TO THE FUND AT C/O PFPC, INC. 400 BELLEVUE PARKWAY, WILMINGTON, DELAWARE 19809, OR BY TELEPHONE AT (888) 505-4481. THIS REPORT IS NOT TO BE REGARDED AS PROXY-SOLICITING MATERIAL.

This Proxy Statement is first being mailed to stockholders on or about March 7, 2001.

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PROPOSAL NO. 1

ELECTION OF DIRECTORS

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At its January 26, 2001, Board meeting (the "Special Meeting"), the Board of Directors of the Fund amended Article III, Section 3.02 of the Fund's By-laws (the "Amendment") pursuant to Article Sixth of the Fund's Articles of Incorporation and Section 2-109 of the Maryland General Corporation Law. The Amendment staggers the terms of the Fund's Board of Directors. The Board of Directors now is divided into three classes: Class I, Class II and Class III, each class having a term of three years. Each year the term of office of one Class expires. The effect of these staggered terms is to limit the ability of other entities or persons to acquire control of the Fund by delaying the replacement of a majority of the Board of Directors.

At the Meeting, stockholders will be asked to elect two Class I Directors to hold office until the year 2002 Annual Meeting or thereafter until their successors are duly elected and qualified; two Class II Directors to hold office until the year 2003 Annual Meeting or thereafter until their successors are duly elected and qualified; and two Class III Directors to hold office until the year 2004 Annual Meeting or thereafter until their successors are duly elected and qualified. In the event that any of the nominees should become unavailable for election for any presently unforeseen reason, the persons named in the form of proxy will vote for any nominee who shall be designated by the present Board of Directors. Directors shall be elected by a plurality of the shares voting at the Meeting.

On January 26, 2001, Mr. William A. Clark, a Director since 2000, announced his intention to resign from the Board of Directors and on January 31, 2001, Mr. Clark submitted his letter of resignation as a Director and as Secretary and Treasurer of the Fund. The Board of Directors then elected Mr. Edwin Meese III to complete Mr. Clark's term of office. At the January 26, 2001 Board Meeting, the Board of Directors nominated Messrs. Edwin Meese III and Ralph W. Bradshaw as Class I Directors, Messrs. Thomas H. Lenagh and Scott B. Rogers as Class II Directors, and Messrs. Andrew A. Strauss and Glenn W. Wilcox, Sr. as Class III Directors.

At the Meeting, stockholders will be asked to vote for the election of Messrs. Edwin Meese III and Ralph A. Bradshaw as Class I Directors to serve until the year 2002 Annual Meeting or thereafter until each of their respective successors is duly elected and qualified, to vote for the election of Messrs. Thomas H. Lenagh and Scott B. Rogers as Class II Directors to serve until the year 2003 Annual Meeting or thereafter until each of their respective successors is duly elected and qualified, and to vote for the election of Messrs. Andrew A. Strauss and Glenn W. Wilcox, Sr. as Class III Directors to serve until the year 2004 Annual Meeting or thereafter until each of their respective successors is duly elected and qualified. If elected, each nominee has consented to serve as a director of the Fund until his successor is duly elected and qualified.

The persons named in the accompanying form of proxy intend to vote at the Meeting (unless directed not to vote) FOR the election of Messrs. Edwin Meese III, Ralph W. Bradshaw, Thomas H. Lenagh, Scott B. Rogers, Andrew A. Strauss, and Glenn W. Wilcox, Sr. Each nominee has indicated that he will serve if elected, and the Board of Directors has no reason to believe that any of the nominees named above will become unavailable for election as a director, but if any nominee should be unable to serve, the proxy will be voted for any other person determined by the persons named in the proxy in accordance with their judgment.

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The following table sets forth the ages and principal occupations of each of the nominees for election as Class I, Class II and Class III Directors, and the number of shares of Common Stock of the Fund beneficially owned by each of them, directly or indirectly:

NOMINEES

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Class I Directors to serve until the Year 2002 Annual Meeting of Stockholders:

| NOMINEE<br>-----  | PRINCIPAL OCCUPATION<br>OVER LAST 5 YEARS<br>-----   | POSITION<br>WITH THE<br>FUND SINCE<br>----- | AGE<br>--- |
|---|--|---|------------|
| Edwin Meese III<br>The Heritage Foundation<br>214 Massachusetts Ave NE<br>Washington D.C. 20002 | Distinguished Fellow, The Heritage Foundation, Washington D.C.; Distinguished Visiting Fellow at the Hoover Institution, Stanford University; Distinguished Senior Fellow at the Institute of United States Studies, University of London; Formerly U.S. Attorney General under President Ronald Reagan; Chairman of the Domestic Policy Council and the National Drug Policy Board and a member of the National Security Council; Director for The Cornerstone Strategic Return Fund, Inc.; Nominee for Director of Progressive Return Fund, Inc. | 2001  | 68         |
| Ralph W. Bradshaw***<br>One West Pack Square<br>Suite 750<br>Asheville, NC 28801                | Chairman of the Board of Directors and President of the Fund; President, Director and shareholder of Cornerstone Advisors, Inc.; Financial Consultant; Vice President, Deep Discount Advisors, Inc.  | 1999  | 50         |

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(1993-1999); Director of The Austria Fund, Inc., The Cornerstone Strategic Return Fund, Inc., and Progressive Return Fund, Inc.

Class II Directors to serve until the Year 2003 Annual Meeting of Stockholders:

| NOMINEE<br>-----  | PRINCIPAL OCCUPATION<br>OVER LAST 5 YEARS<br>-----   | POSITION<br>WITH THE<br>FUND SINCE<br>----- | AGE<br>----- |
|---|--|---|--------------|
| Thomas H. Lenagh<br>13 Allen's Corner Rd.<br>Flemington, NJ 08822 | Chairman of the Board of Inrad Corp.; Independent Financial Adviser; Director of Gintel Fund, Adams Express and Petroleum and Resources, ASD Group, ICN Pharmaceuticals and V-Band Corp.; Nominee for Director of The Cornerstone Strategic Return Fund, Inc. and Progressive Return Fund, Inc.  | 1987  | 78           |
| Scott B. Rogers<br>30 Cumberland Ave.<br>Asheville, NC 28801      | Chief Executive Officer, Asheville Buncombe Community Christian Ministry; President, ABCCM Doctor's Medical Clinic; Director, Southeastern Jurisdiction Urban Networkers; Director, A-B Vision Board, Appointee, NC Governor's Commission on Welfare to Work; Chairman and Director, Recycling Unlimited; Director, Interdenominational Ministerial Alliance; Director of Progressive Return Fund, Inc and Nominee for Director of The Cornerstone Strategic Return Fund, Inc. | 2000  | 44           |

Class III Directors to serve until the Year 2004 Annual Meeting of Stockholders:

| NOMINEE<br>-----  | PRINCIPAL OCCUPATION<br>OVER LAST 5 YEARS<br>-----  | POSITION<br>WITH THE<br>FUND SINCE<br>----- | AGE<br>----- |
|---|---|---|--------------|
| Glenn W. Wilcox, Sr.<br>One West Pack Square<br>Suite 1700<br>Asheville, NC 28801 | Chairman of the Board and Chief Executive Officer of Wilcox Travel Agency; Director, Champion Industries, Inc.; Chairman, Tower Associates, Inc. (a real estate venture); Member and Vice Chairman, the Board of First Union National Bank; Board Trustee | 2000  | 69           |



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and Vice Chairman, Appalachian State University; Board Trustee and Director, Mars Hill College; Director of The Cornerstone Strategic Return Fund, Inc. and Progressive Return Fund, Inc.

Andrew A. Strauss  
77 Central Avenue  
Suite F  
Asheville, NC 28801

Attorney and senior member of Strauss & Associates, P.A., attorneys, Asheville, N.C.; previous President of White Knight Healthcare, Inc. and LMV Leasing, Inc., a wholly owned subsidiary of Xerox Credit Corporation; Director of The Cornerstone Strategic Return Fund, Inc. and Progressive Return Fund, Inc.

2000

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Under the federal securities laws, the Fund is required to provide to stockholders in connection with the Meeting information regarding compensation paid to Directors by the Fund as well as by the various other U.S. registered investment companies advised by the Fund's investment adviser during its prior fiscal year. The following table provides information concerning the compensation paid during the year ended December 31, 2000, to each Director of the Fund. Certain of the Directors received compensation for serving as a Director of Cornerstone Strategic Return Fund, Inc., which was also advised by Clemente Capital, Inc. during the year ended December 31, 2000. Please note that the Fund has no bonus, profit sharing, pension or retirement plans.

| NAME OF DIRECTOR<br>----- | DIRECTOR<br>SINCE<br>----- | AGGREGATE<br>COMPENSATION FROM FUNDS ADVISED BY CLEMENTE CAPITAL<br>FUND FOR 2000<br>----- | TOTAL COMPENSATION FROM OTHER<br>FUNDS ADVISED BY CLEMENTE CAPITAL<br>FOR 2000<br>----- |
|---------------------------|----------------------------|--|---|
| Ralph W. Bradshaw         | 1998                       | \$11,000   | \$12,000  |
| Glenn W. Wilcox, Sr.      | 2000                       | \$4,950  | \$10,352  |
| Andrew A. Strauss         | 2000                       | \$4,950  | \$10,352  |
| Edwin Meese III*          | 2001                       | -0-  | \$8,184   |
| Scott B. Rogers           | 2000                       | \$4,950  | \$8,884   |
| Thomas H. Lenagh**        | 1987                       | \$11,000   | -0-   |

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|                        |      |          |         |
|------------------------|------|----------|---------|
| Gerald Hellerman***    | 1998 | \$6,050  | -0-     |
| Gary A. Bentz****      | 1998 | \$10,000 | \$8,952 |
| Ronald G. Olin*****    | 1998 | \$6,050  | \$7,400 |
| Phillip Goldstein***** | 1998 | \$5,550  | -0-     |
| William A. Clark*****  | 1999 | \$10,500 | \$9,652 |

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### SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934 (the "Exchange Act") and Section 30(h) of the 1940 Act in combination require the Fund's directors and officers, persons who own more than ten (10%) percent of the Fund's Common Stock, and the Fund's investment adviser and their respective directors and officers, to file reports of ownership and changes in ownership with the Securities and Exchange Commission and the New York Stock Exchange, Inc. The Fund believes that the Fund's directors and officers, the Fund's investment adviser and their respective directors and officers have complied with applicable filing requirements during the year ended December 31, 2000.

### REQUIRED VOTE

Directors are elected by a plurality (a simple majority of the votes cast at the meeting) of the votes cast by the holders of shares of Common Stock of the Fund present in person or represented by proxy at a meeting with a quorum present. For purposes of the election of Directors, abstentions and broker non-votes will be counted as shares present for quorum purposes may be considered votes cast, and may affect the plurality vote required for Directors.

THE BOARD OF DIRECTORS RECOMMENDS THAT THE STOCKHOLDERS VOTE "FOR" THE ELECTION OF MESSRS. EDWIN MEESE III AND RALPH W. BRADSHAW AS CLASS I DIRECTORS OF THE FUND, MESSRS. THOMAS H. LENAGH AND SCOTT B. ROGERS AS CLASS II DIRECTORS OF THE FUND AND MESSRS. ANDREW A. STRAUSS AND GLENN W. WILCOX, SR. AS CLASS III DIRECTORS OF THE FUND.

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PROPOSAL NO. 2

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### CONSIDERATION OF THE APPROVAL OF THE NEW INVESTMENT MANAGEMENT AGREEMENT BETWEEN THE FUND AND CORNERSTONE ADVISORS, INC.

Clemente Capital, Inc. ("Clemente Capital") currently serves as investment adviser to the Fund pursuant to an investment advisory agreement with the Fund, as amended and restated May 1, 2000 (the "Clemente Agreement"). Wilmington Trust Company ("WTC") currently serves as the Fund's Sub-Adviser pursuant to a sub-advisory agreement dated May 29, 1997, as amended and restated May 1, 2000 (the "WTC Agreement"). At a meeting held on January 26, 2001, the Board of Directors terminated the Clemente Agreement and the WTC Agreement effective March 31, 2001. In connection with the termination of the Fund's management and advisory relationships with Clemente Capital, Leopoldo M. Clemente, who is affiliated with Clemente Capital, no longer serves as President of the Fund, effective February 9, 2001.

The Board of Directors unanimously approved a new investment management agreement (the "Cornerstone Agreement") by and between the Fund and Cornerstone Advisors, Inc. ("Cornerstone Advisors"), at a meeting of the Board of Directors duly held on February 9, 2001. Additionally, Cornerstone Advisors was unanimously approved by the Board of Directors to provide the Fund with investment management services during the period between the effective date of the termination of the Clemente Agreement and WTC Agreement and the date on which the Fund's stockholders approve the Cornerstone Agreement at the Meeting (or and adjournment thereof) (the "Interim Period"); PROVIDED, HOWEVER, that Cornerstone Advisors provide such investment management services to the Fund during the Interim Period, which shall in no event be greater than 150 days, on terms substantially identical to those provided for in the Clemente Agreement, and for compensation no greater than that provided for in the Clemente Agreement on a pro rata basis. If the stockholders do not approve the Cornerstone Agreement during the Interim Period, the Board will consider alternative sources from which to obtain investment management and research services for the Fund.

The Board of Directors hereby submits the Cornerstone Agreement to the stockholders for their consideration and approval.

Cornerstone Advisors, which has its principal office at One West Pack Square, Suite 750, Asheville, North Carolina 28801, was organized to provide investment management services to closed-end investment companies. Newly organized as an investment adviser, Cornerstone Advisors is registered with the Securities and Exchange Commission under the Investment Advisers Act of 1940, as amended, and has no previous operating history. Mr. Bradshaw will serve as the Fund's portfolio manager assuming the Cornerstone Agreement is approved by the Fund's stockholders at the Meeting. A copy of the proposed Cornerstone Agreement is attached hereto as Appendix A.

Messrs. Ralph W. Bradshaw, a director of the Fund, and Gary A. Bentz, a former director of the Fund, are the sole stockholders of Cornerstone Advisors. Both Mr. Bradshaw and Mr. Bentz have extensive experience with closed-end investment companies. Mr. Bradshaw, who also serves as a director to The Austria Fund, Inc., The Cornerstone Strategic Return Fund, Inc. and Progressive Return Fund, Inc., served as a Vice President of Deep Discount Advisors, Inc. ("Deep Discount") from 1993 to 1999. Mr. Bentz, who formerly served as a director to The Cornerstone Strategic Return Fund, Inc. and who currently serves as a director to The Austria Fund, Inc., was also affiliated with Deep Discount as its Chief Financial Officer from 1993 to 2000. Messrs.

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Bradshaw and Bentz no longer possess any ownership interest in Deep Discount nor do they provide any investment advisory services to Deep Discount or its clients. Deep Discount and Ron Olin Investment Management Company ("ROIMC"), both of which jointly filed a Schedule 13G with the Securities and Exchange Commission (the "SEC") on February 12, 2001 as beneficial owners of more than five (5%) percent of the outstanding shares of the Fund, are registered investment advisers which, on behalf of their respective advisory clients, invest in the common stock of closed-end investment companies. There exists no arrangements or understandings among Cornerstone Advisors, Deep Discount, ROIMC or any of their respective stockholders with respect to the Fund.

The Board of Directors recommends that the stockholders approve the Cornerstone Agreement with Cornerstone Advisors, which will immediately become effective upon stockholder approval.

### NAME CHANGE

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As a result of the termination of the Fund's advisory relationship with Clemente Capital, it is necessary that the Fund change its name. Therefore, in connection with its approval of the Cornerstone Agreement, the Board of Directors unanimously approved the change of the Fund's name to the "Cornerstone Strategic Value Fund, Inc." The name change does not change the Fund's fundamental investment objective, which may only be changed by stockholder vote. Accordingly, the Board of Directors believes that, subject to stockholder approval of the Cornerstone Agreement, changing the name of the Fund to the "Cornerstone Strategic Value Fund, Inc." is necessary and appropriate and in the best interests of the Fund and its stockholders.

### COMPARISON OF THE CLEMENTE AND WTC AGREEMENTS WITH THE CORNERSTONE AGREEMENT

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The Clemente Agreement together with the WTC Agreement are substantially identical to the Cornerstone Agreement with respect to the scope of the services provided by Clemente Capital together with WTC and the scope of services to be provided by Cornerstone Advisors to the Fund, but are substantially different with respect to the amount of compensation to be paid for such services. The following description of the Cornerstone Agreement is qualified in its entirety by reference to the copy of the Cornerstone Agreement attached hereto and made a part hereof as Appendix A.

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### SERVICES TO BE PERFORMED

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Pursuant to the Cornerstone Agreement, Cornerstone Advisors conducts investment research and supervision for the Fund and is responsible for the purchase and sale of investment securities for the Fund's portfolio, subject to the supervision and direction of the Board of Directors. Cornerstone Advisors provides the Fund with investment advice, supervises the Fund's management and investment programs and provides investment advisory facilities and executive and supervisory personnel for managing the investments and effectuating portfolio transactions. Cornerstone Advisors also furnishes, at its own expense, all necessary administrative services, office space, equipment and clerical personnel for servicing the investments of the Fund. In addition, Cornerstone Advisors pays the salaries and fees of all officers of the Fund who are affiliated with Cornerstone Advisors.

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### EXPENSES

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The Cornerstone Agreement provides that the Fund is responsible for all of its expenses and liabilities, except that Cornerstone Advisors is responsible for the expenses in connection with maintaining a staff within its organization to furnish the above services to the Fund. Although Cornerstone Advisors is a newly organized investment adviser, the Fund is not aware of any other circumstances that are reasonably likely to impair the financial ability of Cornerstone Advisors to fulfill its commitment to the Fund under the Cornerstone Agreement.

Cornerstone Advisors has voluntarily agreed to limit the Fund's annual operating expenses (excluding interest, taxes, brokerage commissions, legal fees, expenditures which are capitalized in accordance with generally accepted accounting principles, and other extraordinary expenses not incurred in the ordinary course of such Fund's business) to 1.65% (on an annualized basis) of the Fund's average net assets for the fiscal period from April 19, 2001 (subject to stockholder approval of the Cornerstone Agreement) through December 31, 2001.

### LIMITATION OF LIABILITY

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The Cornerstone Agreement provides that, in the absence of willful misfeasance, bad faith, gross negligence or reckless disregard for its obligations and duties thereunder ("disabling conduct"), Cornerstone Advisors shall not be liable to the Fund or its stockholders for any act or omission in the course of or in connection with the rendering of its services thereunder. In addition, the Cornerstone Agreement provides that the Fund, under certain circumstances, will indemnify Cornerstone Advisors against any losses or expenses incurred, including amounts paid in satisfaction of judgments and reasonable legal costs, not resulting from disabling conduct.

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### DURATION AND TERMINATION

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Subject to stockholder approval, the Cornerstone Agreement will have a term beginning April 19, 2001 and ending April 18, 2003, and, thereafter, will continue in effect for successive annual periods provided such continuance is specifically approved at least annually by (i) a majority of the members of the Fund's Board of Directors who are not parties to the Cornerstone Agreement, and who are not "interested persons" of any such party, and (ii) a majority of the Fund's Board of Directors or the holders of a "majority of the outstanding voting securities" of the Fund. The Cornerstone Agreement may be terminated, without penalty, on sixty (60) days' notice, by the Fund's Board of Directors, by a vote of the holders of a "majority of the outstanding voting securities" of the Fund (as defined under "Required Vote" below) or by Cornerstone Advisors.

### ADVISORY FEES

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Pursuant to the Cornerstone Agreement, the Fund will pay Cornerstone

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Advisors a monthly flat fee at an annual rate of one (1%) percent of the Fund's average weekly net assets for the investment management and research services provided by Cornerstone Advisors. This fee is identical to the fee paid to Clemente Capital, pursuant to the Clemente Agreement, during the fiscal year ending December 31, 2000.

Under the Clemente Agreement, Clemente Capital was entitled to a basic fee of one (1%) percent (on an annualized basis) of the average weekly net assets of the Fund (the "Basic Fee"). The Basic Fee, however, was subject to an adjustment based on the Fund's performance compared to the performance of the S&P 500 Index. Under the Clemente Agreement, the Basic Fee earned by Clemente Capital could have, on an annualized basis, (i) increased from one (1%) percent to a maximum of two (2%) percent, or conversely, (ii) decreased from one (1%) percent to a minimum of zero (0.00%) percent, depending on the Fund's performance compared to the performance of such benchmark.

Under the Clemente Agreement, the performance fee was to be calculated via the use of a rolling period. A rolling period is the specified duration of time over which the performance of the Fund and the performance of the benchmark index were to be compared. The SEC recommends a minimum rolling period of at least 12 months. Therefore, until Clemente Capital and the Fund were to have established performance records for at least 12 months under the Clemente Agreement (i.e. May 1, 2000 through April 30, 2001), Clemente Capital was to have earned a flat rate of 1% of the Fund's average weekly net assets on an annualized basis and was not to be compensated with fees adjusted for Fund performance.

Under the WTC Agreement, WTC was entitled to a sub-advisory fee paid by Clemente Capital and not the Fund equal to twenty-five (25%) percent of the fees received by Clemente Capital. During the period January 1, 2000 through December 31, 2000, the aggregate amount of fees paid by the Fund to Clemente Capital, under the Clemente Agreement was \$552,871. The amount of fees paid by Clemente Capital to WTC during the same period was \$184,290.

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### SOFT DOLLAR ARRANGEMENTS

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It is understood by both Cornerstone Advisors and the Board of Directors that any soft dollars resulting from soft dollar arrangements between the Fund, Cornerstone Advisors and selected dealers and brokers (to the extent that such arrangements are in connection with, or for the benefit of, the Fund), may be used to pay for certain services provided to the Fund which can be provided by third parties, including but not limited to administration, accounting and custodial services. Notwithstanding the foregoing, however, the Cornerstone Agreement, like the Clemente Agreement, authorizes Cornerstone Advisors to direct the execution of the Fund's portfolio transactions to dealers and brokers furnishing statistical information or research deemed by Cornerstone Advisors to be useful or valuable to the performance of its investment advisory functions for the Fund. In such circumstances, the commissions paid may be higher than those that the Fund might otherwise have paid to another broker if those services had not been provided. Such research services provided to Cornerstone Advisors by brokers who effect securities transactions for the Fund may be used by Cornerstone Advisors in servicing other investment companies and accounts that it manages. It is understood that not all of the research services may be used by Cornerstone Advisors in managing any particular account, including the Fund. Notwithstanding the foregoing, however, it is the intention

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of both Cornerstone Advisors and the Board of Directors to use such soft dollar arrangements to pay for certain of the Fund's expenses which may be provided by third parties, including but not limited to administration, accounting and custodial services.

### EVALUATION BY THE BOARD OF DIRECTORS

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The Fund's Board of Directors, including the Directors who are not interested persons of any party to the Cornerstone Agreement or its affiliates, has approved the Cornerstone Agreement for the Fund and recommends that stockholders of the Fund approve such agreement. The Board's deliberations and approval occurred at the Director's meeting held on February 9, 2001, with its legal counsel in attendance. The Cornerstone Agreement is effective upon stockholder approval. If the stockholders do not approve the Cornerstone Agreement at the Meeting (or at an adjournment thereof), the Board will either resubmit the Cornerstone Agreement to the stockholders for their consideration and approval or consider alternative sources from which to obtain investment management and research services for the Fund.

In approving the Cornerstone Agreement and determining to submit it to the stockholders of the Fund for their approval, the Board of Directors considered the best interests of the stockholders and took into account factors they deemed relevant. The factors considered by the independent Directors included the nature, quality and scope of the operations and services to be provided by Cornerstone Advisors, while focusing on the prior experience of Cornerstone Advisors' principals with respect to: (i) closed-end investment companies in general; (ii) managing portfolios of U.S. equity securities; (iii) implementing aggressive policies to eliminate closed-end investment companies' discounts; and (iv) implementing policies to cut costs and expenses of closed-end investment companies. Furthermore, the Board of Directors of the Fund considered the opportunity to obtain high quality services at costs that it deemed appropriate, reasonable and on terms similar to the terms of the Clemente

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Agreement. The Board of Directors also reflected upon the intention of Cornerstone Advisors to act as the investment manager to The Cornerstone Strategic Return Fund, Inc. (the "Cornerstone Fund") and Progressive Return Fund, Inc. (the "Progressive Fund"), subject to stockholder approval at each of its respective 2001 Annual Meetings of Stockholders, thereby creating a family of closed-end funds including but not necessarily limited to the Fund, the Progressive Fund and the Cornerstone Fund. Lastly, consideration was given to the fact that there exists no arrangement or understanding in connection with the Cornerstone Agreement with respect to the composition of the Board of Directors of the Fund or of Cornerstone Advisors or with respect to the selection or appointment of any person to any office of the Fund or Cornerstone Advisors.

Based upon its review of the above factors, the Board of Directors of the Fund determined that the Cornerstone Agreement is in the best interests of the Fund and its stockholders.

### REQUIRED VOTE

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As provided by the 1940 Act, approval of the Cornerstone Agreement will require the affirmative vote of a "majority of the outstanding voting

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securities" of the Fund, which means the affirmative vote of the lesser of (a) sixty-seven (67%) percent or more of the shares of the Fund entitled to vote thereon present or represented by proxy at the Meeting, if the holders of more than fifty (50%) percent of the outstanding shares of the Fund entitled to vote thereon are present or represented by proxy, or (b) more than fifty (50%) percent of the total outstanding shares of the Fund entitled to vote thereon. For this purpose, abstentions and broker non-votes will be counted as shares present at the Meeting for quorum purposes, but not votes cast and will have the same effect as votes cast against the Proposal.

THE BOARD OF DIRECTORS, INCLUDING THE DIRECTORS WHO ARE NOT "INTERESTED PERSONS" OF THE FUND, CORNERSTONE ADVISORS OR ITS AFFILIATES, RECOMMENDS THAT THE STOCKHOLDERS OF THE FUND VOTE "FOR" THE APPROVAL OF THE CORNERSTONE AGREEMENT.

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### PROPOSAL NO. 3

#### RATIFICATION OF THE SELECTION OF INDEPENDENT ACCOUNTANTS

By vote of the Board of Directors, including the vote of the Directors who are not "interested persons" as that term is defined in the 1940 Act, the Board has selected the firm of PricewaterhouseCoopers LLP as the Fund's independent accountants for the year ending December 31, 2001. Such selection is being submitted to the stockholders for ratification. The engagement of PricewaterhouseCoopers LLP is conditioned on the right of the Fund, by majority vote of its stockholders, to terminate such employment. PricewaterhouseCoopers LLP has acted as the Fund's independent accountants from its inception through December 31, 2000.

The Fund's independent accountants are to perform any services normally provided by independent accounting firms, provided that such services meet any and all of the independence requirements of the American Institute of Certified Public Accountants and the Securities Exchange Commission, including the examination of the Fund's annual financial statements and limited review of its unaudited quarterly statements, assistance and consultation in connection with Securities and Exchange Commission and New York Stock Exchange filings, and preparation of the Fund's annual federal and state income tax returns.

A representative of PricewaterhouseCoopers LLP is expected to be present at the Meeting by telephone and will have the opportunity to make a statement if he or she so desires. This representative will also be available to respond to appropriate questions.

#### REQUIRED VOTE

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Ratification of the selection of PricewaterhouseCoopers LLP as independent accountants of the Fund requires the affirmative vote of the holders of a simple majority, defined as a majority of the votes cast by holders of shares of Common Stock of the Fund present in person or represented by proxy at a meeting with a quorum present. For purposes of this proposal, abstentions and broker non-votes will be counted as shares present at the Meeting for quorum



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purposes and may be considered votes cast for the foregoing purpose.

THE BOARD OF DIRECTORS, INCLUDING THE NON-INTERESTED DIRECTORS, RECOMMENDS THAT THE STOCKHOLDERS VOTE "FOR" THE RATIFICATION OF PRICEWATERHOUSECOOPERS LLP AS THE FUND'S INDEPENDENT ACCOUNTANTS.

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### AUDIT COMMITTEE

The Fund's Audit Committee is currently composed of Messrs. Lenagh and Wilcox. The principal functions of the Audit Committee include but are not limited to: (i) recommendations to the Board for the appointment of the Fund's independent accountants; (ii) review of the scope and anticipated cost of the independent accountant's audit; and (iii) consideration of the independent accountant's reports concerning their conduct of the audit, including any comments or recommendations the Board of Directors might want to make in connection thereto. The Audit Committee convened twice during the fiscal year ended December 31, 2000.

On June 1, 2000, the Audit Committee, followed by the full Board of Directors, adopted a written charter setting forth the duties and responsibilities of the Audit Committee, and such charter was reapproved by the Board of Directors on February 9, 2001. A copy of the charter, as adopted by the Board of Directors of the Fund, is included in this Proxy Statement as Appendix B. The Audit Committee recommends to the Board of Directors, subject to shareholder approval, the selection of PricewaterhouseCoopers LLP, as the Fund's independent accountants.

The following table sets forth the aggregate fees billed by the independent accountants for the Fund's most recent fiscal year for professional services rendered for: (i) the audit of the Fund's annual financial statements and the review of financial statements included in the Fund's reports to stockholders ("Audit Fees"); (ii) financial information systems design and implementation services provided to the Fund, its investment adviser and entities that control, are controlled by or under common control with the Adviser that provides services to the Fund ("Financial Information Systems Design"); and (iii) all other services provided to the Fund, its investment adviser and entities that control, are controlled by or under common control with the Adviser that provides services to the Fund ("All Other Fees").

| AUDIT FEES  | FINANCIAL INFORMATION SYSTEMS DESIGN | ALL OTHER FEES |
|-------------|--------------------------------------|----------------|
| \$39,500.00 | \$0.00                               | \$5,500.00     |

The Fund has no nominating or compensation committees.

With the exception of Messrs. Scott B. Rogers, Glen W. Wilcox, Sr. and Andrew A. Strauss, each Director attended at least seventy-five (75%) percent or more of the four (4) meetings of the Board of Directors (including regularly scheduled and special meetings) held during the year ended December 31, 2000. Messrs. Rogers, Wilcox and Strauss, however, each attended 100% of the meetings of the Board of Directors (including regularly scheduled and special

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meetings) held during the period for which each respective individual served as a Director in the year ended December 31, 2000.

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AUDIT COMMITTEE REPORT

The Audit Committee has met and held discussions with the Fund's Administrator and the Fund's independent accountants. The Administrator represented to the Audit Committee that the Fund's financial statements were prepared in accordance with U.S. generally accepted accounting principles, and the Audit Committee has reviewed and discussed the financial statements with the Administrator and the Fund's independent accountants. The Audit Committee also discussed with the independent accountants matters required to be discussed by Statement on Auditing Standards No. 61.

The Fund's independent accountants also provided to the Audit Committee the written disclosures required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees), and the Audit Committee discussed with the independent accountants' their independence, in light of the services they were providing.

Based upon the Audit Committee's discussion with the Administrator and the independent accountants and the Audit Committee's review of the representations of the Administrator and the report of the independent accountants to the Audit Committee, the Audit Committee recommended that the Board of Directors include the audited financial statements in the Fund's Annual Report for the fiscal year ended December 31, 2000 filed with the Securities and Exchange Commission.

Respectfully submitted,

Thomas H. Lenagh  
Glenn W. Wilcox, Sr.

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INFORMATION PERTAINING TO THE FUND'S  
INVESTMENT ADVISER AND ADMINISTRATOR

THE PROPOSED INVESTMENT ADVISER  
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Cornerstone Advisors, Inc. ("Cornerstone Advisors"), the Fund's proposed investment adviser, has its principal office at One West Pack Square, Suite 750, Asheville, North Carolina 28801. Ralph W. Bradshaw owns fifty (50%) percent of the total outstanding shares of common stock of Cornerstone Advisors and is a Director of the Fund. Gary A. Bentz, who is the Vice President and Treasurer of the Fund, also owns fifty (50%) percent of the total outstanding shares of common stock of Cornerstone Advisors. Cornerstone Advisors is a newly organized registered investment adviser that has no previous operating history.

### THE INVESTMENT ADVISER

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Clemente Capital, Inc. (the "Adviser"), the Fund's current investment adviser, has its principal office at 152 West 57th Street, New York, New York 10019. Lilia C. Clemente is Chairman and Chief Executive Officer of the Adviser. Leopoldo M. Clemente, Jr., President of the Fund, is President, Chief Investment Officer and a Director of the Adviser. In addition to Mr. and Mrs. Clemente, the Adviser's Directors are: Salvador Diaz-Verson, Jr., President of Diaz-Verson Capital Investments, Inc., an investment advisory firm located in Columbus, Georgia; Robert J. Christian, Chief Investment Officer, Wilmington Trust Company; and Irving L. Gartenberg, Esq., general counsel to the Adviser. Mrs. Clemente owns approximately sixty (60%) percent of the total outstanding shares of common stock of the Adviser. The address for Mr. and Mrs. Clemente is 152 West 57th Street, New York, New York 10019. The address for Mr. Diaz-Verson is 1200 Brookstone Centre Parkway, Suite 105, Columbus, Georgia 31904; the address for Mr. Christian is 1100 North Market Street, Wilmington, Delaware 19890; and the address for Mr. Gartenberg is 122 East 42nd Street, 46th Floor, New York, New York 10017. Wilmington Trust Company owns twenty-four (24%) percent of the total outstanding shares of common stock of the Adviser.

### THE SUB-ADVISER

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Wilmington Trust Company (the "Sub-Adviser") is a Delaware bank and trust company with principal offices at 1100 North Market Street, Wilmington, Delaware 19890. Wilmington Trust Company is a wholly-owned subsidiary of Wilmington Trust Corporation, 1100 North Market Street, Wilmington, Delaware 19890.

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### THE ADMINISTRATOR

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PFPC, Inc. (the "Administrator"), whose address is 400 Bellevue Parkway, Wilmington, DE 19809, acts as the administrator of the Fund.

At the February 9, 2001 Meeting of the Board of Directors, the Board approved a new Administration Agreement with Bear Stearns Funds Management, Inc., effective on or about May 1, 2001. The Board also approved a new Custodian Agreement with Custodial Trust Company, an affiliate of Bear Stearns Funds

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Management, Inc., effective on or about May 1, 2001.

### INFORMATION PERTAINING TO CERTAIN STOCKHOLDERS

The following table sets forth the beneficial ownership of shares of the Fund, at February 12, 2001, by each person known to the Fund to be deemed the beneficial owner of more than five (5%) percent of the outstanding shares of the Fund:

| NAME AND ADDRESS OF BENEFICIAL OWNER  | SHARES OF COMMON STOCK<br>BENEFICIALLY OWNED<br>----- | % OF FUND'S OUTSTANDING<br>SHARES BENEFICIALLY OWNED<br>----- |
|---|---|---|
| Deep Discount Advisors, Inc. (1)<br>One West Pack Square<br>Suite 777<br>Asheville, NC 28801              | 702,080   | 16.3%   |
| Ron Olin Investment (1)<br>Management Company<br>One West Pack Square<br>Suite 777<br>Asheville, NC 28801 | 801,100   | 18.5%   |
| Karpus Investment Management, Inc. (2)<br>14 Tobey Village Office Park<br>Pittsford, NY 14534             | 368,015   | 7.39%   |

Additionally, on February 14, 2001, Cede & Co., a nominee for participants in the Depository Trust Company, held of record 3,925,473 shares of the Fund, equal to approximately 65% of the outstanding shares of the Fund.

### OTHER BUSINESS

The Board of Directors of the Fund does not know of any other matter which may come before the Meeting, but should any other matter requiring a vote of stockholders arise, including any questions as to the adjournment of the Meeting, it is the intention of the persons named in the proxy to vote the proxies in accordance with their judgment on that matter.

PROPOSALS TO BE SUBMITTED BY STOCKHOLDERS

All proposals by stockholders of the Fund which are intended to be presented at the Fund's next Annual Meeting of Stockholders, to be held in the year 2002, must be received by the Fund addressed to Clemente Strategic Value Fund, Inc. c/o Bear Stearns Management, Inc., 575 Lexington Avenue, New York, New York 10022 for inclusion in the Fund's proxy statement and proxy relating to that meeting in advance of the meeting as set forth below. Any stockholder who desires to bring a proposal at the Fund's 2002 Annual Meeting of Stockholders without including such proposal in the Fund's proxy statement must deliver (via the U.S. Post Office or such other means that guarantees delivery) written notice thereof to the Secretary of the Fund c/o Bear Stearns Management, Inc., 575 Lexington Avenue, New York, New York 10022 no less than one hundred twenty (120) calendar days (approximately December 20, 2001) before the date of the Meeting of Stockholders which will be scheduled to be held in April 2002 or the tenth (10th) day after public announcement is made by way of publication by the New York Stock Exchange of the Fund's Meeting date.

Clemente Strategic Value Fund, Inc.

Thomas R. Westle  
Secretary

Dated: March 7, 2001

IT IS IMPORTANT THAT PROXIES BE RETURNED PROMPTLY. STOCKHOLDERS WHO DO NOT EXPECT TO ATTEND THE MEETING ARE THEREFORE URGED TO COMPLETE, SIGN, DATE AND RETURN THE PROXY CARD AS SOON AS POSSIBLE IN THE ENCLOSED POSTAGE-PAID ENVELOPE.

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FORM OF PROXY CARD  
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CLEMENTE STRATEGIC VALUE FUND, INC.  
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The undersigned stockholder of Clemente Strategic Value Fund, Inc. (the "Fund") hereby constitutes and appoints Messrs. Ralph W. Bradshaw, Thomas R. Westle and Frank J. Maresca, or any of them, the action of a majority of them voting to be controlling, as proxy of the undersigned, with full power of substitution, to vote all shares of Common Stock of the Fund standing in his or her name on the books of the Fund at the Annual Meeting of Stockholders of the Fund to be held on Thursday, April 19, 2001 at 11:30 A.M., New York time, at the offices of Bear Stearns Funds Management Inc., 245 Park Avenue, 7th Floor, Conference Room F, New York, New York 10167, or at any adjournment thereof, with all the powers which the undersigned would possess if personally present, as designated on the reverse hereof:

The undersigned hereby revokes any proxy previously given and instructs the said proxies to vote in accordance with the aforementioned instructions with respect to (a) the election of two Class I Directors, two Class II Directors and two Class III Directors, (b) the approval of a new investment management agreement between Cornerstone Advisors, Inc. and the Fund, (c) the ratification of the selection by the Board of Directors of the Fund's independent accountants, and (d) the consideration and vote of such other matters as may properly come before the Meeting or any adjournment thereof. If no such specification is made, the undersigned will vote FOR each of the proposals set forth above, and in their discretion with respect to such other matters as may properly come before the Meeting.

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THIS PROXY IS SOLICITED ON BEHALF OF CLEMENTE STRATEGIC VALUE FUND, INC.'S  
BOARD OF DIRECTORS FOR THE ANNUAL MEETING OF  
STOCKHOLDERS TO BE HELD ON

April 19, 2001

(To be dated and signed on reverse side)

Please mark boxes / / or /X/ in blue or black ink.

PLEASE MARK YOUR VOTES AS IN THIS EXAMPLE:

-----  
X

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1. To elect the Directors:
- |                      |     |          |
|----------------------|-----|----------|
| Class I Directors:   | FOR | WITHHELD |
| Edwin Meese III      | [ ] | [ ]      |
| Ralph W. Bradshaw    | [ ] | [ ]      |
| Class II Directors:  | FOR | WITHHELD |
| Thomas H. Lenagh     | [ ] | [ ]      |
| Scott B. Rogers      | [ ] | [ ]      |
| Class III Directors: | FOR | WITHHELD |
| Andrew A. Strauss    | [ ] | [ ]      |
| Glenn W. Wilcox      | [ ] | [ ]      |
2. To approve a new investment management agreement between Cornerstone Advisors, Inc. and the Fund:

|     |         |         |
|-----|---------|---------|
| FOR | AGAINST | ABSTAIN |
| [ ] | [ ]     | [ ]     |

3. To ratify the selection by the Board of Directors of PricewaterhouseCoopers LLP as the Fund's independent accountants for the year ending December 31, 2001:

|     |         |         |
|-----|---------|---------|
| FOR | AGAINST | ABSTAIN |
| [ ] | [ ]     | [ ]     |

In their discretion, the proxies are authorized to consider and vote upon such matters as may properly come before said Meeting or any adjournment thereof.

THIS PROXY, WHEN PROPERLY EXECUTED, WILL BE VOTED IN THE MANNER DIRECTED HEREIN BY THE STOCKHOLDER. IF NO SPECIFICATION IS MADE, THIS PROXY WILL BE VOTED IN FAVOR OF EACH PROPOSAL.

Your proxy is important to assure a quorum at the annual meeting whether or not you plan to attend the Meeting in person. You may revoke this proxy at anytime, and the giving of it will not effect your right to attend the annual meeting and vote in person.

PLEASE MARK, SIGN, DATE AND RETURN THE PROXY CARD PROMPTLY USING THE ENCLOSED ENVELOPE.

SIGNATURE(S) \_\_\_\_\_ DATE \_\_\_\_\_

NOTE: Please sign exactly as name appears. When shares are held as joint tenants, both should sign. When signing as attorney, executor, administrator, trustee or guardian, please give full title as such. If a corporation, please sign in full corporate name by president or other authorized officer and if a partnership, please sign in full partnership name by authorized person.

PROXY STATEMENT APPENDIX A

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INVESTMENT MANAGEMENT AGREEMENT

THIS INVESTMENT MANAGEMENT AGREEMENT dated and effective as of April 19, 2001 between CLEMENTE STRATEGIC VALUE FUND, INC., a Maryland corporation (herein referred to as the "Fund"), and CORNERSTONE ADVISORS, INC., a corporation duly organized under the laws of North Carolina (herein referred to as the "Investment Manager").

1. APPOINTMENT OF INVESTMENT MANAGER. The Investment Manager hereby undertakes and agrees, upon the terms and conditions herein set forth, to provide overall investment management services for the Fund, and in connection therewith to (i) supervise the Fund's investment program, including advising and consulting with the Fund's Board of Directors regarding the Fund's overall investment strategy; (ii) make, in consultation with the Fund's Board of Directors, investment strategy decisions for the Fund; (iii) manage the investing and reinvesting of the Fund's assets; (iv) place purchase and sale orders on behalf of the Fund; (v) advise the Fund with respect to all matters relating to the Fund's use of leveraging techniques; (vi) provide or procure the provision of research and statistical data to the Fund in relation to investing and other matters within the scope of the investment objective and limitations of the Fund; (vii) monitor the performance of the Fund's outside service providers, including the Fund's administrator, transfer agent and custodian; (viii) be responsible for compliance by the Fund with U.S. federal, state and other applicable laws and regulations; and (ix) pay the salaries, fees and expenses of such of the Fund's directors, officers or employees who are directors, officers or employees of the Investment Manager or any of its affiliates, except that the Fund will bear travel expenses or an appropriate portion thereof of directors and officers of the Fund who are directors, officers or employees of the Investment Manager, to the extent that such expenses relate to attendance at meetings of the Board of Directors or any committees thereof. The Investment Manager may delegate any of the foregoing responsibilities to a third party with the consent of the Board of Directors.

2. EXPENSES. In connection herewith, the Investment Manager agrees to maintain a staff within its organization to furnish the above services to the Fund. The Investment Manager shall bear all expenses arising out of its duties hereunder.

Except as provided in Section 1 hereof, the Fund shall be responsible for all of the Fund's expenses and liabilities, including expenses for legal, accounting and auditing services; taxes and governmental fees; dues and expenses incurred in connection with membership in investment company organizations; fees and expenses incurred in connection with listing the Fund's shares on any stock



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exchange; costs of printing and distributing shareholder reports, proxy materials, prospectuses, stock certificates and distribution of dividends; charges of the Fund's custodians and sub-custodians, administrators and sub-administrators, registrars, transfer agents, dividend disbursing agents and dividend reinvestment plan agents; payment for portfolio pricing services to a pricing agent, if any; registration and filing fees of the Securities and

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Exchange Commission; expenses of registering or qualifying securities of the Fund for sale in the various states; freight and other charges in connection with the shipment of the Fund's portfolio securities; fees and expenses of non-interested directors or non-interested members of any advisory or investment board, committee or panel of the Fund; fees and expenses of any officers and interested directors of the Fund who are not affiliated with the Investment Manager, the Administrator or their respective affiliates; travel expenses or an appropriate portion thereof of directors and officers of the Fund, or members of any advisory or investment board, committee or panel of the Fund, to the extent that such expenses relate to attendance at meetings of the Board of Directors or any committee thereof, or of any such advisory or investment board, committee or panel; salaries of shareholder relations personnel; costs of shareholders meetings; insurance; interest; brokerage costs; and litigation and other extraordinary or non-recurring expenses.

3. TRANSACTIONS WITH AFFILIATES. The Investment Manager is authorized on behalf of the Fund, from time to time when deemed to be in the best interests of the Fund and to the extent permitted by applicable law, to purchase and/or sell securities in which the Investment Manager or any of its affiliates underwrites, deals in and/or makes a market and/or may perform or seek to perform investment banking services for issuers of such securities. The Investment Manager is further authorized, to the extent permitted by applicable law, to select brokers (including any brokers affiliated with the Investment Manager) for the execution of trades for the Fund.

4. BEST EXECUTION; RESEARCH SERVICES. The Investment Manager is authorized, for the purchase and sale of the Fund's portfolio services, to employ such dealers and brokers as may, in the judgment of the Investment Manager, implement the policy of the Fund to obtain the best results taking into account such factors as price, including dealer spread, the size, type and difficulty of the transaction involved, the firm's general execution and operational facilities and the firm's risk in positioning the securities involved. Consistent with this policy, the Investment Manager is authorized to direct the execution of the Fund's portfolio transactions to dealers and brokers furnishing statistical information or research deemed by the Investment Manager to be useful or valuable to the performance of its investment advisory functions for the Fund. It is understood that in these circumstances, as contemplated by Section 28(e) of the Securities Exchange Act of 1934, the commissions paid may be higher than those that the Fund might otherwise have paid to another broker if those services had not been provided. Information so received will be in addition to and not in lieu of the services required to be performed by the Investment Manager. It is understood that the expenses of the Investment Manager will not necessarily be reduced as a result of the receipt of such information or research. Research services furnished to the Investment Manager by brokers

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who effect securities transactions for the Fund may be used by the Investment Manager in servicing other investment companies and accounts that it manages. Similarly, research services furnished to the Investment Manager by brokers who effect securities transactions for other investment companies and accounts that the Investment Manager manages may be used by the Investment Manager in servicing the Fund. It is understood that not all of these research services are used by the Investment Manager in managing any particular account, including the Fund.

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5. REMUNERATION. In consideration of the services to be rendered by the Investment Manager under this Agreement, the Fund shall pay the Investment Manager a monthly fee in United States dollars for the previous month at an annual rate of one (1.00%) percent of the Fund's average weekly net assets. If the fee payable to the Investment Manager pursuant to this paragraph 5 begins to accrue before the end of any month or if this Agreement terminates before the end of any month, the fee for the period from such date to the end of such month or from the beginning of such month to the date of termination, as the case may be, shall be prorated according to the proportion which such period bears to the full month in which such effectiveness or termination occurs. For purposes of calculating each such monthly fee, the value of the Fund's net assets shall be computed at the time and in the manner specified in the Registration Statement.

6. REPRESENTATIONS AND WARRANTIES. The Investment Manager represents and warrants that it is duly registered and authorized as an investment adviser under the Investment Advisers Act of 1940, as amended, and the Investment Manager agrees to maintain effective all requisite registrations, authorizations and licenses, as the case may be, until the termination of this Agreement.

7. SERVICES NOT DEEMED EXCLUSIVE. The services provided hereunder by the Investment Manager are not to be deemed exclusive and the Investment Manager and any of its affiliates or related persons are free to render similar services to other and to use the research developed in connection with this Agreement for other clients or affiliates. Nothing herein shall be construed as constituting the Investment Manager an agent of the Fund.

8. LIMIT OF LIABILITY. The Investment Manager shall exercise its best judgment in rendering the services in accordance with the terms of this Agreement. The Investment Manager shall not be liable for any error of judgment or mistake of law or for any act or omission or any loss suffered by the Fund in connection with the matters to which this Agreement relates, provided that nothing herein shall be deemed to protect or purport to protect the Investment Manager against any liability to the Fund or its shareholders to which the Investment Manager would otherwise be subject by reason of willful misfeasance, bad faith or gross negligence on its part in the performance of its duties or from reckless disregard by it of its obligations and duties under this Agreement ("disabling conduct"). The Fund will indemnify the Investment Manager against, and hold it harmless from, any and all losses, claims, damages, liabilities or expenses (including reasonable counsel fees and expenses), including any amounts paid in satisfaction of judgments, in compromise or as fines or penalties, not resulting from disabling conduct by the Investment Manager. Indemnification shall be made only following: (i) a final decision on the merits by a court or other body before whom the proceeding was brought that the Investment Manager was not liable by reason of disabling conduct, or (ii) in the absence of such a decision, a reasonable determination, based upon a review of the facts, that the Investment Manager was not liable by reason of disabling conduct by (a) the vote

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of a majority of a quorum of directors of the Fund who are neither "interested persons" of the Fund nor parties to the proceeding ("disinterested non-party directors"), or (b) an independent legal counsel in a written opinion. The

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Investment Manager shall be entitled to advances from the Fund for payment of the reasonable expenses (including reasonable counsel fees and expenses) incurred by it in connection with the matter as to which it is seeking indemnification in the manner and to the fullest extent permissible under law. Prior to any such advance, the Investment Manager shall provide to the Fund a written affirmation of its good faith belief that the standard conduct necessary for indemnification by the Fund has been met and a written undertaking to repay any such advance if it should ultimately be determined that the standard of conduct has not been met. In addition, at least one of the following additional conditions shall be met: (a) the Investment Manager shall provide a security in form and amount acceptable to the Fund for its undertaking; (b) the Fund is insured against losses arising by reason of the advance; or (c) a majority of a quorum of disinterested non-party directors, or independent legal counsel, in a written opinion, shall have determined, based on a review of facts readily available to the Fund at the time the advance is proposed to be made, that there is reason to believe that the Investment Manager will ultimately be found to be entitled to indemnification.

9. DURATION AND TERMINATION. This Agreement shall have an initial term beginning April 19, 2001 and ending April 18, 2003, and then shall continue in effect thereafter for successive annual periods, but only so long as such continuance is specifically approved at least annually by the affirmative vote of (i) a majority of the members of the Fund's Board of Directors who are not parties to this Agreement or "interested persons" (as defined in the Investment Company Act of 1940 (the "1940 Act")) of any such party, cast in person at a meeting called for the purpose of voting on such approval, and (ii) the Fund's Board of Directors or the holders of a majority of the outstanding voting securities (as defined in the 1940 Act) of the Fund.

Notwithstanding the above, this Agreement (a) may nevertheless be terminated at any time, without penalty, by the Fund's Board of Directors, by vote of holders of a majority of the outstanding voting securities (as defined in the 1940 Act) of the Fund or by the Investment Manager, upon sixty (60) days' written notice delivered to each party hereto, and (b) shall automatically be terminated in the event of its assignment (as defined in the 1940 Act). Any such notice shall be deemed given when received by the addressee.

10. GOVERNING LAW. This Agreement shall be governed, construed and interpreted in accordance with the laws of the State of New York, provided, however, that nothing herein shall be construed as being inconsistent with the 1940 Act.

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11. NOTICES. Any notice hereunder shall be in writing and shall be delivered in person or by telex or facsimile (followed by delivery in person) to

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the parties at the addresses set forth below:

IF TO THE FUND:  
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CLEMENTE STRATEGIC VALUE FUND, INC.  
c/o Cornerstone Advisors, Inc.  
One West Pack Square, Suite 750  
Asheville, North Carolina 28801  
Attention: Mr. Ralph W. Bradshaw  
Telephone No.: (828) 255-4833  
Fax No.: (828) 210-8183

IF TO THE INVESTMENT MANAGER:

CORNERSTONE ADVISORS, INC  
One West Pack Square, Suite 750  
Asheville, North Carolina 28801  
Attention: Mr. Gary A. Bentz  
Telephone No.: (828) 255-4831  
Fax No.: (828) 210-8183

or to such other address as to which the recipient shall have informed the other party in writing.

Unless specifically provided elsewhere, notice given as provided above shall be deemed to have been given, if by personal delivery, on the day of such delivery, and, if by facsimile and mail, on the date on which such facsimile or mail is sent.

12. COUNTERPARTS. This Agreement may be executed in two or more counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument.

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IN WITNESS WHEREOF, the parties hereto caused their duly authorized signatories to execute this Agreement as of the day and year first written above.

CLEMENTE STRATEGIC VALUE FUND, INC.

By: \_\_\_\_\_  
Name: Ralph W. Bradshaw  
Title: Chairman of the Board

CORNERSTONE ADVISORS, INC

By: \_\_\_\_\_  
Name: Gary A. Bentz  
Title: Vice President

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PROXY STATEMENT APPENDIX B

AUDIT COMMITTEE CHARTER

CLEMENTE STRATEGIC VALUE FUND, INC.

ORGANIZATION

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The members of the Audit Committee of the Board of Directors ("Directors") of Clemente Strategic Value Fund, Inc., a closed-end registered investment company (the "Fund") are selected by the full Board of Directors. The members of the Audit Committee shall consist of not less than three persons (except as otherwise provided below) who are not "interested persons" (as defined in Section 2(a)(19) of the Investment Company Act of 1940, as amended) of the Fund and who are "independent" within the meaning of the audit committee rules of any securities exchange on which the Fund's shares are listed for trading. Each member of the Audit Committee shall be financially literate, as such qualification is interpreted by the Board of Directors in its business judgment, or must become financially literate within a reasonable period of time after his appointment to the Audit Committee. At least one member of the Audit Committee must have accounting or related financial management expertise, as the Board of Directors interprets such qualification in its business judgment. In the event that the Fund currently has less than three members on its Audit Committee it must have three members not later than June 14, 2001.

STATEMENT OF POLICY

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The Fund's Audit Committee oversees the financial reporting process for the Fund. The Fund's Board and its Audit Committee recognize that they are the shareholders' representatives, that the auditors are ultimately accountable to the Board of Directors and the Audit Committee and that the Board of Directors and the Audit Committee have the authority and responsibility to select, evaluate and, where appropriate, recommend to shareholders the selection or replacement of the outside auditors.

The Fund's Audit Committee shall monitor the process for the Fund's valuation of portfolio assets. This is key to providing shareholders and regulators adequate, meaningful information for decision making. Members of the Fund's Audit Committee must have a general understanding regarding the accounting process and the control structure in place for the Fund. Open communication with management and the independent auditors is essential.

This Charter shall be reviewed annually by the Board of the Fund.

RESPONSIBILITIES OF THE AUDIT COMMITTEE  
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In order to provide reasonable flexibility, the following listed Committee responsibilities are described in broad terms:

- o The Audit Committee's role is clearly one of oversight and review and not of direct management of the audit process. The Fund's Board and Audit Committee note that the outside auditors are ultimately accountable to the Board and the Audit Committee.
- o The Audit Committee members are responsible for a general understanding of the Fund's accounting systems and controls.
- o Committee members shall periodically evaluate the independent audit firm's performance and the costs of its services. The Audit Committee will make recommendations to the full Board of Directors regarding the selection of the independent audit firm. The Committee shall request from the independent auditors periodically a formal written statement (1) delineating all relationships between the auditors and the Fund, its investment adviser and their corporate affiliates and including disclosures regarding the auditors' independence required by Independence Standards Board Standard No. 1, as may be modified or supplemented, and (2) certifying that, in the view of the auditors, they are independent public accountants with respect to the Fund within the meaning of the Securities Act of 1933, as amended, and the applicable rules and regulations thereunder. The Audit Committee is responsible for actively engaging in a dialogue with the auditors with respect to any disclosed relationships or services that may affect the objectivity and independence of the auditors, and for recommending that the full Board take appropriate steps, if any, in response to the auditors' response to satisfy itself of the independence of the auditors.
- o The Fund's Audit Committee is responsible for reviewing the scope of the audit proposed by the Fund's independent auditors.
- o The Fund's Audit Committee is responsible for recording minutes of its meetings and reporting significant matters to the full Board of Directors. The Audit Committee shall meet no less frequently than annually and receive information (as necessary) from, among others, the Fund's investment advisor or its counsel and Fund counsel, in addition to the auditors, in order to be informed about legal and accounting issues having the possibility of affecting the financial reporting process. This would include items of industry-wide importance and internal issues such as litigation.
- o The Fund's Audit Committee is responsible for (i) reviewing and discussing with management and the auditors the Fund's audited financial statements; and (ii) discussing with the auditors the matters required to be discussed by Statement on Auditing Standards No. 61, as may be modified or supplemented. The Audit Committee shall confirm that the independent auditors are satisfied with the disclosure and content of the Fund's audited financial statements and shall advise the Board of Directors with respect to its recommendation as to the inclusion of the Fund's audited financial statements in its Annual Report to Shareholders.

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- o In reviewing the activities of the independent auditors, the Fund's Audit Committee shall consider the auditors' comments with respect to the appropriateness and adequacy of the Fund's accounting policies, procedures and principles.
- o The Audit Committee should take appropriate steps to keep apprised of regulatory changes and new accounting pronouncements that affect net asset value calculations and financial statement reporting requirements.
- o The Fund's Audit Committee shall review and reassess the adequacy of this Charter on an annual basis.

EFFECTIVE DATE

This Audit Committee Charter shall be effective as of June 1, 2000. The Audit Committee Charter was reapproved by the Fund's Board of Directors on February 9, 2001.

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