

PROGRESSIVE RETURN FUND INC  
Form N-14 8C  
September 13, 2002

As filed with the Securities and Exchange Commission  
on August 5, 2002

SECURITIES ACT FILE NO. 333- \_\_\_\_\_

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549  
FORM N-14

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

PROGRESSIVE RETURN FUND, INC.  
(Exact Name of Registrant as Specified in Charter)

c/o Bear Stearns Funds Management Inc.,  
383 Madison Avenue, New York, New York 10179  
(Address of Principal Executive Offices: Number, Street, City, State, Zip Code)

(212) 272-2093  
(Registrant's Area Code and Telephone Number)

-----  
Ralph Bradshaw, President  
Progressive Return Fund, Inc.  
c/o Bear Stearns Funds Management Inc.  
383 Madison Avenue  
New York, New York 10179  
(Name and Address of Agent for Service)

with copies to:

Thomas R. Westle, Esq.  
Spitzer & Feldman P.C.  
405 Park Avenue  
New York, New York 10022

-----  
APPROXIMATE DATE OF PROPOSED PUBLIC OFFERING:

As soon as practicable after this Registration Statement becomes effective  
CALCULATION OF REGISTRATION FEE UNDER THE SECURITIES ACT OF 1933

TITLE OF SECURITIES BEING REGISTERED	AMOUNT BEING REGISTERED	PROPOSED MAXIMUM OFFERING PRICE PER UNIT (1)	PROPOSED MAXIMUM AGGREGATE OFFERING PRICE (1)	AMOUNT OF REGISTRATION FEE
Common Stock (\$0.001 par value)	36,000,000	\$36,000,000	\$36,000,000	\$3,312

(1) Estimated solely for purposes of calculating the registration fee in accordance with Rule 457(f) under the Securities Act of 1933, as amended, based on the Exchange Ratio (the net asset value of Cornerstone Strategic Value Fund, Inc.)

## Edgar Filing: PROGRESSIVE RETURN FUND INC - Form N-14 8C

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until the Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

### PROGRESSIVE RETURN FUND, INC.

#### TABLE OF CONTENTS OF FORM N-14

This Registration Statement contains the following papers and documents:

- o Cover Sheet
- o Contents of Registration Statement
- o Form N-14 Cross Reference Sheet
- o Letter to Stockholders of Progressive Return Fund, Inc.
- o Letter to Stockholders of Cornerstone Strategic Value Fund, Inc.
- o Notice of Special Meeting of Stockholders of Progressive Return Fund, Inc.
- o Notice of Annual Meeting of Stockholders of Cornerstone Strategic Value Fund, Inc.
- o Part A - Proxy Statement/Prospectus
- o Part B - Statement of Additional Information
- o Part C - Other Information
- o Signature Page
- o Exhibits

#### CROSS REFERENCE SHEET

PURSUANT TO RULE 481(A) UNDER THE SECURITIES ACT OF 1933

ITEM NO.	PROXY/PROSPECTUS
1. Beginning of Registration Statement and Outside Front Cover Page of Prospectus	Cover Page
2. Beginning and Outside Back Cover Page of Prospectus	Cover Page; Table of Contents of Prospectus
3. Fee Table, Synopsis Information and Risk Factors	Synopsis; Risk Factors and Considerations; Comparison Investment Objectives and Policies
4. Information about the Transaction	Synopsis; Proposed Information about the Merger; Additional Information about the Funds
5. Information about the Registrant	Synopsis; Risk Factors and

Edgar Filing: PROGRESSIVE RETURN FUND INC - Form N-14 8C

	Considerations; Comparison of Investment Objectives and Policies; and Additional Information about the Funds
6. Information about the Company Being Acquired	Synopsis; Risk Factors and Special Considerations; Comparison of Investment Objectives and Policies; and Additional Information about the Funds
7. Voting Information	Notice of Meeting of Stockholders; General; Required Vote
8. Interest of Certain Persons and Experts	Additional Information about the Funds
9. Additional Information Required for Reoffering by Persons Deemed to be Underwriters	Not Applicable

ITEM NO.	STATEMENT OF ADDITIONAL INFORMATION
10. Cover Page	Cover Page
11. Table of Contents	Table of Contents
12. Additional Information About the Registrant	Proxy Statement/Prospectus
13. Additional Information about the Company being Acquired	Proxy Statement/Prospectus
14. Financial Statements	Financial Statements
15 - 17	Information required to be included in Part C is set forth under the appropriate item, so numbered, in Part C of this Registration Statement

INFORMATION REQUIRED IN THE PROXY STATEMENT/PROSPECTUS

PROGRESSIVE RETURN FUND, INC.  
c/o Bear Stearns Funds Management Inc.  
383 Madison Avenue  
New York, New York 10179  
\_\_\_\_\_, 2002

Dear Stockholder:

## Edgar Filing: PROGRESSIVE RETURN FUND INC - Form N-14 8C

We are pleased to invite you to the special meeting of stockholders (the "PGF Special Meeting") of Progressive Return Fund, Inc., a Maryland corporation. The Progressive Return Fund, Inc. is sometimes referred to herein as "PGF" or the "Fund."

The PGF Special Meeting is scheduled to be held at \_\_\_\_ a.m., Eastern time, on \_\_\_\_\_, October \_\_, 2002, at the offices of Bear Stearns Funds Management Inc., 383 Madison Avenue, New York, New York 10179.

The Board of Directors has called this Meeting to vote on a Merger Agreement and Plan of Reorganization (the "Plan" or "Merger Agreement"), whereby Cornerstone Strategic Value Fund, Inc. ("CLM") will merge with and into PGF in accordance with the Maryland General Corporation Law, and on an amendment to the Fund's Articles of Incorporation changing the name of the Fund from "Progressive Return Fund, Inc." to "Progressive Total Return Fund, Inc."

The Board of Directors of the Fund believes that the Merger and name change are very important to your interest as a stockholder.

The combined Fund will approximately double the size of the Fund and the Board of Directors believes that this will enable:

- (1) lower operating expense ratio, and
- (2) enhanced market liquidity.

Stockholders who are unable to attend this meeting are strongly encouraged to vote by proxy, which is customary in corporate meetings of this kind. A Proxy Statement/Prospectus regarding the meeting, a proxy card(s) for your vote at the meeting and an envelope - postage prepaid - in which to return your proxy card are enclosed. At the PGF Special Meeting you will be asked to vote on two matters.

The proposed merger of the funds is described in more detail in the combined Proxy Statement/Prospectus.

THE BOARD OF DIRECTORS OF THE FUND BELIEVES THAT THE PROPOSED MERGER AND THE NAME CHANGE ARE IN THE BEST INTERESTS OF THE STOCKHOLDERS AND RECOMMENDS THAT YOU READ THE ENCLOSED MATERIALS CAREFULLY AND THEN VOTE "FOR" PROPOSALS 1 AND 2.

Your vote is important. To approve the Merger the affirmative vote of a majority of the Fund's outstanding shares is required. Therefore, a failure to vote would amount to a vote against the Merger. PLEASE TAKE A MOMENT NOW TO SIGN AND RETURN YOUR PROXY CARD(S) IN THE ENCLOSED POSTAGE-PAID RETURN ENVELOPE

Respectfully,

Ralph W. Bradshaw  
Chairman of the Board of Directors

YOU ARE URGED TO SIGN THE PROXY CARD(S) AND RETURN THE CARD(S) IN THE POSTAGE-PAID ENVELOPE TO ENSURE A QUORUM AT THE MEETING. YOUR VOTE IS IMPORTANT REGARDLESS OF THE SIZE OF YOUR SHAREHOLDINGS.

CORNERSTONE STRATEGIC VALUE FUND, INC. c/o Bear Stearns Funds Management, Inc. 383 Madison Avenue New York, New York 10179 \_\_\_\_\_, 2002 Dear Stockholder: We are pleased to invite you to the Annual Meeting of Stockholders (the "CLM Annual Meeting") of Cornerstone Strategic Value Fund, Inc., a Maryland corporation. Cornerstone Strategic Value Fund, Inc. is sometimes referred to hereinafter as "CLM" or the "Fund."

The CLM Annual Meeting is scheduled to be held at \_\_\_ a.m., Eastern time, on \_\_\_\_\_, October \_\_, 2002, at the offices of Bear Stearns Funds Management Inc., 383 Madison Avenue, New York, New York 10179.

First, you will be asked to vote on a Merger Agreement and Plan of Reorganization (the "Merger Agreement"), whereby CLM will merge with and into Progressive Return Fund, Inc. ("PGF") in accordance with the Maryland General Corporation Law. As a result of the merger:

- o CLM will no longer exist,
- o PGF will be the surviving corporation, and
- o each share of common stock of CLM will convert into an equivalent dollar amount (to the nearest one ten-thousandth of one cent) of shares and fractional shares of common stock of PGF, based on the net asset value per share of each fund on the date the Merger is consummated.

The combined Fund will approximately double the size of the Fund and the Board of Directors believes that this will enable:

- (1) lower operating expense ratio, and
- (2) enhanced market liquidity.

The proposed merger and the investment policies of the Funds are described in more detail in the combined Proxy Statement/Prospectus.

CLM's Stockholders are also being asked to vote contingently on three additional proposals. Votes on these proposals will be counted and passed or defeated only in the event that the Merger is not consummated. In the event that the CLM Stockholders fail to approve the proposed merger between PGF and CLM, CLM Stockholders are being asked to vote on the following Proposals:

The second Proposal that CLM Stockholders will be asked to vote on, and which will take effect only if the merger proposal is not consummated, will be the election of two (2) Class I nominees standing for re-election to CLM's Board of Directors, Messrs. Ralph W. Bradshaw and Edwin Meese III.

## Edgar Filing: PROGRESSIVE RETURN FUND INC - Form N-14 8C

The third Proposal that CLM Stockholders will be asked to vote on, and which will take effect only if the merger proposal is not consummated, is the ratification of the selection of Tait, Weller & Baker as the Fund's independent accountants for the year ending December 31, 2002.

The fourth Proposal being submitted to CLM Stockholders and, which will take effect only if the merger proposal is not consummated, is a stockholder proposal requesting that within 90 days after the CLM Annual Meeting CLM be converted into an open-end fund.

Stockholders who are unable to attend this meeting are strongly encouraged to vote by proxy, which is customary in corporate meetings of this kind. A Proxy Statement/Prospectus regarding the meeting, a proxy card(s) for your vote at the meeting and an envelope - postage prepaid - in which to return your proxy card are enclosed. At the CLM Annual Meeting you will be asked to vote on four matters.

THE BOARD OF DIRECTORS OF THE FUND BELIEVES THAT THE PROPOSED MERGER IS IN THE BEST INTERESTS OF THE FUND AND ITS STOCKHOLDERS AND RECOMMENDS THAT YOU READ THE ENCLOSED MATERIALS CAREFULLY AND THEN VOTE "FOR" PROPOSAL 1.

THE BOARD OF DIRECTORS OF THE FUND BELIEVES THAT, IN THE ALTERNATIVE, IF THE PROPOSED MERGER IS NOT CONSUMMATED, THAT THE VOTE FOR CONTINGENT PROPOSALS 2, AND 3, THE RE-ELECTION OF THE TWO CLASS I DIRECTORS AND THE RATIFICATION OF THE SELECTION OF TAIT, WELLER & BAKER, ARE IN THE BEST INTERESTS OF THE FUND AND ITS STOCKHOLDERS AND RECOMMENDS THAT YOU READ THE ENCLOSED MATERIALS CAREFULLY AND THEN VOTE "FOR" PROPOSALS 2 AND 3.

THE BOARD OF DIRECTORS BELIEVES THAT THE STOCKHOLDER PROPOSAL IS NOT IN THE BEST INTERESTS OF THE STOCKHOLDERS AND RECOMMENDS THAT YOU VOTE "AGAINST" PROPOSAL 4.

Your vote is important. To approve the Merger the affirmative vote of a majority of the Fund's outstanding shares is required. Therefore, a failure to vote would amount to a vote against the Merger. PLEASE TAKE A MOMENT NOW TO SIGN AND RETURN YOUR PROXY CARD(S) IN THE ENCLOSED POSTAGE-PAID RETURN ENVELOPE

Respectfully,

Ralph W. Bradshaw  
Chairman of the Board of Directors

YOU ARE URGED TO SIGN THE PROXY CARD(S) AND RETURN THE CARD(S) IN THE POSTAGE-PAID ENVELOPE TO ENSURE A QUORUM AT THE MEETING. YOUR VOTE IS IMPORTANT REGARDLESS OF THE SIZE OF YOUR SHAREHOLDINGS.

### PROGRESSIVE RETURN FUND, INC. NOTICE OF SPECIAL MEETING OF STOCKHOLDERS

Notice is hereby given that the Special Meeting of Stockholders (the "PGF Special Meeting") of Progressive Return Fund, Inc. ("PGF"), a Maryland corporation, will be held at the offices of Bear Stearns Funds Management Inc., 383 Madison Avenue, New York, New York 10179, on \_\_\_\_\_, October \_\_, 2002, at

Edgar Filing: PROGRESSIVE RETURN FUND INC - Form N-14 8C

\_\_\_ a.m., Eastern time, for the following purposes:

1. To consider and vote upon the approval of a Merger Agreement and Plan of Reorganization dated \_\_\_\_\_, 2002 whereby Cornerstone Strategic Value Fund, Inc. ("CLM"), a Maryland corporation, will merge with and into PGF in accordance with the Maryland General Corporation Law;

and in the event that the stockholders of both PGF and CLM approve the merger proposal, then the stockholders of PGF will be asked to vote upon PGF Proposal 2:

2. To amend the Articles of Incorporation to change the name of the Fund from "Progressive Return Fund, Inc." to "Progressive Total Return Fund, Inc."

The appointed proxies will vote in their discretion on any other business that may properly come before the PGF Special Meeting or any adjournments thereof.

Holders of record of shares of common stock of PGF at the close of business on \_\_\_\_\_, 2002 (the "Record Date") are entitled to vote at the PGF Special Meeting and at any postponements or adjournments thereof. CLM stockholders must approve the merger as well.

The persons named as proxies may propose one or more adjournments of the PGF Special Meeting if the necessary quorum to transact business or the vote required to approve or reject any proposal is not obtained at the meeting. Any such adjournment will require the affirmative vote of the holders of a majority of PGF's shares present in person or by proxy at the PGF Special Meeting. The persons named as proxies will vote those proxies which they are entitled to vote on any such proposal in accordance with their best judgment in the interest of PGF.

The enclosed proxy is being solicited on behalf of the Board of Directors of PGF.

By Order of the Board of Directors,  
Ralph W. Bradshaw, President

IMPORTANT -- WE URGE YOU TO SIGN AND DATE THE ENCLOSED PROXY CARD(S) AND RETURN THE CARD(S) IN THE ENCLOSED ADDRESSED ENVELOPE WHICH REQUIRES NO POSTAGE AND IS INTENDED FOR YOUR CONVENIENCE. YOUR PROMPT RETURN OF THE ENCLOSED PROXY CARD(S) MAY SAVE THE NECESSITY AND EXPENSE OF FURTHER SOLICITATIONS TO ENSURE A QUORUM AT THE PGF SPECIAL MEETING. IF YOU CAN ATTEND THE PGF SPECIAL MEETING AND WISH TO VOTE YOUR SHARES IN PERSON AT THAT TIME, YOU WILL BE ABLE TO DO SO.

CORNERSTONE STRATEGIC VALUE FUND, INC.  
NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

Notice is hereby given that the Annual Meeting of Stockholders (the "CLM Annual Meeting") of Cornerstone Strategic Value Fund, Inc. ("CLM"), a Maryland corporation, will be held at the offices of Bear Stearns Funds Management Inc., 383 Madison Avenue, New York, New York 10179, on \_\_\_\_\_, October \_\_\_\_, 2002, at \_\_\_ a.m., Eastern time, for the following purposes:

Edgar Filing: PROGRESSIVE RETURN FUND INC - Form N-14 8C

1. To consider and vote upon the approval of a Merger Agreement and Plan of Reorganization dated \_\_\_\_\_, 2002 whereby CLM will merge with and into Progressive Return Fund, Inc. ("PGF"), a Maryland corporation, in accordance with the Maryland General Corporation Law;  
  
and, in the alternative if Stockholders do not approve the merger proposal, then Stockholders will be asked to vote upon Proposals 2, 3 and 4:
2. To consider and vote upon the election of two (2) Class I nominees standing for re-election to CLM's Board of Directors, Messrs. Ralph W. Bradshaw and Edwin Meese III;
3. To ratify the selection of Tait, Weller & Baker as the Fund's independent accountants for the year ending December 31, 2002; and
4. To consider and vote upon a stockholder proposal requesting that CLM be converted into an open-end fund.

The appointed proxies will vote in their discretion on any other business that may properly come before the CLM Annual Meeting or any adjournments thereof.

Holders of record of shares of common stock of CLM at the close of business on \_\_\_\_ \_\_, 2002 (the "Record Date") are entitled to vote at the CLM Annual Meeting and at any postponements or adjournments thereof. PGF stockholders must approve the merger as well.

The persons named as proxies may propose one or more adjournments of the CLM Annual Meeting if the necessary quorum to transact business or the vote required to approve or reject any proposal is not obtained at the meeting. Any such adjournment will require the affirmative vote of the holders of a majority of CLM's shares present in person or by proxy at the CLM Annual Meeting. The persons named as proxies will vote those proxies which they are entitled to vote on any such proposal in accordance with their best judgment in the interest of CLM.

The enclosed proxy is being solicited on behalf of the Board of Directors of CLM.

By Order of the Board of Directors,  
Ralph W. Bradshaw, President

IMPORTANT -- WE URGE YOU TO SIGN AND DATE THE ENCLOSED PROXY CARD(S) AND RETURN THE CARD(S) IN THE ENCLOSED ADDRESSED ENVELOPE WHICH REQUIRES NO POSTAGE AND IS INTENDED FOR YOUR CONVENIENCE. YOUR PROMPT RETURN OF THE ENCLOSED PROXY CARD(S) MAY SAVE THE NECESSITY AND EXPENSE OF FURTHER SOLICITATIONS TO ENSURE A QUORUM AT THE CLM ANNUAL MEETING. IF YOU CAN ATTEND THE CLM ANNUAL MEETING AND WISH TO VOTE YOUR SHARES IN PERSON AT THAT TIME, YOU WILL BE ABLE TO DO SO.

DRAFT: FOR DISCUSSION PURPOSES ONLY

INSTRUCTIONS FOR SIGNING PROXY CARDS



## Edgar Filing: PROGRESSIVE RETURN FUND INC - Form N-14 8C

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

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

#### TRUST ACCOUNTS

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

#### CUSTODIAL OR ESTATE ACCOUNTS

- |     |  |                              |
|-----|--|------------------------------|
| (1) | John B. Smith, Cust.<br>f/b/o John B. Smith, Jr. UGMA..... | John B. Smith                |
| (2) | John B. Smith.....   | John B. Smith, Jr., Executor |

CORNERSTONE STRATEGIC VALUE FUND, INC.  
383 Madison Avenue  
New York, New York 10179  
Tel: (212) 272-2093

TO BE MERGED WITH AND INTO

PROGRESSIVE RETURN FUND, INC.  
383 Madison Avenue  
New York, New York 10179  
Tel: (212) 272-2093

COMBINED PROXY STATEMENT/PROSPECTUS

## Edgar Filing: PROGRESSIVE RETURN FUND INC - Form N-14 8C

This combined Proxy Statement/Prospectus is being furnished to stockholders of Progressive Return Fund, Inc. ("PGF") and Cornerstone Strategic Value Fund, Inc. ("CLM") for use at PGF's Special Meeting and CLM's Annual Meeting each to be held on \_\_\_\_\_, October \_\_, 2002 at \_\_\_ a.m. and \_\_\_ a.m. Eastern time, respectively, and at any and all postponements or adjournments thereof. Hereinafter the PGF Special Meeting of Stockholders and the CLM Annual Meeting of Stockholders shall be collectively referred to as the "Meetings." The approximate mailing date of this Proxy Statement/Prospectus is September \_\_, 2002.

### PURPOSE OF THE MEETINGS.

At each of the Meetings, stockholders of each Fund will be asked to approve a Merger Agreement and Plan of Reorganization dated \_\_\_\_\_, 2002 (the "Plan") whereby CLM will merge with and into PGF, in accordance with the Maryland General Corporation Law. In addition, PGF stockholders will be asked to approve the amendment to PGF's Articles of Incorporation changing the name of the Fund in the event that the Merger is consummated. In the event that the Merger is not consummated, CLM's stockholders will be asked to contingently vote on the re-election of two nominees to CLM's Board of Directors, the ratification of Tait, Weller & Baker as the Fund's independent accountants for the year ending December 31, 2002, and a stockholder's proposal requesting that the Fund be open-ended.

### SPECIFICS OF THE PLAN.

-----  
As a result of the merger:

- CLM will no longer exist,
- PGF will be the surviving corporation, and
- each share of common stock of CLM will convert into an equivalent dollar amount (to the nearest one ten-thousandth of one cent) of shares and fractional shares of common stock of PGF, based on the net asset value per share of each Fund.

In connection with the merger, PGF will issue that number of shares that have an aggregate net asset value equal to the aggregate net asset value of the outstanding shares of CLM. Each CLM stockholder, in connection with the merger, will receive shares of PGF having an aggregate net asset value equal to the aggregate net asset value of the stockholder's CLM shares on the day before the effective date of the Merger. While the total net asset value of shares received by each CLM stockholder in the merger may be the same as before the merger, the market value of PGF shares that a CLM stockholder receives in the merger will be more or less than the market value of CLM shares that such stockholder owns immediately before the merger, depending on the current market discount levels of CLM and PGF.

If the merger proposal is approved, CLM stockholders will become stockholders of a non-diversified rather than a diversified management investment company. PGF, as a non-diversified investment management company may invest a significant proportion of its assets in a single issuer or industry than CLM, as a diversified investment company can. Thus, an investment in PGF, as a non-diversified investment company may present a greater risk to an investor than an investment in CLM, as a diversified company because of the possibility of a greater concentration of assets in one issuer or industry.

## Edgar Filing: PROGRESSIVE RETURN FUND INC - Form N-14 8C

PGF and CLM are both registered with the Securities Exchange Commission as closed-end management investment companies and are both listed on the New York Stock Exchange ("NYSE"). PGF is classified as a non-diversified management investment company, whereas, CLM is classified as a diversified management investment company. PGF seeks total return consisting of capital appreciation and current income by investing primarily in U.S. and non-U.S. securities. CLM's investment objective is to seek long-term capital appreciation through investment in equity securities of U.S. and non-U.S. companies. The current investment objective and policies of PGF will continue unchanged if the merger occurs.

The terms and conditions of the merger and related transactions are more fully described in this Proxy Statement/Prospectus and in the Plan, a copy of which is attached hereto as Exhibit A.

This Proxy Statement/Prospectus serves as a prospectus for shares of PGF under the Securities Act of 1933, as amended (the "Securities Act"), in connection with the issuance of PGF common shares in the merger.

Assuming the stockholders of each Fund approve the merger and that all other conditions contained in the Merger Agreement are satisfied or waived, the Funds will jointly file articles of merger (the "Articles of Merger"), with the State Department of Assessments and Taxation of Maryland (the "Department"). The merger will become effective on October \_\_, 2002, or such other date as may result from the application of the terms of the Merger Agreement (the "Effective Date"). CLM, as soon as practicable after the Effective Date, will terminate its registration under the Investment Company Act of 1940, as amended (the "Investment Company Act").

Under Maryland law, shareholders of PGF and CLM are not entitled to any appraisal or similar rights in connection with the merger contemplated by the Plan.

You should retain this Proxy Statement/Prospectus for future reference as it sets forth concisely information about PGF and CLM that you should know before voting on the proposals described below.

A Statement of Additional Information (the "SAI") dated September \_\_, 2002, which contains additional information about the merger and the Funds has been filed with the Securities and Exchange Commission (the "SEC"). The SAI and financial statements of PGF and CLM for the fiscal year ended December 31, 2001 are incorporated by reference into this Proxy Statement/Prospectus. Please note that each Fund's semi-annual reports for the period ending June 30, 2002 will be available approximately on August 31, 2002. Copies of these documents are available upon request and without charge by writing to the Secretary of the Fund c/o Bear Stearns Funds Management Inc. located at 383 Madison Avenue, 23rd Floor, New York, New York 10179, or by calling (212) 272-2093. You may ask questions about the Funds by calling (212) 272-2093. PGF has provided the information included in this Proxy Statement/Prospectus regarding that Fund and CLM has provided the information included in this Proxy Statement/Prospectus regarding that Fund.

PGF's shares of common stock are listed on the NYSE under the symbol "PGF" and CLM's shares of common stock are listed on the NYSE under the symbol "CLM". After the Effective Date, shares of common stock of PGF will continue to be listed on the NYSE under the symbol "PGF". Reports, proxy materials and other information concerning each Fund may be inspected at the offices of the NYSE, 20

# Edgar Filing: PROGRESSIVE RETURN FUND INC - Form N-14 8C

Broad Street, New York, New York 10005.

The SEC has not approved or disapproved these securities or determined if this Proxy Statement/Prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this Proxy Statement/Prospectus is September \_\_, 2002

## TABLE OF CONTENTS

	Page
General.....	6
I. MERGER PROPOSAL TO BE VOTED ON BY STOCKHOLDERS OF PGF AND CLM	
Proposal 1 (BOTH FUNDS): APPROVAL OF THE MERGER AGREEMENT AND PLAN OF REORGANIZATION.....	9
Synopsis.....	10
Expense Table.....	15
Financial Highlights.....	16
Principal Risk Factors.....	16
Comparison of Investment Objectives and Policies.....	19
United States Federal Income Taxes.....	23
Information about the Merger.....	25
Additional Information about the Funds.....	31
Management of the Funds.....	38
Experts.....	45
Required Vote.....	46
Legal Proceedings.....	46
Legal Opinions.....	46
II. ADDITIONAL PROPOSAL TO BE VOTED ON BY PGF STOCKHOLDERS WHICH WILL ONLY TAKE EFFECT IN THE EVENT THAT PROPOSAL 1 IS APPROVED BY BOTH FUNDS	
PGF Proposal 2: RATIFICATION OF THE CHANGE IN NAME OF THE FUND TO "PROGRESSIVE TOTAL RETURN FUND, INC.".....	47
III. ADDITIONAL PROPOSALS TO BE VOTED ON BY CLM'S STOCKHOLDERS WHICH WILL ONLY TAKE EFFECT IN THE EVENT THAT PROPOSAL 1 IS NOT APPROVED BY BOTH FUNDS' STOCKHOLDER'S	
CLM Proposal 2: Election of Directors.....	48
CLM Proposal 3: Ratification of Selection of Independent Accountants.....	56
CLM Proposal 4: Shareholder proposal requesting that the Fund be converted into an Open-end Fund.....	57
Additional Information.....	61
Exhibit A: Form of Merger Agreement.....	A-1
Exhibit B1: Form of PGF Proxy Card.....	B1-1
Exhibit B2: Form of CLM Proxy Card.....	B2-1

## Edgar Filing: PROGRESSIVE RETURN FUND INC - Form N-14 8C

Exhibit C: Certificate of Amendment to the Articles of Incorporation..... C-1

### GENERAL

This combined Proxy Statement/Prospectus is furnished to the stockholders of each Fund in connection with the solicitation of proxies on behalf of each of the Boards of Directors of the Funds. The Board of Directors of each Fund is soliciting proxies for use at each Fund's respective Meeting. The mailing address for both Funds is c/o Bear Stearns Funds Management Inc., 383 Madison Avenue, New York, New York 10179.

This Proxy Statement/Prospectus, the Notices of Meeting to Stockholders and the proxy card(s) (attached hereto as Exhibit B) are first being mailed to stockholders on or about September \_\_, 2002 or as soon as practicable thereafter. Any stockholder who gives a proxy has the power to revoke the proxy either: (i) by mail, addressed to the Secretary of the respective Fund, at the Fund's mailing address, or (ii) in person at the Meeting by executing a superseding proxy or by submitting a notice of revocation to the respective Fund. All properly executed proxies received in time for the meetings will be voted as specified in the proxy or, if no specification is made, "FOR" each proposal for that Fund, except that in the case of Proposal 4, all unspecified proxies will be voted "AGAINST" such Stockholder Proposal.

Stockholders of both PGF and CLM will be asked to vote on Proposal 1 -- the approval of the Plan. In the event that the merger proposal is approved by the stockholders of CLM and PGF, then the PGF stockholders will be asked to authorize the amendment to PGF's Articles of Incorporation changing the name of the Fund to "Progressive Total Return Fund, Inc. In the event that the Merger is not consummated, CLM Stockholders will be asked to contingently vote on Proposal 2 -- the re-election of Messrs. Ralph W. Bradshaw and Edwin Meese III to CLM's Board of Directors -- Proposal 3 -- the ratification of the selection of Tait, Weller & Baker as CLM's independent accountants for the year ending December 31, 2002; and -- Proposal 4-- a shareholder proposal requesting the shareholders to convert CLM to an open-end fund.

### QUORUM

The presence, either in person or by proxy, of the holders of one-third of the outstanding shares of common stock entitled to vote at a meeting of a Fund, will constitute a quorum for the transaction of business by such Fund. For purposes of determining the presence of a quorum for transacting business at a meeting, abstentions and broker "non-votes" will be treated as shares that are present. Broker non-votes are proxies received by a Fund from brokers or nominees, indicating that the broker or nominee has neither received instructions from the beneficial owner or other persons entitled to vote nor has the discretionary power to vote on a particular matter. Stockholders are urged to forward their voting instructions promptly.

### REQUIRED VOTE

Proposal 1, to be submitted at the PGF and CLM Meetings, requires the affirmative vote of a majority of the outstanding shares of common stock of each Fund.

PGF Proposal 2, to be submitted at the PGF Special Meeting, requires the affirmative vote of a majority of the outstanding shares of common stock of

## Edgar Filing: PROGRESSIVE RETURN FUND INC - Form N-14 8C

PGF.

CLM Proposals 2 and 3, to be submitted at the CLM Annual Meeting, requires the affirmative vote of a majority of the votes cast at the meeting.

-1-

CLM Proposal 4, to be submitted at the CLM Annual Meeting, requires the affirmative vote of a majority of the outstanding shares of common stock.

Abstentions and broker non-votes will have the effect of a "no" vote for Proposal 1, PGF Proposal 2, and CLM's Proposal 4, and will have no effect on CLM's Proposal 2 and 3.

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 Funds, Cornerstone Advisors, Inc., the investment adviser to each of the Funds (the "Investment Adviser"), Bear Stearns Funds Management Inc., the administrator to each of the Funds (the "Administrator"), and Georgeson Shareholder Communication, Inc., a proxy solicitation firm ("Georgeson"). The Funds will bear their respective costs of solicitation.

An agreement between the Funds and Georgeson provides for Georgeson to provide general solicitation services to the Funds at an estimated cost of \$\_\_\_\_\_, including expenses. The Funds will, upon request, bear the reasonable expenses of brokers, bank and their nominees who are holders of record of the Funds' voting securities on the record date, incurred in mailing copies of this Proxy Statement/Prospectus to the beneficial owners of the Funds' voting securities.

Only stockholders of record of each Fund at the close of business on \_\_\_\_\_, 2002 (the "Record Date"), are entitled to vote. Each outstanding share of each Fund is entitled to one vote on all matters voted upon at a meeting of the stockholders of that Fund. As of June 30, 2002, there were approximately 4,228,516 shares of PGF outstanding, and approximately 3,832,560 shares of CLM outstanding.

PGF and CLM provide periodic reports to all of their stockholders. These reports highlight relevant information including investment results and a review of portfolio changes for each Fund. You may receive a copy of the most recent annual and semi-annual reports for PGF or CLM, without charge, by calling (212) 272-2093 or writing to the Secretary of the Fund c/o Bear Stearns Funds Management Inc. located at 383 Madison Avenue, 23rd Floor, New York, New York 10179.

The Boards of Directors of the Funds know of no business other than the proposals described above which will be presented for consideration at each Fund's respective Meeting. If any other matter is properly presented, it is the intention of the persons named in the enclosed proxy to vote on that matter in their discretion.

-2-

## Edgar Filing: PROGRESSIVE RETURN FUND INC - Form N-14 8C

I. MERGER PROPOSAL TO BE VOTED ON BY STOCKHOLDERS OF PGF AND CLM.

### PROPOSAL 1:

#### APPROVAL OF THE MERGER AGREEMENT AND PLAN OF REORGANIZATION (THE "PLAN")

On August 2, 2002, the Boards of Directors of both Funds, including a majority of the Directors who are not "interested persons" (the "Non-interested Directors"), unanimously:

- (1) declared that the merger of CLM with and into PGF is in the best interest of the Funds and the stockholders,
- (2) approved the Plan, and
- (3) recommended that the stockholders of each Fund approve the Plan.

Stockholders should note that the Board of Directors of the Funds are identical, therefore, the Non-interested Directors are "non-interested" with respect to each Fund s required by the Investment Company Act, they are not at arms-length with respect to the proposed Merger. The Boards suggest that stockholder carefully review the information contained in the Proxy Statement/Prospectus before casting a vote.

For more information about the merger, see "Information about the Merger."

The Plan is subject to the approval of the stockholders of both Funds and certain other conditions. It provides for the merger (the "Merger") of CLM with and into PGF in accordance with the Maryland General Corporation Law (the "MGCL").

As a result of the Merger:

- CLM will no longer exist,
- PGF will be the surviving corporation, and
- each share of common stock of CLM will convert into an equivalent dollar amount (to the nearest one ten-thousandth of one cent) of shares and fractional shares of common stock of PGF, based on the net asset value per share of each Fund calculated at 4:00 p.m. (New York Time) on the business day preceding the Effective Date. A "Business Day" is any day on which the NYSE is open for trading.

PGF's shares outstanding as of the Effective Date will remain issued and outstanding.

A copy of the Plan is attached to this Proxy Statement/Prospectus as Exhibit A, and the description of the Plan included in this Prospectus/Proxy Statement is qualified in its entirety by reference to Exhibit A.

The following provides a more detailed discussion about the Merger, each Fund and additional information that you may find helpful in deciding how to vote on the Merger.

-3-

SYNOPSIS

This summary highlights important information included in this Proxy Statement/Prospectus. This summary is qualified by reference to the more complete information included elsewhere in this Proxy Statement/Prospectus and the Plan. Stockholders of each Fund should read this entire Proxy Statement/Prospectus carefully.

THE PROPOSED MERGER.

The Boards of Directors of PGF and CLM, including the Non-interested Directors of each Fund, have unanimously approved the Plan. The Plan provides for the merger of CLM with and into PGF. As a result of the Merger:

- each share of common stock of CLM will convert into an equivalent dollar amount (to the nearest one ten-thousandth of one cent) of shares and fractional shares of common stock of PGF, based on the net asset value per share of each Fund calculated at 4:00 pm (New York time) on the Business Day preceding the Effective Date;
- PGF stockholders will retain their shares; and
- each stockholder of CLM will become a stockholder of PGF and will receive, on the Effective Date, that number of shares of common stock of PGF having an aggregate net asset value equal to the aggregate net asset value of such stockholder's shares held in CLM as of the close of business on the Business Day preceding the Effective Date.

If the Merger is not consummated, each Fund will continue as a separate investment company, and the Board of Directors of each Fund will consider such other alternatives as it determines to be in the best interests of its stockholders.

FORM OF ORGANIZATION.

-----

PGF is a closed-end, non-diversified management investment company and CLM is a closed-end, diversified management investment company, both of which are registered under the Investment Company Act. PGF and CLM were both organized as Maryland corporations in 1989 and 1987, respectively. Each Fund's Board of Directors is responsible for the management of the business and affairs of each Fund.

INVESTMENT OBJECTIVES.

-----

PGF seeks total return consisting of capital appreciation and current income by investing primarily in U.S. and non-U.S. securities. CLM's investment objective is to seek long-term capital appreciation through investment in equity securities of U.S. and non-U.S. companies.

Each Fund's investment objectives are fundamental, and can only be changed with the approval of the holders of a majority of its outstanding voting securities as defined under the Investment Company Act.



## Edgar Filing: PROGRESSIVE RETURN FUND INC - Form N-14 8C

The preceding summary of each Fund's investment objectives and certain policies should be considered in conjunction with the discussion below under "Risk Factors and Special Considerations" and "Comparison of Investment Objectives and Policies."

-4-

### NET ASSETS OF THE FUNDS

-----

At June 30, 2002, PGF had net assets of \$28,464,996 and CLM had net assets of \$29,413,776.

### FEES AND EXPENSES--PGF AND CLM

-----

Cornerstone Advisors, Inc. ("Cornerstone Advisors" or "Advisor"), serves as PGF's and CLM's investment adviser. The agreements between the Advisor and each Fund are substantially identical. As compensation for its advisory services, Cornerstone Advisors is contractually entitled to receive from each Fund an annual fee of one percent (1%) of that Fund's average weekly net assets payable monthly. On June 19, 2002, Cornerstone Advisors agreed to immediately implement a voluntary expense reimbursement limitation with regard to both funds under which the Advisor voluntarily waive its management fees to each Fund to the extent that each Fund's monthly operating expenses exceed .10% of net assets calculated on a monthly basis. The expenses of the proposed Merger are not regarded as "operating expenses". The voluntary fee waiver may be changed or discontinued at any time after December 31, 2002 in the discretion of the Advisor. The voluntary expense limitation will not, however, be affected by the Merger.

For the fiscal year ended December 31, 2001, Cornerstone Advisors earned \$331,733 for performing its advisory services to PGF, of which Cornerstone Advisors, under a different voluntary expense limitation, waived \$1,966 and \$276,913 for advisory services to CLM, of which Cornerstone Advisors waived \$58,679. CLM also paid \$78,655 as compensation to Clemente Capital, Inc., the Fund's investment adviser from January 1, 2001 until April 18, 2001 and \$26,222 to Wilmington Trust Co., the Fund's sub-investment adviser for January 1, 2001 until April 18, 2001.

Bear Stearns Funds Management Inc. ("BSFM"), serves as PGF's and CLM's administrator. PGF and CLM each pay BSFM a monthly fee that is computed weekly at an annual rate of 0.10% of the respective Fund's average weekly net assets, subject to a minimum annual fee of \$50,000. In addition to the fee, the Fund is required to reimburse the Administrator all out-of-pocket expenses incurred by the Administrator for attendance at any meetings (outside the New York metropolitan area) of the Board of Directors, or any committees of such Board, or any other meetings or presentations for which the Administrator is required to attend. For the fiscal year ended December 31, 2001, BSFM earned \$58,976 for services performed on behalf of PGF. BSFM earned \$39,658 for services performed on behalf of CLM for the period April 23, 2001 through December 31, 2001. In addition, PFPC, Inc., CLM's former administrator, earned \$21,696 for the period January 1, 2001 until April 30, 2001.

## Edgar Filing: PROGRESSIVE RETURN FUND INC - Form N-14 8C

Based on June 30, 2002 net assets and projected expenses for the year 2002, in the absence of an expense limitation, PGF's expense ratio would be expected to be approximately 2.35%. Based on similar assumptions, PGF's expense ratio after the Merger, not including the expenses of the Merger, is projected to be approximately 1.97%. So long as the voluntary expense limitation described above is in effect, PGF's expense ratio is expected to be 1.20%. The actual expense ratios for the current and fiscal years, whether or not the Merger occurs, may be higher or lower than these projections and depend upon performance, general stock market and economic conditions, net asset levels, stock prices and other factors, as well as whether the voluntary expense limitation is continued.

-5-

See "Expense Table" below for the current expenses of each Fund and pro forma expenses following the Merger.

### DISTRIBUTION POLICIES

-----

In June 2002 both Funds announced distribution policies under which they would distribute fixed monthly amounts. Such amounts have been distributed in July and August and distributions have been declared by the Boards of Directors for the months of September and October. Such distributions may be treated as returns of capital, capital gain or ordinary income depending on each Fund's tax position for the year as a whole. Stockholders will be advised of the relevant treatment when the tax positions are known.

It is the intention of the current Board of Directors to continue its current distribution policy after the Merger but there can be no guarantee that the policy will be continued for any specific time period.

### UNREALIZED CAPITAL GAINS.

-----

As of July 12, 2002, PGF had approximately \$7,812,761 of unrealized capital losses, representing approximately 29.6% of its net assets. As of that same date, CLM had approximately \$1,711,531 of unrealized capital gains, representing approximately 6.34% of its net assets. As of July 12, 2002, PGF had approximately \$11,780,944 of capital loss carryforwards. CLM had approximately \$142,060 of capital loss carryforwards as of December 31, 2001.

### FEDERAL INCOME TAX CONSEQUENCES OF THE MERGER.

-----

As a condition to the closing of the Merger, both Funds will receive an opinion of Spitzer & Feldman P.C., counsel to the Funds, stating that the Merger will constitute a tax-free reorganization within the meaning of Section 368(a)(1) of the Internal Revenue Code of 1986 (the "Code"). Accordingly, neither CLM, PGF nor the stockholders of either Fund will recognize any gain or loss as a result of the Merger. The holding period and the aggregate tax basis of PGF shares (including fractional shares) received by a CLM stockholder will be the same as the holding period and aggregate tax basis of the shares of CLM previously held by the stockholder. The holding period and the aggregate tax basis of the assets received by PGF in the Merger will be the same as the

## Edgar Filing: PROGRESSIVE RETURN FUND INC - Form N-14 8C

holding period and the tax basis of such assets in the hands of CLM immediately before the Merger. For more information about the tax consequences of the Merger, see "Information about the Merger - Tax Considerations."

The Board of Directors of each Fund considered these positions as part of their overall process of considering the proposed Merger. They also considered professional advice that they received regarding the future use of these various capital loss categories to offset future capital gains. This professional advice included the possibility that in some circumstances utilization of the capital loss carryforwards might be restricted, in part because of the Merger. The Boards also considered whether the ability to continue to utilize the capital loss carryforwards should be made a condition to the effectiveness of the Merger and concluded that it should not. The Boards concluded that in their respective judgments, under all of the facts and circumstances known to them after considering the advice of their professional advisers, the Merger is in the best interests of both Funds and their stockholders, even if as a consequence there may be "truncation" (restriction on the utilization) of the capital loss carryforwards under the Internal Revenue Code."

-6-

Under the Merger Agreement, the Boards of Directors do have the discretion to consummate the Merger if they are advised that an impairment of PGF's tax loss carryforwards would result.

DISCOUNT FROM NET ASSET VALUE.  
-----

Shares of closed-end funds frequently trade at a market price that is less than the value of the fund's net assets. The possibility that shares of PGF and CLM will trade at a discount from its net asset value is a risk separate and distinct from the risk that such Fund's net asset value will decrease. Except for limited periods of time, PGF's shares have traded in the market at a discount, and, as of August 1, 2002, the last trading day immediately before the announcement of the Merger, traded at a market price discount of \_\_\_\_%. Similarly, CLM shares have traded in the market at a discount and, as of that same date, traded at a market price discount of \_\_\_\_%.

EXPENSES OF THE MERGER.  
-----

In evaluating the proposed Merger, Cornerstone Advisors has estimated the amount of expenses the Funds would incur as approximately \$140,000, which includes, but is not limited to, NYSE fees, SEC registration fees, legal and accounting fees, proxy and distribution costs, and expenses incurred in connection with the Merger. The aggregate amount of estimated expenses of the Merger will be allocated equally between the Funds, regardless of whether the Merger is consummated, including the SEC registration fees and the fees for listing additional shares of PGF on the NYSE.

The expenses of the Merger are expected to result in a reduction in net asset value per PGF share of approximately \$0.06, and a reduction in net asset value per CLM share of approximately \$0.02.

-7-

EXPENSE TABLE

SHAREHOLDER TRANSACTION EXPENSES	PGF	CLM	PRO FO
	---	---	-----
Sales Load (as a percentage of offering price)	N/A	N/A	
Dividend Reinvestment and Cash Purchase Plan Fees	\$0	\$0	
ANNUAL EXPENSES (1)			
Investment Advisory Fees	1.00%	1.00%	
OTHER EXPENSES (2)	1.35%	1.17	
TOTAL ANNUAL EXPENSES	2.35% (3)	2.17% (3)	
	=====	=====	

-8-

Example. The purpose of the following example is to help you understand the costs and expenses you may bear as an investor. This example is based on the level of total annual operating expenses for each Fund listed in the table above, the total expenses relating to a \$1,000 investment, assuming a 5% annual return and reinvestment of all dividends and distributions. Stockholders do not pay these expenses directly, they are paid by the Funds before they distribute net investment income to Stockholders. This example should not be considered a representation of future expenses, and actual expenses may be greater or less than those shown. Federal regulations require the example to assume a 5% annual return, but actual annual returns will vary.

	PGF	CLM	PRO FORMA, POST MERGER
1 Year	\$238	\$220	\$200
3 Years	\$733	\$679	\$618
5 Years	\$1,255	\$1,164	\$1,062
10 Years	\$2,686	\$2,503	\$2,296

PERFORMANCE.  
-----

The table below provides performance data for the period beginning January 1, 2002 to June 30, 2002, for PGF and CLM based on each Fund's net asset value and market value. Past performance is not a guarantee of future results, and it is not possible to predict whether or how investment performance

## Edgar Filing: PROGRESSIVE RETURN FUND INC - Form N-14 8C

will be affected by the Merger. It is important to note that prior to January 1, 2001, both Funds' investment objectives were different and the investments made were not similar either to each other or to the investments made after that date.

	PGF		CLM	
	CUMULATIVE AVERAGE ANNUAL	CUMULATIVE AVERAGE ANNUAL	CUMULATIVE AVERAGE ANNUAL	CUMULATIVE AVERAGE ANNUAL
NET ASSET VALUE	(11.62)%	(11.62)%	(18.66)%	(18.66)%
MARKET VALUE	4.04%	4.04%	(17.72)%	(17.72)%

-9-

### FINANCIAL HIGHLIGHTS

The information required in this portion is being incorporated by reference from each Funds Annual Report to Stockholders filed with the Commission. This information was audited, except as noted, by PricewaterhouseCoopers LLP whose reports, along with the Funds' financial statements, are incorporated herein by reference and included in the Funds' Annual Reports to Stockholders. The Annual Reports and Semi-Annual Reports may be obtained without charge, by writing to the Secretary of the Fund c/o Bear Stearns Funds Management Inc., 383 Madison Avenue, 23 Fl., New York, New York 10179, or by calling (212) 272-2093.

### PRINCIPAL RISK FACTORS

Both PGF and CLM are closed-end management investment companies and are designed primarily for long-term investors and not as trading vehicles.

**STOCK MARKET VOLATILITY.** Stock markets can be volatile. In other words, the prices of stocks can rise or fall rapidly in response to developments affecting a specific company or industry, or to changing economic, political or market conditions. The Funds are subject to the general risk that the value of their investments may decline if the stock markets perform poorly. There is also a risk that each Fund's investments will underperform either the securities markets generally or particular segments of the securities markets.

**ISSUER SPECIFIC CHANGES.** Changes in the financial condition of an issuer, changes in the specific economic or political conditions that affect a particular type of security or issuer, and changes in general economic or political conditions can affect the credit quality or value of an issuer's securities. Lower-quality debt securities tend to be more sensitive to these changes than higher-quality debt securities.

**INTEREST RATE RISK.** Debt securities have varying levels of sensitivity to changes in interest rates. In general, the price of a debt security can fall when interest rates rise and can rise when interest rates fall. Securities with longer maturities and mortgage securities can be more sensitive to interest rate changes although they usually offer higher yields to compensate investors for the greater risks. The longer the maturity of the security, the greater the impact a change in interest rates could have on the security's price. In addition, short-term and long-term interest rates do not necessarily move in the same amount or the same direction. Short-term securities tend to react to changes in short-term interest rates and long-term securities tend to react to changes in long-term interest rates.

## Edgar Filing: PROGRESSIVE RETURN FUND INC - Form N-14 8C

CREDIT RISKS. Fixed income securities rated B or below by S&Ps or Moody's may be purchased by either Fund. These securities have speculative characteristics and changes in economic conditions or other circumstances are more likely to lead to a weakened capacity of those issuers to make principal or interest payments, as compared to issuers of more highly rated securities.

EXTENSION RISK. Each Fund is subject to the risk that an issuer will exercise its right to pay principal on an obligation held by the Fund (such as mortgage-backed securities) later than expected. This may happen when there is a rise in interest rates. These events may lengthen the duration (i.e. interest rate sensitivity) and potentially reduce the value of these securities.

-10-

ILLIQUID SECURITIES. Each Fund may invest up to 15% of its respective net assets in illiquid securities. Illiquid securities may offer a higher yield than securities which are more readily marketable, but they may not always be marketable on advantageous terms. The sale of illiquid securities often requires more time and results in higher brokerage charges or dealer discounts than does the sale of securities eligible for trading on national securities exchanges or in the over-the-counter markets. A security traded in the U.S. that is not registered under the Securities Act of 1933 will not be considered illiquid if Fund management determines that an adequate investment trading market exists for that security. However, there can be no assurance that a liquid market will exist for any security at a particular time.

INVESTMENT IN SMALL AND MID-CAPITALIZATION COMPANIES. Each Fund may invest in companies with mid or small sized capital structures (generally a market capitalization of \$5 billion or less). Accordingly, the Fund may be subject to the additional risks associated with investment in these companies. The market prices of the securities of such companies tend to be more volatile than those of larger companies. Further, these securities tend to trade at a lower volume than those of larger more established companies. If a Fund is heavily invested in these securities and the value of these securities suddenly declines, that Fund will be susceptible to significant losses.

OVER-THE-COUNTER BULLETIN BOARD MARKETS. Each Fund may invest in companies whose stock is trading on the over-the-counter Bulletin Board which have only a limited trading market. A more active trading market may never develop. Each Fund may be unable to sell its investments in these companies on any particular day due to the limited trading market.

ANTI-TAKEOVER PROVISIONS. Each Fund's Charter and Bylaws include provisions that could limit the ability of other persons or entities to acquire control of the Fund or to cause it to engage in certain transactions or to modify its structure.

LEVERAGE RISK. Utilization of leverage is a speculative investment technique and involves certain risks to the holders of common stock. These include the possibility of higher volatility of the net asset value of the common stock and potentially more volatility in the market value of the common stock. So long as each Fund is able to realize a higher net return on its investment portfolio than the then current cost of any leverage together with other related expenses, the effect of the leverage will be to cause holders of common stock to realize higher current net investment income than if the Fund were not so leveraged. On the other hand, to the extent that the then current cost of any leverage, together with other related expenses, approaches the net return on the Fund's investment portfolio, the benefit of leverage to holders of

## Edgar Filing: PROGRESSIVE RETURN FUND INC - Form N-14 8C

common stock will be reduced, and if the then current cost of any leverage were to exceed the net return on the Fund's portfolio, the Fund's leveraged capital structure would result in a lower rate of return to Common Shareholders than if the Fund were not so leveraged. There can be no assurance that each Fund's leverage strategy will be successful.

NON-U.S. SECURITIES RISK. Investments in securities of non-U.S. issuers involve special risks not presented by investments in securities of U.S. issuers, including the following: less publicly available information about companies due to less rigorous disclosure or accounting standards or regulatory practices; the impact of political, social or diplomatic events; possible seizure, expropriation or nationalization of the company or its assets; and possible imposition of currency exchange controls. These risks are more pronounced to the extent that each Fund invests a significant amount of its investments in companies located in one region.

-11-

DEBT SECURITY RISK. In addition to interest rate risk, call risk and extension risk, debt securities are also subject to the risk that they may also lose value if the issuer fails to make principal or interest payments when due, or the credit quality of the issuer falls.

COMMON STOCK RISK. While common stock has historically generated higher average returns than fixed income securities, common stock has also experienced significantly more volatility in those returns. An adverse event, such as an unfavorable earnings report or acts of terrorism, may depress the value of common stock held by the Fund. Also, the price of common stock is sensitive to general movements in the stock market. A drop in the stock market may depress the price of common stock held by the Fund.

MARKET DISCOUNT FROM NET ASSET VALUE. Shares of closed end investment companies frequently trade at a discount from their net asset value. This characteristic is a risk separate and distinct from the risk that the Fund's net asset value could decrease as a result of its investment activities and may be greater for investors expecting to sell their shares in a relatively short period following completion of this offering. The net asset value of the common stock will be reduced immediately following the offering as a result of the payment of certain offering costs. Whether investors will realize gains or losses upon the sale of the common stock will depend not upon the Fund's net asset value but entirely upon whether the market price of the common stock at the time of sale is above or below the investor's purchase price for the common stock. Because the market price of the common stock will be determined by factors such as relative supply of and demand for the common stock in the market, general market and economic conditions, and other factors beyond the control of the Fund, the Fund cannot predict whether the common stocks will trade at, below or above net asset value or at, below or above the initial public offering price. In recent years, shares of both Funds have traded at a discount to their respective net asset values.

NON-DIVERSIFICATION. Because PGF is classified as "non-diversified" under the Investment Company Act it can invest a greater portion of its assets in securities of a single issuer. As a result, PGF will be more susceptible than CLM, a more widely diversified fund, to any single corporate, economic, political or regulatory occurrence.

COMPARISON OF INVESTMENT OBJECTIVES AND POLICIES

## Edgar Filing: PROGRESSIVE RETURN FUND INC - Form N-14 8C

### ORGANIZATION.

-----

PGF is a closed-end, non-diversified management investment company registered under the Investment Company Act, and CLM is a closed-end, diversified management investment company registered under the Investment Company Act. Both Funds are organized as corporations under the laws of the State of Maryland. Each Fund is managed and advised by Cornerstone Advisors. The shares of common stock of each Fund are listed and trade on the NYSE under the symbols "PGF" and "CLM", respectively. After the Merger, PGF's shares will continue to trade on the NYSE under the symbol "PGF", while CLM's shares will be delisted and CLM will cease to exist.

The shares of common stock of each Fund have equal non-cumulative voting rights and equal rights with respect to dividends, assets and dissolution. Each Fund's shares of common stock are fully paid and non-assessable and have no preemptive, conversion or other subscription rights. Fluctuations in the market price of the Fund's shares is the principal investment risk of an investment in either Fund. Portfolio management, market conditions, investment policies and other factors affect such fluctuations. Although the investment objectives, policies and restrictions of the Funds are similar, there are differences between them, as discussed below. There can be no assurance that either Fund will achieve its stated objective.

-12-

### INVESTMENT OBJECTIVES.

-----

#### PGF

---

PGF's investment objective is to seek total return consisting of capital appreciation and current income by investing primarily in equity securities of U.S. and non-U.S. companies and U.S. dollar denominated debt securities which Fund management believes have demonstrated fundamental investment value and favorable growth prospects. In general, PGF invests in such equity securities that are traded in the United States on a securities exchange or over the counter or by ADRs, IDRs or other forms of depositary receipts. Depositary receipts are traded like common stocks in the United States, are typically issued in connection with a U.S. or foreign banks or trust companies and evidence ownership of underlying securities issued by a foreign corporation.

#### CLM

---

CLM's investment objective is to seek long-term capital appreciation through investment primarily in equity securities of U.S. and non-U.S. companies which Fund management believes have demonstrated fundamental investment value and favorable growth prospects. In general, CLM invests primarily in common stocks, preferred stocks, rights, warrants and securities convertible into common stocks that are listed on stock exchanges or traded over the counter.

Each Fund's foregoing investment objective cannot be changed without the vote of a majority of the Fund's outstanding voting securities as defined in



## Edgar Filing: PROGRESSIVE RETURN FUND INC - Form N-14 8C

the Investment Company Act. No assurance can be given that either Fund's investment objective will be achieved.

### COMPARISON OF INVESTMENT POLICIES.

PGF

---

PGF's portfolio, under normal market conditions, consists principally of the equity securities of large, mid and small-capitalization companies. Equity securities in which the Fund may invest include common and preferred stocks, convertible securities, warrants and other securities having the characteristics of common stocks, such as ADRs and IDRs. The Fund may, however, invest a portion of its assets in U.S. dollar denominated debt securities when Fund management believes that it is appropriate to do so in order to achieve the Fund's investment objective - for example when interest rates are high in comparison to anticipated returns on equity investments. Debt securities in which the Fund may invest include U.S. dollar denominated bank, corporate or government bonds, notes, and debentures of any maturity determined by Fund management to be suitable for investment by the Fund. The Fund may invest in the securities of issuers that it determines to be suitable for investment by the Fund regardless of their rating. The Fund may not, however, invest more than 5% of its assets in debt securities that are determined by Fund management to be rated or comparable to securities rated B or below by S&P or Moody's.

PGF's management utilizes a balanced approach, including value and growth investing by seeking out companies at reasonable prices, without regard to sector or industry, that demonstrate favorable long-term growth characteristics. Valuation and growth characteristics may be considered for purposes of selecting potential investment securities. In general in the securities industry, valuation analysis is used to determine the inherent value of the company by analyzing financial information such as a company's price to book, price to sales, return on equity, and return on assets ratios and growth analysis is used to determine a company's potential for long-term dividends and earnings growth due to market-oriented factors such as growing market share, the launch of new products or services, the strength of its management and market demand.

-13-

PGF may also invest up to 10% of its assets in the aggregate in the securities of other investment companies and up to 5% of its assets in any one such investment company, provided that such investment does not represent more than 3% of the voting stock of the acquired investment company of which such shares are purchased. As a shareholder in any investment company, the Fund will bear its ratable share of the investment company's expenses and would remain subject to payment of the Fund's advisory and administrative fees with respect to the assets so invested.

PGF may invest up to 15% of its assets in illiquid U.S. and non-U.S. securities, provided that the Fund may not invest more than 3% of the Fund's assets in the securities of companies that, at the time of investment, had less than a year of operations, including operations of predecessor companies. The Fund will invest only in such illiquid securities that, in the opinion of Fund management, present opportunities for substantial growth over a period of two to five years.

## Edgar Filing: PROGRESSIVE RETURN FUND INC - Form N-14 8C

PGF does not expect to trade in securities for short-term gains. Higher portfolio turnover rates resulting from more actively traded portfolio securities generally result in higher transaction costs, including brokerage commissions and related capital gains or losses. Since the Fund's investment policies emphasize long-term investment in the securities of companies, the Fund's annual portfolio turnover rate is expected to be relatively low, ranging between 50% and 75%.

CLM  
---

CLM's portfolio, under normal market conditions, will consist principally of the equity securities of U.S. and non-U.S. companies. In general, CLM invests primarily in common stocks, preferred stocks, rights, warrants and securities convertible into common stocks that are listed on stock exchanges or traded over the counter. The Fund may, without limitation, hold cash or invest in assets in money market instruments, including U.S. and non-U.S. government securities, high grade commercial paper and certificates of deposit and bankers' acceptances issued by U.S. and non-U.S. banks having deposits of at least \$500 million. In addition, CLM may engage in hedging transactions to reduce its company market and currency exchange exposure.

CLM may also invest up to 10% of its assets in the aggregate in the securities of other investment companies and up to 5% of its assets in any one such investment company, provided that such investment does not represent more than 3% of the voting stock of the acquired investment company of which such shares are purchased. As a shareholder in any investment company, the Fund will bear its ratable share of the investment company's expenses and would remain subject to payment of the Fund's advisory and administrative fees with respect to the assets so invested.

CLM may invest up to 15% of its assets in illiquid U.S. and non-U.S. securities, provided that the Fund may not invest more than 3% of the Fund's assets in the securities of companies that, at the time of investment, had less than a year of operations, including operations of predecessor companies. The Fund will invest only in such illiquid securities that, in the opinion of Fund management, present opportunities for substantial growth over a period of two to five years.

CLM does not expect to trade in securities for short-term gains. Higher portfolio turnover rates resulting from more actively traded portfolio securities generally result in higher transaction costs, including brokerage commissions and related capital gains or losses. Since the Fund's investment policies emphasize long-term investment in the securities of companies, the Fund's annual portfolio turnover rate is expected to be relatively low, ranging between 50% and 75%.

-14-

Although CLM has the ability to invest a significant portion of its assets in non-U.S. companies, the Fund has maintained the investment of at least 94% of its assets in U.S. companies during the period from June 30, 2001 through June 30, 2002.

Each Fund's foregoing investment policies may be changed by each Fund's respective Board of Directors without shareholder vote.

CLM'S AND PGF'S NON-PRINCIPAL INVESTMENT POLICIES  
-----

## Edgar Filing: PROGRESSIVE RETURN FUND INC - Form N-14 8C

TEMPORARY DEFENSIVE POSITIONS. Each Fund may, from time to time, take temporary defensive positions that are inconsistent with its principal investment strategies in attempting to respond to adverse market, economic, political or other conditions. Such investments include various short-term instruments. If a Fund takes a temporary defensive position at the wrong time, the position would have an adverse impact on the Fund's performance and it may not achieve its investment objective. Each Fund reserves the right to invest all of its assets in temporary defensive positions.

SECURITIES LENDING. Each Fund may lend its portfolio securities to broker-dealers in amounts equal to no more than 33 1/3% of the Fund's net assets. These transactions will be fully collateralized at all times with cash and/or high quality, short-term debt obligations. These transactions involve risk to a Fund if the other party should default on its obligation and the Fund is delayed or prevented from recovering the securities lent. In the event the original borrower defaults on its obligation to return lent securities, the Fund will seek to sell the collateral, which could involve costs or delays. To the extent proceeds from the sale of collateral are less than the repurchase price, the Fund would suffer a loss and you could lose money on your investment.

BORROWING. Each Fund may borrow money from banks for temporary or emergency purposes. To reduce its indebtedness, a Fund may have to sell a portion of its investments at a time when it may be disadvantageous to do so. In addition, interest paid by the Fund on borrowed funds would decrease the net earnings of the Fund

REPURCHASE AGREEMENTS. Each Fund may enter into repurchase agreements collateralized by the securities in which it may invest. A repurchase agreement involves the purchase by the Fund of securities with the condition that the original seller (a bank or broker-dealer) will buy back the same securities (collateral) at a predetermined price or yield. Repurchase agreements involve certain risks not associated with direct investments in securities. In the event the original seller defaults on its obligation to repurchase, the Fund will seek to sell the collateral, which could involve costs or delays. To the extent proceeds from the sale of collateral are less than the repurchase price, the Fund would suffer a loss.

Under the Investment Company Act, neither Fund may:

- invest more than 5% of its total assets in the securities of any one investment company, nor
- acquire more than 3% of the outstanding voting securities of any such company.

As a stockholder in any investment company, each Fund will bear its ratable share of that investment company's expenses, and would remain subject to payment of the company's advisory and administrative fees with respect to assets so invested.

-15-

### UNITED STATES FEDERAL INCOME TAXES

The following is a brief summary of certain United States federal income tax issues that apply to each Fund. Stockholders should consult their own

## Edgar Filing: PROGRESSIVE RETURN FUND INC - Form N-14 8C

tax advisers with regard to the federal tax consequences of the purchase, ownership and disposition of each Fund's shares, as well as tax consequences arising under the laws of any state, foreign country, or other taxing jurisdiction.

Each Fund has qualified, and intends to continue to qualify and elect to be treated, as a regulated investment company ("RIC"), for each taxable year under Subchapter M of the Code. A RIC generally is not subject to federal income tax on income and gains distributed in a timely manner to its stockholders.

Each Fund intends to distribute annually to its stockholders substantially all of its investment company taxable income. The Board of Directors of each Fund will determine annually whether to distribute any net realized long-term capital gains in excess of net realized short-term capital losses, including any capital loss carryovers. The Funds currently expect to distribute any excess annually to their stockholders. However, if either Fund retains for investment an amount equal to its net long-term capital gains in excess of its net short-term capital losses and capital loss carryovers, it will be subject to a corporate tax, currently at a rate of 35%, on the amount retained. In that event, that Fund expects to designate such retained amounts as undistributed capital gains in a notice to its stockholders who:

- will be required to include in income for United States federal income tax purposes, as long-term capital gains, their proportionate shares of the undistributed amount,
- will be entitled to credit their proportionate shares of the 35% tax paid by that Fund on the undistributed amount against their United States federal income tax liabilities, if any, and to claim refunds to the extent their credits exceed their liabilities, if any, and
- will be entitled to increase their tax basis, for United States federal income tax purposes, in their shares by an amount equal to 65% of the amount of undistributed capital gains included in the stockholder's income.

Income received by the Funds from sources within countries other than the United States may be subject to withholding and other taxes imposed by such countries, which will reduce the amount available for distribution to stockholders. If more than 50% of the value of either Fund's total assets at the close of its taxable year consists of securities of foreign corporations, that Fund will be eligible and intends to elect to "pass-through" to stockholders the amount of foreign income and similar taxes it has paid. Pursuant to this election, stockholders of the electing Fund will be required to include in gross income (in addition to the full amount of the taxable dividends actually received) their pro rata share of the foreign taxes paid by that Fund. Each such stockholder will also be entitled either to deduct (as an itemized deduction) its pro rata share of foreign taxes in computing its taxable income or to claim a foreign tax credit against its U.S. federal income tax liability, subject to limitations. No deduction for foreign taxes may be claimed by a stockholder who does not itemize deductions, but such a stockholder may be eligible to claim the foreign tax credit. The deduction for foreign taxes is not allowable in computing alternative minimum taxable income. Each stockholder will be notified within 60 days after the close of that Fund's taxable year whether the foreign taxes paid by the Fund will "pass through" for that year.

## Edgar Filing: PROGRESSIVE RETURN FUND INC - Form N-14 8C

Generally, a credit for foreign taxes is subject to the limitation that it may not exceed the stockholder's U.S. tax attributable to his or her foreign source taxable income. For this purpose, if the pass-through election is made, the source of each Fund's income flows through to its stockholders. Any gains from the sale of securities by either Fund will be treated as derived from U.S. sources and certain currency fluctuation gains, including fluctuation gains from foreign currency-denominated debt securities, receivables and payables, will be treated as ordinary income derived from U.S. sources. The limitation on the foreign tax credit is applied separately to foreign source passive income (as defined for purposes of the foreign tax credit), including the foreign source passive income passed through by each Fund. Because of the limitation, stockholders taxable in the United States may be unable to claim a credit for the full amount of their proportionate share of the foreign taxes paid by each Fund. The foreign tax credit also cannot be used to offset more than 90% of the alternative minimum tax (as computed under the Code for purposes of this limitation) imposed on corporations and individuals.

Stockholders will be notified annually by each Fund as to the United States federal income tax status of the dividends, distributions and deemed distributions made by the Fund to its stockholders. Furthermore, stockholders will also receive, if appropriate, various written notices after the close of each Fund's taxable year regarding the United States federal income tax status of certain dividends, distributions and deemed distributions that were paid, or that are treated as having been paid, by that Fund to its stockholders during the preceding taxable year. For a more detailed discussion of tax matters affecting each Fund and its stockholders, see "Taxation" in the SAI.

### INFORMATION ABOUT THE MERGER

#### GENERAL.

Under the Plan, CLM will merge with and into PGF on the Effective Date. As a result of the Merger and on the Effective Date:

- CLM will no longer exist, and
- PGF will be the surviving corporation and CLM will then:
  - 1) deregister as an investment company under the Investment Company Act,
  - 2) withdraw from registration under the Securities Exchange Act of 1934 (the "Exchange Act"),
  - 3) remove its shares of common stock from listing on the NYSE, and
  - 4) cease its separate existence under Maryland law.

Each share of outstanding stock of CLM will convert into an equivalent dollar amount of shares of stock of PGF, based on the net asset value per share of each Fund calculated at 4:00 p.m. (New York time) on the Business Day preceding the Effective Date. No sales charge or fee of any kind will be charged to CLM stockholders in connection with their receipt of PGF common stock in the Merger.

Under Maryland law, stockholders of a corporation whose shares are traded publicly on a national securities exchange, such as the Funds' shares, are not entitled to demand the fair value of their shares upon a merger; therefore, the stockholders of the Funds will be bound by the terms of the Merger. However, any stockholder of either Fund may sell his or her shares of common stock at any time prior to the Merger on the NYSE.

Edgar Filing: PROGRESSIVE RETURN FUND INC - Form N-14 8C

The Plan may be terminated and the Merger abandoned, whether before or after approval by the Funds' stockholders, at any time prior to the Effective Date:

- by the mutual written consent of the Board of Directors of each Fund, or
- by either Fund if the conditions to that Fund's obligations under the Plan have not been satisfied or waived. If the Merger has not been consummated by December 31, 2002, the Plan automatically terminates on that date, unless a later date is mutually agreed upon by the Board of Directors of each Fund.

REASONS FOR THE MERGER.  
-----

The Board of Directors of each Fund considered and unanimously approved the proposed Merger at separate meetings of each Board held on August 2, 2002. For the reasons discussed below, the Board of Directors of each Fund, including Non-interested Directors of each Fund, after consideration of the potential benefits of the Merger to the stockholders of that Fund and the expenses expected to be incurred by that Fund in connection with the Merger, unanimously determined that:

- the interests of the existing stockholders of that Fund will not be diluted as a result of the proposed Merger, and
- the proposed Merger is in the best interests of that Fund.

Three principal factors led to the Boards of Directors to reach these conclusions: (1) the Merger will create a larger Fund and, consequently, should, all other factors being equal, result in an expense ratio that is lower than the expense ratio of either Fund; (2) the larger Fund should provide better market liquidity for stockholders who want to sell their shares or add to their holdings; and (3) it has been a prime objective of each Board, through a variety of actions, to reduce the discount at which shares trade. The Boards believe that, all other things being equal, a lower expense ratio and better market liquidity for the shares should lead to a lower discount.

IN THE JUDGMENT OF THE BOARD OF DIRECTORS OF EACH FUND, THE MERGER SERVES THE BEST INTERESTS OF EACH FUND AND ITS STOCKHOLDERS.

Stockholders should note that the Boards of Directors of the two Funds are identical. Therefore, although the Non-interested Directors are "non-interested" with respect to each of the Funds under the Investment Company Act, they are not at arm's length with respect to the proposed Merger.

The Boards also considered whether a larger asset base would provide benefits in portfolio management. In addition, a larger asset size could result in a more liquid trading market for shares of PGF than either Fund currently enjoys separately, which might have a positive impact on the discount at which each Fund's shares have tended to trade. Further, the Merger itself should focus the attention of a wider circle of securities analysts on PGF, and after the

## Edgar Filing: PROGRESSIVE RETURN FUND INC - Form N-14 8C

Merger, may facilitate securities analysts' following of this Fund because the Merger may eliminate confusion in the marketplace that results from two funds with a similar objective, and similar policies managed by the same adviser.

There can be no guarantee that any of these potential beneficial results will be realized.

The Board of Directors of each Fund, in declaring advisable and recommending the proposed Merger, also considered the following:

- (1) the capabilities and resources of Cornerstone Advisors in the area of investment management;
- (2) expense ratios and information regarding fees and expenses of the Funds, both currently and on a pro forma basis;
- (3) the terms and conditions of the Merger and whether it would result in dilution of the interests of each Fund and its existing stockholders;
- (4) the compatibility of each Fund's portfolio securities, investment objective, policies and restrictions;
- (5) the tax consequences to each Fund and its stockholders in connection with the Merger; and
- (6) the anticipated expenses of the Merger.

In reviewing issues relating to the structure of the Merger and the selection of the surviving corporation in the Merger, each Board also considered information provided to them by Cornerstone Advisors concerning:

- (1) the comparative performance records of the two Funds,
- (2) public and market perception of the two Funds,
- (3) the relative size of the two Funds,
- (4) the investment policies, strategies and personnel Cornerstone Advisors intends to utilize in managing the merged fund, and
- (5) Cornerstone Advisors' recommendation that PGF be the surviving corporation.
- (6) the relative tax positions of the Funds

-19-

Based on the factors discussed above, the Board of Directors of each Fund concluded that the expenses of the Merger are outweighed by the benefits that are anticipated to be derived from the Merger. In addition, the Boards of each Fund, including the Non-interested Directors of each Fund, have unanimously concluded that:

- the Merger is in the best interests of each respective Fund, and
- the interests of existing Stockholders of each respective Fund will not be diluted as a result of the transactions contemplated by the

## Edgar Filing: PROGRESSIVE RETURN FUND INC - Form N-14 8C

Plan.

### TERMS OF THE MERGER AGREEMENT.

-----

The following is a summary of the significant terms of the Plan. This summary is qualified in its entirety by reference to the Plan, attached hereto as Exhibit A.

At the Effective Date, each share of common stock of CLM will convert into an equivalent dollar amount of PGF common stock, based on the net asset value per share of each Fund calculated at 4:00 p.m. (New York time) on the Business Day preceding the Effective Date. PGF will issue fractional shares to CLM stockholders.

For purposes of valuing assets in connection with the Merger, the assets of CLM will be valued pursuant to the principles and procedures consistently utilized by PGF, which principles and procedures are also utilized by CLM in valuing its own assets and determining its own liabilities. As a result, it is not expected that PGF's valuation procedures as applied to CLM's portfolio securities will result in any difference from the valuation that would have resulted from the application of CLM's valuation procedures to such securities. The net asset value per share of PGF common stock will be determined in accordance with these principles and procedures, and PGF will certify the computations involved. The net asset value per share of each Fund will not be adjusted to take into account differences in unrealized gains and losses, nor will it be adjusted to take into account the potential value of tax loss carryforwards.

PGF will issue separate certificates or share deposit receipts for PGF common stock to stockholders of CLM. PGF will deliver these certificates or share deposit receipts representing shares of PGF common stock to American Stock Transfer & Trust Co., as the transfer agent and registrar for PGF common stock. PGF will not permit any CLM stockholder to receive new certificates representing shares of PGF common stock until the stockholder has surrendered his or her outstanding certificates representing shares of the common stock of CLM or, in the event of lost certificates, posted adequate bond. CLM will request its stockholders to surrender their outstanding certificates representing shares of the common stock of CLM or post adequate bond therefor. Dividends payable to holders of record of shares of PGF as of any date after the Effective Date and prior to the exchange of certificates by any stockholder of CLM will be paid to such stockholder, without interest; however, such dividends will not be paid unless and until such stockholder surrenders his or her stock certificates of CLM for exchange.

PLEASE DO NOT SEND IN ANY STOCK CERTIFICATES AT THIS TIME. UPON CONSUMMATION OF THE MERGER, STOCKHOLDERS OF CLM WILL BE FURNISHED WITH INSTRUCTIONS FOR EXCHANGING THEIR STOCK CERTIFICATES FOR PGF STOCK CERTIFICATES.

The net asset value of the PGF shares received by CLM stockholders will be equal to the aggregate net asset value of the CLM shares exchanged.

-20-

The Plan provides, among other things, that the Merger will not take place without:

- the requisite approval of the stockholders of PGF and CLM, and



## Edgar Filing: PROGRESSIVE RETURN FUND INC - Form N-14 8C

- the effectiveness of a Registration Statement on Form N-14.

The Plan may be terminated at any time prior to the Effective Date by mutual agreement of each Fund's Board of Directors or by either Fund if the other has violated a condition of the Plan. The Plan will automatically terminate after December 31, 2002 if the Merger has not been consummated, unless such time is extended by mutual agreement of the Board of Directors of each Fund.

The Plan may be amended, modified or supplemented by mutual agreement of CLM and PGF. However, no amendments which would have the effect of changing the provisions for determining the number of shares issued to CLM stockholders will be permitted following the meeting unless those stockholders consent to the amendment.

### EXPENSES OF THE MERGER.

-----

In evaluating the proposed Merger, Cornerstone Advisors has estimated the amount of expenses the Funds will incur, including, but not limited to, NYSE listing fees, SEC registration fees, legal and accounting fees, proxy and distribution costs, and expenses incurred in connection with the Merger. The estimated total expenses pertaining to the Merger is approximately \$140,000. For more information about the expenses of the Merger, See "Synopsis-Expenses of the Merger."

The expenses of the Merger are expected to result in a reduction in net asset value per PGF share of approximately \$0.06, and a reduction in net asset value per CLM share of approximately \$0.02.

### TAX CONSIDERATIONS.

-----

The Plan and Merger are conditioned upon the receipt by the Funds of an opinion from Spitzer & Feldman P.C., substantially to the effect that, based upon the facts, assumptions and representations of the parties, for federal income tax purposes:

- the Merger will constitute a tax-free "reorganization" within the meaning of Section 368(a)(1) of the Code, and each Fund will be "a party to a reorganization" within the meaning of Section 368(b) of the Code,
- no gain or loss will be recognized by either Fund as a result of the Merger,
- the basis of the assets of CLM in the hands of PGF will be the same as the basis of such assets to CLM immediately prior to the Merger,
- the holding period of the assets of CLM in the hands of PGF will include the period during which such assets were held by CLM,

-21-

- no gain or loss will be recognized by the stockholders of CLM upon the conversion of their CLM shares into PGF common stock,

Edgar Filing: PROGRESSIVE RETURN FUND INC - Form N-14 8C

- the basis of PGF shares received by the stockholders of CLM will be the same as the basis of the shares (including fractional share interests) of CLM exchanged therefor, and

- the holding period of PGF shares (including fractional share interests) received by the stockholders of CLM will include the holding period during which the shares of CLM exchanged therefor were held, provided that at the time of the exchange the shares of CLM were held as capital assets in the hands of the stockholders of CLM.

While CLM is not aware of any adverse state or local tax consequences of the proposed Merger, it has not requested any ruling or opinion with respect to such consequences and stockholders may wish to consult their own tax advisers with respect to such matters.

The Board of Directors of each Fund considered these positions as part of their overall process of considering the proposed Merger. They also considered professional advice that they received regarding the future use of these various capital loss categories to offset future capital gains. This professional advice included the possibility that in some circumstances utilization of the capital loss carryforwards might be restricted, in part because of the Merger. The Boards also considered whether the ability to continue to utilize the capital loss carryforwards should be made a condition to the effectiveness of the Merger and concluded that it should not. The Boards concluded that in their respective judgments, under all of the facts and circumstances known to them after considering the advice of their professional advisers, the Merger is in the best interests of both Funds and their stockholders, even if as a consequence there may be "truncation" (restriction on the utilization) of the capital loss carryforwards under the Internal Revenue Code."

ADDITIONAL INFORMATION ABOUT THE FUNDS

DESCRIPTION OF SECURITIES TO BE ISSUED.

-----

The authorized stock of PGF consists of One Hundred Million (100,000,000) shares of common stock, U.S. \$0.001 par value. Shares of PGF entitle its holders to one vote per share. Holders of PGF's common stock are entitled to share equally in dividends authorized by the Fund's Board of Directors payable to the holders of such common stock and in the net assets of PGF available for distribution to holders of such common stock. Shares have noncumulative voting rights and no conversion, preemptive or other subscription rights, and are not redeemable. The outstanding shares of common stock of PGF are fully paid and non-assessable. In the event of liquidation, each share of common stock is entitled to its proportion of the Fund's assets after payment of debts and expenses. PGF holds stockholder meetings annually.

-22-

The following table shows information about the common stock of each Fund as of June 30, 2002.

PGF ----	AMOUNT AUTHORIZED	AMOUNT HELD BY FUND	AMOUNT OUTSTANDING
COMMON STOCK	100,000,000	203,900	4,228,516

Edgar Filing: PROGRESSIVE RETURN FUND INC - Form N-14 8C

CLM

---

COMMON STOCK                      25,000,000                      2,177,440                      3,832,560

The shares of common stock of PGF and CLM are listed and trade on the NYSE under the symbols "PGF" and "CLM", respectively. As of June 30, 2002, the net asset value of PGF common stock was \$9.90, and the market price per share was \$8.95. As of that same date, the net asset value of CLM common stock was \$9.20, and the market price per share was \$8.05.

DISCOUNT TO NET ASSET VALUE.

-----

Shares of closed-end investment companies, such as the Funds, have frequently traded at a discount from net asset value. This characteristic is a risk separate and distinct from the risk that the Funds' net asset values may decrease, and this risk may be greater for stockholders expecting to sell their shares in a relatively short period. THE SHARES OF COMMON STOCK OF THE FUNDS SHOULD THUS BE VIEWED AS BEING DESIGNED PRIMARILY FOR LONG-TERM INVESTORS AND SHOULD NOT BE CONSIDERED A VEHICLE FOR TRADING PURPOSES.

During the period since the inception of the Funds, the common stock of both Funds has generally traded at a discount to net asset value, and does so currently. It is not possible to state whether shares of PGF will trade at a premium or discount to net asset value following the Merger, or the extent of any such premium or discount. The Directors of both Funds have regularly considered, and the Directors of PGF will continue to consider, the respective Fund's market price discount and the effect of the discount on the Fund and its stockholders.

-23-

PER SHARE DATA FOR PROGRESSIVE RETURN FUND, INC.  
COMMON STOCK TRADED ON THE NYSE

Quarter Ended	High Price (\$)	Low Price (\$)	Closing Market Price (\$)	Closing Net Asset Value (\$)
3/31/99	54.75	54.75	54.75	68.00
6/30/99	57.25	57.25	57.25	60.84
9/30/99	50.75	50.75	50.75	56.56
12/31/99	52.25	52.25	52.25	61.84
3/31/00	56.75	56.75	56.75	64.40
6/30/00	49.75	49.75	49.75	64.44
9/30/00	44.00	44.00	44.00	55.00
12/31/00	38.00	38.00	38.00	49.48
3/31/01	37.04	37.04	37.04	44.04
6/30/01	40.00	40.00	40.00	45.96
9/30/01	32.00	32.00	32.00	Na
12/31/01	36.20	36.20	36.20	40.08
3/31/02	28.04	28.04	28.04	30.96
6/30/02	23.90	23.90	23.90	24.80

Edgar Filing: PROGRESSIVE RETURN FUND INC - Form N-14 8C

-24-

PER SHARE DATA FOR CORNERSTONE STRATEGIC VALUE FUND, INC.  
COMMON STOCK TRADED ON THE NYSE

Quarter Ended	High Price (\$)	Low Price (\$)	Closing Market Price (\$)	Closing Net Asset Value (\$)
3/31/99	13.12	13.12	13.12	14.55
6/30/99	14.00	14.00	14.00	15.38
9/30/99	13.81	13.81	13.81	15.23
12/31/99	14.25	14.25	14.25	14.95
3/31/00	14.50	14.50	14.50	15.85
6/30/00	13.00	13.00	13.00	15.28
9/30/00	12.06	12.06	12.06	13.72
12/31/00	10.59	10.59	10.59	11.31
3/31/01	7.75	7.75	7.75	9.19
6/30/01	8.35	8.35	8.35	9.68
9/30/01	6.40	6.40	6.40	Na
12/31/01	7.75	7.75	7.75	9.31
3/31/02	7.65	7.65	7.65	9.04
6/30/02	6.65	6.65	6.65	7.73

CAPITALIZATION.

The following table shows on an unaudited basis the capitalization of PGF and CLM as of June 30, 2002 and on a pro forma basis as of that same date giving effect to the Merger:

(in thousands, except per share values)

	PGF	CLM	PRO FORMA
Net Assets			
Shares of Common Stock Outstanding			
Net Assets Per Share of Common Stock			

DIVIDENDS AND OTHER DISTRIBUTIONS.

Each Fund intends to distribute dividends from its net investment income and any net realized capital gains after utilization of capital loss carryforwards annually to prevent application of a federal excise tax. An additional distribution may be made if necessary. Any dividends or capital gains distributions declared in October, November or December with a record date in such a month and paid during the following January will be treated by stockholders for federal income tax purposes as if received on December 31 of the calendar year in which it is declared. Dividends and distributions of each Fund are invested in shares of the Fund at market value and credited to the stockholder's account on the settlement date which is usually three Business Days from the purchase date or, at the stockholder's election, paid in cash.

On June 19, 2002, each Fund's Board of Directors authorized the implementation of a fixed, monthly distribution policy whereby PGF would distribute on a monthly basis \$0.2675 per share and CLM would distribute \$0.0825 per share to their respective stockholders. Each distribution could consist of either income, capital gains, or return of capital, or a combination of all three. The Board of Directors of PGF, in its continuing discretion, intends to continue a fixed, monthly distribution policy after the Merger.

PORTFOLIO VALUATION.

Investments of each Fund are stated at value in each Fund's financial statements. All securities for which market quotations are readily available are valued at the last sales price or lacking any sales, at the closing price last quoted for the securities (but if bid and asked quotations are available, at the mean between the current bid and asked prices). Securities that are traded over-the-counter are valued at the mean between the current bid and the asked prices, if available. All other securities and assets are valued at fair value as determined in good faith by each Fund's Board of Directors. Short-term investments having a maturity of 60 days or less are valued on the basis of amortized cost. The Board of Directors of each Fund has established general guidelines for calculating fair value of securities that are not readily marketable. At December 31, 2001, both PGF and CLM held no securities valued in good faith by the Board of Directors. The net asset value per share of each Fund is made public weekly.

For purposes of valuing assets in connection with the Merger, the assets of CLM will be valued pursuant to the principles and procedures consistently utilized by PGF, which principles and procedures are also utilized by CLM in valuing its own assets and determining its own liabilities. As a result, it is not expected that PGF's valuation procedures as applied to CLM's portfolio securities will result in any difference from the valuation that would have resulted from the application of CLM's valuation procedures to such securities.

DIVIDEND REINVESTMENT AND CASH PURCHASE PLAN.

Each Fund operates a Dividend Reinvestment and Cash Purchase Plan (the "Program"), sponsored and administered by American Stock Transfer & Trust Co. (the "Agent"), pursuant to which Fund dividends and distributions, net of any applicable U.S. withholding tax, are reinvested in shares of the Fund. American Stock Transfer & Trust Co., serves as the Program Administrator for the stockholders in administering the Program.

Stockholders who have shares registered directly in their own names automatically participate in the respective Fund's Program, unless and until an election is made to withdraw from the Program on behalf of such participating stockholder. Stockholders who do not wish to have distributions automatically reinvested should so notify the Agent at 59 Maiden Lane, New York, New York 10038. Under the Program, each of the Fund's respective dividends and other distributions to stockholders are reinvested in full and fractional shares as described below.

When the respective Fund declares an income dividend or a capital gain or other distribution (each, a "Dividend" and collectively, "Dividends"), the Agent, on the stockholders behalf, will (i) receive additional authorized

Edgar Filing: PROGRESSIVE RETURN FUND INC - Form N-14 8C

shares from the respective Fund either newly issued or repurchased from stockholders by the Fund and held as treasury stock ("Newly Issued Shares") or, (ii) at the sole discretion of the Board of Directors, be authorized to purchase outstanding shares on the open market, on the NYSE or elsewhere, with cash allocated to it by the respective Fund ("Open Market Purchases").

-26-

Shares acquired by the Agent in Open Market Purchases will be allocated to the reinvesting stockholders based on the average cost of such Open Market Purchases. Alternatively, the Agent will allocate Newly Issued Shares to the reinvesting stockholders at a price equal to the average closing price of the respective Fund over the five trading days preceding the payment date of such dividend.

Registered stockholders who acquire their shares through Open Market Purchases and who do not wish to have their Dividends automatically reinvested should so notify the Fund in writing. If a stockholder has not elected to receive cash Dividends and the Agent does not receive notice of an election to receive cash Dividends prior to the record date of any Dividend, the stockholder will automatically receive such Dividends in additional shares.

Participants in the Program may withdraw from the Program by providing written notice to the Agent at least 30 days prior to the applicable Dividend payment date. When a Participant withdraws from the Program, or upon termination of the Program as provided below, certificates for whole shares credited to his/her account under the Program 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 stockholder accounts in the Program and furnish written confirmations of all transactions in the accounts, including information needed by stockholders for personal and tax records. The Agent will hold shares in the account of each Program participant in non-certified form in the name of the participant, and each stockholder's proxy will include those shares purchased pursuant to the Program. Each participant, nevertheless, has the right to receive certificates for whole shares owned. The Agent will distribute all proxy solicitation materials to participating stockholders.

In the case of stockholders, such as banks, brokers or nominees, that hold shares for others who are beneficial owners participating in the Program, the Agent will administer the Program on the basis of the number of shares certified from time to time by the record stockholder as representing the total amount of shares registered in the stockholder's name and held for the account of beneficial owners participating in the Program.

All correspondence concerning the Program should be directed to the Agent at 59 Maiden Lane, New York, New York 10038.

CORPORATE GOVERNANCE PROVISIONS.  
-----

Both Funds are Maryland corporations and in many respects have similar charter and by-law provisions.

SPECIAL VOTING PROVISIONS AND REQUIREMENTS.  
-----

## Edgar Filing: PROGRESSIVE RETURN FUND INC - Form N-14 8C

The Articles of Incorporation and By-laws of each Fund contain provisions that could have the effect of limiting the ability of other entities or persons to acquire control of the Fund, to cause it to engage in certain transactions or to modify its structure. The Board of Directors of each Fund is divided into three classes each having a term of three years. Each year, the term of one class expires and the successor or successors elected to such class will serve for a three-year term. This provision could delay for up to two years the replacement of a majority of the Board of Directors.

-27-

The affirmative vote of at least sixty-six and two-thirds (66 2/3%) of the holders of the shares of either of the Funds is required to authorize any of the following transactions:

- (i) merger, consolidation or share exchange of either of the Funds with or into any Principal Shareholder (as defined below);
- (ii) issuance by either of the Funds of any securities of either of the Funds to any Principal Shareholder for cash;
- (iii) sale, lease, or exchange by either of all or any substantial part of the assets of the Funds to any Principal Shareholder (except assets having an aggregate fair market value of less than \$1,000,000 aggregating for the purpose of such computation all assets sold, leased or exchanged in any series of similar transactions within a twelve-month period); and
- (iv) The sale, lease or exchange to the Funds, in exchange for securities of the Funds, of any assets of any Principal Shareholder (except assets having an aggregate fair market value of less than \$1,000,000 aggregating for the purpose of such computation all assets sold, leased or exchanged in any series of similar transactions within a twelve-month period).

Each Fund's By-laws contain provisions the effect of which is to prevent matters, including nominations of directors, from being considered at stockholders' meetings where the Fund has not received sufficient prior notice of the matters.

The Board of Directors of each Fund has determined that the foregoing voting requirements are in the best interests of Stockholders generally. A "Principal Shareholder" is defined in each Fund's respective Articles of Incorporation as any corporation, person or other entity which is the beneficial owner, directly or indirectly, of more than five percent (5%) of the outstanding shares of any class of stock of the respective Fund and shall include any affiliate or associate, as such terms are defined in clause (ii) below, of a Principal Shareholder. In addition to the shares of stock which a corporation, person or other entity beneficially owns directly, (a) any corporation, person or other entity shall be deemed to be the beneficial owner of any shares of stock of either of the Funds (i) which it has the right to acquire pursuant to any agreement or upon exercise of conversion rights or warrants, or otherwise (but excluding stock option granted by the respective Fund), or (ii) which are beneficially owned, directly or indirectly (including shares deemed owned through application of clause (i) above), by any other corporation, person or entity with which it or its "affiliate" or "associate" (as defined below) has any agreement, arrangement or understanding for the purpose of acquiring, holding, voting or disposing of stock of either Fund, or which is its

Edgar Filing: PROGRESSIVE RETURN FUND INC - Form N-14 8C

"affiliate" or "associate," as those terms are defined in Rule 12b-2 of the 1934 Act, and (b) the outstanding shares of any class of stock of either Fund shall include shares deemed owned through application of clauses (i) and (ii) above but shall not include any other shares which may be issuable pursuant to any agreement, or upon exercise of conversions rights or warrants, or otherwise.

BY-LAWS.

-----

Each Fund's By-laws provide, among other things, that:

- certain advance notice requirements must be met in order for Stockholders to submit proposals at annual meetings and for nominations by stockholders for election to the Board of Directors, and
- the power to amend the By-laws is reserved to the Board of Directors, except as otherwise required by the Investment Company Act.

-28-

MANAGEMENT OF THE FUNDS

DIRECTORS AND PRINCIPAL OFFICERS.

-----

The business and affairs of each Fund are managed under the direction of that Fund's Board of Directors, and the day-to-day operations are conducted through or under the direction of the officers of that Fund.

The following tables set forth the names, ages and principal occupations of each of the Directors of the Fund:

-29-

Name, Address and Age	Position(s) with Fund	Term of Office Since	Principal Occupation during past 5 years	Directorsh outside of
-----------------------	--------------------------	----------------------------	---	--------------------------

CLASS I DIRECTORS SERVING UNTIL THE YEAR 2004 ANNUAL MEETING OF STOCKHOLDERS.

Andrew A. Strauss (48)	Director	2000	Attorney and senior member	Director o
------------------------	----------	------	----------------------------	------------



Edgar Filing: PROGRESSIVE RETURN FUND INC - Form N-14 8C

77 Central Avenue  
Suite F  
Asheville, NC 28801

of Strauss & Associates,  
P.A., Attorneys, Asheville  
and Hendersonville, N.C.;  
previous President of White  
Knight Healthcare, Inc. and  
LMV Leasing, Inc., a wholly  
owned subsidiary of Xerox  
Credit Corporation.

Memorial M  
and Deerfi

Thomas H. Lenagh (79)  
13 Allen's Corner Road  
Flemington, NJ 08822

Director 2001

Chairman of the Board of  
Inrad Corp. and Independent  
Financial Adviser.

Director o  
Express Co  
Resources  
Pharmaceut

-30-

CLASS II DIRECTORS SERVING UNTIL THE YEAR 2005 ANNUAL MEETING OF STOCKHOLDERS

Edwin Meese III (70)  
The Heritage Foundation  
214 Massachusetts Ave. NE  
Washington D.C. 20002

Director 2001

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; and Formerly U.S.  
Attorney General under  
President Ronald Reagan.

Ralph W. Bradshaw (51)\*\*  
One West Pack Square  
Suite 1650  
Asheville, NC 28801

Chairman of 1999  
the Board  
and President

President of Cornerstone  
Advisors, Inc., and of the  
Funds within the Fund  
Complex; Vice President,  
Deep Discount Advisors,  
Inc. (1993-1999).

Director o

-31-

CLASS III DIRECTORS SERVING UNTIL THE YEAR 2003 ANNUAL MEETING OF STOCKHOLDERS.

Glenn W. Wilcox, Sr. (70)  
One West Pack Square  
Suite 1700  
Asheville, NC 28801

Director 2000

Chairman of the Board and  
Chief Executive Officer of  
Wilcox Travel Agency.

Director o  
Wachovia C  
of Appalac  
Trustee an  
Director,  
Chairman,  
real estat

Edgar Filing: PROGRESSIVE RETURN FUND INC - Form N-14 8C

Scott B. Rogers (46) 30 Cumberland Ave. Asheville, NC 28801	Director	2000	Chief Executive Officer, Asheville Buncombe Community Christian Ministry; and President, ABCCM Doctor's Medical Clinic; Appointee, NC Governor's Commission on	Director o Chairman a Unlimited Ministeria Southeaste Networkers
---	----------	------	--	---

With the exception of EIS Fund, Inc., all of the Directors served on the Board of Directors for each closed-end fund within the Fund Complex that was managed by Cornerstone Advisors, Inc. ("Cornerstone Advisors"), the Fund's investment manager, during the year ended December 31, 2001. Messrs. Lenagh and Meese do not serve as members of the Board of Directors of EIS Fund, Inc.

The following table sets forth, for each Director and for the Directors as a group, the amount of shares beneficially owned in the Fund as of June 30, 2002. The information as to beneficial ownership is based on statements furnished to the Fund by each Director. Unless otherwise noted, beneficial ownership is based on sole investment power.

-32-

Name of Director	Amount of Securities Beneficially Owned
Edwin Meese III	0
Ralph W. Bradshaw	625
Andrew A. Strauss	100
Thomas H. Lenagh	0
Glenn W. Wilcox Sr.	250
Scott B. Rogers	0
All Directors as a Group	975

-33-

The following table sets forth, for each Director, the aggregate dollar range of equity securities owned of the Fund and of all Funds overseen by each Director in the Fund Complex as of June 30, 2002. The information as to beneficial ownership is based on statements furnished to the Fund by each Director.

Name	Dollar Range of Equity Securities in the Fund.	Aggregate Dollar Range of Equity Funds Overseen by Directors in Fun
------	---	--

Edgar Filing: PROGRESSIVE RETURN FUND INC - Form N-14 8C

Edwin Meese III	0	0
Ralph A. Bradshaw	\$10,001-\$50,000	\$50,001-\$100,000
Andrew A. Strauss	\$1-\$10,000	\$10,001-\$50,000
Thomas H. Lenagh	0	0
Glenn W. Wilcox Sr.	\$1-\$10,000	\$10,001-\$50,000
Scott B. Rogers	0	0

-34-

EXECUTIVE OFFICERS

In addition to Mr. Bradshaw, the current officers of the Fund are:

Name, Address and Age	Position(s) with Fund	Term of Office Since	Principal Occupation during past 5 years
Gary A. Bentz (46) One West Pack Square Suite 1650 Asheville, NC 28801	Vice President and Treasurer	2001	Chief Financial Officer of Cornerstone Advisors, Inc., Vice President and Treasurer of The Cornerstone Strategic Return Fund, Inc., Cornerstone Strategic Value Fund, Inc. and EIS Fund, Inc.; Chief Financial Officer of Deep Discount Advisors, Inc.
	(1993-2000).		
Thomas R. Westle (48) 405 Park Avenue New York, NY 10022	Secretary	2001	Partner of Spitzer & Feldman P.C., a law firm, and previous Partner at Battle Fowler LLP; Secretary of The Cornerstone Strategic Return Fund, Inc., Cornerstone Strategic Value Fund, Inc. and EIS Fund, Inc.

## Edgar Filing: PROGRESSIVE RETURN FUND INC - Form N-14 8C

ALL THE DIRECTORS AND OFFICERS OF PGF ARE ALSO DIRECTORS AND OFFICERS OF CLM. PLEASE SEE CLM PROPOSAL 2 FOR A MORE THOROUGH DISCUSSION OF CLM'S DIRECTORS AND OFFICERS CAN BE FOUND BELOW IN CLM'S PROPOSAL 2.

Each Fund pays each of its Directors who is not a director, officer, partner, co-partner or employee of Cornerstone Advisors or any affiliate thereof a stipend of \$6,000, a fee in the amount of \$600 per Board Meeting, and a fee of \$100 per Special Telephonic Board Meeting. In addition, each Fund will reimburse those Directors for travel and out-of-pocket expenses incurred in connection with Board of Directors meetings. The aggregate remuneration paid to Directors by PGF during the fiscal year ended December 31, 2001 was \$68,816, and the aggregate remuneration paid to Directors by CLM during the fiscal year ended December 31, 2001 was \$79,200.

-35-

The Fund has an Audit Committee and a Nominating Committee each of which is comprised of all of the non-interested members of the Board of Directors.

The Articles of Incorporation and By-laws of each Fund provide that the Fund will indemnify directors and officers and may indemnify employees or agents of the Fund against liabilities and expenses incurred in connection with litigation in which they may be involved because of their positions with the Fund to the fullest extent permitted by law. In addition, each Fund's Articles of Incorporation provide that the Fund's directors and officers will not be liable to Stockholders for money damages, except in limited instances.

### INVESTMENT ADVISER.

-----  
Cornerstone Advisors is the investment adviser to both PGF and CLM pursuant to investment advisory agreements with each.

Cornerstone Advisors, which has its principal office at One West Pack Square, Suite 1650, Asheville, North Carolina 28801, was organized in February of 2001, to provide investment management services to closed-end investment companies and is registered with the Securities and Exchange Commission under the Investment Company Act. Cornerstone Advisors is the investment adviser to two other closed-end funds, The Cornerstone Strategic Return Fund, Inc. and EIS Fund, Inc. (f/k/a Excelsior Income Shares, Inc.). Mr. Ralph W. Bradshaw, a Director and President of PGF and CLM, serves as each Fund's portfolio manager.

Mr. Bradshaw and Mr. Gary A. Bentz, a Director of EIS Fund, Inc., are the sole stockholders of Cornerstone Advisors. Messrs. Bradshaw and Bentz have extensive experience with closed-end investment companies. Mr. Bradshaw, also serves as a Director to The Smallcap Fund, Inc., EIS Fund, Inc. and The Cornerstone Strategic Return Fund, and served as a Vice President of Deep Discount Advisors, Inc. ("Deep Discount") from 1993 to 1999. Mr. Bentz currently serves as Treasurer and Vice President of PGF, CLM and the two other funds for which Cornerstone Advisors serves as investment adviser, was also affiliated with Deep Discount as its Chief Financial Officer from 1993 to 2000. Messrs. 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 15, 2002 as beneficial owners of more than five (5%) percent of the outstanding shares of each Fund, are registered

## Edgar Filing: PROGRESSIVE RETURN FUND INC - Form N-14 8C

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 Funds.

Cornerstone Advisors has sole investment discretion for each Fund's assets under the supervision of each Fund's Board of Directors and in accordance with each Fund's stated policies. Cornerstone Advisors selects investments for each Fund and places purchase and sale orders on behalf of the Funds.

-36-

### ADMINISTRATOR.

Bear Stearns Funds Management Inc. ("BSFM") serves as each Fund's administrator pursuant to an administrative agreement with each Fund. BSFM is located at 383 Madison Avenue, 23rd Floor, New York, New York 10179.

BSFM provides office facilities and personnel adequate to perform the following services for each Fund:

- oversight of the determination and publication of each Fund's net asset value in accordance with the respective Fund's policy as adopted from time to time by the respective Board of Directors,
- maintenance of the books and records of each Fund as required under the Investment Company Act,
- preparation of each Fund's U.S. federal, state and local income tax returns,
- preparation of financial information for each Fund's proxy statements and semiannual and annual reports to Stockholders, and
- preparation of certain of each Fund's reports to the SEC.

As of June 30, 2002, BSFM provided accounting and/or administrative services for 29 investment companies and investment partnerships, with combined total assets of approximately \$6.6 billion.

### CUSTODIAN.

-----

Custodial Trust Company, 101 Carnegie Center, Princeton, New Jersey, is the custodian for both Funds' assets.

### TRANSFER AGENT AND REGISTRAR.

-----

American Stock Transfer & Trust Co., 59 Maiden Lane, New York, New York 10038 acts as the transfer agent and registrar of each Fund.

## Edgar Filing: PROGRESSIVE RETURN FUND INC - Form N-14 8C

### ESTIMATED EXPENSES.

-----

Except as otherwise provided in the administrative services agreements, Cornerstone Advisors and BSFM are each obligated to pay expenses associated with providing the services contemplated by the agreements to which they are parties, including compensation of and office space for their respective officers and employees connected with investment and economic research, trading and investment management and administration of each Fund, as well as the fees of all directors of each Fund who are affiliated with those companies or any of their affiliates. Each Fund pays all other expenses incurred in the operation of that Fund including, among other things:

- expenses for legal and independent accountants' services,
- costs of printing proxies, stock certificates and stockholder reports,
- charges of the custodians, and the transfer and dividend- paying agent's expenses in connection with the Funds' Dividend Reinvestment and Cash Purchase Plan,

-37-

- fees and expenses of unaffiliated directors,
- accounting and pricing costs,
- membership fees in trade associations,
- fidelity bond coverage for the Funds' officers and employees,
- directors' and officers' errors and omissions insurance coverage,
- brokerage costs and stock exchange fees,
- taxes,
- stock exchange listing fees and expenses, and
- other extraordinary or non-recurring expenses and other expenses properly payable by the Funds.

### CONTROL PERSONS AND PRINCIPAL HOLDERS OF SECURITIES.

-----

The following table shows certain information based on filings made with the SEC concerning persons who may be deemed beneficial owners of 5% or more of the shares of common stock of either Fund because they possessed or shared voting or investment power with respect to the shares of that Fund:

Edgar Filing: PROGRESSIVE RETURN FUND INC - Form N-14 8C

-38-

NAME AND ADDRESS OF BENEFICIAL OWNER -----	PGF (1)		CLM	
	SHARES OF COMMON STOCK BENEFICIALLY OWNED AMOUNT	%	SHARES OF COMMON STOCK BENEFICIALLY OWNED AMOUNT	%
Deep Discount Advisors, Inc. (2) One West Pack Square Suite 777 Asheville, NC 28801	721,900	16.8%	734,580	18.
Ron Olin Investment Management Company (2) One West Pack Square Suite 777 Asheville, NC 28801	1,812,600	42.2%	708,900	17.
Ronald G. Olin (3) One West Pack Square Suite 777 Asheville, NC 28801	356,707	33.1%	N/A	
Karpus Management, Inc. (4) D/b/a Karpus Investment Management 183 Sullys Trail Pittsford, NY 14534	N/A	550,425	14.3%	

-39-

All the directors and executive officers, as a group, of PGF, as of June 30, 2002, owned less than 1% of the outstanding shares of PGF, and all the directors and executive officers, as a group, of CLM, as of the same date, owned less than 1% of the outstanding shares of CLM.

EXPERTS

Each Fund previously used PricewaterhouseCoopers LLP, Two Commerce Square, Philadelphia, PA 19103, as its independent public accountants who audited each Funds financial statements for the fiscal year ended December 31, 2001. On April 19, 2002, PGF's stockholders ratified the selection of Tait, Weller & Baker as the Fund's independent accountants for the year ending

## Edgar Filing: PROGRESSIVE RETURN FUND INC - Form N-14 8C

December 31, 2002.

Currently, CLM, in the event that the Merger is not consummated, is requesting that the Fund's stockholders contingently ratify the decision, by the Fund's Board of Directors, to engage Tait, Weller & Baker as independent public accountants. See CLM Proposal 3.

### REQUIRED VOTE

The Merger has been approved by the Board of Directors of each Fund. Approval of the Merger requires the affirmative vote of the holders of a majority of the outstanding shares of common stock of each Fund. Therefore an abstention is equivalent to a vote against the Merger. The Board of Directors of each Fund recommends that the Stockholders vote in favor of this Proposal 1.

### LEGAL PROCEEDINGS

There are currently no material legal proceedings to which the Funds are a party.

### LEGAL OPINIONS

Certain legal matters in connection with the Merger will be passed upon for the Funds by Spitzer & Feldman P.C.

-40-

## II. ADDITIONAL PROPOSAL TO BE VOTED ON BY PGF STOCKHOLDERS WHICH WILL ONLY TAKE EFFECT IN THE EVENT THAT PROPOSAL 1 IS APPROVED BY BOTH FUNDS STOCKHOLDERS.

### PGF PROPOSAL 2

#### RATIFICATION OF THE CHANGE IN THE NAME OF THE FUND FROM "PROGRESSIVE RETURN FUND, INC." TO "PROGRESSIVE TOTAL RETURN FUND, INC."

In connection with the proposed merger of PGF and CLM, the Board of Directors of PGF authorized an amendment to PGF's Articles of Incorporation to change the name of the Fund from "Progressive Return Fund, Inc." to "Progressive Total Return Fund, Inc." which will only take effect in the event that the proposed merger is approved by the shareholders of both Funds. Under the Maryland General Corporation Law, an amendment to a Charter, which changes the name of the corporation, must be authorized by the Board of Directors and ratified by a majority of the outstanding shares entitled to vote.

At the Board of Directors Meeting held on August 2, 2002, the Board of Directors unanimously authorized the amendment to the Articles of Incorporation to change the name of the Fund from "Progressive Return Fund, Inc." to "Progressive Total Return Fund, Inc.", as set forth on Exhibit C.

Accordingly, the Board of Directors believes that, subject to shareholder ratification of PGF Proposal 2, changing the name of the Fund to "Progressive Total Return Fund, Inc." is necessary and appropriate and in the



## Edgar Filing: PROGRESSIVE RETURN FUND INC - Form N-14 8C

best interests of the Fund and its shareholders.

### REQUIRED VOTE

Ratification of the name change requires the affirmative vote of the holders of a majority of the Fund's outstanding voting securities. If the name change is approved by the Fund's shareholders, such change will become effective immediately following the filing of the Fund's Certificate of Amendment to the Articles of Incorporation with the Maryland Secretary of State.

THE BOARD OF DIRECTORS, INCLUDING THE NON-INTERESTED DIRECTORS, RECOMMENDS THAT THE SHAREHOLDERS VOTE "FOR" THE RATIFICATION OF THE AMENDMENT TO THE FUND'S ARTICLES OF INCORPORATION TO CHANGE THE NAME OF THE FUND FROM "PROGRESSIVE RETURN FUND, INC." TO "PROGRESSIVE TOTAL RETURN FUND, INC."

-41-

III. ADDITIONAL PROPOSALS TO BE VOTED ON BY CLM'S STOCKHOLDERS WHICH WILL ONLY TAKE EFFECT IN THE EVENT THAT PROPOSAL 1 IS NOT APPROVED BY CLM'S STOCKHOLDERS.

### CLM PROPOSAL 2:

#### ELECTION OF DIRECTORS

In accordance with the Fund's By-Laws, the Fund's Board of Directors is divided into three classes: Class I, Class II and Class III. Each class has a term of three years and 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 2005 Annual Meeting of Stockholders or thereafter until each of their respective successors is duly elected and qualified. The term of office of the Class II Directors, currently consisting of Messrs. Thomas H. Lenagh and Scott B. Rogers, expires at the year 2003 Annual Meeting of Stockholders or thereafter in each case until their successors are duly elected and qualified. The term of office of the Class III Directors, Messrs. Glenn W. Wilcox, Sr. and Andrew A. Strauss, expires at the year 2004 Annual Meeting of Stockholders or thereafter in each case until their successors are duly elected and qualified.

At the Meeting, stockholders will be asked to vote for the election of Messrs. Ralph W. Bradshaw and Edwin Meese III as Class I Directors to serve until the year 2005 Annual Meeting of Stockholders or thereafter until each of their 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. Ralph W.

Edgar Filing: PROGRESSIVE RETURN FUND INC - Form N-14 8C

Bradshaw and Edwin Meese III. 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.

The following table sets forth the names, addresses, ages and principal occupations of each of the nominees for election as Class I Directors:

-42-

NOMINEES

Name, Address and Age	Position with Fund	Term of Office Since ----	Principal Occupation during past 5 years
CLASS I INDEPENDENT NOMINEE TO SERVE UNTIL THE YEAR 2005 ANNUAL MEETING OF STOCKHOLDERS:			
Edwin Meese III (70) The Heritage Foundation 214 Massachusetts Ave. NE Washington D.C. 20002	Director	2001	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; and Formerly U.S. Attorney General under President Ronald Reagan.
INTERESTED DIRECTOR: Ralph W. Bradshaw (51)** One West Pack Square Suite 1650 Asheville, NC 28801	Chairman of the Board and President	1998	President of Cornerstone Advisors, Inc., and of the Funds within the Fund Complex; Vice President, Deep Discount Advisors, Inc.

-43-

Edgar Filing: PROGRESSIVE RETURN FUND INC - Form N-14 8C

REMAINING BOARD OF DIRECTORS

The following tables set forth the names, addresses, ages and principal occupations of each of the remaining Directors of the Fund:

Name, Address and Age	Position(s) with Fund	Term of Office Since	Principal Occupation during past 5 years	Directors Outside of
-----------------------	--------------------------	----------------------------	---	-------------------------

CLASS II INDEPENDENT DIRECTORS SERVING UNTIL THE YEAR 2003 ANNUAL MEETING OF STOCKHOLDERS:

Scott B. Rogers (46) 30 Cumberland Ave. Asheville, NC 28801	Director	2000	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 Chairman Unlimited Ministeri Southeast Networker
Thomas H. Lenagh (79) 13 Allen's Corner Road Flemington, NJ 08822	Director	1987	Chairman of the Board of Inrad Corp. and Independent Financial Adviser.	Director Express C Resources Pharmaceu

CLASS III INDEPENDENT DIRECTORS SERVING UNTIL THE YEAR 2003 ANNUAL MEETING OF STOCKHOLDERS:

Glenn W. Wilcox, Sr. (70) One West Pack Square Suite 1700 Asheville, NC 28801	Director	2000	Chairman of the Board and Chief Executive Officer of Wilcox Travel Agency.	Director Wachovia of Appala Trustee a Director, Inc.; and Associate venture)
--	----------	------	--	---

-44-

CLASS III INDEPENDENT DIRECTORS CONTINUED:

Andrew A. Strauss (48) 77 Central Avenue Suite F	Director	2000	Attorney and senior member of Strauss & Associates, P.A., Attorneys, Asheville	Director Memorial Deerfield
--	----------	------	--	-----------------------------------

Edgar Filing: PROGRESSIVE RETURN FUND INC - Form N-14 8C

Asheville, NC 28801

and Hendersonville, NC;  
previous President of White  
Knight Healthcare, Inc. and  
LMV Leasing, Inc., a wholly  
owned subsidiary of Xerox  
Credit Corporation.

-45-

With the exception of EIS Fund, Inc., all of the Directors and Nominees for Directors served on the Board of Directors for each closed-end fund within the Fund Complex that was managed by Cornerstone Advisors, Inc. ("Cornerstone Advisors"), the Fund's investment manager, during the year ended December 31, 2001.

The following table sets forth, for each Director and for the Directors as a group, the amount of shares beneficially owned in the Fund as of June 30, 2002. The information as to beneficial ownership is based on statements furnished to the Fund by each Director. Unless otherwise noted, beneficial ownership is based on sole investment power.

Name of Director	Amount of Securities Beneficially Owned
-----	-----
Edwin Meese III	0
Ralph W. Bradshaw	3,000
Andrew A. Strauss	600
Thomas H. Lenagh	0
Glenn W. Wilcox Sr.	1,000
Scott B. Rogers	0
	-----
All Directors as a Group	4,600
	=====

The following table sets forth, for each Director, the aggregate dollar range of equity securities owned of the Fund and of all Funds overseen by each Director in the Fund Complex as of December 31, 2001. The information as to beneficial ownership is based on statements furnished to the Fund by each Director.

-46-

Aggregate Dollar Rang

Edgar Filing: PROGRESSIVE RETURN FUND INC - Form N-14 8C

Name	Dollar Range of Equity Securities in the Fund.	Securities Directors in All Fund Com
Edwin Meese III	0	0
Ralph W. Bradshaw	\$10,001-\$50,000	\$50,001-\$100,000
Andrew A. Strauss	\$1-\$10,000	\$10,001-\$50,000
Thomas H. Lenagh	0	0
Glenn W. Wilcox Sr.	\$1-\$10,000	\$10,001-\$50,000
Scott B. Rogers	0	0

EXECUTIVE OFFICERS

In addition to Mr. Bradshaw, the current officers of the Fund are:

Name, Address and Age	Position(s) with Fund	Term of Office Since	Principal Occupation during past 5 years	Di
Gary A. Bentz (46) One West Pack Square Suite 1650 Asheville, NC 28801	Vice President and Treasurer	2001	Chief Financial Officer of Cornerstone Advisors, Inc., Vice President and Treasurer of Progressive Return Fund, Inc., The Cornerstone Strategic Return Fund, Inc. and EIS Fund, Inc.; Chief Financial Officer of Deep Discount Advisors, Inc. (1993-2000).	Di
Thomas R. Westle (48) 405 Park Avenue New York, NY 10022	Secretary	2001	Partner of Spitzer & Feldman P.C., a law firm, and previous Partner at Battle Fowler LLP; Secretary of Progressive Return Fund, Inc., The Cornerstone Strategic Return Fund, Inc. and EIS Fund, Inc.	

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 manager during its prior fiscal year. The following table provides information concerning the compensation paid during the year ended December 31, 2001, to each Director of the Fund. All of the Directors received compensation for serving as a Director of The Cornerstone Strategic Return Fund, Inc. and Progressive Return Fund, Inc., which were also managed by Cornerstone Advisors during the year ended December 31, 2001. Please note that the Fund has no bonus, profit sharing, pension or retirement plans.

Edgar Filing: PROGRESSIVE RETURN FUND INC - Form N-14 8C

Name of Director	Director Since	Aggregate Compensation From Fund	Total Compensation From Fund and Fund Complex* Paid to Director
Ralph W. Bradshaw	1998	\$17,500	\$58,621
Glenn W. Wilcox, Sr.	2000	\$10,000	\$26,150
Andrew A. Strauss	2000	\$10,000	\$26,150
Edwin Meese III	2001	\$7,500	\$22,450
Scott B. Rogers	2000	\$10,000	\$26,150
Thomas H. Lenagh	1987	\$10,000	\$23,000
William A. Clark**	1999	\$12,500	\$31,745

\* For compensation purposes, Fund Complex refers to CLM, PGF and The Cornerstone Strategic Return Fund, Inc. all of which were managed by Cornerstone Advisors during the year ended December 31, 2001.

\*\* Mr. Clark resigned from his position as a member of the Board of Directors of the Fund on January 31, 2001.

Each Director attended at least seventy-five (75%) percent or more of the six (6) meetings of the Board of Directors (including regularly scheduled and special meetings) held during the period for which he was a Director.

The Fund has a nominating committee which is comprised of the all of the non-interested directors.

AUDIT COMMITTEE

The Fund's Audit Committee is currently composed of five independent directors, Messrs. Wilcox, Strauss, Meese, Lenagh and Rogers. 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 make in connection thereto. The Audit Committee convened three times during the fiscal year ended December 31, 2001. Each member of the Audit Committee attended at least seventy-five percent (75%) or more of the three meetings of the Audit Committee.

-48-

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 and February 14, 2002, respectively. The Audit Committee recommends to the Board of Directors, subject to stockholder approval, the selection of Tait, Weller & Baker, as the Fund's independent accountants.

On February 25, 2002, the Board of Directors and the Audit Committee determined to replace PricewaterhouseCoopers LLP ("PwC") as the Fund's independent accountants. PwC's accountant report for the past two years did not contain any adverse opinion or any qualification as to uncertainty, audit scope or accounting principles. Further, the Board's decision to replace PwC was not due to any disagreement on any matter of accounting principles or practices,

Edgar Filing: PROGRESSIVE RETURN FUND INC - Form N-14 8C

financial statement disclosure or auditing scope or procedure.

The following table sets forth the aggregate fees billed by PricewaterhouseCoopers LLP, 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 manager and entities that control, are controlled by or under common control with the Fund's investment manager that provides services to the Fund ("Financial Information Systems Design"); and (iii) all other services provided to the Fund, its investment manager and entities that control, are controlled by or under common control with the Fund's investment manager that provides services to the Fund ("All Other Fees").

AUDIT FEES	FINANCIAL INFORMATION SYSTEMS DESIGN	ALL OTHER FEES
-----	-----	-----
\$29,750	\$0	\$3,000

The Fund has no compensation committees.

AUDIT COMMITTEE REPORT

The Audit Committee has met and held discussions with the Fund's Administrator, Bear Stearns Funds Management Inc., and the Fund's independent accountants. The independent accountants 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 Fund's Administrator and its 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.

-49-

Based upon the Audit Committee's discussion with the Fund's Administrator and the independent accountants and the Audit Committee's review of the representations 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, 2001 filed with the Securities and Exchange Commission.

Respectfully submitted,

Edwin Meese III

Glenn W. Wilcox, Sr.  
Andrew A. Strauss  
Thomas H. Lenagh  
Scott B. Rogers

## Edgar Filing: PROGRESSIVE RETURN FUND INC - Form N-14 8C

### 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%) of the Fund's common stock, and the Fund's investment manager and its 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 manager and its directors and officers have complied with all applicable filing requirements during the year ended December 31, 2001.

#### 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, will be considered votes cast, and will 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.

-50-

#### CLM PROPOSAL 3:

##### RATIFICATION OF SELECTION OF INDEPENDENT ACCOUNTANTS

The second proposal to be submitted will be the ratification or rejection of the selection by the Board of Directors of Tait, Weller & Baker as independent accountants of the Fund for the year ending December 31, 2002. At a meeting held on February 25, 2002, the Board of Directors, including those directors who are not "interested persons" of the Fund, approved the selection of Tait, Weller & Baker for the year ending December 31, 2002 and determined to replace PricewaterhouseCoopers LLP. Such selection is being submitted to the stockholders for ratification. The engagement of Tait, Weller & Baker is conditioned on the right of the Fund, by majority vote of its stockholders, to terminate such employment.

Tait, Weller & Baker has informed the Fund that it has no material direct or indirect financial interest in the Fund. A representative of Tait, Weller & Baker will be available by telephone at the Meeting and will have the opportunity to make a statement if the representative so desires and will be available to respond to appropriate questions.

#### REQUIRED VOTE

Ratification of the selection of Tait, Weller & Baker 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



## Edgar Filing: PROGRESSIVE RETURN FUND INC - Form N-14 8C

quorum present. For purposes of this proposal, abstentions and broker non-votes will be counted as shares present at the Meeting for quorum purposes and will have no effect on the outcome of this proposal.

THE BOARD OF DIRECTORS, INCLUDING THE "NON-INTERESTED" DIRECTORS, RECOMMENDS THAT THE STOCKHOLDERS VOTE "FOR" THE RATIFICATION OF TAIT, WELLER & BAKER AS THE FUND'S INDEPENDENT ACCOUNTANTS.

-51-

### CLM PROPOSAL 4:

#### SHAREHOLDER PROPOSAL REQUESTING THAT THE FUND BE CONVERTED INTO AN OPEN-END FUND

Karpus Management, Inc. d/b/a Karpus Investment Management ("KIM"), 183 Sully's Trail, Pittsford, New York, New York 14534, has submitted the following proposal for inclusion in this Proxy Statement. KIM claims that it has owned shares of the Fund with a market value of at least \$2,000 continuously for the preceding year and intends to maintain the required ownership through the date of the Meeting. The Board of Directors and the Fund accept no responsibility for the accuracy of either the proposal or of KIM's supporting statement.

#### STOCKHOLDER PROPOSAL

Karpus Investment Management proposes: Cornerstone Strategic Value Fund, Inc. (CLM) be converted to an open-end fund within 90 days after acceptance by the shareholders.

#### SUPPORTING STATEMENT

It is the belief of KIM that current Fund Management of CLM is not making significant strides in closing the discount at which the Fund trades. For the time period from January 5, 2001 through December 7, 2001 the Fund has traded at an average discount of 15.79%.

Management claims that the share buy back program can help close this discount over time. It is the opinion of KIM this can not happen simply by the Fund repurchasing shares. KIM believes that drastic steps must occur for the shareholders to recognize the full economic value of their investment.

KIM believes the only way for shareholders to reap the full value of their investment is to open-end the Fund. If this would occur, shareholders would immediately increase the value of their investment by 14.46% (based on the net asset value of December 7, 2001)!

It is the opinion of KIM that the current Fund Management may not have sufficient experience to be the best choice for managing the Fund. KIM believes that the Fund's Manager lacks adequate experience in managing individual securities (only funds in a closed-end format). The current manager does not have a track record, known to KIM, to instill our confidence in their abilities.

Edgar Filing: PROGRESSIVE RETURN FUND INC - Form N-14 8C

Poor performance in both price and net asset value does not have to be tolerated by the shareholders. Management will claim that they are doing a good job and they have not been the manager long enough for shareholders to recognize their abilities. KIM believes that the shareholders must act now. Time is not on the side of the shareholders to wait!

From January 4, 2001 through December 6, 2001 the net asset value performance of CLM has equaled - 19.4518% (-20.9417 annual equivalent). The price performance of the Fund has been equally dismal. For the same holding period price performance equaled -20.80% (-22.3781 annual equivalent) (All calculations by Bloomberg). KIM believes that the shareholders deserve better performance than what has been delivered in 2001.

CLM is plagued by low trading volume. Trading volume from January 4, 2001 through December 6, 2001 has averaged a mere 8,706 shares. It is KIM's opinion that shareholders who wish to liquidate large positions could severely depress the price at which the Fund trades. This could cause economic harm to shareholders remaining in CLM.

-52-

KIM believes open ending is the only possible method for shareholders to recognize the economic reality of their investment. Open ending would allow shareholders, such as KIM, who do not have confidence in the direction of the Fund's management, to get out of the Fund.

Should CLM be open ended at net asset value, shareholders would recognize an immediate economic benefit of approximately 14.46% (based on price of \$7.93 and NAV of \$9.27 as of 12/7/01).

KIM further believes that any Investment Adviser is not fulfilling their Fiduciary duty to their clients if they do not vote to open end CLM.

STATEMENT OF POSITION OF THE BOARD OF DIRECTORS IN OPPOSITION TO THE SHAREHOLDER PROPOSAL

-----  
The shareholder proposal asks that the Fund be converted to an open-end fund in order to provide full Net Asset Value (NAV) to those shareholders wishing to leave the Fund. All of the Directors believe that this is not the most effective means to deliver long-term added value to a majority of shareholders. The full Board opposes the proposal and believes that open-ending should be rejected in favor of other means of maximizing shareholder value within the closed-end structure. The Board believes that somewhat more patience is justified in an attempt to reap potentially greater rewards. The goal of this Board is not to pit one shareholder against another, but to establish a balance that satisfies the greatest number of shareholders.

During the first quarter of 2001, the Fund substantially under-performed the S&P 500 benchmark, which fell 12.1%. Following Cornerstone Advisors' becoming the Fund's investment manager, after the end of the first quarter of 2001, the benchmark continued to decline through the end of the year as the U.S. entered a recession in March which was followed by the September 11th tragedy and its aftermath.

In spite of this challenging environment over the last three quarters

## Edgar Filing: PROGRESSIVE RETURN FUND INC - Form N-14 8C

of 2001, the Fund's price appreciated 3.9% and the Fund's discount to NAV closed to 12.5% by the end of the year. While nine months is not enough time for effective evaluation, we believe our approach that includes repurchasing shares at a discount, optimizing Fund expenses, and diversifying the Fund's portfolio has and will continue to create significant added value for our shareholders.

Different types of investors have their own agendas and their own beliefs. The closed-end structure is fundamentally different from an open-end structure or one that provides NAV on demand. Attempts to deliver NAV immediately to a minority of shareholders who wish to exit the Fund may well destroy or diminish the advantages otherwise enjoyed by the remaining shareholders. For the time being, the current Board is committed to realizing the potential of the Fund without changing its fundamental nature.

The major benefits of the closed-end structure to long-term shareholders are threefold: flexibility in managing fund assets, lower expenses, and performance enhancement through profiting from the discount.

-53-

Flexibility in managing fund assets. Unlike open-end funds, closed-end funds are not subject to cash flow disruptions caused by inflows or outflows of capital when shareholders buy new shares or redeem shares. This permits Fund management to take a more long-term perspective on investments and may permit a more effective investment strategy. This may in turn produce higher long-term portfolio returns. In addition, cash can be raised to take advantage of anticipated market declines without fear that it will instead have to be used to satisfy the shareholder redemptions in open-end funds that normally accompany market reversals. Less liquid securities, such as other closed-end funds selling at discounts, can be placed in the Fund's portfolio without fear that redemptions will require untimely sales to raise capital.

Lower expenses. Because closed-end funds need not engage in many of the shareholders services normally required of open-end funds and do not have the same marketing and communication activities, costs can be kept to a minimum. The current Directors have found many ways to reduce expenses and are pursuing many more. The Board remains convinced that closed-end funds can be run more cost effectively than open-end funds and that these savings, along with the additional flexibility in managing Fund assets, may well permit substantial additional returns to be realized over time as compared with equivalent open-end funds.

Profiting from the discount. Closed-end funds often sell at discounts, at least part of the time. A fund that purchases its own shares at a discount benefits loyal, long-term shareholders in two ways. First, the net asset value is automatically increased at no additional risk. Second, the supply of shares available for sale at a discount is reduced and this creates price pressure which is likely to reduce the discount and enhance share value. While the extra liquidity may benefit shareholders who choose to sell their shares, the greatest value of an ongoing buyback program accrues to long-term shareholders. Shareholders who view the fund as a long-term, tax efficient investment may be better off in a closed-end structure at a nominal or moderate discount which fluctuates.

For all these reasons, the Board unanimously recommends that stockholders vote AGAINST this stockholder proposal.

## Edgar Filing: PROGRESSIVE RETURN FUND INC - Form N-14 8C

### EFFECT OF PASSAGE OF THE PROPOSAL

This advisory Proposal requires the affirmative vote of a majority of shares voting at the Meeting for passage. The Investment Company Act of 1940 requires that any conversion of a closed-end investment company to an open-end investment company be by a vote of a majority of the Fund's outstanding voting securities. The term "a majority of the Fund's outstanding voting securities" is defined by the 1940 Act to mean the vote, at the annual or a special meeting of the security holders of such company duly called (a) of 67 per centum or more of the voting securities present at such meeting, if the holders of more than 50 per centum of the outstanding voting securities of such company are present or represented by proxy; or (b) of more than 50 per centum of the outstanding voting securities of such company, whichever is the less.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT STOCKHOLDERS  
VOTE AGAINST PROPOSAL NO. 4

-54-

### ADDITIONAL INFORMATION

The Proxy Statement/Prospectus does not contain all of the information set forth in the registration statements and the exhibits relating thereto which the Funds have filed with the Commission, under the Securities Act and the Investment Company Act, to which reference is hereby made.

The Funds are subject to the informational requirements of the Exchange Act and in accordance therewith, file reports and other information with the SEC. Reports, proxy statements, registration statements and other information filed by the Funds can be inspected and copied at the public reference facilities of the SEC in Washington, D.C. Copies of such materials also can be obtained by mail from the Public Reference Branch, Office of Consumer Affairs and Information Services, Securities and Exchange Commission, Washington, D.C. 20594, at prescribed rates.

### OTHER MATTERS TO COME BEFORE THE MEETING.

The Board of Directors of each Fund is not aware of any matters that will be presented for action at the Meeting other than the matters set forth herein. Should any other matters requiring a vote of Stockholders arise, the proxy in the accompanying form will confer upon the person or persons entitled to vote the shares represented by such proxy the discretionary authority to vote the shares as to any such other matters in their discretion in the interest of the respective Fund. PLEASE COMPLETE, SIGN AND RETURN THE ENCLOSED PROXY CARD(S) PROMPTLY. NO POSTAGE IS REQUIRED IF MAILED IN THE UNITED STATES.

By order of the Boards of Directors of Progressive Return Fund, Inc. and  
Cornerstone Strategic Value Fund, Inc.

PROGRESSIVE RETURN FUND, INC.  
Ralph W. Bradshaw  
President, Progressive Return Fund, Inc.

CORNERSTONE STRATEGIC VALUE FUND, INC.

Ralph W. Bradshaw  
President, Cornerstone Strategic Value Fund, Inc.

-55-

PROGRESSIVE RETURN FUND, INC.  
383 Madison Avenue  
New York, New York 10179

PART B

STATEMENT OF ADDITIONAL INFORMATION

This Statement of Additional Information ("SAI"), relates specifically to the shares of Progressive Return Fund, Inc. ("PGF") to be issued pursuant to an Agreement and Plan of Merger, dated October \_\_, 2002, between PGF and Cornerstone Strategic Value Fund, Inc. ("CLM"). This SAI does not constitute a prospectus. This SAI does not contain all the information that a stockholder should consider before voting on the proposal contained in the Proxy Statement/Prospectus that relates to their fund, and, therefore, should be read in conjunction with the related Proxy Statement/Prospectus, dated September \_\_, 2002. A copy of the Proxy Statement/Prospectus may be obtained without charge by calling (212) 272-2093. Please retain this document for future reference.

THIS STATEMENT OF ADDITIONAL INFORMATION IS DATED SEPTEMBER \_\_, 2002

The SEC has not approved or disapproved these securities or determined if this Proxy Statement/Prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

TABLE OF CONTENTS

## Edgar Filing: PROGRESSIVE RETURN FUND INC - Form N-14 8C

DESCRIPTION OF THE FUND.....	1
INVESTMENT POLICIES, RISKS AND RESTRICTIONS.....	1
MANAGEMENT.....	5
CONTROL PERSONS AND PRINCIPAL STOCKHOLDERS.....	10
INVESTMENT MANAGEMENT AND OTHER SERVICES.....	10
PORTFOLIO TRANSACTIONS.....	12
TAX STATUS.....	14
FINANCIAL STATEMENTS.....	15

THE INFORMATION IN THIS SAI IS NOT COMPLETE AND MAY BE CHANGED. PGF MAY NOT SELL THESE SECURITIES UNTIL THE PROXY STATEMENT/PROSPECTUS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION IS DECLARED EFFECTIVE. THIS SAI IS NOT AN OFFER TO SELL THESE SECURITIES AND IS NOT SOLICITING AN OFFER TO BUY THESE SECURITIES IN ANY STATE WHERE THE OFFER OR SALE IS NOT PERMITTED.

### INTRODUCTION

This SAI is intended to supplement the information provided in the Proxy Statement/Prospectus dated September \_\_, 2002 (the "Proxy Statement/Prospectus"). The Proxy Statement/Prospectus has been sent to the stockholders of CLM in connection with the solicitation of proxies by the Board of Directors to be voted at the CLM Annual Meeting of Stockholders and the PGF Special Meeting of Stockholders both to be held on October \_\_, 2002. This SAI incorporates by reference the Prospectus of CLM dated as June 23, 1987, and the Fund's Annual Report to Stockholders for the fiscal year ended December 31, 2001 and Semi-Annual Report to Stockholders for the period ended June 30, 2002.

### DESCRIPTION OF THE FUND

Progressive Return Fund, Inc. (the "Fund" or "PGF") was incorporated in Maryland on August 11, 1989, under its previous name "The Portugal Fund, Inc.", and commenced investment operations on November 9, 1989. On December 15, 2000, the stockholders of the Fund changed the name of the Fund to Progressive Return Fund, Inc. The Fund is registered under the Investment Company of 1940, as amended (the "Investment Company Act"), as a closed-end, non-diversified

## Edgar Filing: PROGRESSIVE RETURN FUND INC - Form N-14 8C

management investment company and is listed on the New York Stock Exchange ("NYSE") under the symbol "PGF." PGF seeks total return consisting of capital appreciation and current income by investing primarily in U.S. and non-U.S. securities.

The authorized capitalization of PGF consists of 100,000,000 shares of common stock having \$0.001 par value per share (the "Shares"). Shares of the Fund have equal voting rights and liquidation rights. When matters are submitted to stockholders for a vote, each stockholder is entitled to one vote for each full Share owned and fractional votes for fractional Shares owned. The Fund holds its annual meeting of stockholders within 120 days after the end of its fiscal year which ends on December 31.

Each Share of PGF represents an equal proportionate interest in the assets and liabilities belonging to PGF with each other share of PGF and is entitled to such dividends and distributions out of the income belonging to PGF as are declared by the Board of Directors (the "Directors"). The Shares do not have cumulative voting rights or any preemptive or conversion rights. In the event of the dissolution or liquidation of the Fund, the holders of shares of the Fund are entitled to share pro rata in the net assets of the Fund available for distribution to shareholders.

### INVESTMENT POLICIES, RISKS AND RESTRICTIONS

The Proxy Statement/Prospectus presents the investment objective and the principal investment strategies and risks of the Fund. The investment objective of the Fund is to seek total return consisting of capital appreciation and current income by investing primarily in U.S. and non-U.S. companies. There can be no assurance that the Fund will achieve its investment objective. This section supplements the disclosure in the Fund's Proxy Statement/Prospectus and provides additional information on the Fund's investment policies and restrictions.

#### INVESTMENT POLICIES AND RISKS

##### PRINCIPAL INVESTMENT POLICIES

**STOCK MARKET VOLATILITY.** Stock markets can be volatile. In other words, the prices of stocks can rise or fall rapidly in response to developments affecting a specific company or industry, or to changing economic, political or market conditions. The Fund is subject to the general risk that the value of the Fund's investments may decline if the stock markets perform poorly. There is also a risk that the Fund's investments will underperform either the securities markets generally or particular segments of the securities markets.

**ISSUER SPECIFIC CHANGES.** Changes in the financial condition of an issuer, changes in the specific economic or political conditions that affect a particular type of security or issuer, and changes in general economic or political conditions can affect the credit quality or value of an issuer's securities. Lower-quality debt securities tend to be more sensitive to these changes than higher-quality debt securities.

**INTEREST RATE RISK.** Debt securities have varying levels of sensitivity to changes in interest rates. In general, the price of a debt security can fall when interest rates rise and can rise when interest rates fall. Securities with longer maturities and mortgage securities can be more

## Edgar Filing: PROGRESSIVE RETURN FUND INC - Form N-14 8C

sensitive to interest rate changes although they usually offer higher yields to compensate investors for the greater risks. The longer the maturity of the security, the greater the impact a change in interest rates could have on the security's price. In addition, short-term and long-term interest rates do not necessarily move in the same amount or the same direction. Short-term securities tend to react to changes in short-term interest rates and long-term securities tend to react to changes in long-term interest rates.

CREDIT RISKS. Fixed income securities rated B or below by Standards & Poors Corporation or Moody's Investor Service, Inc. may be purchased by the Fund. These securities have speculative characteristics and changes in economic conditions or other circumstances are more likely to lead to a weakened capacity of those issuers to make principal or interest payments, as compared to issuers of more highly rated securities.

EXTENSION RISK. The Fund is subject to the risk that an issuer will exercise its right to pay principal on an obligation held by the Fund (such as mortgage-backed securities) later than expected. This may happen when there is a rise in interest rates. These events may lengthen the duration (i.e. interest rate sensitivity) and potentially reduce the value of these securities.

-2-

ILLIQUID SECURITIES. The Fund may invest up to 15% of its respective net assets in illiquid securities. Illiquid securities may offer a higher yield than securities which are more readily marketable, but they may not always be marketable on advantageous terms. The sale of illiquid securities often requires more time and results in higher brokerage charges or dealer discounts than does the sale of securities eligible for trading on national securities exchanges or in the over-the-counter markets. A security traded in the U.S. that is not registered under the Securities Act of 1933 will not be considered illiquid if Cornerstone Advisors determines that an adequate investment trading market exists for that security. However, there can be no assurance that a liquid market will exist for any security at a particular time.

### NON-PRINCIPAL INVESTMENT POLICIES

TEMPORARY DEFENSIVE POSITIONS. The Fund may, from time to time, take temporary defensive positions that are inconsistent with its principal investment strategies in attempting to respond to adverse market, economic, political or other conditions. Such investments include various short-term instruments. If the Fund takes a temporary defensive position at the wrong time, the position would have an adverse impact on the Fund's performance and it may not achieve its investment objective. The Fund reserves the right to invest all of its assets in temporary defensive positions.

SECURITIES LENDING. The Fund may lend its portfolio securities to broker-dealers in amounts equal to no more than 33 1/3% of the Fund's net assets. These transactions will be fully collateralized at all times with cash and/or high quality, short-term debt obligations. These transactions involve risk to the Fund if the other party should default on its obligation and the Fund is delayed or prevented from recovering the securities lent. In the event the original borrower defaults on its obligation to return lent securities, the Fund will seek to sell the collateral, which could involve costs or delays. To the extent proceeds from the sale of collateral are less than the repurchase price, the Fund would suffer a loss and you could lose money on your investment.

BORROWING. The Fund may borrow money from banks, including pursuant



## Edgar Filing: PROGRESSIVE RETURN FUND INC - Form N-14 8C

to a revolving line of credit established for the benefit of investment companies managed by Cornerstone Advisors, for temporary or emergency purposes in order to meet redemption requests. To reduce its indebtedness, the Fund may have to sell a portion of its investments at a time when it may be disadvantageous to do so. In addition, interest paid by the Fund on borrowed funds would decrease the net earnings of the Fund

REPURCHASE AGREEMENTS. The Fund may enter into repurchase agreements collateralized by the securities in which it may invest. A repurchase agreement involves the purchase by the Fund of securities with the condition that the original seller (a bank or broker-dealer) will buy back the same securities ("collateral") at a predetermined price or yield. Repurchase agreements involve certain risks not associated with direct investments in securities. In the event the original seller defaults on its obligation to repurchase, the Fund will seek to sell the collateral, which could involve costs or delays. To the extent proceeds from the sale of collateral are less than the repurchase price, the Fund would suffer a loss.

-3-

### INVESTMENT RESTRICTIONS

The Fund has adopted certain fundamental investment restrictions that may not be changed without the prior approval of the holders of a majority of the Fund's outstanding voting securities. For purposes of the restrictions listed below, all percentage limitations apply immediately after a purchase or initial investment, and any subsequent change in any applicable percentage resulting from market fluctuations does not require elimination of any security from the Fund's portfolio. Fund policies which are not fundamental may be modified by the Board of Directors if, in the reasonable exercise of the Board's business judgment, modification is determined to be necessary or appropriate to carry out the Fund's objective. Under its fundamental restrictions, the Fund may not:

1. Invest 25% or more of the total value of its assets in a particular industry. This restriction does not apply to investments in United States Government securities.
2. Issue senior securities, borrow or pledge its assets, except that the Fund may borrow from a bank for temporary or emergency purposes or for the clearance of transactions in amounts not exceeding 10% (taken at the lower of cost or current value) of its total assets (not including the amount borrowed) and may also pledge its assets to secure such borrowings. Additional investments will not be made when borrowings exceed 5% of the Fund's assets.
3. Lend money to other persons except through the purchase of debt obligations, loans or participation interests in loans and the entering into of repurchase agreements or reverse repurchase agreements in the United States consistent with the Fund's investment objective and policies.
4. Make short sales of securities or maintain a short position in any security.
5. Purchase securities on margin, except such short-term credits as may be necessary or routine for the clearance or settlement of transactions and the maintenance of margin with respect to forward contracts or other hedging transactions.

Edgar Filing: PROGRESSIVE RETURN FUND INC - Form N-14 8C

6. Underwrite securities of other issuers, except insofar as the Fund may be deemed an underwriter under the Securities Act of 1933, as amended, in selling portfolio securities.

7. Purchase or sell commodities or real estate, except that the Fund may invest in securities secured by real estate or interests in real estate or in securities issued by companies, including real estate investment trusts, that invest in real estate or interests in real estate, and may purchase and sell forward contracts on foreign currencies to the extent permitted under applicable law.

8. Make investments for the purpose of exercising control over, or management of, the issuers of any securities.

-4-

MANAGEMENT OF THE FUND

The business and affairs of the Fund are managed under the direction of the Fund's Board of Directors, and the day-to-day operations are conducted through or under the direction of the officers of the Fund.

The following tables set forth the names, ages and principal occupations of each of the Directors of the Fund:

Name, Address and Age	Position(s) with Fund	Term of Office Since	Principal Occupation during past 5 years	Directorship outside of
CLASS I DIRECTORS SERVING UNTIL THE YEAR 2004 ANNUAL MEETING OF STOCKHOLDERS.				
Andrew A. Strauss (48) 77 Central Avenue Suite F Asheville, NC 28801	Director	2000	Attorney and senior member of Strauss & Associates, P.A., Attorneys, Asheville and Hendersonville, N.C.; previous President of White Knight Healthcare, Inc. and LMV Leasing, Inc., a wholly owned subsidiary of Xerox Credit Corporation.	Director of Memorial M and Deerfi Community.
Thomas H. Lenagh (79) 13 Allen's Corner Road Flemington, NJ 08822	Director	2001	Chairman of the Board of Inrad Corp. and Independent Financial Adviser.	Director of Express Co Resources Pharmaceut

-5-

Edgar Filing: PROGRESSIVE RETURN FUND INC - Form N-14 8C

CLASS II DIRECTORS SERVING UNTIL THE YEAR 2005 ANNUAL MEETING OF STOCKHOLDERS

Edwin Meese III (70) The Heritage Foundation 214 Massachusetts Ave. NE Washington D.C. 20002	Director	2001	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; and Formerly U.S. Attorney General under President Ronald Reagan.
---	----------	------	--

Ralph W. Bradshaw (51)** One West Pack Square Suite 1650 Asheville, NC 28801	Chairman of the Board and President	1999	President of Cornerstone Advisors, Inc., and of the Funds within the Fund Complex; Vice President, Deep Discount Advisors, Inc. (1993-1999).
---	-------------------------------------	------	--

Director o

CLASS III DIRECTORS SERVING UNTIL THE YEAR 2003 ANNUAL MEETING OF STOCKHOLDERS.

Glenn W. Wilcox, Sr. (70) One West Pack Square Suite 1700 Asheville, NC 28801	Director	2000	Chairman of the Board and Chief Executive Officer of Wilcox Travel Agency.
--	----------	------	--

Director o  
Wachovia C  
Chairman o  
University  
Director,  
Director,  
Chairman,  
real estat

Scott B. Rogers (46) 30 Cumberland Ave. Asheville, NC 28801	Director	2000	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 o  
Chairman a  
Unlimited  
Ministeria  
Southeaste  
Networkers

With the exception of EIS Fund, Inc., all of the Directors served on the Board of Directors for each closed-end fund within the Fund Complex that was managed by Cornerstone Advisors, Inc. ("Cornerstone Advisors"), the Fund's investment manager, during the year ended December 31, 2001. Messrs. Lenagh and Meese do not serve as members of the Board of Directors of EIS Fund, Inc.

The following table sets forth, for each Director and for the Directors as a group, the amount of shares beneficially owned in the Fund as of June 30, 2002. The information as to beneficial ownership is based on statements furnished to the Fund by each Director. Unless otherwise noted, beneficial ownership is based on sole investment power.

Edgar Filing: PROGRESSIVE RETURN FUND INC - Form N-14 8C

Name of Director	Amount of Securities Beneficially Owned
Edwin Meese III	0
Ralph W. Bradshaw	625
Andrew A. Strauss	100
Thomas H. Lenagh	0
Glenn W. Wilcox Sr.	250
Scott B. Rogers	0
All Directors as a Group	975

The following table sets forth, for each Director, the aggregate dollar range of equity securities owned of the Fund and of all Funds overseen by each Director in the Fund Complex as of June 30, 2002. The information as to beneficial ownership is based on statements furnished to the Fund by each Director.

Name	Dollar Range of Equity Securities in the Fund.	Aggregate Dollar Range of Equity Funds Overseen by Directors in Fund
Edwin Meese III	0	0
Ralph A. Bradshaw	\$10,001-\$50,000	\$50,001-\$100,000
Andrew A. Strauss	\$1-\$10,000	\$10,001-\$50,000
Thomas H. Lenagh	0	0
Glenn W. Wilcox Sr.	\$1-\$10,000	\$10,001-\$50,000
Scott B. Rogers	0	0

-7-

EXECUTIVE OFFICERS

In addition to Mr. Bradshaw, the current officers of the Fund are:

Name, Address and Age	Position(s) with Fund	Term of Office Since	Principal Occupation during past 5 years
-----------------------	--------------------------	----------------------------	---

Edgar Filing: PROGRESSIVE RETURN FUND INC - Form N-14 8C

Gary A. Bentz (46) One West Pack Square Suite 1650 Asheville, NC 28801	Vice President and Treasurer	2001	Chief Financial Officer of Cornerstone Advisors, Inc., Vice President and Treasurer of The Cornerstone Strategic Return Fund, Inc., Cornerstone Strategic Value Fund, Inc. and EIS Fund, Inc.; Chief Financial Officer of Deep Discount Advisors, Inc.
		(1993-2000).	
Thomas R. Westle (48) 405 Park Avenue New York, NY 10022	Secretary	2001	Partner of Spitzer & Feldman P.C., a law firm, and previous Partner at Battle Fowler LLP; Secretary of The Cornerstone Strategic Return Fund, Inc., Cornerstone Strategic Value Fund, Inc. and EIS Fund, Inc.

The Fund pays each of its Directors who is not a director, officer, partner, co-partner or employee of Cornerstone Advisors or any affiliate thereof a stipend of \$6,000, a fee in the amount of \$600 per Board Meeting personally attended, and a fee of \$100.00 per Board Meeting attended via telephone. In addition, the Fund will reimburse those Directors for travel and out-of-pocket expenses incurred in connection with Board of Directors meetings. The aggregate remuneration paid to Directors by PGF during the fiscal year ended December 31, 2001 was \$68,816.

The Fund has an Audit Committee and a Nominating Committee each of which is comprised of all of the non-interested members of the Board of Directors.

AUDIT COMMITTEE

The members of the Audit Committee of the Board of Directors are Messrs. Lenagh, Strauss, Meese, Wilcox and Rogers. The Audit Committee oversees the Fund's financial reporting process, reviews audit results and recommends annually to the Fund a firm of independent certified public accountants. During the fiscal year ended December 31, 2002, the Audit Committee held two meetings in which all of the members of the Audit Committee attended.

-8-

NOMINATING COMMITTEE

At the Quarterly Meeting of the Board of Directors held on August 2, 2002, the Board of Directors established a Nominating Committee. The members of the Nominating Committee of the Board of Directors are all Independent Directors and are Messrs. Lenagh, Strauss, Meese, Wilcox and Rogers. The Nominating Committee is responsible for seeking and reviewing candidates for consideration as nominees for Trustees as is from time to time considered necessary or appropriate. The Nominating Committee will consider nominees recommended by stockholders of the Fund as long as the stockholders properly submit their recommendations as required under the Fund's By-laws.

## Edgar Filing: PROGRESSIVE RETURN FUND INC - Form N-14 8C

The Fund's Board of Directors, including the Directors who are not interested persons of any party to the Cornerstone Agreement or its affiliates, approved the Cornerstone Agreement for the Fund on February 9, 2001, with its legal counsel in attendance.

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) the continuity of the Fund's portfolio management due to the fact that Mr. Bradshaw will continue to be the person responsible for the investment management of the Fund's portfolio securities, despite the externalization of management; (ii) the structure of closed-end investment companies in general; (iii) management of portfolios of U.S. equity securities; (iv) implementing aggressive policies to eliminate closed-end investment companies' discounts; and (v) 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 and reasonable. The Board of Directors also reflected upon the intention of Cornerstone Advisors to continue to act as the investment manager to Cornerstone Strategic Value Fund, Inc. and The Cornerstone Strategic Return Fund, Inc. (the "CFR"), thereby creating a family of closed-end funds including but not necessarily limited to PGF, CRF and CLM. 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.

-9-

### CODE OF ETHICS

The Fund and Cornerstone Advisers have adopted a written Code of Ethics that are compliant with Rule 17j-1 of the Investment Company Act, which permit personnel covered by the Code of Ethics ("Covered Persons") to invest in securities, including securities that may be purchased or held by the Fund. The Code of Ethics also contains provisions designed to address the conflicts of interest that could arise from personal trading by advisory personnel. The following are some of the requirements under the Fund's and Cornerstone Advisers' Code of Ethics: (1) all Covered Persons must report their personal securities transactions at the end of each quarter; (2) with certain limited exceptions, all Covered Persons must obtain preclearance before executing any personal securities transactions; (3) Covered Persons may not execute personal trades in a security if there are any pending orders in that security by the respective Fund; and (4) Covered Persons may not invest in initial public offerings.

The Board of Directors of the Fund reviews the administration of the Code of Ethics at least annually and may impose sanctions for violations of the Code of Ethics. The Codes of Ethics for the Fund and Cornerstone Advisers can be reviewed and copied either on the EDGAR database on the SEC's website at <http://www.sec.gov> or at the Securities Exchange Commission's Public reference room in Washington, D.C. Information on the operation of the Public Reference Room may be obtained by calling the SEC at (202) 942-8090.

## Edgar Filing: PROGRESSIVE RETURN FUND INC - Form N-14 8C

### CONTROL PERSONS AND PRINCIPAL STOCKHOLDERS

Please refer to the Proxy Statement/Prospectus for information on this Item.

### INVESTMENT MANAGEMENT AND OTHER SERVICES

#### INVESTMENT ADVISER.

Cornerstone Advisors, Inc. ("Cornerstone Advisors") is the investment adviser of PGF pursuant to an investment advisory agreement.

Cornerstone Advisors, which has its principal office at One West Pack Square, Suite 1650, Asheville, North Carolina 28801, was organized in February of 2001, to provide investment management services to closed-end investment companies and is registered with the SEC under the Investment Company Act. In addition to PGF and CLM, Cornerstone Advisors is the investment adviser to two other closed-end funds, The Cornerstone Strategic Return Fund, Inc. and EIS Fund, Inc. (f/k/a Excelsior Income Shares, Inc.). Mr. Ralph W. Bradshaw, a Director and President of PGF and CLM, serves as each Fund's portfolio manager.

Mr. Bradshaw and Mr. Gary A. Bentz, a Director of EIS Fund, Inc., are the sole stockholders of Cornerstone Advisors. Messrs. Bradshaw and Bentz have extensive experience with closed-end investment companies. Mr. Bradshaw, also serves as a Director to The Smallcap Fund, Inc., EIS Fund, Inc. and The Cornerstone Strategic Return Fund, and served as a Vice President of Deep Discount Advisors, Inc. ("Deep Discount") from 1993 to 1999. Mr. Bentz, who currently serves as a Director to EIS Fund, Inc. and is Treasurer and Vice President of PGF, CLM and the two other funds for which Cornerstone Advisors serves as investment adviser, was also affiliated with Deep Discount as its Chief Financial Officer from 1993 to 2000. Messrs. 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 15, 2002 as beneficial owners of more than five (5%) percent of the outstanding shares of each 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 Funds.

-10-

Cornerstone Advisors has sole investment discretion for the Fund's assets under the supervision of the Fund's Board of Directors and in accordance with the Fund's stated policies. Cornerstone Advisors selects investments for the Fund and places purchase and sale orders on behalf of the Fund.

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,

## Edgar Filing: PROGRESSIVE RETURN FUND INC - Form N-14 8C

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.

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. The Fund pays Cornerstone Advisors monthly an annual fee of one (1.00%) percent of the Fund's average weekly net assets for the investment management and research services provided by Cornerstone Advisors. Additionally, Cornerstone Advisors has voluntarily agreed to limit the Fund's annual operating expenses (excluding interest, taxes, brokerage commissions, expenditures which are capitalized in accordance with generally accepted accounting principles, and other extraordinary expenses not incurred in the ordinary course of the Fund's business) to one and twenty one-hundredths (1.20%) percent (on an annualized basis) of the Fund's average net assets for the fiscal period from July 1, 2002 through December 31, 2002.

### ADMINISTRATOR.

Bear Stearns Funds Management Inc. ("BSFM") serves as the Fund's administrator pursuant to an administrative agreement with each Fund. BSFM is located at 383 Madison Avenue, 23rd Floor, New York, New York 10179.

-11-

BSFM provides office facilities and personnel adequate to perform the following services for the Fund: 1) oversight of the determination and publication of the Fund's net asset value in accordance with the Fund's policy as adopted from time to time by the Board of Directors; 2) maintenance of the books and records of the Fund as required under the Investment Company Act; 3) preparation of the Fund's U.S. federal, state and local income tax returns; 4) preparation of financial information for each Fund's proxy statements and semi-annual and annual reports to Stockholders; and 5) preparation of certain of the Fund's reports to the SEC.

### CUSTODIAN.

Custodial Trust Company, 101 Carnegie Center, Princeton, New Jersey, is the custodian for the Fund's assets.

### TRANSFER AGENT AND REGISTRAR.

American Stock Transfer & Trust Co., 59 Maiden Lane, New York, New York 10038 acts as the transfer agent and registrar of the Fund.

### PORTFOLIO TRANSACTIONS

Decisions to buy and sell securities for the Fund are made by Cornerstone Advisors subject to the overall review of the Fund's Board of Directors. Portfolio securities transactions for the Fund are placed on behalf of the Fund by persons authorized by Cornerstone Advisors. Cornerstone Advisors manages other investment companies and accounts that invest in securities. Although investment decisions for the Fund is made independently from those of the other accounts, investments of the type the Fund may make may also be made



## Edgar Filing: PROGRESSIVE RETURN FUND INC - Form N-14 8C

on behalf of those other accounts. When the Fund and one or more of those other accounts is prepared to invest in, or desires to dispose of, the same security, available investments or opportunities for each will be allocated in a manner believed by Cornerstone Advisors to be equitable. In some cases, this procedure may adversely affect the price paid or received by the Fund or the size of the position obtained or disposed of by the Fund.

Transactions on U.S. and some foreign stock exchanges involve the payment of negotiated brokerage commissions, which may vary among different brokers. The cost of securities purchased from underwriters includes an underwriter's commission or concession, and the prices at which securities are purchased from and sold to dealers in the over-the-counter markets include an undisclosed dealer's mark-up or mark-down. Fixed income securities are generally traded on a "net" basis with dealers acting as principal for their own accounts without a stated commission, although the price of the security will likely include a profit to the dealer.

-12-

In selecting brokers or dealers to execute portfolio transactions on behalf of the Fund, Cornerstone Advisors will seek the best overall terms available. The Advisory Agreement provides that, in assessing the best overall terms available for any transaction, Cornerstone Advisors will consider the factors it deems relevant, including the breadth of the market in the security, the price of the security, the financial condition and execution capability of the broker or dealer and the reasonableness of the commission, if any, for the specific transaction and on a continuing basis. In addition, the Advisory Agreement authorizes Cornerstone Advisors in selecting brokers or dealers, to execute a particular transaction and in evaluating the best overall terms available, to consider the brokerage and research services (as those terms are defined in Section 28(e) of the Securities Exchange Act of 1934) provided to the Fund and/or other accounts over which Cornerstone Advisors exercises investment discretion. The fees payable under the Advisory Agreements are not reduced as a result of Cornerstone Advisors receiving such brokerage and research services.

The Board of Directors of the Fund will review periodically the commissions paid by that Fund to determine if the commissions paid over representative periods of time were reasonable in relation to the benefits inuring to such Fund.

The aggregate amounts paid by PGF in brokerage commissions for the fiscal years ended December 31, 1999, 2000 and 2001 were \$\_\_\_\_\_, \$\_\_\_\_\_ and \$\_\_\_\_\_, respectively. None of the brokerage commissions paid by PGF were paid to affiliated brokers.

### DIVIDEND REINVESTMENT AND CASH PURCHASE PLAN

PGF operates a Dividend Reinvestment and Cash Purchase Plan (the "Program"), sponsored and administered by American Stock Transfer & Trust Co. (the "Agent"), pursuant to which Fund dividends and distributions, net of any applicable U.S. withholding tax, are reinvested in shares of the Fund. American Stock Transfer & Trust Co., serves as the Program Administrator for the stockholders in administering the Program.

Stockholders who have shares registered directly in their own names automatically participate in the Fund's Program, unless and until an election is made to withdraw from the Program on behalf of such participating stockholder. Stockholders who do not wish to have distributions automatically reinvested

## Edgar Filing: PROGRESSIVE RETURN FUND INC - Form N-14 8C

should so notify the Agent at 59 Maiden Lane, New York, New York 10038. Under the Program, the Fund's respective dividends and other distributions to stockholders are reinvested in full and fractional shares as described below.

When the Fund declares an income dividend or a capital gain or other distribution (each, a "Dividend" and collectively, "Dividends"), the Agent, on the stockholders behalf, will (i) receive additional authorized shares from the Fund either newly issued or repurchased from stockholders by the Fund and held as treasury stock ("Newly Issued Shares") or, (ii) at the sole discretion of the Board of Directors, be authorized to purchase outstanding shares on the open market, on the NYSE or elsewhere, with cash allocated to it by the Fund ("Open Market Purchases").

-13-

Shares acquired by the Agent in Open Market Purchases will be allocated to the reinvesting stockholders based on the average cost of such Open Market Purchases. Alternatively, the Agent will allocate Newly Issued Shares to the reinvesting stockholders at a price equal to the average closing price of the Fund over the five trading days preceding the payment date of such dividend.

Registered stockholders who acquire their shares through Open Market Purchases and who do not wish to have their Dividends automatically reinvested should so notify the Fund in writing. If a stockholder has not elected to receive cash Dividends and the Agent does not receive notice of an election to receive cash Dividends prior to the record date of any Dividend, the stockholder will automatically receive such Dividends in additional shares.

Participants in the Program may withdraw from the Program by providing written notice to the Agent at least 30 days prior to the applicable Dividend payment date. When a Participant withdraws from the Program, or upon termination of the Program as provided below, certificates for whole shares credited to his/her account under the Program 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 stockholder accounts in the Program and furnish written confirmations of all transactions in the accounts, including information needed by stockholders for personal and tax records. The Agent will hold shares in the account of each Program participant in non-certified form in the name of the participant, and each stockholder's proxy will include those shares purchased pursuant to the Program. Each participant, nevertheless, has the right to receive certificates for whole shares owned. The Agent will distribute all proxy solicitation materials to participating stockholders.

In the case of stockholders, such as banks, brokers or nominees, that hold shares for others who are beneficial owners participating in the Program, the Agent will administer the Program on the basis of the number of shares certified from time to time by the record stockholder as representing the total amount of shares registered in the stockholder's name and held for the account of beneficial owners participating in the Program.

All correspondence concerning the Program should be directed to the Agent at 59 Maiden Lane, New York, New York 10038.

TAXATION

## Edgar Filing: PROGRESSIVE RETURN FUND INC - Form N-14 8C

The following is a summary of certain material United States federal income tax considerations regarding the purchase, ownership and disposition of shares in the Fund. Each prospective shareholder is urged to consult his or her own tax adviser with respect to the specific federal, state, local and foreign tax consequences of investing in the Fund. The summary is based on the laws in effect on the date of this SAI, which are subject to change.

-14-

The Fund has qualified and elected to be treated as a regulated investment company under the Internal Revenue Code of 1986, as amended (the "Code"), and intends to continue to so qualify, which requires compliance with certain requirements concerning the sources of its income, diversification of its assets, and the amount and timing of its distributions to shareholders. Such qualification does not involve supervision of management or investment practices or policies by any government agency or bureau. By so qualifying, the Fund will not be subject to federal income or excise tax on its net investment income or net capital gain which are distributed to shareholders in accordance with the applicable timing requirements. Net investment income and net capital gain of the Fund will be computed in accordance with Section 852 of the Code.

The Fund intends to distribute all of its net investment income, any excess of net short-term capital gains over net long-term capital losses, and any excess of net long-term capital gains over net short-term capital losses in accordance with the timing requirements imposed by the Code and therefore will not be required to pay any federal income or excise taxes. Distributions of net investment income and net capital gain will be made no later than December 31 of each year. Both types of distributions will be in shares of the Fund unless a shareholder elects to receive cash.

If the Fund fails to qualify as a regulated investment company under Subchapter M in any fiscal year, it will be treated as a corporation for federal income tax purposes. As such the Fund would be required to pay income taxes on its net investment income and net realized capital gains, if any, at the rates generally applicable to corporations. Shareholders of the a Fund would not be liable for income tax on the Fund's net investment income or net realized capital gains in their individual capacities. Distributions to shareholders, whether from the Fund's net investment income or net realized capital gains, would be treated as taxable dividends to the extent of current or accumulated earnings and profits of the Fund.

The Fund is subject to a 4% nondeductible excise tax on certain undistributed amounts of ordinary income and capital gain under a prescribed formula contained in Section 4982 of the Code. The formula requires payment to shareholders during a calendar year of distributions representing at least 98% of the Fund's ordinary income for the calendar year and at least 98% of its capital gain net income (i.e., the excess of its capital gains over capital losses) realized during the one-year period ending October 31 during such year plus 100% of any income that was neither distributed nor taxed to the Fund during the preceding calendar year. Under ordinary circumstances, the Fund expects to time its distributions so as to avoid liability for this tax.

Net investment income is made up of dividends and interest less expenses. Net capital gain for a fiscal year is computed by taking into account any capital loss carryforward of the Fund.

-15-

## Edgar Filing: PROGRESSIVE RETURN FUND INC - Form N-14 8C

The following discussion of tax consequences is for the general information of shareholders that are subject to tax. Shareholders that are IRAs or other qualified retirement plans are exempt from income taxation under the Code.

Distributions of taxable net investment income and the excess of net short-term capital gain over net long-term capital loss are taxable to shareholders as ordinary income.

Distributions of net capital gain ("capital gain dividends") are taxable to shareholders as long-term capital gain, regardless of the length of time the shares of the Fund have been held by such shareholders.

Distributions of taxable net investment income and net capital gain will be taxable as described above, whether received in shares or in cash. Shareholders electing to receive distributions in the form of additional shares will have a cost basis for federal income tax purposes in each share so received equal to the net asset value of a share on the reinvestment date.

All distributions of taxable net investment income and net capital gain, whether received in shares or in cash, must be reported by each taxable shareholder on his or her federal income tax return. Dividends or distributions declared in October, November or December as of a record date in such a month, if any, will be deemed to have been received by shareholders on December 31, if paid during January of the following year. Redemptions of shares may result in tax consequences (gain or loss) to the shareholder and are also subject to these reporting requirements.

Under the Code, the Fund will be required to report to the Internal Revenue Service all distributions of taxable income and capital gains, except in the case of certain exempt shareholders. Under the backup withholding provisions of Section 3406 of the Code, distributions of taxable net investment income and net capital gain may be subject to withholding of federal income tax at the rate of 30.5% in the case of non-exempt shareholders who fail to furnish the investment company with their taxpayer identification numbers and with required certifications regarding their status under the federal income tax law, or if the Fund is notified by the IRS or a broker that withholding is required due to an incorrect TIN or a previous failure to report taxable interest or dividends. If the withholding provisions are applicable, any such distributions and proceeds, whether taken in cash or reinvested in additional shares, will be reduced by the amounts required to be withheld.

Shareholders of the Fund may be subject to state and local taxes on distributions received from the Fund.

A brief explanation of the form and character of the distribution accompany each distribution. In January of each year the Fund issues to each shareholder a statement of the federal income tax status of all distributions.

## Edgar Filing: PROGRESSIVE RETURN FUND INC - Form N-14 8C

THE FOREGOING IS ONLY A SUMMARY OF CERTAIN MATERIAL TAX CONSEQUENCES AFFECTING THE FUNDS AND THEIR SHAREHOLDERS. SHAREHOLDERS ARE ADVISED TO CONSULT THEIR OWN TAX ADVISERS WITH RESPECT TO THE PARTICULAR TAX CONSEQUENCES TO THEM OF AN INVESTMENT IN EITHER FUND.

### FINANCIAL STATEMENTS

(a) The Financial Statements required under this Item are incorporated by reference herein from the

1. Progressive Return Fund, Inc.'s Annual Report for the period ended December 31, 2000, filed with the Securities and Exchange Commission on March 1, 2001 (File No. 811-5891).
2. Progressive Return Fund, Inc.'s Annual Report for the period ended December 31, 2001, as filed with the Securities and Exchange Commission on March 6, 2002 (File No. 811-5891)
3. Progressive Return Fund, Inc.'s Semi-Annual Report for the period ended June 30, 2002, as filed with the Securities and Exchange Commission on August \_\_, 2002 (File No. 811-5891).
4. Cornerstone Strategic Value Fund, Inc. Annual Report for the period ended December 31, 2000, filed with the Securities and Exchange Commission on March 1, 2001 (File No. 811-5150).
5. Cornerstone Strategic Value Fund, Inc. Annual Report for the period ended December 31, 2001, filed with the Securities and Exchange Commission on March 6, 2002 (File No. 811-5150).
6. Cornerstone Strategic Value Fund, Inc. Semi-Annual Report for the period ended June 30, 2002, filed with the Securities and Exchange Commission on August \_\_ (File No. 811-5150).

(b) Pro Forma Financial Information

The following table represents the pro forma financial information based upon the June 30, 2002 unaudited financial statements that are included in each Fund's Semi-Annual Report to Stockholders.

STATEMENT OF OPERATIONS  
FOR THE YEAR ENDED DECEMBER 31, 2001 (UNAUDITED)

	PGF ACQUIRING FUND -----	CLM ---	ADJUSTMENTS -----
INVESTMENT INCOME			
Income:			
Dividends	642,453	402,428	--
Interest	132,919	30,952	--
Less: Foreign taxes withheld	(3,483)	(2,087)	--
	-----	-----	-----
Total Investment Income	771,889	431,293	--

Edgar Filing: PROGRESSIVE RETURN FUND INC - Form N-14 8C

Expenses:				
Investment advisory fees	331,733	381,800	158,269	(c)
Audit fees	35,900	39,283	(62,183)	(c)
Legal fees	86,660	93,887	(97,080)	(c)
Administration fees	58,976	61,354	(33,150)	(c)
Custodian fees	30,124	21,647	(39,709)	(c)
Printing	54,029	58,270	(67,299)	(c)
Accounting fees	43,425	20,154	(31,446)	(c)
Directors' fees	86,809	70,047	(105,856)	(c)
Transfer agent fees	25,015	7,880	(8,895)	(c)
NYSE listing fees	23,873	25,000	(23,873)	(c)
Insurance	15,558	9,187	(4,745)	(c)
Other	17,061	15,397	(19,958)	(c)
Total Expenses	809,163	803,906	(335,925)	
Less: Fee paid indirectly	(42,694)	(75,381)	(118,075)	
Less: Fee waivers	(1,966)	(73,434)	--	
Net Expenses	764,503	655,091	(335,925)	
Net Investment Income	7,386	(223,798)	335,925	
NET REALIZED AND UNREALIZED GAIN/(LOSS) ON INVESTMENTS AND FOREIGN CURRENCY RELATED TRANSACTION				
Net realized loss from Investments	(4,384,728)	(12,881,037)		
Net change in unrealized appreciation/(depreciation) in value of investments and translation of other assets and liabilities denominated in foreign currencies	(2,439,912)	2,927,931		
Net realized and unrealized gain/(loss) on investments and foreign currency related transaction	(6,824,640)	(9,953,106)		
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	(6,817,254)	(10,176,904)	335,925	

STATEMENT OF ASSETS AND LIABILITIES  
AT DECEMBER 31, 2001 (UNAUDITED)

ASSETS	PGF ACQUIRING FUND		CLM	
	COST	VALUE	COST	VALUE
Investments, at value	48,089,664	46,170,268	30,367,906	35,357,16
Cash collateral received for securities				

Edgar Filing: PROGRESSIVE RETURN FUND INC - Form N-14 8C

loaned	755,986	138,72
Receivables:		
Dividends	44,217	27,77
Interest	778	30
Prepaid expenses and other assets	1,211	2,95
	-----	-----
Total Assets	46,972,460	35,526,92
	-----	-----

LIABILITIES

Payables:		
Disrtibution to shareholders	4,228,516	
Upon return of securities loaned	755,986	138,72
Investment advisory fee	48,601	24,71
Capital Shares repurchased	-	12,82
Other accrued expenses	91,915	94,60
	-----	-----
Total Liabilities	5,125,018	270,87
	-----	-----
Net Assets	41,847,442	35,256,05
	-----	-----

Net Assets Consist Of:

Capital stock, \$0.001 par value; 4,228,516 shares issued and outstanding for PGF (100,000,000 shares authorized) and \$0.01 par value; 3,832,560 shares issued and outstanding for CLM (25,000,000 shares authorized)	4,229	38,32
Paid-in-capital	62,101,955	57,277,11
Cost of 203,900 and 2,177,440 shares repurchased, respectively	(1,947,040)	(26,579,91
Distribution in excess of net investment income	(4,221,130)	
Accumulated net realized loss on investments	(12,171,176)	(468,73
Net unrealized appreciation in value of investments and translation of other assets and liabilities denominated in foreign currencies	(1,919,396)	4,989,26
	-----	-----
	41,847,442	35,256,05
	-----	-----

PROGRESSIVE RETURN FUND, INC.  
THE CORNERSTONE STRATEGIC VALUE, INC.  
NOTES TO PRO FORMA FINANCIAL STATEMENTS (UNAUDITED)

1. Basis of Combination

## Edgar Filing: PROGRESSIVE RETURN FUND INC - Form N-14 8C

The unaudited Pro Forma Condensed Portfolio of Investments, Pro Forma Condensed Statement of Assets and Liabilities and Pro Forma Condensed Statement of Operations give effect to the proposed merger of Progressive Return Fund, Inc. (PGF) into The Cornerstone Strategic Value Fund, Inc. ("CLM"). The proposed merger will be accounted for by the method of accounting for tax-free mergers of investment companies (sometimes referred to as the pooling-of-interest basis). The Merger provides for the transfer of all or substantially all of the assets of CLM to PGF in exchange for PGF common shares, the distribution of such PGF common shares to common shareholders of CLM and the subsequent liquidation of CLM. Each share of common stock of CLM will convert into an equivalent dollar amount of full shares of common stock of EIS based on the net asset value per share of each Fund.

The pro forma combined statements should be read in conjunction with the historical financial statements of the constituent Fund and the notes thereto incorporated by reference in the Registration Statement filed on Form N-14.

PGF and CLM are both closed-end, non-diversified management investment companies registered under the Investment Company Act of 1940, as amended.

### Pro Forma Adjustments:

The Pro Forma adjustments below reflect the impact of the merger between PGF and CLM.

- (a) To remove certain prepaid expenses associated with CLM, in the statement of assets and liabilities, which will not be assumed by PGF.
- (b) In connection with CLM's intention to merge with PGF; CLM reclass its treasury shares held to paid-in capital.
- (c) Adjustment based on contractual agreement with Investment Manager.
- (d) Assumes the elimination of duplicative charges resulting from the combination and reflects management's estimates of combined pro forma operations.
- (e) Adjustment based on the contractual agreement with the Administrator for the combined Fund.
- (f) Adjustment based on the contractual agreement with the custodian for the combined Fund.
- (g) Adjustment based on the contractual agreement with the Accounting fees for the combined Fund.

## 2. SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies, which are consistently followed by each of PGF and CLM in the preparation of its financial statements.



## Edgar Filing: PROGRESSIVE RETURN FUND INC - Form N-14 8C

**MANAGEMENT ESTIMATES:** The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America 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 are valued at the closing price on the exchange or market on which the security is primary 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 is 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. The Board of Directors has established general guidelines for calculating fair value of not readily marketable securities. The net asset value per share of each Fund is calculated weekly and on the last business day of the month with the exception of those days on which the New York Stock Exchange is closed.

**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 each Fund's intention to continue to qualify as a regulated investment company and to make the requisite distributions to its shareholders which will be sufficient to relieve it from all or substantially all U.S. federal income and excise taxes.

**DISTRIBUTIONS OF INCOME AND GAINS:** Each Fund distributes at least annually to shareholders, substantially all of its net investment income and net realized short-term capital gains, if any. Each Fund determines annually whether to distribute any net realized long-term capital gains in excess of net short-term capital losses, including capital loss carryovers, if any. An additional distribution may be made to the extent necessary to avoid the payment of a 4% U.S. federal excise tax. Dividends and distributions to shareholders are recorded by each Fund on the ex-dividend date. .

The board of Directors of each Fund may, if it is determined to be in the best interest of each Fund and its shareholders, time to time authorize and declare distribution that may be substantially characterized as a return of capital.

The character of distributions made during the year from net investment income or net realized gains may differ from their ultimate characterization for U.S. federal income tax purposes due to U.S. generally accepted accounting principles/tax differences in the character of income and expense recognition.

**OTHER:** Securities denominated in currencies other than U.S. dollars are subject to changes in value due to fluctuations in exchange rates.

PART C

OTHER INFORMATION

ITEM 15. INDEMNIFICATION

A policy of insurance covering Cornerstone Advisors, Inc., its affiliates, and all of the registered investment companies advised by Cornerstone Advisors insures the Registrant's directors and officers and others against liability arising by reason of an alleged breach of duty caused by any negligent act, error or accidental omission in the scope of their duties.

ITEM 16. EXHIBITS.

- (1) Copy of the Articles of Incorporation of PGF as now in effect
- (2) Amended and Restated By-Laws as of February 13, 2002 of the Registrant
- (3) Not Applicable
- (4) Copy of Agreement and Plan of Reorganization (included as Exhibit A to the Proxy Statement/Prospectus, which is part of the Registration Statement on Form N-14).
- (5) Not Applicable
- (6) Copy of the Investment Management Agreement dated as of April 19, 2001 between Cornerstone Advisors, Inc. and PGF - incorporated herein by reference to Exhibit 4 to PGF's Proxy Statement for the Annual Meeting of Stockholders held on April 19, 2001 on Schedule 14A as filed with the Commission on March 7, 2001.
- (7) Not Applicable
- (8) Not Applicable
- (9) Custody Agreement -
- (10) Not Applicable
- (11) Opinion and consent of Counsel regarding legality of securities being registered.
- (12) Opinion and consent of Counsel regarding certain tax matters and consequences to shareholders.
- (13) Not Applicable
- (14) Consent of Independent Auditors
- (15) Not Applicable
- (16) Not Applicable

Edgar Filing: PROGRESSIVE RETURN FUND INC - Form N-14 8C

(17) Not Applicable

C-1

ITEM 17. UNDERTAKINGS.

The undersigned registrant agrees that prior to any public reoffering of the securities registered through the use of a prospectus which is a part of this registration statement by any person or party who is deemed to be an underwriter within the meaning of Rule 145(c) of the Securities Act [17 CFR 230.145c], the reoffering prospectus will contain the information called for by the applicable registration form for reofferings by persons who may be deemed underwriters, in addition to the information called for by the other items of the applicable form.

The undersigned registrant agrees that every prospectus that is filed under paragraph (1) above will be filed as part of an amendment to the registration statement and will not be used until the amendment is effective, and that, in determining any liability under the 1933 Act, each post-effective amendment shall be deemed to be a new registration statement for the securities offered therein, and the offering of securities at that time shall be deemed to be the initial bona fide offering of them.

SIGNATURES

As required by the Securities Act of 1933, this registration statement has been signed on behalf of the registrant, in the City of New York and the State of New York, on the 2nd day of August, 2002.

PROGRESSIVE RETURN FUND, INC.

By: /S/ RALPH W. BRADSHAW

-----  
Name: Ralph Bradshaw  
Title: President

As required by the Securities Act of 1933, this registration statement has been signed by the following persons in the capacities and on the dates indicated:

/S/ ANDREW STRAUSS

-----  
Andrew A. Strauss, Director

/S/ THOMAS LENAGH

-----  
Thomas H. Lenagh, Director

/S/ SCOTT ROGERS

-----  
Scott B. Rogers, Director

/S/ EDWIN MEESE

-----  
Edwin Meese III, Director

Edgar Filing: PROGRESSIVE RETURN FUND INC - Form N-14 8C

/S/ RALPH W. BRADSHAW

-----  
Ralph W. Bradshaw, Director

/S/ GLENN W. WILCOX, SR.

-----  
Glenn W. Wilcox, Sr., Director

C-2

EXHIBIT A

MERGER AGREEMENT AND PLAN OF REORGANIZATION

THIS MERGER AGREEMENT AND PLAN OF REORGANIZATION (the "Agreement") is made as of this \_\_\_\_ day of October, 2002, between Cornerstone Strategic Value Fund, Inc. (the "Target Fund" or "CLM"), a Maryland corporation and a registered investment company under the Investment Company Act of 1940, as amended (the "1940 Act"), and Progressive Return Fund, Inc. (the "Acquiring Fund" or "PGF"), a Maryland corporation and a registered investment company under the 1940 Act.

This agreement contemplates a tax-free merger transaction which qualifies for federal income tax purposes as a reorganization within the meaning of Section 368(a)(1)(A) of the Internal Revenue Code of 1986, as amended (the "Code").

NOW, THEREFORE, in consideration of the covenants and agreements hereinafter set forth, the Parties hereto agree as follows:

1. DEFINITIONS

Certain capitalized terms used in this Agreement are specifically defined herein.

2. BASIC TRANSACTION

2.1. THE MERGER. On and subject to the terms and conditions of this Agreement, the Target Fund will merge with and into the Acquiring Fund (the "Merger") at the Effective Date (as defined in Section 2.3 below) in accordance with the Maryland General Corporation Law ("MGCL"). PGF shall be the surviving investment company. CLM shall cease to exist as a separate investment company.

Each share of CLM will be converted into an equivalent dollar amount (to the nearest one ten-thousandth of one cent) of shares of Common Stock of PGF, with a par value of \$0.001 per share, based on the net asset value per share of each of the Parties at 4:00 p.m. Eastern Time on the business day prior to the Effective Date (the "Valuation Time"). Fractional shares of PGF will be issued to CLM shareholders. The Effective Date and the business day prior to it must each be a day on which the NYSE is open for trading (a "Business Day").

From and after the Effective Date, the Acquiring Company shall possess all of the properties, assets, rights, privileges, powers and shall be subject to all of the restrictions, liabilities, obligations, disabilities and duties of CLM, all as provided under Maryland law.

2.2. ACTIONS AT CLOSING. At the closing of the transactions

## Edgar Filing: PROGRESSIVE RETURN FUND INC - Form N-14 8C

contemplated by this Agreement (the "Closing") on the date thereof (the "Closing Date"), (i) CLM will deliver to PGF the various certificates and documents referred to in Article 7 below, (ii) PGF will deliver to CLM the various certificates and documents referred to in Article 8 below, and (iii) CLM and PGF will file jointly with the State Department of Assessments and Taxation of Maryland (the "Department") articles of merger (the "Articles of Merger") and make all other filings or recordings required by Maryland law in connection with the Merger.

A-1

2.3. EFFECT OF MERGER. Subject to the requisite approvals of the shareholders of the Parties, and to the other terms and conditions described herein, the Merger shall become effective at such time as the Articles of Merger are accepted for record by the Department or at such later time as is specified in the Articles of Merger (the "Effective Date") and the separate corporate existence of CLM shall cease. As promptly as practicable after the Merger, CLM shall delist its shares from the NYSE and its registration under the 1940 Act shall be terminated. Any reporting responsibility of CLM is, and shall remain, the responsibility of CLM up to and including the Effective Date.

### 3. REPRESENTATIONS AND WARRANTIES OF CLM

CLM represents and warrants to PGF that the statements contained in this Article 3 are correct and complete in all material respects as of the execution of this Agreement on the date hereof. CLM represents and warrants to, and agrees with, PGF that:

3.1. ORGANIZATION. CLM is a corporation duly organized, validly existing under the laws of the State of Maryland and is in good standing with the Department, and has the power to own all of its assets and to carry on its business as it is now being conducted and to carry out this Agreement.

3.2. REGISTRATIONS AND QUALIFICATIONS. CLM is duly registered under the 1940 Act as a closed-end, diversified management investment company (File No. 005-39655), and such registration has not been revoked or rescinded and is in full force and effect. CLM has elected and qualified for the special tax treatment afforded regulated investment companies ("RIC") under Sections 851-855 of the Code at all times since its inception. CLM is qualified as a foreign corporation in every jurisdiction where required, except to the extent that failure to so qualify would not have a material adverse effect on CLM.

3.3. REGULATORY CONSENTS AND APPROVALS. No consent, approval, authorization, or order of any court or governmental authority is required for the consummation by CLM of the transactions contemplated herein, except (i) such as have been obtained or applied for under the Securities Act of 1933, as amended (the "1933 Act"), the Securities Exchange Act of 1934 (the "1934 Act"), and the 1940 Act, (ii) such as may be required by state securities laws and (iii) such as may be required under Maryland law for the acceptance for record of the Articles of Merger by the Department.

3.4. NONCONTRAVENTION. CLM is not, and the execution, delivery and performance of this Agreement by CLM will not result in, a violation of the laws of the State of Maryland or of the Articles of Incorporation or the By-laws of CLM, or of any material agreement, indenture, instrument, contract, lease or other undertaking to which CLM is a party or by which it is bound, and the execution, delivery and performance of this Agreement by CLM will not result in the acceleration of any obligation, or the imposition of any penalty, under any

## Edgar Filing: PROGRESSIVE RETURN FUND INC - Form N-14 8C

agreement, indenture, instrument, contract, lease, judgment or decree to which CLM is a party or by which it is bound.

3.5. FINANCIAL STATEMENTS. PGF has been furnished with CLM's Annual Report of Stockholders, as of December 31, 2001, said financial statements having been examined by PricewaterhouseCoopers LLP, independent public auditors. These financial statements are in accordance with generally accepted accounting principles applied on a consistent basis ("GAAP") and present fairly, in all material respects, the financial position of CLM as of such date in accordance with GAAP, and there are no known contingent liabilities of CLM required to be reflected on a balance sheet (including the notes thereto) in accordance with GAAP as of such date not disclosed therein.

PGF has also been furnished with CLM's Semi-Annual Report to Stockholders dated as of June 30, 2001. This financial statement and the schedule of investments are in accordance with GAAP and present fairly, in all material respects, the financial position of CLM as of such date in accordance with GAAP, and there are no known contingent liabilities of CLM required to be reflected on a balance sheet (including the notes thereto) in accordance with GAAP as of such date not disclosed therein.

A-2

3.6. This Section has been left intentionally Blank.

3.7. QUALIFICATION, CORPORATE POWER, AUTHORIZATION OF TRANSACTION. CLM has full power and authority to enter into and perform its obligations under this Agreement. The execution, delivery and performance of this Agreement has been duly authorized by all necessary action of its Board of Directors, and, subject to shareholder approval, this Agreement constitutes a valid and binding contract enforceable in accordance with its terms, subject to the effects of bankruptcy, insolvency, moratorium, fraudulent conveyance and similar laws relating to or affecting creditors' rights generally and court decisions with respect thereto.

3.8. LEGAL COMPLIANCE. No material litigation or administrative proceeding or investigation of or before any court or governmental body is presently pending (in which service of process has been received) or to its knowledge threatened against CLM or any properties or assets held by it. CLM knows of no facts which might form the basis for the institution of such proceedings which would materially and adversely affect its business and is not a party to or subject to the provisions of any order, decree or judgment of any court or governmental body which materially and adversely affects its business or its ability to consummate the transactions herein contemplated.

3.9. MATERIAL CONTRACTS. There are no material contracts outstanding to which CLM is a party that have not been disclosed in the N-14 Registration Statement (as defined in Section 3.13 below) or will not be otherwise disclosed to PGF prior to the Effective Date.

3.10. UNDISCLOSED LIABILITIES. There has not been any material adverse change in CLM's financial condition, assets, liabilities or business and CLM has no known liabilities of a material amount, contingent or otherwise, required to be disclosed in a balance sheet in accordance with GAAP other than those shown on CLM's statements of assets, liabilities and capital referred to above, those incurred in the ordinary course of its business as an investment company, and those incurred in connection with the Merger. Prior to the Effective Date, CLM will advise PGF in writing of all known liabilities,

## Edgar Filing: PROGRESSIVE RETURN FUND INC - Form N-14 8C

contingent or otherwise, whether or not incurred in the ordinary course of business, existing or accrued. For purposes of this Section 3.10, a decline in net asset value per share of CLM due to declines in market values of securities in CLM's portfolio or the discharge of CLM liabilities will not constitute a material adverse change.

3.11. TAX FILINGS. All federal and other tax returns and information reports of CLM required by law to have been filed shall have been filed and are or will be correct in all material respects, and all federal and other taxes shown as due or required to be shown as due on said returns and reports shall have been paid or provision shall have been made for the payment thereof, and, to the best of CLM's knowledge, no such return is currently under audit and no assessment has been asserted with respect to such returns. All tax liabilities of CLM have been adequately provided for on its books, and no tax deficiency or liability of CLM has been asserted and no question with respect thereto has been raised by the Internal Revenue Service or by any state or local tax authority for taxes in excess of those already paid, up to and including the taxable year in which the Effective Date occurs.

3.12. QUALIFICATION UNDER SUBCHAPTER M. For each taxable year of its operation (including the taxable year ending on the Effective Date), CLM has met the requirements of Subchapter M of the Code for qualification as a RIC and has elected to be treated as such, has been eligible to and has computed its federal income tax under Section 852 of the Code, and will have distributed substantially all of its investment company taxable income and net realized capital gain (as defined in the Code) that has accrued through the Effective Date.

A-3

3.13. FORM N-14. The registration statement to be filed by PGF on Form N-14 relating to PGF common stock to be issued pursuant to this Agreement, and any supplement or amendment thereto or to the documents therein, as amended (the "N-14 Registration Statement"), on the effective date of the N-14 Registration Statement, at the time of the shareholders' meetings referred to in Article 6 of this Agreement and at the Effective Date, insofar as it relates to CLM (i) shall have complied or will comply in all material respects with the provisions of the 1933 Act, the 1934 Act and the 1940 Act and the rules and regulations thereunder and (ii) did not or will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading; and the prospectus included therein did not or will not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; provided, however, that the representations and warranties in this Section 3.13 shall only apply to statements in, or omissions from, the N-14 Registration Statement made in reliance upon and in conformity with information furnished by PGF for use in the N-14 Registration Statement.

### 3.14. CAPITALIZATION.

-----  
(a) All issued and outstanding shares of CLM (i) have been offered and sold in compliance in all material respects with applicable registration requirements of the 1933 Act and state securities laws, (ii) are, and on the Effective Date will be, duly and validly issued and outstanding, fully paid and non-assessable, and (iii) will be held at the time of the Closing by the persons and in the amounts set forth in the records of the transfer agent as provided in Section 6.7. CLM does not have outstanding any options, warrants or other rights

## Edgar Filing: PROGRESSIVE RETURN FUND INC - Form N-14 8C

to subscribe for or purchase any of CLM shares, nor is there outstanding any security convertible into, or exchangeable for, any of CLM shares.

(b) CLM is authorized to issue 25,000,000 shares of stock, par value \$0.01 per share, all of which shares are classified as common stock and each outstanding share of which is fully paid, non-assessable and has full voting rights.

3.15. BOOKS AND RECORDS. The books and records of CLM made available to PGF are substantially true and correct and contain no material misstatements or omissions with respect to the operations of CLM.

#### 4. REPRESENTATIONS AND WARRANTIES OF PGF

PGF represents and warrants to CLM that the statements contained in this Article 4 are correct and complete in all material respects as of the execution of this Agreement on the date hereof. PGF represents and warrants to, and agrees with, CLM that:

4.1. ORGANIZATION. PGF is a corporation duly organized, validly existing under the laws of the State of Maryland and is in good standing with the Department, and has the power to own all of its assets and to carry on its business as it is now being conducted and to carry out this Agreement.

4.2. REGISTRATIONS AND QUALIFICATIONS. PGF is duly registered under the 1940 Act as a closed-end, diversified management investment company (File No. 005-40528) and such registration has not been revoked or rescinded and is in full force and effect. PGF has elected and qualified for the special tax treatment afforded RICs under Sections 851-855 of the Code at all times since its inception. PGF is qualified as a foreign corporation in every jurisdiction where required, except to the extent that failure to so qualify would not have a material adverse effect on PGF.

A-4

4.3. REGULATORY CONSENTS AND APPROVALS. No consent, approval, authorization, or order of any court or governmental authority is required for the consummation by PGF of the transactions contemplated herein, except (i) such as have been obtained or applied for under the 1933 Act, the 1934 Act and the 1940 Act, (ii) such as may be required by state securities laws and (iii) such as may be required under Maryland law for the acceptance for record of the Articles of Merger by the Department.

4.4. NONCONTRAVENTION. PGF is not, and the execution, delivery and performance of this Agreement by PGF will not result, in violation of the laws of the State of Maryland or of the Articles of Incorporation or the By-laws of PGF, or of any material agreement, indenture, instrument, contract, lease or other undertaking to which PGF is a party or by which it is bound, and the execution, delivery and performance of this Agreement by PGF will not result in the acceleration of any obligation, or the imposition of any penalty, under any agreement, indenture, instrument, contract, lease, judgment or decree to which PGF is a party or by which it is bound.

4.5. FINANCIAL STATEMENTS. CLM has been furnished with PGF's Annual Report to Stockholders as of December 31, 2002, said financial statements having been examined by PricewaterhouseCoopers LLP, independent public auditors. These financial statements are in accordance with GAAP and present fairly, in all material respects, the financial position of PGF as of such date in accordance



## Edgar Filing: PROGRESSIVE RETURN FUND INC - Form N-14 8C

with GAAP, and there are no known contingent liabilities of PGF required to be reflected on a balance sheet (including the notes thereto) in accordance with GAAP as of such date not disclosed therein.

CLM has been furnished with PGF's Semi-Annual Report to Stockholders dated as of June 30, 2002. This financial statement and schedule of investments are in accordance with GAAP and present fairly, in all material respects the financial position of PGF as of such date in accordance with GAAP, and there are no known contingent liabilities of PGF required to be reflected on a balance sheet (including the notes thereto) in accordance with GAAP as of such date not disclosed therein.

4.6. This Section has been intentionally left blank.

4.7. QUALIFICATION, CORPORATE POWER, AUTHORIZATION OF TRANSACTION. PGF has full power and authority to enter into and perform its obligations under this Agreement. The execution, delivery and performance of this Agreement has been duly authorized by all necessary action of its Board of Directors, and, subject to shareholder approval, this Agreement constitutes a valid and binding contract enforceable in accordance with its terms, subject to the effects of bankruptcy, insolvency, moratorium, fraudulent conveyance and similar laws relating to or affecting creditors' rights generally and court decisions with respect thereto.

4.8. LEGAL COMPLIANCE. No material litigation or administrative proceeding or investigation of or before any court or governmental body is presently pending or to its knowledge threatened against PGF or any properties or assets held by it. PGF knows of no facts which might form the basis for the institution of such proceedings which would materially and adversely affect its business and is not a party to or subject to the provisions of any order, decree or judgment of any court or governmental body which materially and adversely affects its business or its ability to consummate the transactions herein contemplated.

A-5

4.9. MATERIAL CONTRACTS. There are no material contracts outstanding to which PGF is a party that have not been disclosed in the N-14 Registration Statement or will not be otherwise disclosed to CLM prior to the Effective Date.

4.10. UNDISCLOSED LIABILITIES. Since entering into this Agreement, there has not been any material adverse change in PGF's financial condition, assets, liabilities, or business and PGF has no known liabilities of a material amount, contingent or otherwise, required to be disclosed in a balance sheet with GAAP other than those shown on PGF's statements of assets, liabilities and capital referred to above, those incurred in the ordinary course of its business as an investment company since 1989, and those incurred in connection with the Merger. Prior to the Effective Date, PGF will advise CLM in writing of all known liabilities, contingent or otherwise, whether or not incurred in the ordinary course of business, existing or accrued. For purposes of this Section 4.10, a decline in net asset value per share of PGF due to declines in market values of securities in PGF's portfolio or the discharge of PGF liabilities will not constitute a material adverse change.

4.11. TAX FILINGS. All federal and other tax returns and information reports of PGF required by law to have been filed shall have been filed and are or will be correct in all material respects, and all federal and other taxes shown as due or required to be shown as due on said returns and reports shall have been paid or provision shall have been made for the payment thereof, and,

## Edgar Filing: PROGRESSIVE RETURN FUND INC - Form N-14 8C

to the best of PGF's knowledge, no such return is currently under audit and no assessment has been asserted with respect to such returns. All tax liabilities of PGF have been adequately provided for on its books, and no tax deficiency or liability of PGF has been asserted and no question with respect thereto has been raised by the Internal Revenue Service or by any state or local tax authority for taxes in excess of those already paid, up to and including the taxable year in which the Effective Date occurs.

4.12. QUALIFICATION UNDER SUBCHAPTER M. For each taxable year of its operation, PGF has met the requirements of Subchapter M of the Code for qualification as a RIC and has elected to be treated as such, has been eligible to and has computed its federal income tax under Section 852 of the Code, and will have distributed substantially all of its investment company taxable income and net realized capital gain (as defined in the Code) that has accrued through the Effective Date.

4.13. FORM N-14. The N-14 Registration Statement, on the effective date of the N-14 Registration Statement, at the time of the shareholders' meetings referred to in Section 6 of this Agreement and at the Effective Date, insofar as it relates to PGF (i) shall have complied or will comply in all material respects with the provisions of the 1933 Act, the 1934 Act and the 1940 Act and the rules and regulations thereunder and (ii) did not or will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading; and the prospectus included therein did not or will not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; provided, however, that the representations and warranties in this Section 4.13 shall not apply to statements in, or omissions from, the N-14 Registration Statement made in reliance upon and in conformity with information furnished by CLM for use in the N-14 Registration Statement.

### 4.14. CAPITALIZATION.

(a) All issued and outstanding shares of PGF (i) have been offered and sold in compliance in all material respects with applicable registration requirements of the 1933 Act and state securities laws, (ii) are, and on the Effective Date will be, duly and validly issued and outstanding, fully paid and non-assessable, and (iii) will be held at the time of the Closing by the persons and in the amounts set forth in the records of the transfer agent. PGF does not have outstanding any options, warrants or other rights to subscribe for or purchase any of PGF shares, nor is there outstanding any security convertible into, or exchangeable for, any of PGF shares.

A-6

(b) PGF is authorized to issue 100,000,000 shares of stock, par value \$0.001 per share, all of which shares are classified as common stock and each outstanding share of which is fully paid, non-assessable and has full voting rights.

### 4.15. ISSUANCE OF STOCK.

(a) The offer and sale of the shares to be issued pursuant to this Agreement will be in compliance with all applicable federal and state securities laws.

(b) At or prior to the Effective Date, PGF will have obtained any and

## Edgar Filing: PROGRESSIVE RETURN FUND INC - Form N-14 8C

all regulatory, director and shareholder approvals necessary to issue PGF common stock.

4.16. BOOKS AND RECORDS. The books and records of PGF made available to CLM are substantially true and correct and contain no material misstatements or omissions with respect to the operations of PGF.

### 5. CONVERSION TO PGF COMMON STOCK

#### 5.1. CONVERSION.

-----

(a) Subject to the requisite approval of the shareholders of the parties, and the other terms and conditions contained herein, at the Effective Date, each share of common stock of CLM will be converted into an equivalent dollar amount (to the nearest one ten-thousandth of one cent) of shares of PGF common stock, computed based on the net asset value per share of each of the parties at the Valuation Time.

(b) Fractional shares of PGF will be issued to CLM shareholders.

5.2. COMPUTATION OF NET ASSET VALUE. The net asset value per share of the Parties shall be determined as of the Valuation Time, and no formula will be used to adjust the net asset value so determined of either of the parties to take into account differences in realized and unrealized gains and losses. The value of the assets of CLM to be transferred to PGF shall be determined by PGF pursuant to the principles and procedures consistently utilized by PGF in valuing its own assets and determining its own liabilities for purposes of the Merger, which principles and procedures are substantially similar to those employed by CLM when valuing its own assets and determining its own liabilities. Such valuation and determination shall be made by PGF in cooperation with CLM and shall be confirmed in writing by PGF to CLM. The net asset value per share of PGF common stock shall be determined in accordance with such procedures, and PGF shall certify the computations involved.

5.3. ISSUANCE OF PGF COMMON STOCK. PGF shall issue to the shareholders of CLM separate certificates or share deposit receipts for PGF common stock by delivering the certificates or share deposit receipts evidencing ownership of PGF common stock to American Stock Transfer & Trust Co., as the transfer agent and registrar for PGF common stock.

5.4. SURRENDER OF CLM STOCK CERTIFICATES. With respect to any CLM shareholder holding certificates representing shares of the common stock of CLM as of the Effective Date, and subject to PGF being informed thereof in writing by CLM, PGF will not permit such shareholder to receive new certificates evidencing ownership of PGF common stock until such shareholder has surrendered his or her outstanding certificates evidencing ownership of the common stock of CLM or, in the event of lost certificates, posted adequate bond. CLM will request its shareholders to surrender their outstanding certificates representing certificates of the common stock of CLM or post adequate bond therefor. Dividends payable to holders of record of shares of PGF as of any date after the Effective Date and prior to the exchange of certificates by any shareholder of CLM shall be paid to such shareholder, without interest; however, such dividends shall not be paid unless and until such shareholder surrenders his or her stock certificates of CLM for exchange.

A-7

### 6. COVENANTS OF THE PARTIES

## Edgar Filing: PROGRESSIVE RETURN FUND INC - Form N-14 8C

### 6.1. SHAREHOLDERS' MEETINGS.

(a) Each of the parties shall hold a meeting of its respective shareholders for the purpose of considering the Merger as described herein, which meeting has been called by each party for October \_\_, 2002, and any adjournments thereof.

(b) Each of the Parties agrees to mail to each of its respective shareholders of record entitled to vote at the meeting of shareholders at which action is to be considered regarding the Merger, in sufficient time to comply with requirements as to notice thereof, a combined Proxy Statement and Prospectus which complies in all material respects with the applicable provisions of Section 14(a) of the 1934 Act and Section 20(a) of the 1940 Act, and the rules and regulations, respectively, thereunder.

6.2. OPERATIONS IN THE NORMAL COURSE. Each Party covenants to operate its business in the ordinary course between the date hereof and the Effective Date, it being understood that such ordinary course of business will include (i) the declaration and payment of customary dividends and other distributions and (ii) in the case of CLM, preparing for its deregistration, except that the distribution of dividends pursuant to Sections 7.11 and 8.9 of this Agreement shall not be deemed to constitute a breach of the provisions of this Section 6.2.

6.3. ARTICLES OF MERGER. The Parties agree that, as soon as practicable after satisfaction of all conditions to the Merger, they will jointly file executed Articles of Merger with the Department and make all other filings or recordings required by Maryland law in connection with the Merger.

### 6.4. REGULATORY FILINGS.

(a) CLM undertakes that, if the Merger is consummated, it will file, or cause its agents to file, an application pursuant to Section 8(f) of the 1940 Act for an order declaring that CLM has ceased to be a RIC.

(b) PGF will file the N-14 Registration Statement with the SEC and will use its best efforts to ensure that the N-14 Registration Statement becomes effective as promptly as practicable. CLM agrees to cooperate fully with PGF, and will furnish to PGF the information relating to itself to be set forth in the N-14 Registration Statement as required by the 1933 Act, the 1934 Act, the 1940 Act, and the rules and regulations thereunder and the state securities or blue sky laws.

(c) This Section has been intentionally left blank.

6.5. PRESERVATION OF ASSETS. PGF agrees that it has no plan or intention to sell or otherwise dispose of the assets of CLM to be acquired in the Merger, except for dispositions made in the ordinary course of business.

A-8

6.6. TAX MATTERS. Each of the Parties agrees that by the Effective Date all of its federal and other tax returns and reports required to be filed on or before such date shall have been filed and all taxes shown as due on said returns either have been paid or adequate liability reserves have been provided for the payment of such taxes. In connection with this covenant, the Parties agree to cooperate with each other in filing any tax return, amended return or claim for refund, determining a liability for taxes or a right to a refund of

## Edgar Filing: PROGRESSIVE RETURN FUND INC - Form N-14 8C

taxes or participating in or conducting any audit or other proceeding in respect of taxes. PGF agrees to retain for a period of ten (10) years following the Effective Date all returns, schedules and work papers and all material records or other documents relating to tax matters of CLM for its final taxable year and for all prior taxable periods. Any information obtained under this Section 6.6 shall be kept confidential except as otherwise may be necessary in connection with the filing of returns or claims for refund or in conducting an audit or other proceeding. After the Effective Date, PGF shall prepare, or cause its agents to prepare, any federal, state or local tax returns, including any Forms 1099, required to be filed and provided to required persons by CLM with respect to its final taxable years ending with the Effective Date and for any prior periods or taxable years for which the due date for such return has not passed as of the Effective Date and further shall cause such tax returns and Forms 1099 to be duly filed with the appropriate taxing authorities and provided to required persons. Notwithstanding the aforementioned provisions of this Section 6.6, any expenses incurred by PGF (other than for payment of taxes) in excess of any accrual for such expenses by CLM in connection with the preparation and filing of said tax returns and Forms 1099 after the Effective Date shall be borne by PGF.

6.7. SHAREHOLDER LIST. Prior to the Effective Date, CLM shall have made arrangements with its transfer agent to deliver to PGF, a list of the names and addresses of all of the shareholders of record of CLM on the Effective Date and the number of shares of common stock of CLM owned by each such shareholder, certified by CLM's transfer agent or President to the best of their knowledge and belief.

6.8. DELISTING, TERMINATION OF REGISTRATION AS AN INVESTMENT COMPANY. CLM agrees that the (i) delisting of the shares of CLM with the NYSE and (ii) termination of its registration as a RIC will be effected in accordance with applicable law as soon as practicable following the Effective Date.

### 7. CONDITIONS PRECEDENT TO OBLIGATIONS OF PGF

The obligations of PGF hereunder shall be subject to the following conditions:

7.1. APPROVAL OF MERGER. This Agreement shall have been adopted by the affirmative vote of the holders of a majority of the shares of common stock of PGF issued and outstanding and entitled to vote thereon and the affirmative vote of the holders of a majority of the shares of common stock of CLM issued and outstanding and entitled to vote thereon; and CLM shall have delivered to PGF a copy of the resolutions approving this Agreement adopted by its Board of Directors and shareholders, certified by its secretary.

### 7.2. CERTIFICATES AND STATEMENTS BY CLM.

(a) CLM shall have furnished a statement of assets, liabilities and capital, together with a schedule of investments with their respective dates of acquisition and tax costs, certified on its behalf by its President (or any Vice President) and its Treasurer, and a certificate executed by both such officers, dated the Effective Date, certifying that there has been no material adverse change in its financial position since the Agreement was entered into, other than changes in its portfolio securities since that date or changes in the market value of its portfolio securities.

(b) CLM shall have furnished to PGF a certificate signed by its President (or any Vice President), dated the Effective Date, certifying that as of the Effective Dates, all representations and warranties made in this Agreement are true and correct in all material respects as if made at and as of such date and each has complied with all of the agreements and satisfied all of the conditions on its part to be performed or satisfied at or prior to such

dates.

A-9

(c) CLM shall have delivered to PGF a letter from Tait, Weller & Baker, dated the Effective Date, stating that such firm has performed a limited review of the federal, state and local income tax returns for the period ended December 31, 2001, and that based on such limited review, nothing came to their attention which caused them to believe that such returns did not properly reflect, in all material respects, the federal, state and local income taxes of CLM for the period covered thereby; and that for the period from December 31, 2001 to and including the Effective Date and for any taxable year ending upon the Effective Date, such firm has performed a limited review to ascertain the amount of such applicable federal, state and local taxes, and has determined that either such amount has been paid or reserves have been established for payment of such taxes, this review to be based on unaudited financial data; and that based on such limited review, nothing has come to their attention which caused them to believe that the taxes paid or reserves set aside for payment of such taxes were not adequate in all material respects for the satisfaction of federal, state and local taxes for the period from December 31, 2001, to and including the Effective Date and for any taxable year ending upon the Effective Date or that CLM would not continue to qualify as a RIC for federal income tax purposes.

7.3. ABSENCE OF LITIGATION. There shall be no material litigation pending with respect to the matters contemplated by this Agreement.

7.4. LEGAL OPINIONS.  
-----

(a) PGF shall have received an opinion of \_\_\_\_\_, as counsel to CLM, in form and substance reasonably satisfactory to PGF and dated the Effective Date, to the effect that (i) CLM is a corporation duly organized, validly existing under the laws of the State of Maryland and in good standing with the Department; (ii) the Agreement has been duly authorized, executed and delivered by CLM, and, assuming that the N-14 Registration Statement complies with the 1933 Act, 1934 Act and the 1940 Act, constitutes a valid and legally binding obligation of CLM, enforceable in accordance with its terms, except as enforceability may be limited by bankruptcy, insolvency, reorganization or other similar laws pertaining to the enforcement of creditors' rights generally and by equitable principles; (iii) to the best of such counsel's knowledge, no consent, approval, authorization or order of any United States federal or Maryland state court or governmental authority is required for the consummation by CLM of the Merger, except such as may be required under the 1933 Act, the 1934 Act, the 1940 Act, the published rules and regulations of the SEC thereunder and under Maryland law and such as may be required by state securities or blue sky laws; (iv) such counsel does not know of any contracts or other documents with respect to CLM related to the Merger of a character required to be described in the N-14 Registration Statement which are not described therein or, if required to be filed, filed as required; (v) the execution and delivery of this Agreement does not, and the consummation of the Merger will not, violate any material provision of the Articles of Incorporation, as amended, the by-laws, as amended, or any agreement (known to such counsel) to which CLM is a party or by which CLM is bound, except insofar as the parties have agreed to amend such provision as a condition precedent to the Merger; (vi) to the best of such counsel's knowledge, no material suit, action or legal or administrative proceeding is pending or threatened against CLM; and (vii) all corporate actions required to be taken by CLM to authorize this Agreement and to effect the Merger have been duly authorized by all necessary corporate actions on behalf of CLM. Such opinion

## Edgar Filing: PROGRESSIVE RETURN FUND INC - Form N-14 8C

shall also state that (A) while such counsel cannot make any representation as to the accuracy or completeness of statements of fact in the N-14 Registration Statement or any amendment or supplement thereto with respect to CLM, nothing has come to their attention that would lead them to believe that, on the respective effective dates of the N-14 Registration Statement and any amendment or supplement thereto with respect to CLM, (1) the N-14 Registration Statement or any amendment or supplement thereto contained any untrue statement of a material fact or omitted to state any material fact required to be stated therein or necessary to make the statements therein not misleading with respect to CLM, and (2) the prospectus included in the N-14 Registration Statement contained any untrue statement of a material fact or omitted to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading with respect to CLM; provided that such counsel need not express any opinion or belief as to the financial statements, other financial data, statistical data or information relating to the CLM contained or incorporated by reference in the N-14 Registration Statement. In giving the opinion set forth above, \_\_\_\_\_ may state that it is relying on certificates of officers of CLM with regard to matters of fact and certain certificates and written statements of governmental officials with respect to the good standing of CLM and on the opinion of \_\_\_\_\_, as to matters of Maryland law.

A-10

(b) PGF shall have received an opinion from Spitzer & Feldman P.C., as counsel to PGF, dated the Effective Date, to the effect that for federal income tax purposes (i) the Merger as provided in this Agreement will constitute a reorganization within the meaning of Section 368(a)(1)(A) of the Code and that PGF and CLM will each be deemed a "party" to a reorganization within the meaning of Section 368(b) of the Code; (ii) no gain or loss will be recognized to CLM as a result of the Merger or the conversion of CLM shares to PGF common stock; (iii) no gain or loss will be recognized to PGF as a result of the Merger; (iv) in accordance with Section 354(a)(1) of the Code, no gain or loss will be recognized to the shareholders of CLM on the conversion of their shares into PGF common stock; (v) the tax basis of CLM assets in the hands of PGF will be the same as the tax basis of such assets in the hands of CLM prior to the consummation of the Merger; (vi) immediately after the Merger, the tax basis of PGF common stock received by the shareholders of CLM in the Merger will be equal, in the aggregate, to the tax basis of the shares of CLM converted pursuant to the Merger; (vii) a shareholder's holding period for PGF common stock will be determined by including the period for which he or she held the common stock of CLM converted pursuant to the Merger, provided that such CLM shares were held as a capital asset; and (viii) PGF's holding period with respect to CLM assets transferred will include the period for which such assets were held by CLM.

7.5. AUDITOR'S CONSENT AND CERTIFICATION. PGF shall have received from Tait, Weller & Baker a letter dated as of the effective date of the N-14 Registration Statement and a similar letter dated within five days prior to the Effective Date, in form and substance satisfactory to PGF, to the effect that (i) they are independent public auditors with respect to CLM within the meaning of the 1933 Act and the applicable published rules and regulations thereunder; and (ii) in their opinion, the financial statements and supplementary information of CLM included or incorporated by reference in the N-14 Registration Statement and reported on by them comply as to form in all material respects with the applicable accounting requirements of the 1933 Act and the published rules and regulations thereunder.

7.6. LIABILITIES. The assets or liabilities of CLM to be transferred

## Edgar Filing: PROGRESSIVE RETURN FUND INC - Form N-14 8C

to PGF shall not include any assets or liabilities which PGF, by reason of limitations in its Registration Statement or Articles of Incorporation, may not properly acquire or assume. PGF does not anticipate that there will be any such assets or liabilities but PGF will notify CLM if any do exist and will reimburse CLM for any reasonable transaction costs incurred by CLM for the liquidation of such assets and liabilities.

7.7. EFFECTIVENESS OF N-14 REGISTRATION STATEMENT. The N-14 Registration Statement shall have become effective under the 1933 Act and no stop order suspending such effectiveness shall have been instituted or, to the knowledge of PGF, contemplated by the SEC.

A-11

7.8. REGULATORY FILINGS.

- (a) This Section has been intentionally left blank.
- (b) This Section has been intentionally left blank.

7.9. ADMINISTRATIVE RULINGS, PROCEEDINGS. The SEC shall not have issued an unfavorable advisory report under Section 25(b) of the 1940 Act, nor instituted or threatened to institute any proceeding seeking to enjoin consummation of the Merger under Section 25(c) of the 1940 Act; no other legal, administrative or other proceeding shall be instituted or threatened which would materially affect the financial condition of CLM or would prohibit the Merger.

7.10. SATISFACTION OF PROGRESSIVE RETURN FUND, INC. All proceedings taken by CLM and its counsel in connection with the Merger and all documents incidental thereto shall be satisfactory in form and substance to PGF.

7.11. DIVIDENDS. Prior to the Effective Date, CLM shall have declared and paid a dividend or dividends which, together with all such previous dividends, shall have the effect of distributing to its shareholders substantially all of its net investment company taxable income that has accrued through the Effective Date, if any (computed without regard to any deduction of dividends paid), and substantially all of its net capital gain, if any, realized through the Effective Date.

7.12. CUSTODIAN'S CERTIFICATE. CLM's custodian shall have delivered to PGF a certificate identifying all of the assets of CLM held or maintained by such custodian as of the Valuation Time.

7.13. BOOKS AND RECORDS. CLM's transfer agent shall have provided to PGF (i) the originals or true copies of all of the records of CLM in the possession of such transfer agent as of the Exchange Date, (ii) a certificate setting forth the number of shares of CLM outstanding as of the Valuation Time, and (iii) the name and address of each holder of record of any shares and the number of shares held of record by each such shareholder.

8. CONDITIONS PRECEDENT TO THE OBLIGATIONS OF CLM

The obligations of CLM hereunder shall be subject to the following conditions:

8.1. APPROVAL OF MERGER. This Agreement shall have been adopted, by the affirmative vote of the holders of a majority of the shares of Common Stock of CLM issued and outstanding and entitled to vote thereon and the affirmative



## Edgar Filing: PROGRESSIVE RETURN FUND INC - Form N-14 8C

vote of the holders of a majority of the shares of common stock of PGF issued and outstanding and entitled to vote thereon; and that PGF shall have delivered to CLM a copy of the resolutions approving this Agreement adopted by its Board of Directors and shareholders, certified by its secretary.

### 8.2. CERTIFICATES AND STATEMENTS BY PGF.

(a) PGF shall have furnished a statement of assets, liabilities and capital, together with a schedule of investments with their respective dates of acquisition and tax costs, certified on its behalf by its President (or any Vice President) and its Treasurer, and a certificate executed by both such officers, dated the Effective Date, certifying that there has been no material adverse change in its financial position since the Agreement was entered into, other than changes in its portfolio securities since that date or changes in the market value of its portfolio securities.

A-12

(b) PGF shall have furnished to CLM a certificate signed by its President (or any Vice President), dated the Effective Date, certifying that as of the Effective Date, all representations and warranties made in this Agreement are true and correct in all material respects as if made at and as of such date and each has complied with all of the agreements and satisfied all of the conditions on its part to be performed or satisfied at or prior to such dates.

(c) PGF shall have delivered to CLM a letter from Tait, Weller & Baker, dated the Effective Date, stating that such firm has performed a limited review of the federal, state and local income tax returns for the period ended December 31, 2001, and that based on such limited review, nothing came to their attention which caused them to believe that such returns did not properly reflect, in all material respects, the federal, state and local income taxes of PGF for the period covered thereby; and that for the period from December 31, 2001 to and including the Effective Date, such firm has performed a limited review to ascertain the amount of such applicable federal, state and local taxes, and has determined that either such amount has been paid or reserves established for payment of such taxes, this review to be based on unaudited financial data; and that based on such limited review, nothing has come to their attention which caused them to believe that the taxes paid or reserves set aside for payment of such taxes were not adequate in all material respects for the satisfaction of federal, state and local taxes for the period from December 31, 2001, to and including the Effective Date or that PGF would not continue to qualify as a RIC for federal income tax purposes.

8.3. ABSENCE OF LITIGATION. There shall be no material litigation pending with respect to the matters contemplated by this Agreement.

### 8.4. LEGAL OPINIONS.

-----  
(a) CLM shall have received an opinion of \_\_\_\_\_, as counsel to PGF, in form and substance reasonably satisfactory to CLM and dated the Effective Date, to the effect that (i) PGF is a corporation duly organized, validly existing under the laws of the State of Maryland and in good standing with the Department; (ii) the Agreement has been duly authorized, executed and delivered by PGF, and, assuming that the N-14 Registration Statement complies with the 1933 Act, 1934 Act and the 1940 Act, constitutes a valid and legally binding obligation of PGF, enforceable in accordance with its terms, except as enforceability may be limited by bankruptcy, insolvency, reorganization or other similar laws pertaining to the enforcement of creditors' rights generally and by equitable principles; (iii) to the best of such counsel's knowledge, no consent,

## Edgar Filing: PROGRESSIVE RETURN FUND INC - Form N-14 8C

approval, authorization or order of any United States federal or Maryland state court or governmental authority is required for the consummation by PGF of the Merger, except such as may be required under the 1933 Act, the 1934 Act, the 1940 Act and the published rules and regulations of the SEC thereunder and under Maryland law and such as may be required under state securities or blue sky laws; (iv) the N-14 Registration Statement has become effective under the 1933 Act, no stop order suspending the effectiveness of the N-14 Registration Statement has been issued and no proceedings for that purpose have been instituted or are pending or contemplated under the 1933 Act, and, with respect to PGF, the N-14 Registration Statement, and each amendment or supplement thereto, as of their respective effective dates, appear on their face to be appropriately responsive in all material respects to the requirements of the 1933 Act, the 1934 Act and the 1940 Act and the published rules and regulations of the SEC thereunder; (v) such counsel does not know of any statutes, legal or governmental proceedings or contracts with respect to PGF or other documents related to the Merger of a character required to be described in the N-14 Registration Statement which are not described therein or, if required to be filed, filed as required; (vi) the execution and delivery of this Agreement does not, and the consummation of the Merger will not, violate any material provision of the Articles of Incorporation, as amended, the by-laws, as amended, or any agreement (known to such counsel) to which PGF is a party or by which PGF is bound, except insofar as the parties have agreed to amend such provision as a condition precedent to the Merger; (vii) to the best of such counsel's knowledge, no material suit, action or legal or administrative proceeding is pending or threatened against PGF; and (viii) all corporate actions required to be taken by PGF to authorize this Agreement and to effect the Merger have been duly authorized by all necessary corporate actions on behalf of PGF. Such opinion shall also state that (A) while such counsel cannot make any representation as to the accuracy or completeness of statements of fact in the N-14 Registration Statement or any amendment or supplement thereto with respect to PGF, nothing has come to their attention that would lead them to believe that, on the respective effective dates of the N-14 Registration Statement and any amendment or supplement thereto, (1) the N-14 Registration Statement or any amendment or supplement thereto contained any untrue statement of a material fact or omitted to state any material fact required to be stated therein or necessary to make the statements therein not misleading with respect to PGF; and (2) the prospectus included in the N-14 Registration Statement contained any untrue statement of a material fact or omitted to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading with respect to PGF; provided that such counsel need not express any opinion or belief as to the financial statements, other financial data, statistical data or information relating to PGF contained or incorporated by reference in the N-14 Registration Statement. In giving the opinion set forth above, \_\_\_\_\_ may state that it is relying on certificates of officers of PGF with regard to matters of fact and certain certificates and written statements of governmental officials with respect to the good standing of PGF and on the opinion of \_\_\_\_\_ as to matters of Maryland law.

A-13

(b) CLM shall have received an opinion from Spitzer & Feldman P.C. and dated the Effective Date, to the effect that for federal income tax purposes (i) the Merger as provided in this Agreement will constitute a reorganization within the meaning of Section 368(a)(1)(A) of the Code and that PGF and CLM will each be deemed a "party" to a reorganization within the meaning of Section 368(b) of the Code; (ii) no gain or loss will be recognized to CLM as a result of the Merger or on the conversion of CLM shares to PGF common stock; (iii) no

## Edgar Filing: PROGRESSIVE RETURN FUND INC - Form N-14 8C

gain or loss will be recognized to PGF as a result of the Merger; (iv) no gain or loss will be recognized to the shareholders of CLM on the conversion of their shares into PGF common stock; (v) the tax basis of CLM assets in the hands of PGF will be the same as the tax basis of such assets in the hands of CLM prior to the consummation of the Merger; (vi) immediately after the Merger, the tax basis of PGF common stock received by the shareholders of CLM in the Merger will be equal, in the aggregate, to the tax basis of the shares of CLM converted pursuant to the Merger; (vii) a shareholder's holding period for PGF common stock will be determined by including the period for which he or she held the common stock of CLM converted pursuant to the Merger, provided, that such CLM shares were held as a capital asset; and (viii) PGF's holding period with respect to CLM assets transferred will include the period for which such assets were held by CLM.

8.5. AUDITOR'S CONSENT AND CERTIFICATION. CLM shall have received from Tait, Weller & Baker a letter dated as of the effective date of the N-14 Registration Statement and a similar letter dated within five days prior to the Effective Date, in form and substance satisfactory to CLM, to the effect that (i) they are independent public auditors with respect to PGF within the meaning of the 1933 Act and the applicable published rules and regulations thereunder; and (ii) in their opinion, the financial statements and supplementary information of PGF incorporated by reference in the N-14 Registration Statement and reported on by them comply as to form in all material respects with the applicable accounting requirements of the 1933 Act and the published rules and regulations thereunder.

8.6. EFFECTIVENESS OF N-14 REGISTRATION STATEMENT. The N-14 Registration Statement shall have become effective under the 1933 Act and no stop order suspending such effectiveness shall have been instituted or, to the knowledge of CLM, contemplated by the SEC.

A-14

### 8.7. REGULATORY FILINGS.

(a) This Section has been intentionally left blank.

(b) The SEC shall not have issued an unfavorable advisory report under Section 25(b) of the 1940 Act, nor instituted or threatened to institute any proceeding seeking to enjoin consummation of the Merger under Section 25(c) of the 1940 Act; no other legal, administrative or other proceeding shall be instituted or threatened which would materially affect the financial condition of CLM or would prohibit the Merger.

(c) PGF shall have received from any relevant state securities administrator such order or orders as are reasonably necessary or desirable under the 1933 Act, the 1934 Act, the 1940 Act, and any applicable state securities or blue sky laws in connection with the transactions contemplated hereby, and that all such orders shall be in full force and effect.

8.8. SATISFACTION OF CLM. All proceedings taken by PGF and its counsel in connection with the Merger and all documents incidental thereto shall be satisfactory in form and substance to CLM.

8.9. DIVIDENDS. Prior to the Effective Date, PGF shall have declared and paid a dividend or dividends which, together with all such previous dividends, shall have the effect of distributing to its shareholders

## Edgar Filing: PROGRESSIVE RETURN FUND INC - Form N-14 8C

substantially all of its net investment company taxable income that has accrued through the Effective Date, if any (computed without regard to any deduction of dividends paid), and substantially all of its net capital gain, if any, realized through the Effective Date.

### 9. PAYMENT OF EXPENSES

9.1. ALLOCATION. All expenses incurred in connection with the Merger shall be allocated equally between PGF and CLM in the event the Merger is consummated. Such expenses shall include, but not be limited to, all costs related to the preparation and distribution of the N-14 Registration Statement, proxy solicitation expenses, SEC registration fees, and NYSE listing fees. Neither of the Parties owes any broker's or finder's fees in connection with the transactions provided for herein.

### 10. COOPERATION FOLLOWING EFFECTIVE DATE

In case at any time after the Effective Date any further action is necessary to carry out the purposes of this Agreement, each of the Parties will take such further action (including the execution and delivery of such further instruments and documents) as any other Party may reasonably request, all at the sole cost and expense of the requesting Party (unless the requesting Party is entitled to indemnification as described below). CLM acknowledges and agrees that from and after the Effective Date, PGF shall be entitled to possession of all documents, books, records, agreements and financial data of any sort pertaining to CLM.

### 11. INDEMNIFICATION

11.1. CLM. PGF agrees to indemnify and hold harmless CLM and each of CLM's directors and officers from and against any and all losses, claims, damages, liabilities or expenses (including, without limitation, the payment of reasonable legal fees and reasonable costs of investigation) to which jointly and severally, CLM or any of its directors or officers may become subject, insofar as any such loss, claim, damage, liability or expense (or actions with respect thereto) arises out of or is based on any breach by PGF of any of its representations, warranties, covenants or agreements set forth in this Agreement.

A-15

11.2. PGF. CLM agrees to indemnify and hold harmless PGF and each of PGF's directors and officers from and against any and all losses, claims, liabilities or expenses (including, without limitation, the payment of reasonable legal fees and reasonable costs of investigation) to which jointly and severally, PGF or any of its directors or officers may become subject, insofar as any such loss, claim, damage, liability or expense (or actions with respect thereto) arises out of or is based on any breach by CLM of any of its representations, warranties, covenants or agreements set forth in this Agreement.

### 12. TERMINATION, POSTPONEMENT AND WAIVERS

#### 12.1. TERMINATION.

(a) Notwithstanding anything to the contrary in this Agreement, this Agreement may be terminated and the Merger abandoned at any time (whether before or after adoption by the shareholders of each of the Parties) prior to the

## Edgar Filing: PROGRESSIVE RETURN FUND INC - Form N-14 8C

Effective Date, or the Effective Date may be postponed by: (i) mutual agreement of the Parties' Board of Directors; (ii) the Board of Directors of PGF if any of the obligations of CLM set forth in this Agreement has not been fulfilled or waived by such Board or if CLM has made a material and intentional misrepresentation herein or in connection herewith; or (iii) the Board of Directors of CLM if any of the obligations of PGF set forth in this Agreement has not been fulfilled or waived by such Board or if PGF has made a material and intentional misrepresentation herein or in connection herewith.

(b) If the transaction contemplated by this Agreement shall not have been consummated by December 31, 2002, this Agreement automatically shall terminate on that date, unless a later date is mutually agreed to by the Boards of Directors of the Parties.

(c) In the event of termination of this Agreement pursuant to the provisions hereof, the Agreement shall become void and have no further effect, and there shall not be any liability hereunder on the part of either of the parties or their respective directors or officers, except for any such material breach or intentional misrepresentation, as to each of which all remedies at law or in equity of the party adversely affected shall survive.

12.2. WAIVER. At any time prior to the Effective Date, any of the terms or conditions of this Agreement may be waived by the Board of Directors of either CLM or PGF (whichever is entitled to the benefit thereof), if, in the judgment of such Board after consultation with its counsel, such action or waiver will not have a material adverse effect on the benefits intended in this Agreement to the shareholders of their respective fund, on behalf of which such action is taken.

### 12.3. EXPIRATION OF REPRESENTATIONS AND WARRANTIES.

-----

(a) The respective representations and warranties contained in Articles 3 and 4 of this Agreement shall expire with, and be terminated by, the consummation of the Merger, and neither of the Parties nor any of their officers, directors, agents or shareholders shall have any liability with respect to such representations or warranties after the Effective Date. This provision shall not protect any officer, director, agent or shareholder of the Parties against any liability to the entity for which that officer, director, agent or shareholder so acts or to its shareholders to which that officer, director, agent or shareholder would otherwise be subject by reason of willful misfeasance, bad faith, gross negligence, or reckless disregard of the duties in the conduct of such office.

A-16

(b) If any order or orders of the SEC with respect to this Agreement shall be issued prior to the Effective Date and shall impose any terms or conditions which are determined by action of the Boards of Directors of the parties to be acceptable, such terms and conditions shall be binding as if a part of this Agreement without further vote or approval of the shareholders of the parties, unless such terms and conditions shall result in a change in the method of computing the number of shares of PGF Common Stock to be issued pursuant to this Agreement, in which event, unless such terms and conditions shall have been included in the proxy solicitation materials furnished to the shareholders of the parties prior to the meetings at which the Merger shall have been approved, this Agreement shall not be consummated and shall terminate unless the parties call special meetings of shareholders at which such conditions so imposed shall be submitted for approval.

Edgar Filing: PROGRESSIVE RETURN FUND INC - Form N-14 8C

13. MISCELLANEOUS

13.1. TRANSFER RESTRICTION. Pursuant to Rule 145 under the 1933 Act, and in connection with the issuance of any shares to any person who at the time of the Merger is, to its knowledge, an affiliate of a party to the Merger pursuant to Rule 145(c), PGF will cause to be affixed upon the certificate(s) issued to such person (if any) a legend as follows:

THESE SHARES ARE SUBJECT TO RESTRICTIONS ON TRANSFER UNDER THE SECURITIES ACT OF 1933 AND MAY NOT BE SOLD OR OTHERWISE TRANSFERRED EXCEPT TO PROGRESSIVE RETURN FUND, INC. (OR ITS STATUTORY SUCCESSOR) UNLESS (I) A REGISTRATION STATEMENT WITH RESPECT THERETO IS EFFECTIVE UNDER THE SECURITIES ACT OF 1933 OR (II) IN THE OPINION OF COUNSEL REASONABLY SATISFACTORY TO THE FUND, SUCH REGISTRATION IS NOT REQUIRED.

and, further, that stop transfer instructions will be issued to PGF's transfer agent with respect to such shares. CLM will provide PGF on the Effective Date with the name of any CLM Shareholder who is to the knowledge of CLM an affiliate of it on such date.

13.2. MATERIAL PROVISIONS. All covenants, agreements, representations and warranties made under this Agreement and any certificates delivered pursuant to this Agreement shall be deemed to have been material and relied upon by each of the parties, notwithstanding any investigation made by them or on their behalf.

13.3. NOTICES. All notices, requests, demands, claims, and other communications hereunder will be in writing. Any notice, request, demand, claim or other communication hereunder shall be deemed duly given if (and then two business days after) it is sent by registered or certified mail, return receipt requested, postage prepaid, and addressed to the intended recipient as set forth below:

If to CLM:

Ralph Bradshaw, President  
C/o Bear Stearns Funds Management Inc.  
Cornerstone Strategic Value Fund, Inc.  
383 Madison Avenue  
New York, New York 10179

With copies to:

Thomas R. Westle, Esq.  
Spitzer & Feldman P.C.  
405 Park Avenue, 6th Floor  
New York, New York 10022

A-17

If to PGF:

Ralph Bradshaw, President  
C/o Bear Stearns Funds Management Inc.  
Progressive Return Fund, Inc.  
383 Madison Avenue  
New York, New York 10179

With copies to:

Thomas R. Westle, Esq.  
Spitzer & Feldman P.C.  
405 Park Avenue, 6th Floor

Edgar Filing: PROGRESSIVE RETURN FUND INC - Form N-14 8C

New York, New York 10022

Any Party may send any notice, request, demand, claim or other communication hereunder to the intended recipient at the address set forth above using any other means (including personal delivery, expedited courier, messenger service, telecopy, telex, ordinary mail, or electronic mail), but no such notice, request, demand, claim, or other communication shall be deemed to have been duly given unless and until it actually is received by the intended recipient. Any Party may change the address to which notices, requests, demands, claims and other communications hereunder are to be delivered by giving the other Parties notice in the manner herein set forth.

13.4. AMENDMENTS. This Agreement may be amended, modified or supplemented in such manner as may be mutually agreed upon in writing by the authorized officers of CLM and PGF; provided, however, that following the meeting of CLM and PGF shareholders to approve the Merger, no such amendment may have the effect of changing the provisions for determining the number of PGF shares to be issued to CLM shareholders under this Agreement to the detriment of such shareholders without their further approval.

13.5. HEADINGS. The Article headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

13.6. COUNTERPARTS. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original.

13.7. ENFORCEABILITY. Any term or provision of this Agreement that is invalid or unenforceable in any situation in any jurisdiction shall not affect the validity or enforceability of the remaining terms and provisions hereof or the validity or enforceability of the offending term or provision in any other situation or in any other jurisdiction.

13.8. SUCCESSORS AND ASSIGNS. This Agreement shall bind and inure to the benefit of the parties hereto and their respective successors and assigns, but no assignment or transfer hereof or of any rights or obligations hereunder shall be made by any party without the written consent of the other party. Nothing herein expressed or implied is intended or shall be construed to confer upon or give any person, firm or corporation, other than the parties hereto and the shareholders of the Parties and their respective successors and assigns, any rights or remedies under or by reason of this Agreement.

13.9. GOVERNING LAW. This Agreement shall be governed by, and construed and enforced in accordance with the laws of the State of Maryland, without regard to its principles of conflicts of law.

A-18

IN WITNESS WHEREOF, each of the Parties hereto has caused this Agreement to be executed by its President or Vice President.

PROGRESSIVE RETURN FUND, INC.

By: \_\_\_\_\_  
Name: Ralph Bradshaw

Edgar Filing: PROGRESSIVE RETURN FUND INC - Form N-14 8C

Title: President

CORNERSTONE STRATEGIC VALUE FUND, INC.

By: \_\_\_\_\_  
Name: Ralph Bradshaw  
Title: President

A-19

EXHIBIT B-1

PROXY CARD  
FORM OF PROXY CARD

PROGRESSIVE RETURN FUND, INC.

The undersigned stockholder of Progressive Return 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 Special Meeting of Stockholders of the Fund to be held on \_\_\_\_\_, October \_\_, 2002 at \_\_\_\_ a.m., New York time, at the offices of Bear Stearns Funds Management Inc., 383 Madison Avenue, 23rd Floor, Conference Room \_\_, New York, New York 10179, 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 approval of the plan of merger; (b) the amendment to the Articles of Incorporation; and (c) the consideration and vote of such other matters as may properly come before the Special Meeting of Stockholders 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 Special Meeting of Stockholders.

-----  
THIS PROXY IS SOLICITED ON BEHALF OF PROGRESSIVE RETURN FUND, INC.'S  
BOARD OF DIRECTORS FOR THE SPECIAL MEETING OF STOCKHOLDERS TO BE HELD ON

OCTOBER \_\_, 2002

(To be dated and signed on reverse side)



Edgar Filing: PROGRESSIVE RETURN FUND INC - Form N-14 8C

B1-1

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

PLEASE MARK YOUR VOTES AS IN THIS EXAMPLE:

-----  
X  
-----

-----  
1. To approve the Merger Agreement and Plan of Reorganization:

FOR  
[ ]

WITHHELD  
[ ]

2. In the event that Proposal 1 is approved, then to amend the Certificate of Incorporation to change the name of the Fund from "Progressive Return Fund, Inc." to "Progressive Total Return Fund, Inc.:

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.

B1-2

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 Special Meeting of Stockholders 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 Special Meeting of Stockholders 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

Edgar Filing: PROGRESSIVE RETURN FUND INC - Form N-14 8C

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.

B1-3

EXHIBIT B-2

PROXY CARD

FORM OF PROXY CARD

CORNERSTONE STRATEGIC VALUE FUND, INC.

The undersigned stockholder of Cornerstone 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 \_\_\_\_\_, October \_\_, 2002 at \_\_\_ a.m., New York time, at the offices of Bear Stearns Funds Management Inc., 383 Madison Avenue, 13th Floor, Conference Room 301, New York, New York 10179, 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 merger of CRF with and into Progressive Return Fund, Inc.; (b) the election of two Class I Directors; (c) the ratification of the selection by the Board of Directors of the Fund's independent accountants; (d) the consideration and vote on the stockholder proposal to open-end the Fund; and (e) the consideration and vote of such other matters as may properly come before the Annual Meeting of Stockholders or any adjournment thereof. If no such specification is made, the undersigned will vote FOR proposals 1, 2 and 3 set forth above, vote AGAINST proposal 4, and will vote in their discretion with respect to such other matters as may properly come before the Annual Meeting of Stockholders.

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

October \_\_, 2002

(To be dated and signed on reverse side)

Edgar Filing: PROGRESSIVE RETURN FUND INC - Form N-14 8C

B2-1

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

PLEASE MARK YOUR VOTES AS IN THIS EXAMPLE:

-----  
X  
-----

- 
1. To approve the proposed merger of the Fund with and into Progressive Return Fund, Inc.:

FOR	AGAINST	ABSTAIN
[ ]	[ ]	[ ]

In the event that Proposal 1 is not approved by the stockholders of CLM, then the CLM Stockholders will be asked to vote on the following:

2. To elect two (2) Class I Directors:
- |                 |     |          |
|-----------------|-----|----------|
| Edwin Meese III | FOR | WITHHELD |
|                 | [ ] | [ ]      |

Ralph W. Bradshaw

	[ ]	[ ]
--	-----	-----

3. To ratify the selection by the Board of Directors of Tait, Weller & Baker as the Fund's independent accountants for the year ending December 31, 2002:

FOR	AGAINST	ABSTAIN
[ ]	[ ]	[ ]

4. To consider and vote upon the stockholder proposal to open-end the Fund:

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.

B2-2

THIS PROXY, WHEN PROPERLY EXECUTED, WILL BE VOTED IN THE MANNER DIRECTED HEREIN BY THE STOCKHOLDER.

Your proxy is important to assure a quorum at the Annual Meeting of Stockholders 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 of Stockholders and vote in person.

Edgar Filing: PROGRESSIVE RETURN FUND INC - Form N-14 8C

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.

B2-3