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STERLING CAPITAL CORP  
Form N-CSR  
August 30, 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 10022  
(Address of principal executive offices) (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

Date of reporting period: 6/30/2004

Item 1. Reports to Stockholders.

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

STERLING CAPITAL CORPORATION  
Report for the Six Months Ended June 30, 2004

OFFICERS

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

DIRECTORS

Jay Eliasberg	Nathan Kingsley
Arthur P. Floor	Archer Scherl
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

Counsel

Tardino Tocci & Goldstein LLP  
The Chanin Building  
122 East 42nd Street Suite 1518

Skadden, Arps,  
Slate, Meagher & Flom LLP  
Four Times Square

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New York, New York 10168

New York, New York 10036

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

August 23, 2004

To our Shareholders:

We enclose a report of our Corporation's operations for the six months ended June 30, 2004. The unaudited net asset value per share of the Corporation's Common Stock as at June 30, 2004 was \$7.20, as compared with its audited net asset value at December 31, 2003 of \$7.20 per share. As at August 20, 2004 the unaudited net asset value per share was approximately \$6.93. As at June 30, 2004 and August 20, 2004 the closing sales price for shares of the Corporation's Common Stock on the American Stock Exchange was \$5.25 and \$5.35, respectively. Thus, as at June 30, 2004 and August 20, 2004 the market price for the Corporation's shares represented discounts of approximately 27% and 23%, 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,

Wayne S. Reisner  
President

## STERLING CAPITAL CORPORATION SCHEDULE OF INVESTMENTS June 30, 2004 (Unaudited)

	Number of Shares	Market Value (Note A)
	-----	-----
Common & Preferred Stocks - 54.90% of net assets		
Technology - 15.26%		
Falconstor Software Inc. * .....	271,350	\$2,094,822
Check Point Software Technologies * .....	10,000	269,900
Advanced Micro Devices, Inc. * .....	15,000	238,500
Cisco Systems Inc. * .....	6,000	142,200
		-----
		\$2,745,422
		-----
Financial Services - 11.17%		
J.P. Morgan Chase & Co .....	10,000	\$ 387,700

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MetLife Inc. ....	10,000	358,500
The St Paul Travelers Cos. Inc. ....	8,668	351,401
KeyCorp ....	10,000	298,900
Allstate Corp. ....	6,000	279,300
Wilmington Trust Corp ....	5,000	186,100
Mellon Financial Corp. ....	5,000	146,650

-----  
\$2,008,551  
-----

## Real Estate and

### Real Estate Investment Trusts - 7.42%

Camden Property Trust ....	10,000	\$ 458,000
Equity Residential ....	11,950	355,273
St. Joe Co. ....	6,000	238,200
Amlt Residential Properties Trust ....	5,000	146,700
Equity Office Properties Trust ....	5,000	136,000

-----  
\$1,334,173  
-----

\* Non-income producing security

The accompanying notes are an integral part of these statements

## STERLING CAPITAL CORPORATION SCHEDULE OF INVESTMENTS - continued June 30, 2004 (Unaudited)

	Number of Shares	Market Value (Note A)
-----	-----	-----
Consumer Goods - 5.47%		
Conagra Inc. ....	10,000	\$270,800
Black & Decker Corp. ....	4,000	248,520
Newell Rubbermaid Inc. ....	10,000	235,000
Sara Lee Corp. ....	10,000	229,900
		-----
		\$984,220
		-----
Telecommunication and Media - 3.95%		
Verizon Communications ....	8,560	\$309,786
Viacom Inc Cl A ....	6,000	218,100
Nokia Corp ADR ....	12,500	181,750
		-----
		\$709,636
		-----
Energy - 3.57%		
Marathon Oil Corp ....	10,000	\$378,400
ConocoPhillips ....	2,000	152,580
Boots & Coots Int'l Well Control Inc * ....	88,400	110,500
		-----
		\$641,480
		-----
Healthcare - 2.96%		
Pfizer Inc. ....	10,000	\$342,800
Merck & Co. ....	4,000	190,000
		-----

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		\$532,800
		-----
Industrial and Business Services - 2.76%		
Koninklijke Philips Electronics NV Holdings ....	10,838	\$294,794
Honeywell International Inc. ....	5,500	201,465
		-----
		\$496,259
		-----

\* Non-income producing security

The accompanying notes are an integral part of these statements

## STERLING CAPITAL CORPORATION SCHEDULE OF INVESTMENTS - continued June 30, 2004 (Unaudited)

	Number of Shares	Market Value (Note A)
	-----	-----
Materials - 1.23%		
Du Pont E I De Nemours & Co. ....	5,000	\$ 222,100
		-----
Automotive & Transportation Services - 1.11%		
Ryder System Inc. ....	5,000	\$ 200,350
		-----
Total common and preferred stocks (cost \$7,324,310)		\$9,874,991
		-----
Total Investments (cost \$7,324,310)		\$9,874,991
		=====

\* Non-income producing security

The accompanying notes are an integral part of these statements

## STERLING CAPITAL CORPORATION STATEMENT OF ASSETS AND LIABILITIES June 30, 2004 (Unaudited)

ASSETS	
Investment in securities, at value	
(identified cost \$7,324,310) (Note A) .....	\$ 9,874,991
Cash .....	8,092,411
Investment in real estate (cost \$100,000) (Note A) .....	25,700
Receivables:	
Dividends and interest .....	27,226
Other .....	4,586
	-----
Total assets .....	\$ 18,024,914
	-----

## LIABILITIES

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Payables:	
Accrued expenses and other liabilities .....	\$ 37,141
	-----
Total liabilities .....	\$ 37,141
	-----

## 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	(6,788,773)
Excess of net realized gain on investments over distributions	2,098,497
Net unrealized appreciation of investments .....	2,476,381
	-----
Net assets .....	\$ 17,987,773
	=====
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 Six Months ended June 30, 2004 (Unaudited)

Investment income:	
Dividends .....	\$ 120,064
Interest .....	46,475
	-----
Total investment income .....	\$ 166,539
	-----
Expenses (Notes C and D):	
Officers' salaries .....	\$ 59,750
Legal, audit and professional fees .....	49,676
Directors' fees and expenses .....	31,165
American Stock Exchange listing fee .....	15,000
Payroll taxes, fees and employee benefits .....	14,959
Office salaries .....	13,768
Equipment rentals .....	12,370
Rent and Electric .....	11,536
Transfer agent and registrar fees .....	10,191
Custodian fees and expenses .....	9,214
Federal, state and local taxes .....	5,645
Miscellaneous .....	2,434
Insurance .....	1,750
	-----
Total expenses .....	\$ 237,458
	-----
Net investment loss .....	\$ (70,919)
	-----

(continued)

The accompanying notes are an integral part of these statements

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STERLING CAPITAL CORPORATION  
STATEMENT OF OPERATIONS-continued  
For the Six Months ended June 30, 2004  
(Unaudited)

Net investment loss (from previous page) .....	\$ (70,919)	-----
Net gain (loss) on investments (Notes A and B):		
Realized gain from securities transactions:		
Proceeds from sales .....	1,284,290	
Cost of securities sold .....	1,006,460	-----
Net realized gain .....	277,830	-----
Unrealized appreciation of investments:		
Beginning of period .....	2,702,773	
End of period .....	2,476,381	-----
Net decrease in unrealized appreciation .....	(226,392)	-----
Net realized gain and unrealized loss on investments .....	51,438	-----
Net decrease in net assets resulting from operations .....	\$ (19,481)	=====

The accompanying notes are an integral part of these statements

STERLING CAPITAL CORPORATION  
STATEMENT OF CHANGES IN NET ASSETS  
For the six months ended June 30, 2004 (unaudited)  
and December 31, 2003

	Six Months ended June 30, 2004	Year Ended December 31, 2003
	-----	-----
From investment activities:		
Net investment income (loss) .....	\$ (70,919)	\$ (129,100)
Net realized gain (loss) from securities transactions	277,830	(1,400,600)
Net increase (decrease) in unrealized appreciation ..	(226,392)	3,609,000
	-----	-----
Increase (Decrease) in net assets derived from investment activities .....	(19,481)	2,079,100
Distributions to shareholders .....	--	--
Net Assets:		
Beginning of year .....	18,007,254	15,928,000

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End of period .....

\$ 17,987,773

\$ 18,007,2

The accompanying notes are an integral part of these statements

## STERLING CAPITAL CORPORATION NOTES TO FINANCIAL STATEMENTS June 30, 2004 (Unaudited)

### 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 generally accepted accounting principles.

#### (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, 2004 will probably be 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 will probably be "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. It is anticipated that the Corporation will not have any undistributed personal holding company income for the year ended December 31, 2004. 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.

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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.

STERLING CAPITAL CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2004  
(Unaudited)

### (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 generally accepted accounting principles 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 six months ended June 30, 2004:

Purchases .....	\$ 665,588
Sales .....	\$ 1,006,460

Net realized gain and unrealized loss on investments for the six months ended June 30, 2004 was \$51,438. This amount represents the net increase in value of investments held during the period. The components are as follows:

Long transactions .....	\$ 51,438
Net realized gain and unrealized loss on investments	\$ 51,438
	=====

As of June 30, 2004 gross unrealized appreciation and (depreciation) of the corporation's securities portfolio were as follows:

Unrealized appreciation .....	\$ 2,688,769
Unrealized depreciation .....	(212,388)
Net unrealized appreciation .....	\$ 2,476,381
	=====

STERLING CAPITAL CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2004  
(Unaudited)



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## 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 members of the family of Walter Scheuer, the Chairman of the Board of Directors of the Corporation. The term of the Windy Gates lease expires on June 30, 2005. The term of the sublease to the Corporation expires on June 30, 2005. 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 expense for this space is approximately \$23,000.

## Note D - Other Transactions with Affiliates

Aggregate remuneration paid or accrued by the Corporation for the six months ended June 30, 2004 to certain persons who were "affiliated persons" within the meaning of the Act, was as follows:

Officers' salaries .....	\$59,750
Directors' fees .....	30,000

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 six months ended June 30, 2004, Mr. Scheuer and the Corporation paid or accrued approximately \$176,600 and \$21,600, 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.

## STERLING CAPITAL CORPORATION FINANCIAL HIGHLIGHTS

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

	Six Months ended June 30, 2004 (Unaudited) (1)	2003 ----	Year Ended ----- 2002 ----	2001 ----- 2000 ----- (Au
Investment income .....	\$ .07	\$ .12	\$ .20	\$
Expenses .....	.09	.17	.20	
	-----	-----	-----	-----
Net investment income (loss) .....	(.02)	(.05)	--	
Distributions of net realized capital gains .....	--	--	(.03)	
Distributions of net investment income ...	--	--	(.01)	
Net realized gain (loss) and increase (decrease) in unrealized appreciation ....	.02	.88	(1.69)	

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	-----	-----	-----	---
Net increase (decrease) in net asset value	--	.83	(1.73)	
Net asset value:				
Beginning of period .....	7.20	6.37	8.10	
	-----	-----	-----	---
End of period .....	\$ 7.20	\$ 7.20	\$ 6.37	\$
	=====	=====	=====	=====
Ratio of expenses to average net assets ..	1.3%	2.7%	2.7%	
Ratio of net investment income to average net assets .....	(.4%)	(.8%)	.1%	
Portfolio turnover .....	7%	47%	30%	
Number of shares outstanding at end of each period (in 000's) .....	2,500	2,500	2,500	2

(1) Not annualized

## 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:

### 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	Numb Portfolio Complex by Dire
Jay Eliasberg 84	Director	Director since 1980	Private Investor (1)	
Arthur P. Floor 80	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 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

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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 years.

### Interested Director and Officers

Name, Address* and Age	Positions Held with the Corporation	Term of Office** and Length of Time Served	Principal Occupation(s) During Past 5 Years	Number Portfolios Complex O by Direc
Walter Scheuer**** 82	Chairman of the Board	Director since 1980	Private Investor and Chairman of the Board of the Corporation (1)	1
Wayne S. Reisner 54	President	(2)	(2)	N/
Michael Carey 37	Vice President, Secretary and Treasurer	(3)	(3)	N/

\* The address of each of the directors and officers 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, whose family members are 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

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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 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.

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### PRIVACY POLICY

The Sterling Capital Corporation (the "Corporation") respects the rights of its shareholders to privacy. However, to conduct and process its shareholder's business in an accurate and efficient manner, the Corporation may collect certain information about its shareholders. Generally, the Corporation does not receive any non-public personal information relating to its shareholders, although certain non-public personal information may become available to the Corporation. The Corporation does not disclose any information about its shareholders except to its affiliates, service providers (like the Corporation's transfer agent) and as otherwise permitted by law. To protect shareholders' personal information, the Corporation only permits access to personal information by its authorized representatives. The Corporation also maintains procedural safeguards to guard the personal information of shareholders.

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### Item 2. Code of Ethics.

Not applicable for semi-annual reports.

### Item 3. Audit Committee Financial Expert.

Not applicable for semi-annual reports.

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

Not applicable for semi-annual reports.

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

Not applicable for semi-annual reports.

### Item 6. Schedule of Investments.

The schedule of investments in securities of unaffiliated issuers is included in the Registrant's report to stockholders filed under Item 1 of this

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form.

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

Not applicable for semi-annual reports.

Item 8. Purchases of Equity Securities by Closed-End Management Investment Company and Affiliated Purchasers.

The Registrant or any "affiliated purchaser" had no reportable purchases of the Registrant's equity securities.

Item 9. Submission of Matters to a Vote of Security Holders.

The Registrant has made no material changes to procedures by which shareholders may recommend nominees to the registrant's board of directors.

Item 10. Controls and Procedures.

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.

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 11. Exhibits.

(a)(1) Code of Ethics - Not applicable for semi-annual reports.

(a)(2) Certifications of Chief Executive Officer and Chief Financial Officer.

### 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

-----  
Name: Wayne S. Reisner

Title: President

Date: August 27, 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.

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By: /s/ Wayne S. Reisner

-----  
Name: Wayne S. Reisner  
Title: Chief Executive Officer  
Date: August 27, 2004

By: /s/ Michael J. Carey

-----  
Name: Michael J. Carey  
Title: Chief Financial Officer  
Date: August 27, 2004