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STERLING CAPITAL CORP  
Form N-CSR  
March 08, 2004

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

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF REGISTERED  
MANAGEMENT INVESTMENT COMPANIES

Investment Company Act file number: 811-1537

STERLING CAPITAL CORPORATION  
(Exact name of registrant as specified in charter)

635 Madison Avenue New York, NY  
(Address of principal executive offices)

10022  
(Zip code)

(Name and address of agent for service)

Registrant's telephone number, including area code: (212) 980-3360

Date of fiscal year end: 12/31/2003

Date of reporting period: 12/31/2003

Item 1. Reports to Stockholders.

The Registrant's annual report transmitted to shareholders pursuant to Rule 30e-1 under the Investment Company Act of 1940 is as follows:

STERLING CAPITAL CORPORATION  
635 Madison Avenue  
New York, N.Y. 10022

February 20, 2004

To our Shareholders:

We enclose a report of our Corporation's operations for the year ended December 31, 2003. The net asset value per share of the Corporation's Common Stock as at December 31, 2003 was \$7.20, as compared with its net asset value at December 31, 2002 of \$6.37 per share. As at February 18, 2004 the unaudited net

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asset value per share was approximately \$7.34.

As at December 31, 2003 and February 18, 2004 the closing sales price for shares of the Corporation's Common Stock on the American Stock Exchange was \$5.35 and \$5.50, respectively. Thus, as at December 31, 2003 and February 18, 2004 the market price for the Corporation's shares represented discounts of approximately 26% and 25%, respectively, from the Corporation's net asset values at such dates.

Certain of the Corporation's officers and directors and their associates may from time to time add to their investments in the Corporation's Common Stock by open market purchases or in private transactions. Officers and directors of the Corporation currently own beneficially, directly or indirectly, an aggregate of 1,977,396 shares (79.1% of the outstanding shares) of the Corporation's capital stock, not including 101,000 shares (4.04% of the Corporation's outstanding shares) owned by certain associates of such persons with respect to which such officers and directors disclaim any beneficial interest.

Very truly yours,

/s/ Wayne S. Reisner

-----  
Wayne S. Reisner  
President

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors of  
Sterling Capital Corporation:

We have audited the statement of assets and liabilities of Sterling Capital Corporation, including the schedule of investments, as of December 31, 2003, and the related statement of operations for the year then ended, the statements of changes in net assets for each of the two years in the period then ended, and the financial highlights for each of the five years in the period then ended. These financial statements and financial highlights are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned as of December 31, 2003, by correspondence with the custodian and brokers. An audit also includes assessing the accounting principles used and

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significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of Sterling Capital Corporation as of December 31, 2003, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended, and the financial highlights for each of the five years in the period then ended, in conformity with accounting principles generally accepted in the United States of America.

TARDINO TOCCI & GOLDSTEIN LLP

New York, New York  
February 20, 2004

### STERLING CAPITAL CORPORATION SCHEDULE OF INVESTMENTS December 31, 2003

	Number of Shares -----	Market Value (Note A) -----
Common & Preferred Stocks - 57.85% of net assets		
Technology -16.14%		
Falconstor Software Inc.* .....	271,350	\$2,371,599
Cisco Systems Inc.* .....	9,000	218,070
Check Point Software Technologies * .....	10,000	168,600
Advanced Micro Devices, Inc. * .....	10,000	149,000
		-----
		\$2,907,269
		-----
Financial Services -11.36%		
J.P. Morgan Chase & Co .....	10,000	\$ 367,300
KeyCorp .....	10,000	293,200
Travelers Ppty Casualty Cl A .....	17,000	285,260
MetLife Inc. ....	8,000	269,360
Allstate Corp. ....	6,000	258,120
Wilmington Trust Corp. ....	7,000	252,000
Mellon Financial Corp. ....	5,000	160,550
Merrill Lynch Strides 7% Conv .....	6,000	160,500
		-----
		\$2,046,290
		-----
Real Estate and Real Estate Investment Trusts - 9.62%		
Camden Property Trust .....	12,600	\$ 558,180
Equity Residential .....	11,950	352,645
Equity Office Properties Trust .....	10,000	286,500

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Aqli Residential Properties Trust .....	9,000	241,200
St. Joe Co. ....	6,000	223,740
Equity Residential 9.125% Pfd C .....	2,500	69,325
		-----
		\$1,731,590
		-----

\* Non-income producing security

The accompanying notes are an integral part of these statements

STERLING CAPITAL CORPORATION  
SCHEDULE OF INVESTMENTS - continued  
December 31, 2003

	Number of Shares	Market Value (Note A)
	-----	-----
Consumer Goods - 5.03%		
Conagra Inc. ....	10,000	\$263,900
Newell Rubbermaid Inc. ....	10,000	227,700
Sara Lee Corp. ....	10,000	217,100
Black & Decker Corp. ....	4,000	197,280
		-----
		\$905,980
		-----
Industrial and Business Services - 3.70%		
Honeywell International Inc. ....	10,500	\$351,015
Koninklijke Philips Electronics NV Holdings ....	10,838	315,277
		-----
		\$666,292
		-----
Healthcare - 3.34%		
Pfizer Inc. ....	10,000	\$353,300
Merck & Co. ....	4,000	184,800
Rhone Poulenc 8.125% Pfd. ....	2,500	63,350
		-----
		\$601,450
		-----
Energy - 2.93%		
Marathon Oil Corp. ....	10,000	\$330,900
ConocoPhillips .....	3,000	196,710
		-----
		\$527,610
		-----
Telecommunication and Media - 2.38%		
Verizon Communications .....	8,560	\$300,285
Nokia Corp ADR .....	7,500	127,500
		-----

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\$427,785  
-----

Materials- 1.27%

Du Pont E I De Nemours & Co. .... 5,000 \$229,450  
-----

\* Non-income producing security

The accompanying notes are an integral part of these statements

STERLING CAPITAL CORPORATION  
SCHEDULE OF INVESTMENTS - continued  
December 31, 2003

	Number of Shares	Market Value (Note A)
Retail - 1.13%		
May Department Stores .....	7,000	\$ 203,490 -----
Automotive & Transportation Services - 0.95%		
Ryder System Inc. ....	5,000	\$ 170,750 -----
Total common and preferred stocks (cost \$7,665,181)		\$10,417,956 -----
Total Investments (cost \$7,665,181) .....		\$10,417,956 =====

\* Non-income producing security

The accompanying notes are an integral part of these statements

STERLING CAPITAL CORPORATION  
STATEMENT OF ASSETS AND LIABILITIES  
December 31, 2003

ASSETS

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Investment in securities, at value (identified cost \$7,665,181) (Note A) .....	\$ 10,417,956
Cash.....	7,652,423
Investment in real estate (cost \$100,000) (Note A) ...	50,000
Receivables:	
Dividends and interest .....	31,319
Other .....	3,083
Prepaid Insurance .....	2,917
	-----
Total assets	\$ 18,157,698
	-----

LIABILITIES

Payables:	
Investment Securities Purchased .....	\$ 84,950
Accrued expenses and other liabilities .....	65,494
	-----
Total liabilities .....	\$ 150,444
	-----

NET ASSETS

Common Stock, authorized 10,000,000 shares, outstanding 2,500,000 shares, \$1 par value each ..	\$ 2,500,000
Paid-in capital.....	17,701,668
Excess of distributions over accumulated net investment loss	(6,717,855)
Excess of net realized gain on investments over distribution	1,820,668
Net unrealized appreciation on investments .....	2,702,773
	-----
Net assets.....	\$ 18,007,254
	=====
Net assets per outstanding share .....	\$ 7.20
	=====

The accompanying notes are an integral part of these statements

STERLING CAPITAL CORPORATION  
STATEMENT OF OPERATIONS  
For the year ended December 31, 2003

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Investment income:	
Dividends .....	\$ 291,666
Interest.....	17,401
	-----
Total investment income .....	\$ 309,067
	-----
Expenses (Notes C and D):	
Officers' salaries .....	\$ 153,667
Directors' fees and expenses .....	62,101
Legal, audit and professional fees .....	42,098
Payroll taxes, fees and employee benefits .....	30,513
Office salaries.....	26,349
Rent and Electric.....	25,219
Equipment rentals.....	24,499
Transfer agent and registrar fees .....	22,975
Custodian fees and expenses .....	17,319
American Stock Exchange listing fee .....	15,000
Insurance.....	8,269
Miscellaneous.....	7,460
Federal, state and local taxes .....	2,777
	-----
Total expenses .....	\$ 438,246
	-----
Net investment loss .....	\$(129,179)
	-----

(continued)

The accompanying notes are an integral part of these statements

STERLING CAPITAL CORPORATION  
STATEMENT OF OPERATIONS-continued  
For the year ended December 31, 2003

Net investment loss (from previous page) .....	\$ (129,179)
	-----
Net gain (loss) on investments (Notes A and B):	
Realized loss from securities transactions:	
Proceeds from sales .....	7,828,112
Cost of securities sold .....	9,228,796
	-----
Net realized loss .....	(1,400,684)
	-----

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Unrealized appreciation (depreciation) on investments:	
Beginning of period .....	(906,286)
End of period.....	2,702,773
	-----
Net increase in unrealized appreciation .....	3,609,059
	-----
Net realized loss and unrealized gain on investments ....	2,208,375
	-----
Net increase in net assets resulting from operations ....	\$ 2,079,196
	=====

The accompanying notes are an integral part of these statements

STERLING CAPITAL CORPORATION  
STATEMENT OF CHANGES IN NET ASSETS  
For the years ended December 31, 2003 and 2002

	Year ended	
	December 31, 2003	December 31, 2002
	-----	-----
From investment activities:		
Net investment income (loss) .....	\$ (129,179)	\$ 13,015
Net realized gain (loss) from securities transactions	(1,400,684)	15,966
Net increase (decrease) in unrealized appreciation ...	3,609,059	(4,219,968)
	-----	-----
Increase (Decrease) in net assets derived from		
investment activities .....	2,079,196	(4,190,987)
Distributions to shareholders .....	--	(120,000)
Net Assets:		
Beginning of year .....	15,928,058	20,239,045
	-----	-----
End of year .....	\$ 18,007,254	\$ 15,928,058
	=====	=====

The accompanying notes are an integral part of these statements



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STERLING CAPITAL CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2003

### Note A - Significant Accounting Policies

Sterling Capital Corporation (the "Corporation") (formerly known as The Value Line Development Capital Corporation) is registered under the Investment Company Act of 1940, as amended (the "Act"), and is a diversified, closed-end investment company. The Corporation operates exclusively as an internally managed investment company whereby its own officers and employees, under the general supervision of its Board of Directors, conduct its operations. The following is a summary of significant accounting policies consistently followed, in all material respects, by the Corporation in the preparation of its financial statements. The policies are in conformity with accounting principles generally accepted in the United States of America.

#### (1) Security Valuation

Investments in securities traded on a national securities exchange (or reported on the NASDAQ national market) are valued at the last reported sales price on the day of valuation; other securities traded in the over-the-counter market and listed securities for which no sale was reported on that date are valued at the last quoted bid price, except for short positions and call options written, for which the last quoted asked price is used. Investments in real estate are valued at fair value as determined by the Board of Directors.

#### (2) Federal Income Taxes

The Corporation's policy is to comply with the requirements of the Internal Revenue Code of 1986, as amended (the "Code") that are applicable to regulated investment companies and to distribute substantially all its taxable income to its shareholders.

The Corporation for the fiscal year ending December 31, 2003 was a "personal holding company" under the Code, since five or fewer shareholders own directly or indirectly more than 50% in value of the Corporation's outstanding stock, and more than 60% of the Corporation's adjusted ordinary income was "personal holding company income". As a personal holding company, the Corporation will be subject to penalty taxes unless it distributes to its shareholders an amount at least equal to its otherwise undistributed personal holding company income, net of appropriate deductions applicable thereto. The Corporation did not have any undistributed personal holding company income for the year ended December 31, 2003. Personal holding company income does not include the excess, if any, of net realized long-term capital gains over net realized short-term capital losses, less any Federal income tax attributable to such excess. The Corporation has considered methods of minimizing the possible tax impact of being a personal holding company, and if appropriate, will make sufficient distributions to shareholders so that the Corporation will not be subject to such penalty tax.

At December 31, 2003, the Corporation had a net capital loss carryforward, which may be used to offset future capital gains, of \$1,400,684.

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STERLING CAPITAL CORPORATION  
 NOTES TO FINANCIAL STATEMENTS  
 December 31, 2003

(3) Securities Transactions Valuation

Securities transactions are accounted for on the date the securities are purchased or sold (trade date), dividend income is recorded on the ex-dividend date and interest income is accrued as earned. Gains and losses from securities transactions were computed on the identified cost basis.

(4) Distributions to Shareholders

Dividends to shareholders are recorded on the dividend declaration date.

5) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

Note B - Securities Transactions

The following summarizes all securities transactions by the Corporation for the year ended December 31, 2003:

Purchases .....	\$4,303,725
Sales .....	\$9,228,796

Net realized loss and unrealized gain on investments for the year ended December 31, 2003 was \$2,208,375. This amount represents the net increase in value of investments held during the period. The components are as follows:

Long transactions .....	\$2,208,375
Net realized loss and unrealized gain on investments ...	\$2,208,375
	=====

As of December 31, 2003, gross unrealized appreciation and (depreciation) of the corporation's securities portfolio were as follows:

Unrealized appreciation .....	\$2,825,112
Unrealized depreciation .....	(122,339)
Net unrealized appreciation .....	\$2,702,773
	=====

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STERLING CAPITAL CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2003

Note C - Rent

The Corporation sublets a portion of office space at 635 Madison Avenue, New York, NY, from Windy Gates Corporation ("Windy Gates"), a corporation controlled by Walter Scheuer, the Chairman of the Board of Directors and principal shareholder of the Corporation. The term of the Windy Gates lease expires on June 30, 2004. The term of the sublease to the Corporation expires on June 30, 2004. The annual rental obligation of these premises is being allocated between the Corporation and Windy Gates on the basis of each such party's use of this space. The Corporation's current net annual rent expense for this space is approximately \$25,000.

Note D - Other Transactions with Affiliates

Aggregate remuneration paid or accrued by the Corporation for the year ended December 31, 2003 to certain persons who were "affiliated persons" within the meaning of the Act, was as follows:

Officers' salaries .....	\$153,667
Directors' fees .....	60,000

Incident to the sublease arrangements for office space at 635 Madison Avenue referred to in Note C above, Mr. Scheuer and the Corporation, have allocated certain of the expenses incurred in connection with each of such party's use of various services located thereat, including office equipment and secretarial, administrative and internal accounting personnel. For the year ended December 31, 2003, Mr. Scheuer and the Corporation paid or accrued approximately \$357,000 and \$44,000, respectively, in connection with the allocation of expenses incurred with respect to the use of such services. In addition, during the period certain persons who are also officers of the Corporation rendered services to Mr. Scheuer personally for which they received compensation from Mr. Scheuer.

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Selected data for each share of capital stock outstanding throughout each year:

	Year Ended December 31			
	2003	2002	2001	2000
	----	----	----	----
Investment income .....	\$.12	\$.20	\$.29	\$.30
Expenses .....	.17	.20	.19	.21
	----	----	----	----
Net investment income (loss).....	(.05)	-	.10	.09
Distributions of net realized capital gains .....	-	(.03)	(.43)	(.51)
Distributions of net investment income	-	(.01)	(.13)	(.08)
Net realized gain (loss)and increase (decrease)in unrealized appreciation.....	.88	(1.69)	.14	(.05)
	----	----	----	----
Net increase (decrease) in net asset value	.83	(1.73)	(.32)	(.55)
Net asset value:				
Beginning of period .....	6.37	8.10	8.42	8.97
	----	----	----	----
End of period.....	\$7.20	\$6.37	\$8.10	\$8.42
	=====	=====	=====	=====
Ratio of expenses to average net assets .	2.7%	2.7%	2.2%	2.4%
Ratio of net investment income (loss) to average net assets .....	(.8)%	.1%	1.2%	1.0%
Portfolio turnover .....	47%	30%	38%	49%
Number of shares outstanding at end of year (in 000's) .....	2,500	2,500	2,500	2,500

See Report of Independent Registered Public Accounting Firm

Supplemental Information (Unaudited)

The Directors and Officers of the Corporation, their ages and positions with the Corporation, and their principal occupations during the past five years are as follows:

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Independent Directors

Name, Address* and Age	Positions Held with the Corporation	Term of Office** and Length of Time Served	Principal Occupation(s) During Past 5 Years	Num Portfoli Complex by Dir
Jay Eliasberg 84	Director	Director since 1980	Private Investor (1)	
Arthur P. Floor 79	Director	Director since 1980	Energy Consultant (2)	
Nathan Kingsley 77	Director	Director since 1984	President, Total Communications International, a media consulting firm (3)	
Archer Scherl 72	Director	Director since 1994	Private Investor (4)	

\* The address of each of te directors is c/o Sterling Capital Corporation, 635 Madison Avenue, New York, New York 10022.

\*\* Each director serves for a term of one year and until his successor is duly elected and qualified.

\*\*\* The Corporation is the only investment company overseen by the directors.

(1) Mr. Eliasberg has been a private investor for more than the past five years.

(2) Mr. Floor has held his present position for more than the past five years.

(3) Mr. Kingsley has held his present position for more than the past five years.

(4) Mr. Scherl has been a private investor for more than the past five syears.

Interested Director and Officers

Name,	Positions Held	Term of Office** and	Principal	Numbe Portfolios
-------	----------------	-------------------------	-----------	---------------------

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Address* and Age	with the Corporation	Length of Time Served	Occupation(s) During Past 5 Years	Complex O by Direc
Walter Scheuer**** 81	Chairman of the Board	Director since 1980	Private Investor and Chairman of the Board of the Corporation (1)	
Wayne S. Reisner 53	President	(2)	(2)	N
Michael Carey 37	Vice President, Secretary and Treasurer	(3)	(3)	N

- \* The address of each of the directors is c/o Sterling Capital Corporation, 635 Madison Avenue, New York, New York 10022.
- \*\* Each director serves for a term of one year and until his successor is duly elected and qualified.
- \*\*\* The Corporation is the only investment company overseen by the director.
- \*\*\*\* Mr. Scheuer, who is the controlling shareholder of the Corporation, may be deemed an "interested person" of the Corporation as that term is defined in Section 2(a)(19) of the Investment Company Act of 1940, as amended (the "1940 Act").

- (1) Mr. Scheuer has held his present position with the Corporation since October 28, 1980. From March 1989 until June 2002, Mr. Scheuer was the controlling shareholder of Manchester Capital Corporation ("Manchester"), an investment adviser registered under the Investment Advisers Act of 1940, as amended. In June 2002 Manchester sold substantially all of its assets and changed its name to Winterset Management Corp. ("Winterset").
- (2) Mr. Reisner has been President since March 15, 1993. Mr. Reisner was Executive Vice President of the Corporation from July 1988 to March 1993 and was Vice President from November 1985 to July 1988. Mr. Reisner has been employed by the Corporation since August 1985. Mr. Reisner also has been a Vice President and a Director of Windy Gates since March 15, 1993. Mr. Reisner has been a Director and President of Winterset since December 9, 1988 and March 1, 1989, respectively. Mr. Reisner has been a director of Carret and Company LLC since June 2002.
- (3) Mr. Carey has been Vice President since July 27, 1999. Mr. Carey has been Secretary and Treasurer of the Corporation since September 30, 2002 and October 29, 1997, respectively. Mr. Carey has been employed by the Corporation since February 1995.

### Proxy Voting Policies and Procedures

The policies and procedures used by the Corporation to determine how to vote proxies relating to portfolio securities are available without charge, upon request, by calling toll free 1-800-949-3456.

### Non-Fundamental Investment Policy

On December 16, 2003, the Board of Directors of the Corporation revised the non-fundamental investment policy of the Corporation to permit a greater

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percentage of the Corporation's assets to be invested in securities of other registered investment companies. The Corporation may now invest in securities of other investment companies to the extent permitted by the Investment Company Act of 1940, as amended.

STERLING CAPITAL CORPORATION  
Report for the Year Ended December 31, 2003

OFFICERS

Walter Scheuer ..... Chairman of the Board of Directors  
Wayne S. Reisner ..... President  
Michael Carey ..... Vice President, Secretary and Treasurer

DIRECTORS

Jay Eliasberg (1) Nathan Kingsley (1)  
Arthur P. Floor (1) Archer Scherl (1)  
Walter Scheuer

Transfer Agent and Registrar

Custodian

Registrar and Transfer Company  
10 Commerce Drive  
Cranford, New Jersey 07016

Citibank, N.A.  
120 Broadway  
New York, New York 10271

Auditors

General Counsel

Tardino Tocci & Goldstein LLP  
The Chanin Building  
122 East 42nd Street Suite 1518  
New York, New York 10168

Skadden, Arps,  
Slate, Meagher & Flom LLP  
Four Times Square  
New York, New York 10036

(1) Member of the Audit Committee

Item 2. Code of Ethics.

- (a) The Registrant has adopted a code of ethics that applies to its principal executive officer, principal financial officer and principal accounting officer or controller or persons performing similar

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functions.

- (b) Not applicable.
- (c) The Registrant has not amended its code of ethics during the period covered by the report in Item 1 above.
- (d) The Registrant has not granted a waiver or implicit waiver from a provision of its code of ethics during the period covered by the report in Item 1 above.
- (e) Not applicable.
- (f) A copy of the Registrant's code of ethics is filed as an exhibit pursuant to Item 10(a)(1) of this Form N-CSR.

### Item 3. Audit Committee Financial Expert.

The Registrant's board of directors has determined that Archer Scherl, an "independent" director, qualifies as the audit committee financial expert, as defined in Item 3 of Form N-CSR.

### Item 4. Principal Accountant Fees and Services.

(a)-(d) Aggregate fees billed to the registrant for the last two fiscal years for professional services rendered by the registrant's principal accountant were as follows:

	2003 -----	2002 -----
Audit Fees	\$23,000	\$19,500
Tax Fees	2,000	1,500

(e) (1) The registrant's audit committee has adopted policies and procedures with regard to the pre-approval of audit, audit-related and tax compliance services provided by the registrant's principal accountant on an annual basis. Certain non-audit services provided to the registrant, if required, will also be subject to pre-approval by the audit committee. (2) No services included in (b) through (d) of this Item were approved by the audit committee pursuant to paragraph (c) (7) (i) (C) of Rule 2-01 of Regulation S-X.

- (f) Not applicable.
- (g) Not applicable.
- (h) Not applicable.

### Item 5. Audit Committee of Listed Registrants.

The Registrant has a separately designated standing audit committee established in accordance with Section 3(a)(58)(A) of the Exchange Act. The audit committee members are Archer Scherl, Jay Eliasberg, Arthur Floor, and Nathan Kingsley.



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Item 6. [Reserved.]

Item 7. Disclosure of Proxy Voting Policies and Procedures for Closed-End Management Investment Companies.

The Registrant's proxy voting policies and procedures that it uses to determine how to vote proxies' relating to portfolio securities is as follows:

Sterling Capital Corporation (the "Company") is uniquely structured as an internally managed closed-end investment company. Our research efforts, including the receipt and analysis of proxy material, are focused on the securities in the Company's portfolio, as well as alternative investment opportunities. We vote proxies relating to our portfolio securities in the best long-term interests of the Company.

Our investment approach stresses fundamental security analysis, which includes an evaluation of the integrity, as well as the effectiveness of management personnel. In proxy material, we review management proposals and management recommendations relating to shareholder proposals in order to, among other things, gain assurance that management's positions are consistent with its integrity and the long-term interests of the company. We generally find this to be the case and, accordingly, give significant weight to the views of management when we vote proxies.

Proposals that may have an impact on the rights or privileges of the securities held by the Company would be reviewed very carefully. The explanation for a negative impact could justify the proposal; however, if such justification were not present, we would vote against a significant reduction in the rights or privileges associated with any of our holdings.

Proposals relating to corporate governance matters are reviewed on a case-by-case basis. When they involve changes in the state of incorporation, mergers or other restructuring, we would, if necessary, complete our review of the rationale for the proposal by contacting company representatives and, with few exceptions, vote in favor of management's recommendations.

Proposals relating to anti-takeover provisions, such as staggered boards, poison pills and supermajorities could be more problematic. They would be considered in light of our assessment of the capability of current management, the duration of the proposal, the negative impact it might have on the attractiveness of the company to future "investors," among other factors. We can envision circumstances under which we would vote against an anti-takeover provision.

Generally, we would vote with management on proposals relating to changes to the company's capital structure, including increases and decreases of capital and issuances of preferred stock; however, we would review the facts and circumstances associated with each proposal before finalizing our decision.

Well-structured stock option plans and management compensation programs are

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essential for companies to attract and retain high caliber management personnel. We generally vote in favor of proposals relating to these issues; however, there could be an occasion on which we viewed such a proposal as over reaching on the part of management or having the potential for excessive dilution when we would vote against the proposal.

Corporations should act in a responsible manner toward their employees, the communities in which they are located, the customers they serve and the world at large. We have observed that most stockholder proposals relating to social issues focus on a narrow issue and the corporate position set forth in the proxy material provides a well-considered response demonstrating an appropriate and responsible action or position. Accordingly, we generally support management recommendations on these types of proposals; however, we would consider each proposal on a case-by-case basis.

We take voting proxies of securities held in our portfolio very seriously. As indicated above, it is an integral part of the analytical process at Sterling Capital Corporation. Each proposal and any competing interests are reviewed carefully on a case-by-case basis. Generally, we support and vote in accordance with the recommendations of management; however, the overriding basis for the votes we cast is the best long-term interests of the Company.

Item 8. [Reserved.]

Item 9. Controls and Procedures.

(a) The Registrant's principal executive officer and principal financial officer have concluded that the Registrant's disclosure controls and procedures are sufficient to ensure that information required to be disclosed by the Registrant in this Form N-CSR was recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, based upon such officers' evaluation of these controls and procedures as of a date within 90 days of the filing date of the report.

(b) There were no significant changes or corrective actions with regard to significant deficiencies or material weaknesses in the Registrant's internal controls or in other factors that could significantly affect the Registrant's internal controls subsequent to the date of their evaluation.

Item 10. Exhibits.

(a) (1) Code of Ethics.

(a) (2) Certifications of principal executive officer and principal financial officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

(b) Certification of principal executive officer and principal financial officer pursuant to Section 906 of Sarbanes-Oxley Act of 2002.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

(Registrant) STERLING CAPITAL CORPORATION

By: /s/ Wayne S. Reisner

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Name: Wayne S. Reisner  
Title: President  
Date: March 5, 2004

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By: /s/ Wayne S. Reisner

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Name: Wayne S. Reisner  
Title: Principal Executive Officer  
Date: March 5, 2004

By: /s/ Michael J. Carey

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Name: Michael J. Carey  
Title: Principal Financial Officer  
Date: March 5, 2004