Contango ORE, Inc.
Form 4
December 17, 2015

FORM 4

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

OMB APPROVAL

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Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
COMPOFELICE JOSEPH S

(Last) (First) (Middle)

3700 BUFFALO SPEEDWAY, SUITE 925

(Street)

HOUSTON, TX 77098

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
Contango ORE, Inc. [CTGO]

3. Date of Earliest Transaction (Month/Day/Year)
12/16/2015

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

__X__ Director _____ 10% Owner
_____ Officer (give title below) _____ Other (specify below)

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock, par value $0.01	12/16/2015		A		20,000 (1)	A	$ 0 (1)	60,932	D	

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)		8. Price of Derivative Security (Instr. 5)
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares	
Stock Option (right to buy)	$ 10							(2)	12/07/2017	Common Stock	25,000	

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
COMPOFELICE JOSEPH S 3700 BUFFALO SPEEDWAY, SUITE 925 HOUSTON, TX 77098	X			

Signatures

/s/ Leah Gaines as Attorney in Fact for Joseph C. Compofelice	12/17/2015
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) The shares represent a grant of restricted stock which vests in three equal annual installments beginning on December 16, 2015.

(2) The options vested on December 7, 2012.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. of preferred dividends (19,164) (28,788) Decrease in note payable (3,706) -- Purchases of treasury stock (10,005) -- --------- --------- Net cash used in by financing activities (32,875) (28,788) --------- --------- Net decrease in cash and cash equivalents (466,793) (162,991) Cash and cash equivalents at beginning of period 562,191 279,728 --------- --------- Cash and cash equivalents at end of period $95,398 $116,737 ========= ========= -- The accompanying notes are an integral part of these financial statements. 6 FRANKLIN CAPITAL CORPORATION == STATEMENTS OF CHANGES IN NET ASSETS (UNAUDITED) -- For the Three Months Ended March 31, 2003 2002 -- Decrease in net assets

from operations: Net investment loss ($273,727) ($254,441) Net realized loss on portfolio of investments, net of current income taxes -- (23,507) Increase (decrease) in unrealized appreciation of investments, 47,544 37,833 ----------- ----------- Net decrease in net assets from operations (226,183) (240,115) Capital stock transactions: Payment of dividends on preferred stock (19,164) (28,788) Purchase of treasury stock (10,005) -- ----------- ----------- Total decrease in net assets (255,352) (268,903) Net assets at beginning of period 3,267,540 2,921,745 ----------- ----------- Net assets at end of period $3,012,188 $2,652,842 =========== =========== -- The accompanying notes are an integral part of these financial statements. 7 FRANKLIN CAPITAL CORPORATION == PORTFOLIO OF INVESTMENTS --- MARKETABLE INVESTMENT SECURITIES --- NUMBER OF SHARES OR MARKET PRINCIPAL VALUE MARCH 31, 2003 (2) AMOUNT ($) COST(1) (NOTE 2) -- Certificate of Deposit - 1.15%, due 04/04/2003 34,675 34,675 Total Marketable Investment Securities (0.8% of total investments and 1.1% of net assets) $34,675 $34,675 ======= ======= --- INVESTMENTS, AT FAIR VALUE --- NUMBER OF SHARES OR DIRECTORS' EQUITY PRINCIPAL VALUATION MARCH 31, 2003 (2) INVESTMENT INTEREST AMOUNT ($) COST(1) (NOTE 2) --- MAJORITY OWNED AFFILIATE Excelsior Radio Networks, Inc. Common stock 60.42% 1,510,554 $1,531,648 $2,930,475 Excelsior Radio Networks, Inc. Warrants -- 152,310 32,600 162,388 ---------- ---------- Total Excelsior Radio Networks, Inc. (74.9% of total investments and 101.3% of net assets) 31.11% 1,564,248 3,092,863 (Radio production and advertising sales) (fully diluted) OTHER INVESTMENTS Alacra Corporation (24.2% of total investments Convertible Preferred 1.68% 321,543 1,000,000 1,000,000 and 32.8% of net assets) (Internet-based Stock information provider) Total Other Investments 1,000,000 1,000,000 ---------- --------- Investments, at Fair Value 2,564,248 4,092,863 ========== ========= --- (1) Book cost equals tax cost for all investments (2) Total investments refers to investments and marketable investment securities. The accompanying notes are an integral part of these financial statements. 8 FRANKLIN CAPITAL CORPORATION NOTES TO FINANCIAL STATEMENTS MARCH 31, 2003 1. DESCRIPTION OF BUSINESS Franklin Capital Corporation ("Franklin", or the "Corporation") is a Delaware corporation operating as a Business Development Company ("BDC") under the Investment Company Act of 1940 (the "Act"). A BDC is a specialized type of investment company under the Act. A BDC must be primarily engaged in the business of furnishing capital and making available managerial expertise to companies that do not have ready access to capital through conventional financial channels. Such companies are termed "eligible portfolio companies". The Corporation, as a BDC, generally may invest in other securities; however, such investments may not exceed 30% of the Corporation's total asset value at the time of any such investment. The accompanying financial statements have been prepared assuming that the Corporation will continue as a going concern. The Corporation has a working capital deficiency of approximately $1,100,000 at March 31, 2003. (Working capital is defined as total liabilities less liquid assets.) This condition raises substantial doubt about the Corporation's ability to continue as a going concern. The Corporation is currently seeking financing. There can be no assurance that the Corporation would be able to obtain alternative financing. The financial statements do not include any adjustments to reflect the possible future effects on the recoverability of assets or the amounts of liabilities that may result from the outcome of this uncertainty. 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES USE OF ESTIMATES The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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 revenues and expenses during the reporting period. Actual results could differ from those estimates. STATEMENTS OF CASH FLOWS For purposes of the Statements of Cash Flows, Franklin considers only highly liquid investments such as money market funds and commercial paper with maturities of 90 days or less at the date of their acquisition to be cash equivalents. The Corporation paid no interest or income taxes during the three months ended March 31, 2003 and 2002. At March 31, 2003 and 2002, the Corporation held cash and cash equivalents primarily in money market funds at one commercial banking institution. VALUATION OF INVESTMENTS Security investments which are publicly traded on a national exchange or Nasdaq Stock Market are stated at the last reported sales price on the day of valuation or, if no sale was reported on that date, then the securities are stated at the last quoted bid price. The Board of Directors of Franklin (the "Board of Directors") may determine, if appropriate, to discount the value where there is an impediment to the marketability of the securities held. Investments for which there is no ready market are initially valued at cost and, thereafter, at fair value based upon the financial condition and operating results of the issuer and other pertinent factors as determined in good faith by the Board of Directors. The financial condition and operating results have been derived utilizing both audited and unaudited data. In the absence of a ready market for an investment, numerous assumptions are inherent in the valuation process. Some or all of these assumptions may not materialize. Unanticipated events and circumstances may occur subsequent to the date of the valuation and values may change due to future events. Therefore, the actual amounts 9 FRANKLIN CAPITAL CORPORATION NOTES TO FINANCIAL STATEMENTS (CONTINUED) eventually realized from each investment may vary from the valuations shown and the differences may be material. Franklin reports the unrealized gain or loss resulting from such valuation in the Statements of Operations. GAINS (LOSSES) ON PORTFOLIO OF INVESTMENTS Amounts reported as realized gains (losses) are measured by the difference between the proceeds of sale or exchange and the cost basis of the investment without regard to unrealized gains (losses) reported in the prior periods. Gains (losses) are considered realized when sales or dissolution of investments are consummated. INCOME TAXES Franklin does not qualify for pass through tax treatment as a Regulated Investment Company under Subchapter M of the Internal Revenue Code for income tax purposes. Therefore, the Corporation is taxed under Regulation C. Franklin accounts for income taxes in accordance with the provision of Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" ("SFAS 109"). The significant components of deferred tax assets and liabilities are principally related to the Corporation's net operating loss carryforward and its unrealized appreciation of investments. STOCK-BASED COMPENSATION The Corporation has elected to follow APB Opinion 25, "Accounting for Stock Issued to Employees," to account for its Non-Qualified Stock Option Plan under which no compensation cost is recognized because the option exercise price is equal to at least the market price of the underlying stock on the date of grant. Had compensation cost for these plans been determined at the grant dates for awards under the alternative accounting method provided for in SFAS No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure - an Amendment of FASB Statement No. 123," net income and earnings per share, on a pro forma basis, would have been: MARCH 31, 2003 MARCH 31, 2002 -------------- -------------- Net decrease in net assets attributable to common stockholders: As reported $(245,347) $(268,903) Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effect -- 1,184 --------- --------- Pro forma $(245,347) $(270,087) ========= ========= Basic and diluted net decrease in net assets attributable to common stockholders: As reported ($0.23) $(0.25) Pro forma ($0.23) $(0.25) DEPRECIATION AND AMORTIZATION Property and equipment are stated at cost. Depreciation is recorded using the straight-line method at rates based upon estimated useful lives for the respective assets. Leasehold Improvements are included in other assets and are amortized over their useful lives or the remaining life of the lease, whichever is shorter. 10 FRANKLIN CAPITAL CORPORATION NOTES TO FINANCIAL STATEMENTS (CONTINUED) NET INCREASE (DECREASE) IN NET ASSETS PER COMMON SHARE Net increase (decrease) in net assets attributable to common stockholders per common share is calculated in accordance with the provisions of Statement of Financial Accounting Standards No. 128, "Earnings per Share". 3. INCOME TAXES For the three months ended March 31, 2003, and 2002, Franklin's tax (provision) benefit was based on the following: 2003 2002 --------- --------- Net investment loss from operations $(273,727) $(254,441) Net realized gain on portfolio of investments -- (23,507) Increase in unrealized appreciation 47,544 37,833 --------- --------- Pre-tax book loss $(226,183) $(240,115) ========= ========= 2003 2002 --------- --------- Federal tax benefit at 34% on $(226,183) and $(240,115), respectively .... $ 77,000 $ 82,000 Other .... 7,000 (3,000) Change in valuation allowance .... (84,000) (79,000) --------- --------- $ -- $ -- ========= ========= Deferred income tax benefit reflects the impact of "temporary differences" between amounts of assets and liabilities for financial reporting purposes and such amounts as measured by tax laws. At March 31, 2003 and 2002, significant deferred tax assets and liabilities consist of: Asset (Liability) ------------------------- March 31, December 31, 2003 2002 ----------- ----------- Deferred Federal and state benefit from net operating loss carryforward .... $ 2,457,000 $ 2,356,000 Deferred Federal and state (provision) benefit on unrealized (appreciation) depreciation of investments .... (550,000) (533,000) Valuation allowance

.... (1,907,000) (1,823,000) ----------- ----------- Deferred taxes .... $ -- $ -- =========== =========== At December 31, 2002, Franklin had net operating loss carryforwards for income tax purposes of approximately $6,544,000 that will begin to expire in 2011. At a 36% effective tax rate the after-tax net benefit from this loss would be approximately $2,356,000. 4. STOCKHOLDERS' EQUITY The accumulated deficit at March 31, 2003, consists of accumulated net realized gains of $5,150,000 and accumulated investment losses of $13,022,000. The Board of Directors has authorized Franklin to repurchase up to an aggregate of 525,000 shares of its common stock in open market purchases on the American Stock Exchange when such purchases are deemed to be in the best interest of the Corporation and its stockholders. As of December 31, 2002, the Corporation had purchased 507,450 shares of its common stock of which 456,288 remained in treasury. During the three months ended March 31, 2003, the Corporation purchased 6,700 shares of its common stock at a total cost of $10,005. To date, Franklin has repurchased 514,150 shares of its common stock of which 462,988 shares remain in treasury at March 31, 2003. 11 FRANKLIN CAPITAL CORPORATION NOTES TO FINANCIAL STATEMENTS (CONTINUED) PREFERRED STOCK - The preferred stock has a cumulative 7% quarterly dividend and is convertible into the number of shares of common stock by dividing the purchase price for the convertible preferred stock by conversion price in effect (which is currently $13.33). The convertible preferred stock has antidilution provisions, which can change the conversion price in certain circumstances if the Corporation issues additional shares of common stock. The holder has the right to convert the shares of convertible preferred stock at any time until February 22, 2010 into common stock. Upon liquidation, dissolution or winding up of the Corporation, the stockholders of the convertible preferred stock are entitled to receive $100 per share plus any accrued and unpaid dividends before distributions to any holder of the Corporation's common stock. On December 31, 2002, the Corporation redeemed from certain preferred stockholders 5,500 shares of convertible preferred stock for $25.00 per share. 5. COMMITMENTS AND CONTINGENCIES Franklin is obligated under an operating lease, which provides for annual minimum rental payments through December 31, 2004 of $149,600. Rent expense for the three months ended March 31, 2003 and 2002, was approximately $9,000 and $35,000, respectively. For the three months ended March 31, 2003, and 2002, the Corporation collected rents of $9,000 and $8,000, respectively, from subtenants under month-to-month leases, for a portion of its existing office space that is reflected as a reduction in rent expense for that period. On October 15, 2001, Jeffrey A. Leve and Jeffrey Leve Family Partnership, L.P. filed a lawsuit against Franklin, Sunshine Wireless, LLC ("Sunshine") and four other defendants affiliated with Winstar Communications, Inc. in the Superior Court of the State of California for the County of Los Angeles. The lawsuit, which has subsequently been removed to the United States District Court for the Central District of California, alleges that the Winstar defendents conspired to commit fraud and breached their fiduciary duty to the plaintiffs in connection with the acquisition of the plaintiffs' radio production and distribution business. The complaint further alleges that Franklin and Sunshine joined the alleged conspiracy. The business was initially acquired by certain entities affiliated with Winstar Communications and, subsequently, the assets of such business were sold to Franklin and Sunshine. Concurrently with such purchase, Franklin transferred such assets to Excelsior Radio Networks, Inc. ("Excelsior"). The plaintiffs seek recovery of damages in excess of $10,000,000, costs and attorneys' fees. On January 7, 2002, Franklin filed a motion to dismiss the lawsuit or, in the alternative, to transfer venue to the United States District Court of the Southern District of New York. The plaintiffs filed a motion opposing Franklin's request on January 28, 2002. Franklin's motion for dismissal was granted on February 25, 2002, due to improper venue. On June 7, 2002, the plaintiffs filed their complaint to the United States District of the Southern District of New York. On July 12, 2002, Franklin filed a motion to dismiss the complaint. On February 25, 2003, the case against Franklin and Sunshine was dismissed; however, the plaintiffs may file an appeal. An unfavorable outcome in this lawsuit may have a material adverse effect on Franklin's business, financial condition and results of operations. 6. TRANSACTIONS WITH AFFILIATES Franklin issued a $1,000,000 note as part of the purchase price of Excelsior. This note was due February 28, 2002 with interest at 3.54% but has a right of set-off against certain representations and warranties made by WRN. (See Note 5) On October 1, 2002, Franklin received 74,232 warrants to acquire shares of Excelsior common stock at an exercise price of $1.20 per share for arranging a refinancing of Excelsior debt. On October 3, 2002, Franklin sold 773,196 shares of common stock in Excelsior for $1.94 per share for total proceeds of $1,500,000 realizing a gain of $726,804. 12 FRANKLIN CAPITAL CORPORATION NOTES TO FINANCIAL STATEMENTS (CONTINUED) Franklin entered into a services agreement with Excelsior whereby Franklin provides Excelsior with certain services. Franklin receives a management fee of not less than $15,000 per month as determined by Excelsior's board. Additionally, Franklin's chief financial officer serves in that capacity for Excelsior and his salary and benefits are allocated between Excelsior and Franklin on an 80/20 basis. During the three months ended March 31, 2003, and 2002, Franklin earned $45,000 and $90,000, respectively, in management fees and was reimbursed $36,000 and $30,234, respectively, for salary and benefits for Franklin's chief financial officer, which was recorded as a reduction of expenses on Franklin. On April 3, 2002, Dial Communications Global Media, Inc. ("DCGM"), a newly formed wholly-owned subsidiary of Excelsior, a majority-owned affiliate of Franklin, completed the acquisition of substantially all of the assets of Dial Communications Group, Inc. ("DCGI"), and Dial Communications Group, LLC ("DCGL" and together with DCGI, the "Dial Entities") used in connection with the Dial Entities' business of selling advertising relating to radio programming (the "Dial Acquisition"). The Dial Acquisition was completed pursuant to the Asset Purchase Agreement (the "Purchase Agreement"), dated as of April 1, 2002, by and among the Dial Entities, Franklin and Excelsior. Immediately prior to the closing of the transactions contemplated by the Purchase Agreement, Excelsior assigned all of its rights and obligations under the Purchase Agreement, as well as certain other assets and liabilities relating to the portion of Excelsior's business dedicated to the sale of advertising relating to radio programming, to DCGM. The total purchase price for the Dial Acquisition will be an amount between $8,880,000 and $13,557,500. The initial consideration for the Dial Acquisition consisted of $6,500,000 in cash and a three-year promissory note bearing interest at 4.5% issued by DCGM in favor of DCGL in the aggregate principal amount of $460,000. In addition, the Purchase Agreement provides for the minimum payment of $1,920,000 of additional consideration, which is subject to increase to a maximum amount of $6,597,500 based upon the attainment of certain revenue and earnings objectives in 2002 and 2003. The additional consideration will be comprised of both cash and two additional promissory notes issued by DCGM in favor of DCGL, each with an initial aggregate principal amount of $460,000 bearing interest at 4.5% that is subject to increase upon the attainment of such revenue and earnings objectives. Each of the promissory notes issued in consideration of the Dial Acquisition is convertible into shares of Franklin's common stock at a premium ranging from 115% to 120% of the average closing prices of Franklin's common stock during a specified pre and post closing measurement period. Excelsior has paid to Franklin an amount equal to $300,000 in consideration of Franklin's obligations in connection with any Franklin common stock that may be issued pursuant to the terms of the Purchase Agreement or the promissory notes issued in consideration of the Dial Acquisition. For each share of common stock Franklin is required to issue under the Purchase Agreement or the promissory notes, Franklin will receive 0.86 shares of common stock in Excelsior. 7. STOCK OPTION PLANS On September 9, 1997, Franklin's stockholders approved two Stock Option Plans: a Stock Incentive Plan ("SIP") to be offered to the Corporation's consultants, officers and employees (including any officer or employee who is also a director of the Corporation) and a Non-Statutory Stock Option Plan ("SOP") to be offered to the Corporation's "outside" directors, (i.e., those directors who are not also officers or employees of Franklin). 112,500 shares of the Corporation's Common Stock have been reserved for issuance under these plans, of which 67,500 shares have been reserved for the SIP and 45,000 shares have been reserved for the SOP. Shares subject to options that terminate or expire prior to exercise will be available for future grants under the Plans. Because the issuance of options to "outside" directors is not permitted under the Act without an exemptive order by the Securities and Exchange Commission, the issuance of options under the SOP was conditioned upon the granting of such order. The order was granted by the Commission on January 18, 2000. The following is a summary of the status of the Stock Option Plans during the three months ended: 13 FRANKLIN CAPITAL CORPORATION NOTES TO FINANCIAL STATEMENTS (CONTINUED) March 31, 2003 March 31, 2002 -------------- -------------- Weighted Weighted Average Average Exercise Exercise Shares Price Shares Price ------ ----- ------ ------ Outstanding at beginning of year 20,625 $11.39 39,375 $11.27 Granted - - - - Exercised - - - - Forfeited - - - - Expired - - - - ---------- ---------- Outstanding at end of year 20,625 $11.39 39,375 $11.27 ====== ====== Exercisable at end of year 20,625 $11.39 36,875 $11.27 ====== ====== Weighted average fair value of options granted - - The options issued under the SIP have a remaining contractual life of 5.1 years. The options issued under the SOP have a remaining contractual life of 7.1 years. 8. NET INCREASE (DECREASE) IN NET ASSETS PER COMMON SHARE The following table sets forth the computation of basic and diluted change in net assets per common share: March 31, ------------------------- 2003 2002 ---------- ---------- Numerator: Net decrease in net assets from operations ($226,183) ($240,115) Preferred stock dividends (19,164) (28,788) ----------- ----------- Numerator for basic and diluted earnings per share - net increase in net assets attributable to common stockholders ($245,347) ($268,903) =========== =========== Denominator: Denominator for basic and diluted decrease in net assets from operations - weighted - average shares 1,045,187

1,074,700 =========== =========== Basic and diluted net increase in net assets from operations per share $(0.23) $(0.25) =========== =========== Common shares which would be issued upon conversion of the Corporation's preferred stock or exercise of options have been excluded from the dilutive per share computation as they are antidilutive (see Notes 4 and 7): PERIOD ENDED MARCH 31, --------------------- 2003 2002 --------------------- Preferred stock convertible into common stock 82,125 123,375 Stock options 20,625 39,375 14 FRANKLIN CAPITAL CORPORATION NOTES TO FINANCIAL STATEMENTS (CONTINUED) 9. NET ASSET VALUE PER SHARE The following table sets forth the computation of net asset value per common share attributable to common stockholders: MARCH 31, DECEMBER 31, ------------------------- 2003 2002 ------------------------- Numerator: Numerator for net asset value per common share, as if converted basis $3,012,188 $3,267,540 Liquidation value of convertible preferred stock (1,095,000) (1,095,000) ----------- ---------- Numerator for net asset value per share attributable to common stockholders $1,917,188 $2,172,540 ========== ========== Denominator: Number of common shares outstanding, denominator for net asset value per share attributable to common stockholders 1,042,900 1,049,600 Number of shares of common stock to be issued upon conversion of preferred stock 82,125 82,125 ---------- ---------- Denominator for net asset value per common share as if converted basis 1,125,025 1,131,725 ========== ========== Net asset value per share attributable to common stockholders $1.84 $2.07 ========== ========== Net asset value per common share, as if converted basis $2.68 $2.89 ========== ========== 10. PURCHASES AND SALES OF INVESTMENT SECURITIES The cost of purchases and proceeds from sales of investment securities, excluding short-term investments, aggregated $87,446 and $0, respectively, for the three months ended March 31, 2003; $22,985 and $95,093, respectively, for the three months ended March 31, 2002. 15 ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS CRITICAL ACCOUNTING POLICIES Franklin's discussion and analysis of its financial condition and results of operations are based upon the Corporation's financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires the Corporation to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosure of contingent assets and liabilities. On an ongoing basis, the Corporation evaluates its estimates, the most critical of which are those related to the fair value of the portfolio of investments. STATEMENT OF OPERATIONS The Corporation accounts for its operations under accounting principles generally accepted in the United States for investment companies. On this basis, the principal measure of its financial performance is captioned "Net increase (decrease) in net assets from operations", which is composed of the following: "Net investment loss from operations," which is the difference between the Corporation's income from interest, dividends and fees and its operating expenses; "Net realized gain on portfolio of investments," which is the difference between the proceeds received from dispositions of portfolio securities and their stated cost; any applicable income tax provisions (benefits); and "Net increase (decrease) in unrealized appreciation of investments," which is the net change in the fair value of the Corporation's investment portfolio, net of any increase (decrease) in deferred income taxes that would become payable if the unrealized appreciation were realized through the sale or other disposition of the investment portfolio. "Net realized gain (loss) on portfolio of investments" and "Net increase (decrease) in unrealized appreciation of investments" are directly related. When a security is sold to realize a gain, the net unrealized appreciation decreases and the net realized gain increases. When a security is sold to realize a loss, the net unrealized appreciation increases and the net realized gain decreases. FINANCIAL CONDITION The Corporation's total assets and net assets were, respectively, $4,329,321 and $3,012,188 at March 31, 2003, versus $4,632,338 and $3,267,540 at December 31, 2002. Net asset value per share attributable to common shareholders and on an as if converted basis was $1.84 and $2.68, respectively at March 31, 2003, versus $2.07 and $2.89 at December 31, 2002. The Corporation's financial condition is dependent on the success of its investments. A summary of the Corporation's investment portfolio is as follows: MARCH 31, 2003 DECEMBER 31, 2002 ------------- ---------------- Investments, at cost $2,564,248 $2,511,479 Unrealized appreciation 1,528,615 1,481,071 ---------- ---------- Investments, at fair value $4,092,863 $3,992,550 ========== ========== The accompanying financial statements have been prepared assuming that the Corporation will continue as a going concern. The Corporation has a working capital deficiency 16 of approximately $1,100,000 at March 31, 2003. This condition raises substantial doubt about the Corporation's ability to continue as a going concern. There can be no assurance that the Corporation would be able to find a suitable merger partner or be able to obtain alternative financing. The financial statements do not include any adjustments to reflect the possible future effects on the recoverability of assets or the amounts of liabilities that may result from the outcome of this uncertainty. INVESTMENTS Franklin's primary investment is in Excelsior. A description of Franklin's other investment follows the description of Excelsior. EXCELSIOR At March 31, 2003, the Corporation has an investment in Excelsior, formerly known as eCom Capital, Inc., valued at $3,092,863, which represents 70.8% of the Corporation's total assets and 101.3% of its net assets. Excelsior is a majority-owned affiliate of Franklin and was incorporated in 1999 under the laws of the State of Delaware. Excelsior had no operations until August 2001 when a group led by Franklin invested in Excelsior for the purpose of acquiring certain assets from Winstar Radio Networks, LLC, Winstar Global Media, Inc. and Winstar Radio Productions, LLC. On April 3, 2002, Dial Communications Global Media, Inc. ("Newco"), a newly formed wholly-owned subsidiary of Excelsior, completed the acquisition of substantially all of the assets of Dial Communications Group, Inc. ("DCGI"), and Dial Communications Group, LLC ("DCGL" and together with DCGI, the "Dial Entities") used in connection with the Dial Entities' business of selling advertising relating to radio programming (the "Dial Acquisition"). The Dial Acquisition was completed pursuant to the Asset Purchase Agreement (the "Purchase Agreement"), dated as of April 1, 2002, by and among the Dial Entities, Franklin and Excelsior. Immediately prior to the closing of the transactions contemplated by the Purchase Agreement, Excelsior assigned all of its rights and obligations under the Purchase Agreement, as well as certain other assets and liabilities relating to the portion of Excelsior's business dedicated to the sale of advertising relating to radio programming, to Newco. The total purchase price for the Dial Acquisition will be an amount between $8,880,000 and $13,557,500. The initial consideration for the Dial Acquisition consisted of $6,500,000 in cash and a three year promissory note bearing interest at 4.5% issued by Newco in favor of DCGL in the aggregate principal amount of $460,000. In addition, the Purchase Agreement provides for the minimum payment of $1,920,000 of additional consideration, which is subject to increase to a maximum amount of $6,597,500 based upon the attainment of certain revenue and earnings objectives in 2002 and 2003. The additional consideration will be comprised of both cash and two additional promissory notes bearing interest at 4.5% issued by Newco in favor of DCGL, each with an initial aggregate principal amount of $460,000 that is subject to increase upon the attainment of such revenue and earnings objectives. Each of the promissory notes issued in consideration of the Dial Acquisition is convertible into shares of Franklin's common stock at a premium of 115% to 120% of the average closing prices of Franklin's common stock during a specified pre and post closing measurement period. The promissory notes are not convertible for at least a one-year period. Excelsior has paid to Franklin an amount equal to $300,000 in consideration of Franklin's obligations in connection with any Franklin common 17 stock that may be issued pursuant to the terms of the Purchase Agreement or the promissory notes issued in consideration of the Dial Acquisition. The assets purchased in the Dial Acquisition were combined with Excelsior's Global Media division to create a national radio sales representation company with 2002 advertising sales revenues of almost $50 million and a client roster of over 40 independent radio production companies. Excelsior creates, produces, distributes and is a sales representative for national radio programs and offers other miscellaneous services to the radio industry. Excelsior offers radio programs to the industry in exchange for commercial broadcast time, which Excelsior sells to national advertisers. Excelsior currently offers approximately 100 programs to over 2,000 radio stations across the country. The group of radio stations who contract with Excelsior to broadcast a particular program constitutes a radio network. Excelsior derives its revenue from selling the commercial broadcast time on its radio networks to advertisers desiring national coverage. Excelsior currently produces 23 network programs targeting the most popular radio formats, including adult contemporary, rock, urban oldies, album oriented rock, comedy and country. Excelsior produces both short form and long form programs. Short form features are two to three minute daily vignettes and include such programs as "African Americans Making History." Long form programs, such as "Walt `Baby' Love's The Countdown" and "Gospel Traxx," "Keeping The Seventies Alive," "Behind the Hits" and "All Star Mix Party" are programs that range from one to four hours in length. Excelsior offers these programs to radio stations free of charge. The radio stations airing these programs become networks for Excelsior to sell advertising time. Excelsior sells the commercial broadcast time inside of these networks to advertisers desiring national coverage. On August 28, 2001, the Corporation purchased $2,500,000 worth of Excelsior Common Stock and issued a secured note for $150,000, which has subsequently been repaid. In connection with this note, Franklin was granted warrants to acquire 12,879 shares of Excelsior common stock at an exercise price of $1.125 per share. The note has been repaid to Franklin. Franklin sold 250,000 common shares for $1.00 per share on December 4, 2001 for no gain or loss in connection with a proposed merger with Change Technology Partners, Inc. On October 1, 2002, Franklin received 74,232 warrants to acquire shares of Excelsior common stock at an exercise price of $1.20 per share for arranging a financing of Excelsior. On

October 3, 2002, Franklin sold 773,196 common shares for $1.94 per share for total proceeds of $1,500,000 realizing a gain of $726,804. On January 31, 2003, Franklin purchased 33,750 common shares for $1.625 per share and 65,199 warrants to acquire shares of Excelsior common stock at an exercise price of $1.125 per share for $0.50 per warrant. ALACRA CORPORATION At March 31, 2003, the Corporation has an investment in Alacra Corporation ("Alacra"), valued at $1,000,000, which represents 25.7% of the Corporation's total assets and 37.7% of its net assets. Alacra, headquartered in New York and London, is a leading provider of Internet-based online information services. Alacra provides a service called .xls, which aggregates and cross-indexes over 70 premier business databases, delivering information directly to Microsoft Excel, HTML, Microsoft Word or PDF formats at the desktop. Other products include privatesuiteTM, a fast, easy, cost-effective way to identify and retrieve profiles of privately held companies around the world; compbookTM, a tool for company peer analysis; and Portal BTM, a fully integrated business information portal. 18 On April 20, 2000, the Corporation purchased $1,000,000 worth of Alacra Series F Convertible Preferred Stock. In connection with this investment, Franklin was granted observer rights for Alacra Board of Directors meetings. RESULTS OF OPERATIONS INVESTMENT INCOME AND EXPENSES: The Corporation's principal objective is to achieve capital appreciation through long-term investments in businesses believed to have favorable growth potential. Therefore, a significant portion of the investment portfolio is structured to maximize the potential for capital appreciation and provides little or no current yield in the form of dividends or interest. The Corporation earns interest income from loans, preferred stocks, corporate bonds and other fixed income securities. The amount of interest income varies based upon the average balance of the Corporation's fixed income portfolio and the average yield on this portfolio. The Corporation had investment income of $45,678 and $91,549 for the three months ended March 31, 2003 and 2002, respectively. The decrease in investment income for the three months ended March 31, 2003 when compared to March 31, 2002, was primarily the result of the reduction of the management fee from Excelsior. Operating expenses were $319,405 and $345,990 for the three months ended March 31, 2003 and 2002, respectively. A majority of the Corporation's operating expenses consist of employee compensation, office and rent expense, other expenses related to identifying and reviewing investment opportunities and professional fees. Included in compensation is a $40,000 bonus paid to an officer of the Corporation during 2003. Professional fees consist of general legal fees, audit and tax fees and investment related legal fees. The Corporation was reimbursed approximately $36,000 and $30,000 for salary and benefit expense for its chief financial officer under the terms of the management agreement with Excelsior for the three months ended March 31, 2003 and 2002, respectively. This reimbursement has been recorded as a reduction in operating expenses. Net investment losses from operations were $273,727 and $254,441 for the three months ended March 31, 2003 and 2002, respectively. The Corporation has relied and continues to rely to a large extent upon proceeds from sales of investments rather than investment income to defray a significant portion of its operating expenses. Because such sales cannot be predicted with certainty, the Corporation attempts to maintain adequate working capital to provide for fiscal periods when there are no such sales. NET REALIZED GAINS AND LOSSES ON PORTFOLIO OF INVESTMENTS: During the three months ended March 31, 2003 and 2002, the Corporation realized net losses before taxes of $0 and $23,507 respectively, from the disposition of various investments. UNREALIZED APPRECIATION OF INVESTMENTS: Unrealized appreciation of investments, increased by $47,544 during the three months ended March 31, 2003, primarily from unrealized gains in Excelsior. 19 Unrealized appreciation of investments, increased by $37,833 during the three months ended March 31, 2002, primarily from unrealized gains due to the sale of Primal. TAXES Franklin does not qualify for pass through tax treatment as a Regulated Investment Company under Subchapter M of the Internal Revenue Code for income tax purposes. The Corporation is taxed under Regulation C of the Code and, therefore, it is subject to federal income tax on the portion of its taxable income and net capital as well as such distribution to its stockholders. LIQUIDITY AND CAPITAL RESOURCES The accompanying financial statements have been prepared assuming that the Corporation will continue as a going concern. The Corporation has a working capital deficiency of approximately $1,100,000 at March 31, 2003. This condition raises substantial doubt about the Corporation's ability to continue as a going concern. The Corporation is seeking alternative financing. There can be no assurance that the Corporation would be able to obtain alternative financing. The financial statements do not include any adjustments to reflect the possible future effects on the recoverability of assets or the amounts of liabilities that may result from the outcome of this uncertainty. Cash and cash equivalents decreased by $466,793 to $95,398 for the three months ended March 31, 2003, compared to a decrease of $162,991 for the three months ended March 31, 2002. Operating activities used $346,474 of cash for the three months ended March 31, 2003, compared to using $206,311 for the three months ended March 31, 2002.

Operating activities for the three months ended March 31, 2003, exclusive of changes in operating assets and liabilities, used $269,483 of cash, as the Corporation's net decrease in net assets from operations of $226,183 included non-cash charges for depreciation and amortization of $4,244 and unrealized gains of $47,544. For the three months ended March 31, 2002, operating activities, exclusive of changes in operating assets and liabilities, used $250,198 of cash, as the Corporation's net decrease in net assets from operations of $240,115 included non-cash charges of depreciation and amortization of $4,243, realized losses of $23,507 and unrealized gains of $37,833. Changes in operating assets and liabilities decreased cash $116,991 for the three months ended March 31, 2003, principally due to a decrease in the level of accounts payable and accrued expenses and an increase in other assets. For the three months ended March 31, 2002, changes in operating assets and liabilities produced $43,887 of cash. The factor in the $87,444 of cash used in investing activities for the three months ended March 31, 2003 was the purchase of additional common shares and warrants of Excelsior. For the three months ended March 31, 2002, the principal factor in the $72,108 cash provided by investing activities was payment of a loan from Excelsior offset by the net purchase and sale of marketable investment securities. Cash used in financing activities for the three months ended March 31, 2003 of $32,875 resulted from payment of preferred dividends of $19,164 and the purchase of treasury stock of 20 $10,005. Financing activities used $28,788 in the prior year's comparable period for the payment of preferred dividends. RISK FACTORS There are significant risks inherent in the Corporation's venture capital business. The Corporation has invested a substantial portion of its assets in small private companies and one bulletin board listed public corporation. Because of the speculative nature of these investments, there is significantly greater risk of loss than is the case with traditional investment securities. The Corporation expects that from time to time its venture capital investments may result in a complete loss of the Corporation's invested capital or may be unprofitable. Other investments may appear likely to become successful, but may never realize their potential. Neither the Corporation's investments nor an investment in the Corporation is intended to constitute a balanced investment program. The Corporation has in the past relied and continues to rely to a large extent upon proceeds from sales of investments rather than investment income to defray a significant portion of its operating expenses. INVESTING IN PRIVATE COMPANIES INVOLVES A HIGH DEGREE OF RISK. The Corporation's portfolio consists primarily of investments in private companies. Investments in private businesses involve a high degree of business and financial risk, which can result in substantial losses and accordingly should be considered speculative. There is generally no publicly available information about the companies in which Franklin invests, and Franklin relies significantly on the diligence of its employees and agents to obtain information in connection with the Corporation's investment decisions. In addition, some smaller businesses have narrower product lines and market shares than their competitors, and may be more vulnerable to customer preferences, market conditions or economic downturns, which may adversely affect the return on, or the recovery of, the Corporation's investment in such businesses. THE PORTFOLIO OF INVESTMENTS IS ILLIQUID. Franklin acquires most of its investments directly from private companies. The majority of the investments in its portfolio will be subject to restrictions on resale or otherwise have no established trading market. The illiquidity of most of the portfolio may adversely affect Franklin's ability to dispose of loans and securities at times when it may be advantageous to liquidate such investments. FRANKLIN'S PORTFOLIO INVESTMENTS ARE RECORDED AT FAIR VALUE AS DETERMINED BY THE BOARD OF DIRECTORS IN ABSENCE OF READILY ASCERTAINABLE PUBLIC MARKET VALUES. Pursuant to the requirements of the 1940 Act, the Corporation's board of directors is required to value each asset quarterly, and Franklin is required to carry the portfolio at a fair market value as determined by the board of directors. Since there is typically no public market for the loans and equity securities of the companies in which Franklin makes investments, the board of directors estimates the fair value of these loans and equity securities pursuant to written valuation policy and a consistently applied valuation process. Unlike banks, Franklin is not permitted to provide a general reserve for anticipated loan losses; instead, Franklin is required by the 1940 Act to specifically value each individual investment and record an unrealized loss for an asset that it believes has become impaired. Without a readily ascertainable market value, the estimated value of the portfolio of loans and equity securities may differ significantly from the values that would be placed on the portfolio if there existed a ready market for the loans and equity securities. Franklin adjusts quarterly the valuation of the portfolio to reflect the board of directors' estimate of the current realizable value of each investment in the Corporation's portfolio. Any changes in estimated value are recorded in the Corporation's statement of operations as "Net unrealized gains (losses)." 21 FRANKLIN OPERATES IN A COMPETITIVE MARKET FOR INVESTMENT OPPORTUNITIES. Franklin competes for investments with many other companies and individuals, some of whom have greater resources than does Franklin. Increased competition would make it more difficult to purchase or originate investments at attractive prices. As a result of this competition, sometimes Franklin may be precluded from making otherwise attractive investments. QUARTERLY RESULTS MAY FLUCTUATE AND MAY NOT BE INDICATIVE OF FUTURE QUARTERLY PERFORMANCE. The Corporation's quarterly operating results could fluctuate, and therefore, you should not rely on quarterly results to be indicative of Franklin's performance in future quarters. Factors that could cause quarterly operating results to fluctuate include, among others, variations in the investment origination volume, variation in timing of prepayments, variations in and the timing of the recognition of realized and unrealized gains or losses, the degree to which Franklin encounters competition in its markets and general economic conditions. FRANKLIN IS DEPENDENT UPON KEY MANAGEMENT PERSONNEL FOR FUTURE SUCCESS. Franklin is dependent for the selection, structuring, closing and monitoring of its investments on the diligence and skill of its senior management members and other management members. The future success of the Corporation depends to a significant extent on the continued service and coordination of its senior management team, particularly the Chairman and Chief Executive Officer. The departure of any of the executive officers or key employees could materially adversely affect the Corporation's ability to implement its business strategy. Franklin does not maintain key man life insurance on any of its officers or employees. THERE IS SUBSTANTIAL DOUBT AS TO FRANKLIN'S ABILITY TO CONTINUE AS A GOING CONCERN. Franklin has determined that it may not have sufficient cash and cash equivalents to meet its working capital requirements over the next fiscal year. Franklin's independent auditors have issued an opinion in which the independent auditors have indicated that there is substantial doubt as to Franklin's ability to continue as a going concern as noted in their explanatory paragraph within their opinion, which is noted in Franklin's annual financial statements. Franklin is currently seeking alternative sources of financing to continue operating through the current fiscal year. If funds were not raised, Franklin may not be able to continue its operations. INVESTMENT IN SMALL, PRIVATE COMPANIES There are significant risks inherent in the Corporation's venture capital business. The Corporation has invested a substantial portion of its assets in private development stage or start-up companies. These private businesses tend to be thinly capitalized, unproven, small companies with risky technologies that lack management depth and have not attained profitability or have no history of operations. Because of the speculative nature and the lack of a public market for these investments, there is significantly greater risk of loss than is the case with traditional investment securities. The Corporation expects that some of its venture capital investments will be a complete loss or will be unprofitable and that some will appear to be likely to become successful but never realize their potential. The Corporation has been risk seeking rather than risk averse in its approach to venture capital and other investments. Neither the Corporation's investments nor an investment in the Corporation is intended to constitute a balanced investment program. The Corporation has in the past relied, and continues to rely to a large extent, upon proceeds from sales of investments rather than investment income to defray a significant portion of its operating expenses. 22 ILLIQUIDITY OF PORTFOLIO INVESTMENTS Most of the investments of the Corporation are or will be equity securities acquired directly from small companies. The Corporation's portfolio of equity securities is and will usually be subject to restrictions on resale or otherwise have no established trading market. The illiquidity of most of the Corporation's portfolio of equity securities may adversely affect the ability of the Corporation to dispose of such securities at times when it may be advantageous for the Corporation to liquidate such investments. THE INABILITY OF THE CORPORATION'S PORTFOLIO COMPANIES TO SUCCESSFULLY MARKET THEIR PRODUCTS WOULD HAVE A NEGATIVE IMPACT ON ITS INVESTMENT RETURNS Even if the Corporation's portfolio companies are able to develop commercially viable products, the market for new products and services is highly competitive and rapidly changing. Commercial success is difficult to predict and the marketing efforts of the Corporation's portfolio companies may not be successful. VALUATION OF PORTFOLIO INVESTMENTS There is typically no public market of equity securities of the small private companies in which the Corporation invests. As a result, the valuation of the equity securities in the Corporation's portfolio is subject to the good faith determination of the Corporation's Board of Directors. In the absence of a readily ascertainable market value, the estimated value of the Corporation's portfolio of equity securities may differ significantly from the values that would be placed on the portfolio if a ready market for the equity securities existed. Any changes in estimated net asset value are recorded in the Corporation's statement of operations as "Change in unrealized appreciation on investments." FLUCTUATIONS OF QUARTERLY RESULTS The Corporation's quarterly operating results could fluctuate as a result of a number of factors. These include, among others, variations in and the timing of the recognition of realized and unrealized gains or losses, the degree to which the Corporation encounters competition in its markets and general economic conditions. As a result of these factors, results for any one quarter should not be relied upon as being indicative of performance in future quarters. ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK The Corporation's business activities contain elements of risk. The Corporation considers a principal type of market risk to be valuation risk. Investments are stated at "fair value" as defined in the 1940 Act and in the applicable regulations of the Securities and Exchange Commission. All assets are valued at fair value as determined in good faith by, or under the direction of, the Board of Directors. Neither the Corporation's investments nor an investment in the Corporation is intended to constitute a balanced investment program. The Corporation has exposure to public-market price fluctuations to the extent of its publicly traded portfolio. The Corporation has invested a substantial portion of its assets in private development stage or start-up companies. These private businesses tend to be thinly capitalized, unproven, small companies that lack management depth and have not attained profitability or have no 23 history of operations. Because of the speculative nature and the lack of public market for these investments, there is significantly greater risk of loss than is the case with traditional investment securities. The Corporation expects that some of its venture capital investments will be a complete loss or will be unprofitable and that some will appear to be likely to become successful but never realize their potential. Because there is typically no public market for the equity interests of the small companies in which the Corporation invests, the valuation of the equity interests in the Corporation's portfolio is subject to the estimate of the Corporation's Board of Directors. In making its determination, the Board may consider valuation information provided by an independent third party or the portfolio company itself. In the absence of a readily ascertainable market value, the estimated value of the Corporation's portfolio of equity interests may differ significantly from the values that would be placed on the portfolio if a ready market for the equity interests existed. Any changes in valuation are recorded in the Corporation's consolidated statements of operations as "Net increase (decrease) in unrealized appreciation on investments." ITEM 4. CONTROLS AND PROCEDURES (a) The Company maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in the Company's filings under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the periods specified in the rules and forms of the Securities and Exchange Commission. Such information is accumulated and communicated to the Company's management, including its principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure. The Company's management, including the principal executive officer and the principal financial officer, recognizes that any set of controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. Within 90 days prior to the filing date of this quarterly report on Form 10-Q, the Company has carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's principal executive officer and the Company's principal financial officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures. Based on such evaluation, the Company's principal executive officer and principal financial officer concluded that the Company's disclosure controls and procedures are effective. (b) There have been no significant changes in the Company's internal controls or in other factors that could significantly affect the internal controls subsequent to the date of their evaluation in connection with the preparation of this quarterly report on Form 10-Q. PART II. OTHER INFORMATION ITEM 1. LEGAL PROCEEDINGS On October 15, 2001, Jeffrey A. Leve and Jeffrey Leve Family Partnership, L.P. filed a lawsuit against Franklin, Sunshine Wireless, LLC ("Sunshine") and four other defendants affiliated with Winstar Communications, Inc. in the Superior Court of the State of California for the County of Los Angeles. The lawsuit, which has subsequently been removed to the United States District Court for the Central District of California, alleges that the Winstar defendants conspired to commit fraud and breached their fiduciary duty to the plaintiffs in connection with 24 the acquisition of the plaintiffs' radio production and distribution business. The complaint further alleges that Franklin and Sunshine joined the alleged conspiracy. The business was initially acquired by certain entities affiliated with Winstar Communications and, subsequently, the assets of such business were sold to Franklin and Sunshine. Concurrently with such purchase, Franklin transferred such assets to Excelsior. The plaintiffs seek recovery of damages in excess of $10,000,000, costs and attorneys' fees. On January 7, 2002, Franklin filed a motion to dismiss the lawsuit or, in the alternative, to transfer venue to the United States District Court of the Southern District of New York. The plaintiffs filed a motion opposing Franklin's request on January 28, 2002. Franklin's motion for dismissal was granted on February 25, 2002, due to improper venue. On June 7, 2002, the plaintiffs filed their complaint to the United States District of the Southern District of New York. On July 12, 2002, Franklin filed a motion to dismiss the complaint. On February 25, 2003, the case against Franklin and Sunshine was dismissed, however the plaintiffs may file an appeal. An unfavorable outcome in this lawsuit may have a material adverse effect on Franklin's business, financial condition and results of operations. ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS Not applicable ITEM 3. DEFAULTS UPON SENIOR SECURITIES HOLDERS Not applicable ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS Not applicable ITEM 5. OTHER INFORMATION Not applicable ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K (a) EXHIBITS Exhibit 99.1 Certification Pursuant To 18 U.S.C. Section 1350, As Adopted By Section 906 Of The Sarbanes-Oxley Act Of 2002 Exhibit 99.2 Certification Pursuant To 18 U.S.C. Section 1350, As Adopted By Section 906 Of The Sarbanes-Oxley Act Of 2002 (b) REPORTS ON FORM 8-K. None 25 SIGNATURE Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized. FRANKLIN CAPITAL CORPORATION Date: May 14, 2003 By: /s/ STEPHEN L. BROWN -------------------- Stephen L. Brown CHAIRMAN AND CHIEF EXECUTIVE OFFICER /s/ HIRAM M. LAZAR -------------------------------- Hiram M. Lazar CHIEF FINANCIAL OFFICER 26 CERTIFICATIONS I, Stephen L. Brown, certify that: 1. I have reviewed this quarterly report on Form 10-Q of Franklin Capital Corporation; 2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report; 3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report; 4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have: a. Designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared; b. Evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and c. Presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date; 5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function): a. All significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and 6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses. Dated: May 14, 2003 By: /s/ STEPHEN L. BROWN -------------------- Name: Stephen L. Brown Title: Chairman and Chief Executive Officer 27 CERTIFICATIONS I, Hiram M. Lazar, certify that: 1. I have reviewed this quarterly report on Form 10-Q of Franklin Capital Corporation; 2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report; 3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report; 4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have: a. Designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared; b. Evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and c. Presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date; 5.

The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function): a. All significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and 6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses. Dated: May 14, 2003 By: /s/ HIRAM M. LAZAR ------------------ Name: Hiram M. Lazar Title: Chief Financial Officer 28