FRANKLIN CAPITAL CORP
Form 10-K
March 30, 2004

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-K

Annual Report Pursuant to Section 13
or 15(d) of the Securities Exchange Act of 1934

For the fiscal year ended December 31, 2003

Commission File No. 1-9727

FRANKLIN CAPITAL CORPORATION
(Exact name of registrant specified in its charter)

DELAWARE	13-3419202
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
450 PARK AVENUE, 20TH FLOOR, NEW YORK, NEW YORK	10022
(Address of principal executive offices)	(Zip Code)
Registrant's telephone number, including area code	(212) 486-2323

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, $1.00 par value	The American Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:
None

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Corporation was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this form 10-K or any amendment to this Form 10-K.___

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act). Yes ______ No X

The aggregate market value of the voting stock held by non-affiliates of the Registrant as of June 30, 2003 was $699,411.

As of March 9, 2004, there were 1,020,100 shares of common stock ($1 par value) outstanding.

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FORWARD LOOKING STATEMENTS

WHEN USED IN THIS ANNUAL REPORT ON FORM 10-K, THE WORDS "BELIEVES," "ANTICIPATES,""EXPECTS" AND SIMILAR EXPRESSIONS ARE INTENDED TO IDENTIFY FORWARD-LOOKING STATEMENTS. STATEMENTS LOOKING FORWARD IN TIME ARE INCLUDED IN THIS ANNUAL REPORT ON FORM 10-K. SUCH STATEMENTS ARE SUBJECT TO CERTAIN RISKS AND UNCERTAINTIES WHICH COULD CAUSE ACTUAL RESULTS TO DIFFER MATERIALLY, INCLUDING, BUT NOT LIMITED TO, THOSE SET FORTH IN "MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS." READERS ARE CAUTIONED NOT TO PLACE UNDUE RELIANCE ON THESE FORWARD-LOOKING STATEMENTS, WHICH SPEAK ONLY AS OF THE DATE HEREOF. THE CORPORATION UNDERTAKES NO OBLIGATION TO PUBLICLY REVISE THESE FORWARD-LOOKING STATEMENTS TO REFLECT EVENTS OR CIRCUMSTANCES OCCURRING AFTER THE DATE HEREOF OR TO REFLECT THE OCCURRENCE OF UNANTICIPATED EVENTS.

PART I

ITEM 1. BUSINESS

Franklin Capital Corporation (the "Registrant", "Franklin," or the "Corporation") was incorporated on March 31, 1987, under the laws of the state of Delaware and operates as a business development company ("BDC") under the Investment Company Act of 1940 (the "1940 Act"). The Corporation's common stock, par value $1.00 per share, has been listed on The American Stock Exchange since October 1, 1987.

As a BDC, the Corporation's objective is to achieve capital appreciation through long-term investments in businesses believed to have favorable growth potential. In the past the Corporation participated in start-up and early stage financing, expansion or growth financing, leveraged buy-out financing and restructurings in a variety of industries. At December 31, 2003, Franklin had $2,024,138 in net assets.

EXCELSIOR RADIO NETWORKS, INC.

On August 28, 2001, Franklin along with Sunshine Wireless LLC ("Sunshine") purchased the assets of Winstar Radio Networks, Global Media and Winstar Radio Productions (collectively "WRN") for a total purchase price of $6.25 million. The acquisition was consummated through eCom Capital Inc., subsequently renamed Excelsior Radio Networks, Inc. ("Excelsior"), a then wholly-owned subsidiary of Franklin. Franklin's total investment was $2.5 million consisting of $1.5 million in cash and a $1 million note payable to WRN. The note was due February 28, 2002 with interest at 3.54% and has a right of set-off against certain representations and warranties made by WRN. In October 2001, a legal proceeding was filed against WRN, which also named Franklin as a defendant, in which the representations and warranties made by WRN have been challenged. Until the time that this action is settled the due date of the note is extended indefinitely. (See Item 3 Legal Proceedings) Additionally, Franklin provided a $150,000 note receivable to Excelsior. 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 bears interest at 10% per annum and is issued for a ninety-day rolling period. As of December 31, 2003, this note has been repaid. 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 for Excelsior.

At the closing, Franklin entered into a services agreement with Excelsior whereby Franklin provided Excelsior with certain management services. In consideration for the services provided, for a period of six months from the closing of the transaction, Franklin received $30,000 per month and was reimbursed for all direct expenses. Since then, Franklin's monthly fee was $15,000 per month and Franklin was reimbursed for all direct expenses. The agreement expired on December 31, 2003. Finally, Franklin's chief financial officer served as Excelsior's chief financial officer, and his salary and benefits were allocated between Excelsior and Franklin 80% and 20%, respectively. During the year ended December 31, 2003, Franklin earned $180,000 in management fees and was reimbursed $144,000 for salary and benefits for Franklin's chief financial officer, which was recorded as a reduction of expenses of Franklin.

PROPOSED MERGER WITH CHANGE TECHNOLOGY PARTNERS, INC.

On July 1, 2002, Franklin executed its right to terminate the merger agreement that had been entered into on December 4, 2001, between Change Technology Partners, Inc. ("Change") and Franklin pursuant to which Change would have been merged with and into Franklin.

CURRENT PORTFOLIO OF INVESTMENTS

The Corporation invests primarily in equity securities, for example common stock, preferred stock, convertible preferred stock or other equity derivatives such as options, warrants or rights to acquire stock. As of December 31, 2003, the Corporation had invested a substantial portion of its assets in private companies. The current portfolio, other than Excelsior is invested in securities issued by a company involved in Internet software and information services.

EXCELSIOR

Franklin's most significant investment is in Excelsior. As of December 31, 2003, Franklin owned 36.4% of Excelsior (13.8% on a fully diluted basis).

Excelsior is a subsidiary 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, Excelsior purchased Dial Communications, whose assets were combined with Excelsior's Global Media division to create a national radio sales representation company with 2003 advertising sales revenues of over $50 million and a client roster of over forty 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 over 20 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. Excelsior offers these programs to radio stations in exchange for advertising time. 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.

Excelsior intends to focus its programming growth with both short-form and long-form programs. For example during 2003, Excelsior announced the launching of two new shows: "Daily Dose" and the "Ross Brittain Morning Prep Show." Daily Dose is a morning prep show that is a joint venture between Excelsior and The Source Magazine, "Ross Brittain Morning Prep Show" is a morning prep show written by Mr. Brittain, a nationally recognized morning disc jockey. Excelsior believes that it has developed a niche in short-form programming specifically in the prep services that it provides to radio stations. Moreover, Excelsior believes that it has a strong presence in urban programming. Developing more programming that complements its existing programs will provide Excelsior with more broadcast commercial inventory to sell on its network. A typical short form program will have 2 to 4 commercials available for sale while a typical long form program has 8 to 48 commercials available for sale. Excelsior intends to offer additional programming in the future through internal development, joint ventures, and the acquisition of businesses or assets that complement Excelsior's operations.

The creation of a radio network allows Excelsior to sell the acquired commercial broadcast inventory to advertisers desiring national coverage. Rates for the sale of network advertising are established on the basis of audience delivery or ratings and the demographic composition of the listening audience. Thus, if Excelsior expands its network, as previously discussed, it will be able to charge more for broadcast commercial time on the network. In addition to being able to charge more for its advertising time, by expanding its programming, there will also be more commercial broadcast inventory available for sale by Excelsior.

Excelsior sells commercial broadcast time by guaranteeing certain ratings and demographics. There can be no assurance that the guarantee will be achieved. If the radio network on which the commercial broadcast time is sold does not achieve the guarantee, Excelsior may be obligated to offer the advertiser additional advertising time on the same radio network or on an alternate radio network. These "make goods" or "bonus spots" are the predominant means whereby Excelsior satisfies such obligations to advertisers. Alternatively, Excelsior could be obligated to refund or credit a portion of the advertising revenue derived from such sales. Historically, Excelsior has not had to refund any cash received as revenues.

According to the National Association of Broadcasters ("NAB"), there are approximately 10,000 commercial radio stations in the United States. Excelsior currently has broadcast commercial time on over 2,000 of these radio stations. Radio is one of the most cost effective forms of advertising given its wide reach and low cost in comparison to print and television media. Radio advertising is attractive to advertisers for a variety of reasons:

- short lead time between commercial production and broadcast time;
- low cost of commercial production; and
- the fact that most radio listening occurs away from home, closer to the point of purchase.

Radio stations attempt to develop formats, such as news/talk, music or other types of entertainment programming, in order to appeal to a target listening audience that will attract local, regional, and national advertisers to their station. Most radio stations do not have the creative and financial resources to produce nationally accepted programming. As a result, radio stations look to syndicators, such as Excelsior, to enhance their existing local programming. As a national network, Excelsior licenses radio stations to air its programs in exchange for commercial broadcast time on the station. Excelsior then resells the advertising time to advertisers requiring national coverage. The commercial broadcast time may vary from market to market within a specified time period depending on the requirements of the particular radio station. The advertising rates are based upon audience ratings for the specific demographic the advertiser is trying to reach. These ratings are determined by Arbitron Research Company, which periodically measures the percentage of the radio audience in a market area listening to a specific radio station during a specific time period.

COMPETITION

Competition for radio advertising is very intense. The industry is made up of a variety of competitive forces, including: (1) ownership groups, which own blocks of radio stations across the industry; (2) syndicators, like Excelsior, that offer programming and marketing services to radio stations; and (3) independent producers and distributors that offer programs or services to radio stations. Several of Excelsior's syndicating competitors also are associated with major radio station group owners. In addition, many of these competitors have recognized brand names and will pay compensation to radio stations to broadcast their network commercials.

Excelsior's largest competitors that are associated with an ownership group are Westwood One, Premier Radio Networks, and ABC Radio Networks. Excelsior estimates that these competitors account for about 80% of the network advertising revenues. Excelsior is a leader of the syndication companies not associated with an ownership group. The principal competitive factors in the radio industry are the quality and creativity of programming and the ability to provide advertisers with a cost-effective method of reaching the target demographic. In this respect, Excelsior has positioned itself by adding top producers like Walt "Baby" Love, Mike Harvey, John Tesh, Talk Radio Network featuring Michael Savage and Laura Ingraham, and WOR Radio featuring Joan Rivers and Jim Cramer. Excelsior's principal operating strategy is to continue to provide high quality programming in the most popular formats. Excelsior has developed and expanded its network through internal operations and will look to continue this in the future as well as acquire assets and businesses that compliment Excelsior's operations.

GOVERNMENT REGULATIONS

Radio broadcasting and station ownership are regulated by the Federal Communication Commission ("FCC"). Excelsior, as a producer and distributor of radio programs, is generally not subject to regulation by the FCC. The FCC regulates the radio stations that air Excelsior's programs. The radio station affiliates are ultimately responsible for what material is broadcast on their airwaves.

EMPLOYEES

As of February 1, 2004, Excelsior had 90 full time employees. In addition, Excelsior maintains continuing relationships with over 40 independent hosts, writers, and producers. Excelsior is not party to any collective bargaining agreements. Excelsior believes its relationship with its employees and independent contractors is good.

OTHER INVESTMENTS

See "Management's Discussion and Analysis of Financial Condition."

PRESENTATION OF FINANCIAL INFORMATION

Franklin presents its financial statements in accordance with Securities and Exchange Commission ("SEC") regulations in the format applicable to investment companies and with accounting principles generally accepted in the United States. Generally, investments are reported at fair market value rather than cost, including investments in wholly-owned subsidiaries. Because of such reporting requirements, the operating results of Excelsior are not included in the consolidated operating results of Franklin, and instead, Franklin reports only the fair value of its investment in such companies.

ILLIQUIDITY OF INVESTMENTS

A majority of the Corporation's investments consist of securities acquired directly from the issuer in private transactions. They may be subject to restrictions on resale or otherwise be illiquid. Franklin anticipates that there may not be an established trading market for such securities. Additionally, many of the securities that the Corporation may invest in will not be eligible for sale to the public without registration under the Securities Act of 1933, which could prevent or delay any sale by the Corporation of such investments or reduce the amount of proceeds that might otherwise be realized therefrom. Restricted securities generally sell at a price lower than similar securities not subject to restrictions on resale. Further, even if a portfolio company registers its securities and becomes a reporting corporation under the Securities Exchange Act of 1934, the Corporation may be considered an insider by virtue of its board representation and would be restricted in sales of such corporation's securities.

MANAGERIAL ASSISTANCE

The Corporation, as a BDC, is required by the 1940 Act to make significant managerial assistance available to its portfolio companies. "Making available significant managerial assistance" as defined in the 1940 Act with respect to a BDC such as Franklin means (a) any arrangement whereby a BDC, through its directors, officers, employees or general partners, offers to provide, and if accepted, does so provide significant guidance and counsel concerning the management, operations or business objectives and policies of a portfolio company; or (b) the exercise of a controlling influence over the management or policies of a portfolio company by a BDC acting individually or as a part of a group acting together which controls such portfolio company. The nature, timing and amount of managerial assistance provided by the Corporation vary depending upon the particular requirements of each portfolio company.

In connection with its managerial assistance, the Corporation may be represented by one or more of its officers or directors on the board of directors of a portfolio company. The Corporation's goal has been to assist each portfolio company in establishing its own independent and effective board of directors and management.

NEED FOR FOLLOW-ON INVESTMENTS

Following its initial investments in portfolio companies, the Corporation has made additional investments in such portfolio companies as "follow-on" investments, in order to increase its investment in a portfolio company, and exercised warrants, options or convertible securities that were acquired in the original financing. Such follow-on investments may be made for a variety of reasons including: 1) to increase the Corporation's exposure to a portfolio company, 2) to acquire securities issued as a result of exercising convertible securities that were purchased in a prior financing, 3) to preserve or reduce dilution of Franklin's proportionate ownership in a subsequent financing, or 4) in an attempt to preserve or enhance the value of the Corporation's investment. There can be no assurance that the Corporation will make follow-on investments or have sufficient funds to make such investments; the Corporation will have the discretion to make any follow-on investments as it determines, subject to the availability of capital resources. The failure to make such follow-on investments may, in certain circumstances, jeopardize the continued viability of a portfolio company and the Corporation's initial investment, or may result in a missed opportunity for the Corporation to increase its participation in a successful operation. Even if the Corporation has sufficient capital to make a desired follow-on investment, the Company may, under certain circumstances be prohibited from doing so if such an investment would result in non-compliance with BDC regulations.

COMPETITION

Numerous companies and individuals are engaged in the venture capital business and such business is extremely competitive. The Corporation competes for attractive investment opportunities with venture capital partnerships and corporations, merchant banks, venture capital affiliates of industrial and financial companies, Small Business Investment Companies, other investment companies, pension plans, other BDCs and private individual investors. Many of these competitors have significantly greater resources and managerial capabilities than the Corporation to obtain access to venture capital investments. There can be no assurance that the Corporation will be able to compete against those competitors for attractive investments.

DETERMINATION OF NET ASSET VALUE

Security investments that 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 the Corporation 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 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 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.

EMPLOYEES

At December 31, 2003, the Corporation had three employees.

GOVERNMENT REGULATIONS IMPACTING FRANKLIN

Franklin operates in a highly regulated environment as a BDC. The following discussion generally summarizes certain regulations.

A BDC is defined and regulated by the 1940 Act. It is an investment company that primarily focuses on investing in or lending to small private companies and making managerial assistance available to them. A BDC may use capital provided by public stockholders and from other sources to invest in long-term, private investments in growing small businesses. A BDC provides stockholders the ability to retain the liquidity of a publicly traded stock, while sharing in the possible benefits, if any, of investing in privately-owned growth companies.

As a BDC, Franklin may not acquire any asset other than "Qualifying Assets" unless, at the time the acquisition is made, Qualifying Assets represent at least 70% of the value of the total assets (the "70% test"). The principal categories of Qualifying Assets relevant to Franklin's business are:

(1) securities purchased in transactions not involving any public offering, the issuer of which is an eligible portfolio company. An eligible portfolio company is defined to include any issuer that (a) is organized and has its principal place of business in the United States, (b) is not an investment company other than an SBIC wholly-owned by a business development company, and (c) does not have any class of publicly traded securities with respect to which a broker may extend margin credit;

(2) securities received in exchange for or distributed with respect to securities described in (1) above or pursuant to the exercise of options, warrants, or rights relating to such securities; and

(3) cash, cash items, government securities and high quality debt securities (within the meaning of the 1940 Act), maturing in one year or less from the time of the investment.

To include certain securities described above as Qualifying Assets for the purpose of the 70% test, a BDC must make available to the issuer of those securities significant managerial assistance such as

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providing significant guidance and counsel concerning the management, operations, or business objectives and policies of a portfolio company, or making loans to a portfolio company.

As a BDC, Franklin is entitled to issue senior securities in the form of stock or senior securities representing indebtedness, including debt securities and preferred stock, as long as each class of senior security has an asset coverage of at least 200% immediately after each such issuance.

Franklin has adopted a Code of Ethics that establishes procedures for personal investments and restricts certain transactions by its personnel.

The Corporation is permitted to adopt either a profit-sharing plan pursuant to which management (including disinterested directors) could receive up to 20% of the net after-tax profits of the Corporation or an option plan covering up to 20% of the stock of the Corporation. Presently the Corporation has incentive plans in effect covering 46,875 shares (4.6% on a diluted basis). See "Item 11 Executive Compensation - Compensation Plans - Stock Option Plans."

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. 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)."

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 financial statements. Franklin is seeking alternative sources of financing to continue operating through the current fiscal year. If funds are not raised, Franklin may not be able to continue its operations.

ITEM 2. PROPERTIES

Franklin maintains its offices at 450 Park Avenue, New York, New York 10022, where it leases approximately 2,000 square feet of office space pursuant to a lease agreement expiring December 31, 2004. As of December 31, 2003, Franklin had a sublet arrangement with one subtenant for a portion of Franklin's office space.

ITEM 3. 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. On February 25, 2003, the case against Franklin and Sunshine was dismissed, however the plaintiffs have a right to appeal. The lawsuit alleges that the Winstar defendants conspired to commit fraud and breached their fiduciary duty to the plaintiffs in connection with the acquisition of the plaintiff's radio production and distribution business. The complaint further alleges that Franklin and Sunshine joined the alleged conspiracy. The plaintiffs seek recovery of damages in excess of $10,000,000, costs and attorneys' fees. An unfavorable outcome in an appeal, should it be brought, together with an unfavorable outcome in the lawsuit may have a material adverse effect on Franklin's business, financial condition and results of operations.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

On December 17, 2003, the Corporation held an annual meeting of its common and preferred stockholders. Stephen L. Brown, Irving Levine, Laurence I. Foster and David T. Lender were elected to serve as directors of the Corporation for a term of one year or until their successors are duly elected and qualified. The number of common and preferred shares, voting together as a single class, voted for and against each director is as follows:

	FOR	WITHHELD
Stephen L. Brown	787,779	84,803
David Lender	793,580	79,002
Laurence I. Foster *	9,000	0
Irving Levine*	9,000	0

* - Only preferred stockholders voted for these directors.

In addition, stockholders were asked to ratify the selection of Ernst & Young LLP as the Corporation's independent auditors for the fiscal year ended December 31, 2003. 796,918 shares voted for, 56,037 shares voted against and 19,627 shares abstained from ratifying Ernst & Young LLP as the Corporation's independent auditors.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

STOCK TRANSFER AGENT

Mellon Investor Services, 85 Challenger Road, Overpack Center, Ridgefield Park, NJ 07660 (Telephone (800) 851-9677) serves as transfer agent for the Corporation's common stock. Certificates to be transferred should be mailed directly to the transfer agent, preferably by registered mail.

MARKET PRICES

The Corporation's common stock is traded on The American Stock Exchange under the symbol "FKL." The following table sets forth the range of the high and low selling price of the Corporation's shares during each quarter of the last two years, as reported by the American Stock Exchange.

2003 QUARTER ENDING	LOW	HIGH
March 31	$ 1.10	$ 1.62
June 30	$ 0.77	$ 1.26
September 30	$ 0.75	$ 1.05
December 31	$ 0.50	$ 1.55

2002 QUARTER ENDING LOW HIGH

March 31	$ 3.76	$ 4.24
June 30	$ 3.46	$ 4.02
September 30	$ 2.90	$ 3.72
December 31	$ 1.45	$ 2.97

DIVIDENDS

The Corporation paid $76,652, and $115,152 and $115,150 in dividends to preferred stockholders during 2003, 2002 and 2001, respectively, and has not paid any dividends to common stockholders during the past three years.

STOCKHOLDERS

As of March 9, 2004, there were 562 registered shareholders of record of the Corporation's common stock. The Corporation has 5,000,000 shares of common stock authorized, of which 1,505,888 are issued and 1,020,100 shares are outstanding at March 9, 2004. The Corporation has 5,000,000 shares of convertible preferred stock authorized, of which 16,450 were issued on February 22, 2000 and 10,950 shares are outstanding at March 9, 2004. (See Item 7 Management's Discussion and Analysis of Financial Condition - Liquidity and Capital Resources.)

ITEM 6. SELECTED FINANCIAL DATA

The following tables should be read in conjunction with the Financial Statements included in Item 8 of this Form 10-K.

BALANCE SHEET DATA

FINANCIAL POSITION AS OF DECEMBER 31:

	2003	2002	2001
Total assets	$3,258,032	$4,632,338	$4,098,8
Liabilities	$1,233,894	$1,364,798	$1,177,1
Net asset value	$2,024,138	$3,267,540	$2,921,7
Net asset value per share attributable to common stockholders	$ 0.91	$ 2.07	$ 1.
Net asset value per share, as if converted basis	$ 1.84	$ 2.89	$ 2.
Shares outstanding	1,020,100	1,049,600	1,074,7

OPERATING DATA FOR THE YEAR ENDED DECEMBER 31:

	2003	2002	2001
Investment income	$183,159	$455,081	$192
Expenses	$1,279,526	$1,985,450	$1,579
Net investment loss from operations	$(1,096,367)	$(1,530,369)	$(1,386
Net realized gain on portfolio of investments, net of current income taxes	$430,883	$237,327	$522
Net (decrease) increase in unrealized appreciation of investments, net of deferred income taxes	$(475,605)	$1,663,304	$(1,553
Net (decrease) increase in net assets attributable to common stockholders	$(1,217,741)	$255,110	$(2,533
Basic and diluted net (decrease) increase in net assets from operations per weighted average number of shares outstanding	$(1.17)	$0.24	$(

* Expenses in the year ended December 31, 2000 include non-cash compensation of $349,644 due to the exercise of employee incentive stock options.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

THE INFORMATION CONTAINED IN THIS SECTION SHOULD BE READ IN CONJUNCTION WITH THE CORPORATION'S 2003 FINANCIAL STATEMENTS AND NOTES THERETO IN ITEM 8.

The following "Overview" section is a brief summary of the significant issues addressed in Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A"). Investors should read the relevant sections of the MD&A for a complete discussion of the issues summarized below. The entire MD&A should be read in conjunction with Item 6. Selected Financial Data and Item 8. Financial Statements and Supplementary Data appearing elsewhere in this Form 10K.

OVERVIEW

During 2003, the Corporation realized approximately $433,000 in gains on its sale of Excelsior common stock. The Corporation continues to rely on the increase in the value of its investments and the ability to sell them in order to fund its ongoing operations. Operating expenses were reduced by approximately $706,000 due to the salary of one senior officer of the Corporation moving to Excelsior whereby that officer became the CEO of Excelsior, Franklin's most significant investment as well as the one-time expenses related to the failed Change merger in 2002.

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.

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 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.

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 (decrease) increase 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 (decrease) increase in unrealized appreciation of investments," which is the net change in the fair value of the Corporation's investment portfolio, net of any (decrease) increase 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 (decrease) increase 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, $3,258,032 and $2,024,138 at December 31, 2003 versus $4,632,338 and $3,267,540 at December 31, 2002. Net asset value per share attributable to common stockholders and on an as if converted basis was $0.91 and $1.84 at December 31, 2003, respectively, versus $2.07 and $2.89, respectively, at December 31, 2002. The change in total assets and net assets is primarily attributable to the Corporation's operating losses.

The Corporation's financial condition is dependent on the success of its investments. A summary of the Corporation's investment portfolio is as follows:

	DECEMBER 31, 2003	DECEMBER 31, 2002
Investments, at cost	$1,949,703	$2,511,479
Unrealized appreciation, net of deferred taxes	1,005,466	1,471,071
Investments, at fair value	$2,955,169	$3,992,550

INVESTMENTS

The Corporation's financial condition is dependent on the success of its investments. The Corporation has invested a substantial portion of its assets in thinly capitalized companies including one development stage company that may lack management depth.

ALACRA CORPORATION

At December 31, 2003, the Corporation had an investment in Alacra Corporation ("Alacra"), valued at $1,000,000, which represents 30.7% of the Corporation's total assets and 49.4% of its net assets. Alacra, based in New York, is a leading global provider of business and financial information. Alacra provides a diverse portfolio of fast, sophisticated online services that allow users to quickly find, analyze, package and present mission-critical business information. Alacra's customers include more than 750 leading financial institutions, management consulting, law and accounting firms and other corporations throughout the world.

On April 20, 2000, the Corporation purchased $1,000,000 worth of Alacra Series F Convertible Preferred Stock. Franklin has the right to have the preferred stock redeemed by Alacra for face value plus accrued dividends on December 31, 2005. In connection with this investment, Franklin was granted observer rights on Alacra board of directors meetings.

EXCELSIOR RADIO NETWORKS

At December 31, 2003, the Corporation had an investment in Excelsior Radio Networks, Inc. ("Excelsior"), formerly known as eCom Capital, Inc., valued at $1,921,270, which represents 59.0% of the Corporation's total assets and

94.9% of its net assets. This valuation represents the same value as the last sales price realized by the Corporation for a sale of 375,000 shares of Excelsior's common stock on October 8, 2003. Excelsior produces and syndicates programs and services heard on more than 2,000 radio stations nationwide across most major formats. Through its Dial Communications Global Media sales subsidiary, Excelsior sells the advertising inventory radio stations provide in exchange for the Excelsior content. The programming and content includes prep services as well as long form and short form programming. Additionally, Dial Communications Global Media has a number of independent

producer clients, which range from talk and music programs to news and traffic services. See Item 1 Business - Current Portfolio Investments - Excelsior.

On August 28, 2001, the Corporation purchased $2,500,000 worth of Excelsior Common Stock and issued a secured note for $150,000. 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. As of December 31, 2003, the secured note was paid back 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 the proposed merger with Change. 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 and subsequently on May 29, 2003, Franklin cancelled the purchase, 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. On August 12, 2003, Franklin sold 193,000 common shares for $1.30 per share for total proceeds of $250,900 realizing a gain of $57,900. Franklin has stock appreciation rights on these common shares as follows, a) in the event that Excelsior is sold on or before August 8, 2004 for gross proceeds of no less than $40,000,000, then Franklin shall be entitled to receive fifty percent (50%) of any net value above $1.30 per share not to exceed proceeds to Franklin of $1.94 per share, and b) in the event that the Excelsior is sold on or before August 8, 2005 for gross proceeds of no less than $40,000,000, then Franklin shall be entitled to receive fifty percent (50%) of any net value above $1.30 per share not to exceed proceeds to Franklin of $1.625 per share. On October 8, 2003, Franklin sold to Sunshine 375,000 shares of the common stock of Excelsior for an aggregate purchase price of $750,000, realizing a gain of $375,000, pursuant to a stock purchase agreement between Sunshine and Franklin. Franklin has stock appreciation rights on these common shares such that if Excelsior is sold and the purchaser of the common shares from Franklin receives more than $3.50 per share, Franklin is entitled to receive 80% of the value greater than $3.50 per share. After giving effect to the purchase of the common stock, Sunshine owns approximately 63.6% and the Company owns 36.4% of the issued and outstanding common stock, and voting power, of Excelsior. On a fully diluted basis, after giving effect to the exercise of the outstanding warrants and the conversion of Sunshine's outstanding preferred stock of Excelsior into common stock, the Corporation owns approximately 13.8% of Excelsior. Franklin continues to maintain a seat on the board of directors of Excelsior.

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 stock, 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 interest and dividend income of $3,159 in 2003, $5,081 in 2002, and $72,697 in 2001. The Corporation earned management fees of $180,000 in 2003, $450,000 in 2002, and $120,000 in 2001 from its majority-owned affiliate, Excelsior.

Operating expenses were $1,279,526 in 2003, $1,985,450 in 2002, and $1,579,382 in 2001. A majority of the Corporation's operating expenses consist of employee compensation, office and rent

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expense, other expenses related to identifying and reviewing investment opportunities and professional fees. Operating expense decreased from 2002 to 2003 due to the merger fees discussed below and the resignation of one senior officer of the Corporation who was employed in 2003 by Excelsior. Professional fees consist of general legal fees, audit and tax fees, consulting fees and investment related legal fees. During 2003 and 2002, the Corporation incurred professional fees related to the terminated merger with Change of $73,500 and $490,782, respectively.

Net investment losses from operations were $1,096,367 in 2003, $1,530,369 in 2002, and $1,386,685 in 2001.

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 years ended December 31, 2003, 2002, and 2001, the Corporation realized net gains before taxes of $430,883, $237,658, and $520,455, respectively, from the disposition of various investments.

During 2003, Franklin realized a gain of $432,900 from the sale of 568,000 shares of Excelsior Radio Networks, Inc. common stock. This gain was offset by a loss of $2,017 from sale of marketable securities.

During 2002, Franklin realized a gain of $726,804 from the sale of 773,196 shares of Excelsior Radio Networks, Inc. common stock. This gain was offset by a loss of $300,000 from the sale of 188,425 shares of Structured Web common stock, a previous portfolio holding of the Corporation, a loss of $140,000 from the write down of Excom Ventures, a previous portfolio holding of the Corporation which was determined to be a worthless security, a loss of $32,715 from the sale of 363,938 shares of Primal common stock a previous portfolio holding of the Corporation as well as a realized net loss of $16,430 from sale of marketable securities.

During 2001, Franklin realized a gain of $598,617 from the sale of

434,024 shares of Go America, Inc. common stock a previous portfolio holding of the Corporation, a gain of $87,013 from the sale of 1,183,938 shares of Avery common stock a previous portfolio holding of the Corporation, and a gain of $50,750 from the sale of 350,000 shares of Avery preferred stock. These gains were offset by a loss of $130,139 from the sale of 1,150,000 shares of Primal common stock as well as a realized net loss of $85,786 from the sale of various marketable securities.

UNREALIZED APPRECIATION OF INVESTMENTS

Unrealized appreciation of investments, net of deferred taxes, decreased by $475,605 during the year ended December 31, 2003, due primarily to the sale of a portion of the Corporation's holdings of Excelsior offset by the increased valuation of Excelsior.

Unrealized appreciation of investments, net of deferred taxes, increased by $1,663,304 during the year ended December 31, 2002, due primarily to the increased valuation of Excelsior.

Unrealized appreciation of investments, net of deferred taxes, decreased by $1,553,756 during the year ended December 31, 2001, primarily from the sale of Franklin's position in Go America common

stock and the sale of Franklin's position in Avery Communications. The changes in the value of these investments occurred during a period of extreme volatility of publicly traded, small capitalization, high technology stocks.

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 $900,000 at December 31, 2003. 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 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 $337,966 to $224,225 for the year ended December 31, 2003, compared to an increase of $282,463 for the year ended December 31, 2002.

Operating activities used $1,192,248 of cash for the year ended December 31, 2003, compared to using $1,282,171 for the year ended December 31, 2002.

Operating activities for the year ended December 31, 2003, exclusive of changes in operating assets and liabilities, used $1,079,395 of cash, as the Corporation's net decrease in net assets from operations of $1,141,089 included non-cash charges for depreciation and amortization of $16,972, realized gains of $430,883 and unrealized losses of $475,605. For the year ended December 31, 2002, operating activities, exclusive of changes in operating assets and liabilities, used $1,513,400 of cash, as the Corporation's net increase in net assets from operations of $370,262 included non-cash charges of depreciation and amortization of $16,969, realized gains of $237,327 and unrealized gains of $1,663,304.

Changes in operating assets and liabilities decreased cash $112,853 for the year ended December 31, 2003, principally due a decrease in the level of accounts payable and accrued expenses. For the year ended December 31, 2002, changes in operating assets and liabilities produced $231,229 of cash.

The principal factor in the $992,658 of cash provided by investing activities in the year ended December 31, 2003 was the sale of a portion of the Corporation's holding in Excelsior for $1,000,900. The principal factor in the $1,637,284 of cash provided by investing activities in the year ended December 31, 2002 was the sale of a portion of the Corporation's holding in Excelsior for $1,500,000.

Cash used in financing activities for the year ended December 31, 2003 of $138,376 resulted primarily from the payment of preferred dividends of $76,652 and the purchase of treasury stock of $25,661. Additionally, the note payable was offset by certain payments made allowed for in the note payable. Cash used in financing activities for the year ended December 31, 2002 of $72,650 primarily resulted from payment of preferred dividends of $115,152, the redemption of preferred stock of $137,500 and the purchase of treasury stock of $71,815 offset by the issuance of certain rights to convert promissory notes issued from Excelsior to Dial into Franklin stock of $300,000.

Franklin is obligated under an operating lease, which provides for annual minimum rental payments through December 31, 2004 of $105,000.

On February 22, 2000, the Corporation issued $1,645,000 of convertible preferred stock. The stock was issued at a price of $100 per share and has a 7% quarterly dividend. The stock is convertible into Franklin common stock at a conversion price of $13.33 per common share. On December 31, 2002 the Corporation redeemed from certain preferred stockholders 5,500 shares of convertible preferred stock for $25.00 per share.

ITEM 7A. 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 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 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

FRANKLIN CAPITAL CORPORATION

INDEX TO FINANCIAL STATEMENTS AND SCHEDULES

The schedules for which provision is made in the applicable regulation of the Securities and Exchange Commission are not required under the related instruction or are inapplicable and, therefore, have been omitted

REPORT OF INDEPENDENT AUDITORS

To the Stockholders and Board of Directors
Franklin Capital Corporation

We have audited the accompanying balance sheets of Franklin Capital Corporation as of December 31, 2003 and 2002, including the portfolio of investments as of December 31, 2003, and the related statements of operations, cash flows and changes in net assets for each of the three years in the period ended December 31, 2003, and the financial highlights for each of the five years in the period ended December 31, 2003. These financial statements and financial highlights are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

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

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of Franklin Capital Corporation at December 31, 2003 and 2002, the results of its operations, cash flows and changes in net assets for each of the three years in the period ended December 31, 2003, and the financial highlights for each of the five years in the period ended December 31, 2003, in conformity with accounting principles generally accepted in the United States.

The accompanying financial statements have been prepared assuming that Franklin Capital Corporation will continue as a going concern. As more fully described in Note 1, the Corporation has incurred recurring operating losses and has a working capital deficiency. These conditions raise substantial doubt about the Corporation's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 1. 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.

ERNST & YOUNG LLP

New York, New York
March 5, 2004, except for Note 13, as to which the
date is March 19, 2004

FRANKLIN CAPITAL CORPORATION

BALANCE SHEETS

DECEMBER 31,

ASSETS

Marketable investment securities, at market value (cost: December 31, 2003 - $40,899; December 31, 2002 - $34,675) (Note 2)

Investments, at fair value (cost: December 31, 2003 - $1,908,804; December 31, 2002 - $2,476,804) (Note 2)

Excelsior Radio Networks, Inc.

Other investments

Cash and cash equivalents (Note 2)

Other assets

TOTAL ASSETS

LIABILITIES AND STOCKHOLDERS' EQUITY

LIABILITIES

Notes payable (Note 6)

Accounts payable and accrued liabilities

TOTAL LIABILITIES

Commitments and contingencies (Note 5)

STOCKHOLDERS' EQUITY

Convertible preferred stock, $1 par value, cumulative 7% dividend: 5,000,000 shares authorized; 10,950 issued and outstanding at December 31, 2003 and 2002 (Liquidation preference $1,095,000) (Note 4)

Common stock, $1 par value: 5,000,000 shares authorized; 1,505,888 shares issued: 1,020,100 and 1,049,600 shares outstanding at December 31, 2003 and 2002, respectively (Note 7)

Paid-in capital

Unrealized appreciation of investments, net of deferred income taxes (Notes 2 and 3)

Accumulated deficit

Deduct: 485,788 and 456,288 shares of common stock held in treasury, at cost, at December 31, 2003 and 2002, respectively (Note 4)

Net assets (Note 9 for per share information)

TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY

The accompanying notes are an integral part of these financial statements.

FRANKLIN CAPITAL CORPORATION

STATEMENTS OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31,	2003
INVESTMENT INCOME	
Interest on short term investments and money market accounts	$3,159
Dividend income	--
Income from affiliates (Note 6)	180,000
	183,159
EXPENSES	
Salaries and employee benefits, net of reimbursements (Note 7)	548,269
Professional fees	231,164
Rent (Note 5)	71,942
Insurance	67,728
Directors' fees	9,158
Taxes other than income taxes	29,708
Newswire and promotion	--
Depreciation and amortization	16,972
Interest expense	42,903
Expenses related to terminated merger	73,500
General and administrative	188,182
	1,279,526
Net investment loss from operations	(1,096,367
Net realized gain (loss) on portfolio of investments: Investment securities:	
Affiliated	432,900
Unaffiliated	(2,017
Net realized gain on portfolio of investments	430,883

Provision (benefit) for current income taxes	--
Net realized loss	(665,484
(Decrease) increase in unrealized appreciation of investments, net of deferred income taxes:	
Investment securities:	
Affiliated	(479,392
Unaffiliated	3,787
(Decrease) increase in unrealized appreciation of investments, net of deferred income taxes	(475,605
Net (decrease) increase in net assets from operations	(1,141,089
Preferred dividends	76,652
Net (decrease) increase in net assets attributable to common stockholders	($1,217,741
Basic and diluted net (decrease) increase in net assets per share attributable to common stockholders (Note 8)	($1.17

The accompanying notes are an integral part of these financial statements.

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FRANKLIN CAPITAL CORPORATION

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31,	200
Cash flows from operating activities:	
Net (decrease) increase in net assets from operations	($1,141
Adjustments to reconcile net (decrease) increase in net assets from operations to net cash used in operating activities:	
Depreciation and amortization	16
Decrease (increase) in unrealized appreciation of investments, net of deferred taxes	475
Net realized gain on portfolio of investments, net of current income taxes	(430
Changes in operating assets and liabilities:	
(Increase) decrease in other assets	(18

(Decrease) increase in accounts payable and accrued liabilities	(94
Total adjustments	(51
Net cash used in operating activities	(1,192
Cash flows from investing activities:	
Proceeds from sale of majority-owned affiliate	
Proceeds from sale of affiliate	1,000
Proceeds from sale of other investments	
Proceeds from sale of marketable investment securities	28
Loan payments received from majority-owned affiliate	
Loan to majority owned affiliate	
Purchases of investment in majority-owned affiliate	
Purchases of other investments	
Purchases of marketable investment securities	(37
Net cash provided by investing activities	992
Cash flows from financing activities:	
Payments of preferred dividends	(76
Decrease in note payable	(36
Proceeds from conversion right	
Redemption of preferred stock	
Purchases of treasury stock	(25
Net cash used in financing activities	(138
Net (decrease) increase in cash and cash equivalents	(337
Cash and cash equivalents at beginning of year	562
Cash and cash equivalents at end of year	$224

Supplemental disclosure of cash flow information:	
Non-cash liability issued in connection with purchase of majority owned affiliate	-

The accompanying notes are an integral part of these financial statements.

FRANKLIN CAPITAL CORPORATION

STATEMENTS OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED DECEMBER 31,	2003
(Decrease) increase in net assets from operations:	
Net investment loss	($1,096,367)
Net realized gain on portfolio of investments, net of current income taxes	430,883
(Decrease) increase in unrealized appreciation of investments, net of deferred income taxes	(475,605)
Net (decrease) increase in net assets from operations	(1,141,089)
Capital stock transactions:	
Payment of dividends on preferred stock	(76,652)
Proceeds for conversion right	--
Redemption of preferred stock	--
Purchase of treasury stock	(25,661)
Total (decrease) increase in net assets	(1,243,402)
Net assets at beginning of year	3,267,540
Net assets at end of year	$2,024,138

The accompanying notes are an integral part of these financial statements.

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FRANKLIN CAPITAL CORPORATION

FINANCIAL HIGHLIGHTS

FOR THE YEAR ENDED DECEMBER 31,	2003(1)	2002(
PER SHARE OPERATING PERFORMANCE (2):		
Net asset value attributable to common stockholders, beginning of year	$2.07	$1.19
Net investment loss	(1.06)	(1.44
Net (loss) gain on portfolio of investments (realized and unrealized) after taxes	(0.04)	1.78
Total from investment operations	(1.10)	0.34

Less dividends and distributions:		
Distributions from accumulated deficit and earnings	0.00	0.00
Total dividends and distributions	0.00	0.00
Capital stock transactions	(0.06)	0.54
Net asset value attributable to common stockholders, end of year	$0.91	$2.07
Market value per share, end of year	$1.06	$1.62
TOTAL INVESTMENT RETURN:		
Based on market value per share (%)	(38.37)	(58.85
RATIOS TO AVERAGE NET ASSETS:		
Expenses (%)	48.36	56.61
Net investment loss from operations (%)	(41.44)	(43.64
RATIOS/SUPPLEMENTAL DATA:		
Net assets at end of period (000 omitted)	$2,024	$3,268
Portfolio turnover rate (%)	26	37

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(1) - Includes liquidation preference of preferred stockholders.
(2) - Calculated based on weighted average number of shares outstanding during the period.

The accompanying notes are an integral part of these financial highlights.

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FRANKLIN CAPITAL CORPORATION

PORTFOLIO OF INVESTMENTS

MARKETABLE INVESTMENT SECURITIES

DECEMBER 31, 2003 (2)	NUMB SHAR PRIN AMOU
Explore Technologies	7,
Certificate of Deposit - 0.7%, due 02/02/2004	
Total Marketable Investment Securities (1.1% of total investments and 1.7% of net assets)	

INVESTMENTS, AT FAIR VALUE

DECEMBER 31, 2003 (2)	INVESTMENT	EQUITY INTEREST	NUMB SHAR PRIN AMOU
AFFILIATE			
Excelsior Radio Networks, Inc.	Common stock	36.35%	908
Excelsior Radio Networks, Inc.	Warrants	-	87
Total Excelsior Radio Networks, Inc. (65.0% of total investments and 94.9% of net assets) (Radio production and advertising sales)		13.82% (fully diluted)	
OTHER INVESTMENT			
Alacra Corporation (33.8% of total investments and 49.4% of net assets) (Internet-based information provider)	Convertible Preferred Stock	1.68%	321
Investments, at Fair Value			

(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.

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FRANKLIN CAPITAL CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 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 $900,000 at December 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 years ended December 31, 2003, 2002 and 2001.

At December 31, 2003 and 2002, the Corporation held cash and cash equivalents primarily in money market funds at two commercial banking institutions, and two broker/dealers.

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 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:

	DECEMBER 31, 2003	DECEMBER 31, 2002	DE
Net (decrease) increase in net assets attributable to common stockholders:			
As reported	$(1,217,741)	$255,110	
Deduct:			
Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effect	--	4,734	
Pro forma	$(1,217,741)	$250,376	
Basic and diluted net (decrease) increase in net assets attributable to common stockholders:			
As reported	$(1.17)	$0.24	
Pro forma	$(1.17)	$0.23	

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.

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 years ended December 31, 2003, 2002 and 2001, Franklin's tax (provision) benefit was based on the following:

	2003	2002
Net investment loss from operations	$(1,096,367)	$(1,530,
Net realized gain on portfolio of investments	430,883	237,
(Decrease) increase in unrealized appreciation	(475,605)	1,663,
Pre-tax book (loss) income	$(1,141,089)	$ 370,

	2003	2002
Federal tax benefit (provision) at 34% on $(1,141,089), $370,592, and $(2,419,986), respectively	$ 388,000	(126,
State and local, net of Federal benefit	22,500	-
Other	(5,500)	(22,
Change in valuation allowance	(405,000)	148,
	$ -	$

The components of the tax benefit are as follows:

	2003	2002
Current state and local tax benefit	$ -	$

Deferred income tax benefit (provision) 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 December 31, 2003 and 2002, significant deferred tax assets and liabilities consist of:

ASSET (LIABILITY)

	December 31, 2003
Deferred Federal and state benefit from net operating loss carryforward	$ 2,605,000
Deferred Federal and state (provision) benefit on unrealized (appreciation) depreciation of investments	(377,000)
Valuation allowance	(2,228,000)
Deferred taxes	$ -

At December 31, 2002, Franklin had net operating loss carryforwards for income tax purposes of approximately $7,236,000 that will begin to expire in 2011. At a 36% effective tax rate the after-tax net benefit from this loss would be approximately $2,605,000.

4. STOCKHOLDERS' EQUITY

The accumulated deficit at December 31, 2003, consists of accumulated net realized gains of $5,524,000 and accumulated investment losses of $13,845,000.

The convertible 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,

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.

The Board of Directors has authorized Franklin to repurchase up to an aggregate of 575,000 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 year ended December 31, 2003, the Corporation purchased 29,500 shares of its common stock at a total cost of $25,661. To date, Franklin has repurchased 536,950 shares of its common stock of which 485,788 shares remain in treasury at December 31, 2003.

5. COMMITMENTS AND CONTINGENCIES

Franklin is obligated under an operating lease, which provides for annual minimum rental payments through December 31, 2004 of $105,000.

Rent expense for the years ended December 31, 2003, 2002 and 2001, was approximately $72,000, $99,000, and $126,000, respectively. For the years ended December 31, 2003, 2002 and 2001, the Corporation collected rents of $37,500, $59,000, and $24,000, 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. On February 25, 2003, the case against Franklin and Sunshine was dismissed, however the plaintiffs have a right to appeal. The lawsuit alleges that the Winstar defendants conspired to commit fraud and breached their fiduciary duty to the plaintiffs in connection with the acquisition of the plaintiff's radio production and distribution business. The complaint further alleges that Franklin and Sunshine joined the alleged conspiracy. The plaintiffs seek recovery of damages in excess of $10,000,000, costs and attorneys' fees. An unfavorable outcome in an appeal, should it be brought, together with an unfavorable outcome in the lawsuit may have a material adverse effect on Franklin's business, financial condition and results of operations.

6. EXCELSIOR RADIO NETWORKS, INC.

Franklin valued its position in Excelsior at $2.00 per common share based on the sale of 375,000 common shares to Sunshine on October 8, 2003 (See Note 11) and the receipt of an unsolicited non-binding expression of interest by Excelsior from a third party at a price greater than $2.00 per common share.

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 Winstar Radio Networks, Inc. The due date of the note has been extended indefinitely until the action described in Note 5 is settled.

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.

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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 years ended December 31, 2003, 2002 and 2001, Franklin earned $180,000, $450,000 and $120,000, respectively, in management fees and was reimbursed $144,000, $120,936 and $40,156, respectively, for salary and benefits for Franklin's chief financial officer, which was recorded as a reduction of expenses on Franklin.

Excelsior issued notes, each with an initial aggregate principal amount of $460,000 in connection with the acquisition of substantially all of the assets of Dial Communications Group, Inc., and Dial Communications Group, LLC in April 2002. At the time of issuance each of the promissory notes was 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 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 promissory notes. Excelsior and the note holders agreed to revise the notes on December 15, 2003, such that the notes are no longer convertible into Franklin common stock.

Franklin along with Sunshine initially purchased Excelsior on August 28, 2001. On October 3, 2002, Franklin sold 773,196 common shares for $1.94 per share for $1,500,000 realizing a gain of $726,804. On January 31, 2003, Franklin purchased and subsequently on May 29, 2003, Franklin cancelled the purchase, 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. On August 12, 2003, Franklin sold 193,000 common shares for $1.30 per share for $250,900 realizing a gain of $57,900. Franklin has stock appreciation rights on these common shares as follows, a) in the event that Excelsior is sold on or before August 8, 2004 for gross proceeds of no less than $40,000,000, then Franklin shall be entitled to receive fifty percent (50%) of any net value above $1.30 per share not to exceed total proceeds to Franklin of $1.94 per share, and b) in the event that Excelsior is sold on or before August 8, 2005 for gross proceeds of no less than $40,000,000, then Franklin shall be entitled to receive fifty percent (50%) of any net value above $1.30 per share not to exceed proceeds to Franklin of $1.625 per share. On October 8, 2003, Franklin sold to Sunshine 375,000 shares of the common stock of Excelsior for an aggregate purchase price of $750,000, realizing a gain of $375,000, pursuant to a stock purchase agreement between Sunshine and Franklin. Franklin has stock appreciation rights on these common shares such that if Excelsior is sold and the purchaser of the common shares from Franklin receives more than $3.50 per share, Franklin is entitled to receive 80% of the value greater than $3.50 per share. There can be no guarantee that Franklin will be able to continue to sell shares of Excelsior to Sunshine.

After giving effect to the purchase of the common stock, Sunshine owns approximately 63.6% and the Company owns 36.4% of the issued and outstanding common stock, and voting power, of Excelsior. On a fully diluted basis, after giving effect to the exercise of the outstanding warrants and the conversion of Sunshine's outstanding preferred stock of Excelsior into common stock, the Corporation owns approximately 13.8% of 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.

FRANKLIN CAPITAL CORPORATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

The following is a summary of the status of the Stock Option Plans during the years ended:

	December 31, 2003		December 31, 2002	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding at beginning of year	20,625	$11.39	39,375	$11.27
Granted	-	-	-	-
Exercised	-	-	-	-
Forfeited	-	-	18,750	$11.13
Expired	-	-	-	-
Outstanding at end of year	20,625	$11.39	20,625	$11.39
Exercisable at end of year	20,625	$11.39	20,625	$11.39

The options issued under the SIP have a remaining contractual life of 4.1 years. The options issued under the SOP have a remaining contractual life of 6.1 years.

8. NET (DECREASE) INCREASE IN NET ASSETS PER COMMON SHARE

The following table sets forth the computation of basic and diluted change in net assets per common share:

	December 31,	
	2003	2002
Numerator:		
Net (decrease) increase in net assets from operations	$(1,141,089)	$370,262
Preferred stock dividends	(76,652)	(115,152)
Numerator for basic and diluted earnings per share - net (decrease) increase in net assets attributable to common stockholders	$(1,217,741)	$255,110
Denominator:		
Denominator for basic and diluted		

(decrease) increase in net assets from operations - weighted - average shares	1,037,443	1,066,195
Basic and diluted net (decrease) increase in net assets from operations per share	$(1.17)	$0.24

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 December 31,	
	2003	2002
Preferred stock convertible into common stock	82,125	123,375
Stock options	20,625	20,625

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:

	December 31,
	2003
Numerator:	
Numerator for net asset value per common share, as if converted basis	$2,024,138
Liquidation value of convertible preferred stock	(1,095,000)
Numerator for net asset value per share attributable to common stockholders	$ 929,138
Denominator:	
Number of common shares outstanding, denominator for net asset value per share attributable to common stockholders	1,020,100
Number of shares of common stock to be issued upon conversion of preferred stock	82,125
Denominator for net asset value per common	

share as if converted basis	1,102,225
Net asset value per share attributable to common stockholders	$0.91
Net asset value per common share, as if converted basis	$1.84

10. PURCHASES AND SALES OF INVESTMENT SECURITIES

The cost of purchases and proceeds from sales of investment securities, excluding short-term investments, aggregated $37,166 and $1,021,398, respectively, for the year ended December 31, 2003; $22,985 and $1,660,269, respectively, for the year ended December 31, 2002; and $3,241,241 and $3,477,991, respectively, for the year ended December 31, 2001.

11. MERGER WITH CHANGE TECHNOLOGY PARTNERS, INC.

On July 1, 2002, Franklin executed its right to terminate the merger agreement that had been entered into on December 4, 2001, between Change Technology Partners, Inc. ("Change") and Franklin pursuant to which Change would have been merged with and into Franklin.

12. SELECTED QUARTERLY DATA (UNAUDITED)

	2003	
	Quarter 1	Quarter 2
Total investment income	$45,678	$ 45,080
Net investment loss from operations	(273,727)	(277,926)
Net (decrease) increase in net assets attributable to common stockholders	(245,347)	(821,688)
Basic and diluted earnings per common share	(0.23)	(0.79)

	2002		
	Quarter 1	Quarter 2	Quarter 3
Total investment income	$91,549	$120,560	$120,110
Net investment loss from operations	(254,441)	(434,455)	(472,220)
Net (decrease) increase in net assets attributable to common stockholders	(268,903)	2,225,964	(1,396,784)
Basic and diluted earnings per common share	(0.25)	2.08	(1.31)

13. SUBSEQUENT EVENT

On March 19, 2004, Franklin sold to Sunshine 58,804 shares of the common stock of Excelsior for an aggregate purchase price of $117,608, $2.00 per common share, pursuant to a stock purchase agreement between Sunshine and Franklin. Franklin has stock appreciation rights on these common shares such that if Excelsior is sold and the purchaser of the common shares from Franklin receives more than $3.50 per share, Franklin is entitled to receive 80% of the value greater than $3.50 per share.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

ITEM 9A. CONTROLS AND PROCEDURES

The Corporation's chief executive officer and chief financial officer have evaluated the effectiveness of the Corporation's disclosure controls and procedures (as defined in Rules 13a-14(c) and 15d-14(c) under the Securities Exchange Act of 1934 (the "Exchange Act")) as of a date (the "Evaluation Date") within 90 days before the filing date of this annual report. Based on such evaluation, they have concluded that, as of the Evaluation Date, the information required to be disclosed by the Corporation in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the rules and forms of the Securities and Exchange Commission.

There were no significant changes in the Corporation's internal controls or in other factors that could significantly affect these controls during the period covered by this annual report.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

All of the Corporation's directors are independent with the exception of Stephen L. Brown.

COMMON STOCK DIRECTORS

STEPHEN L. BROWN, (1) age 65, was elected to the Corporation's Board of Directors and appointed Chairman of its Board of Directors in October 1986. He has been Chairman and Chief Executive Officer since October 1986. Prior to joining Franklin, Mr. Brown was Chairman of S.L. Brown & Company, Inc. ("SLB & Co., Inc."), a private investment firm. Mr. Brown is a director of Copley Financial Services Corporation, advisor to Copley Fund, Inc., a mutual fund as well as a director of U.S. Energy Systems, Inc. an independent producer of clean efficient energy for growing energy markets. Mr. Brown is an "interested person" of the Corporation as defined in the 1940 Act because he serves as both an officer and director of the Corporation.

DAVID T. LENDER, (3) age 51, joined the Board as a director in 2000. Mr. Lender is a Managing Director at Banc of America Securities, LLC where he specializes in mergers and acquisitions. Prior to joining Banc of America Securities, LLC, Mr. Lender was a Managing Director in the Mergers and Acquisitions Group of Rothschild, Inc.

PREFERRED STOCK DIRECTORS

IRVING LEVINE, (1), (2), (3) age 82, joined the Board as a director in 1990. He has been Chairman of the Board and President of Copley Fund, Inc., a mutual fund, since 1978, and Chairman and Treasurer of Stuffco International, Inc., a ladies handbag processor and chain-store operator, since 1978. Mr. Levine is President and a director of Copley Financial Services Corporation (advisor to Copley Fund, Inc.) as well as a director of U.S. Energy Systems, Inc. an independent producer of clean efficient energy for growing energy markets.

LAURENCE I. FOSTER, (2), (3) age 62, joined the Board as a director in 2002. He was a partner at KPMG until his retirement in May 2000 when he joined Richard E. Eisner & Company LLP's New York City office as a partner in the personal financial planning practice. In June 2002 Mr. Foster became an

independent consultant. Mr. Foster holds the American Institute of Certified Public Accountants "Personal Financial Specialist" (PFS) designation. Mr. Foster is a member of the American Institute of Certified Public Accountants where he is the Chairman on the PFS Credential Committee. Mr. Foster is also a member of the New York State Society of Certified Public Accountants and the former chairman of their Estate Planning Committee.

(1) - Member of Executive Committee, (2) - Member of Compensation Committee,
(3) - Member of Audit Committee

EXECUTIVE OFFICERS

STEPHEN L. BROWN, Chairman and Chief Executive Officer. For additional information about Mr. Brown, please see the Directors' biographical information section above.

HIRAM M. LAZAR, age 39, joined the Corporation as Chief Financial Officer in January 1999. From June 1992 to January 1999, Mr. Lazar was the Vice-President of Finance and Corporate Controller for Lebenthal & Co., Inc., a regional full-service broker/dealer.

SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires the Corporation's officers and directors, and persons who own more than 10 percent of the Corporation's common stock to file reports (including a year-end report) of ownership and changes in ownership with the Securities and Exchange Commission (the "SEC") and to furnish the Company with copies of all reports filed.

Based solely on a review of the forms furnished to the Corporation, or written representations from certain reporting persons, the Corporation believes that all persons who were subject to Section 16(a) in 2002 complied with the filing requirements.

ITEM 11. EXECUTIVE COMPENSATION

SUMMARY COMPENSATION TABLE

The following table sets forth a summary for each of the last three years of the cash and non-cash compensation awarded to, earned by, or paid to the Chief Executive Officer of the Corporation and the other executive officers of the Corporation, whose individual remuneration exceeded $100,000 for the year ended December 31, 2003.

NAME & PRINCIPAL POSITION	YEAR	SALARY ($)	BONUS ($)	OTHER ANNUAL COMPENSATION($) (1)
Stephen L. Brown (2)	2003	$387,500	$40,000	-
CHAIRMAN &	2002	420,000	30,000	-
PRESIDENT	2001	420,000	-	-
Hiram M. Lazar	2003	160,000	3,750	-
CHIEF FINANCIAL	2002	130,000	3,750	-
OFFICER	2001	130,000	-	-

(1) There were no perquisites paid by the Corporation in excess of the lesser of $50,000 or 10% of the compensated person's total salary and bonus for the year.

(2) Mr. Brown is an "interested person" of the Corporation, as defined under the 1940 Act, because he serves as both a director and executive officer of the Corporation.

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COMPENSATION OF DIRECTORS

Each director of the Corporation, other than Mr. Stephen L. Brown, is eligible to receive a fee of $500 plus reimbursement of expenses incurred in attending each board meeting.

NAME OF DIRECTOR	AGGREGATE COMPENSATION	PENSION OR RETIREMENT BENEFITS ACCRUED AS PART OF CORPORATION'S EXPENSES	ESTIMATED ANNUAL BENEFITS UPON RETIREMENT	T P
Stephen L. Brown	$ -	-	-	-
David T. Lender	$3,000	-	-	$
Michael P. Rolnick	$1,000	-	-	$
Lawrence J. Foster	$3,000	-	-	$

Irving Levine	$3,000	-	-	$

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

Irving Levine, Laurence Foster, and David Lender served on the Compensation Committee during 2003. There were no Compensation Committee interlocks or insider (employee) participation during 2003.

OPTION GRANTS

No options were granted during the year ended December 31, 2003, to the Chief Executive Officer of the Corporation or the other executive officers of the Corporation.

OPTION EXERCISES

No options were exercised during the year ended December 31, 2003, by the Chief Executive Officer of the Corporation or the other executive officers of the Corporation.

EMPLOYMENT AGREEMENTS

On July 26, 2002, the Board authorized an amendment to Stephen L. Brown's Employment Agreement with the Corporation (as amended, the "Stephen Brown Employment Agreement"). The Stephen Brown Employment Agreement will now expire on December 31, 2004 ("the Term"). The Term will automatically renew from year to year thereafter, unless the Corporation notifies Mr. Brown not less than 120 days prior to the end of any Term in writing that the Corporation will not be renewing the Stephen Brown Employment Agreement.

The Stephen Brown Employment Agreement provides that Mr. Stephen L. Brown will serve as the Chairman and Chief Executive Officer of the Corporation and be responsible for the general management of the affairs of the Corporation, reporting directly to the Board. It also provides that he will serve as a member of the Board for the period of which he is and shall from time to time be elected or reelected.

Mr. Stephen L. Brown receives compensation under the Stephen Brown Employment Agreement in the form of base salary of $420,000. In addition, the Board may increase such salary at its discretion from time to time. Mr. Brown is also entitled to be paid bonuses as the Board determines in its sole discretion. Under the Stephen Brown Employment Agreement, the Corporation furnishes Mr. Brown with an automobile and reimburses him for certain expenses related to such automobile. In addition, Mr. Brown is reimbursed for expenses related to membership in a club to be used primarily for business purposes. Mr. Brown is entitled under the Stephen Brown Employment Agreement to participate in any employee benefit plans or programs and to receive all benefits, perquisites and emoluments for which salaried employees are eligible. Mr. Brown is also entitled to severance pay in the event of termination without cause or by constructive discharge equal to the remaining base salary payable under the Stephen Brown Employment Agreement and provides for death benefits payable to his surviving spouse equal to Mr. Brown's base salary for a period of one year.

In addition, on July 26, 2002 the Board authorized an amendment to Stephen L. Brown's Severance Agreement (as amended, the "Stephen Brown Severance Agreement"). Under the terms of the Stephen Brown Severance Agreement, Mr. Brown is entitled to receive severance if following a change in control (as defined in the Stephen Brown Severance Agreement) his employment is terminated by the

Corporation without cause or by the executive within one year of such change in control. The amendment has increased the amount of the severance payment Mr. Brown is entitled to receive upon the occurrence of such event from 1.5 to 2.5 times his average compensation over the past five years.

On January 1, 2003, Mr. Hiram Lazar entered into an employment agreement with the Corporation, the "Hiram Lazar Employment Agreement". The Hiram Lazar Employment Agreement will expire on December 31, 2003 ("the Term"). The Term will automatically renew from year to year thereafter, unless the Corporation notifies Mr. Lazar not less than 90 days prior to the end of any Term in writing that the Corporation will not be renewing the Hiram Lazar Employment Agreement.

The Hiram Lazar Employment Agreement provides that Mr. Lazar will serve as the Chief Financial Officer of the Corporation and be responsible for the financial affairs of the Corporation, reporting directly to the Chief Executive Officer.

Mr. Lazar receives compensation under the Hiram Lazar Employment Agreement in the form of base salary of $160,000. In addition, the Board may increase such salary at its discretion from time to time. Mr. Lazar is also entitled to be paid bonuses up to 20% of base salary as the Board determines in its sole discretion. Mr. Lazar is entitled under the Hiram Lazar Employment Agreement to participate in any employee benefit plans or programs and to receive all benefits, perquisites and emoluments for which salaried employees are eligible. Mr. Lazar is also entitled to severance pay in the event of termination without cause or by constructive discharge equal to the remaining base salary payable under the Hiram Lazar Employment Agreement and provides for death benefits payable to his surviving spouse equal to Mr. Lazar's base salary for a period of six months. Excelsior reimburses the Corporation for 80% of Mr. Lazar's total compensation.

COMPENSATION PLANS

On September 9, 1997, Franklin Capital's stockholders approved two Stock Option Plans: a Stock Incentive Plan ("SIP") to be offered to Franklin Capital's consultants, officers and employees (including any officer or employee who is also a director of Franklin Capital) and a Non-Statutory Stock Option Plan ("SOP") to be offered to Franklin Capital's "outside" directors, I.E., those directors who are not also officers or employees of Franklin. 112,500 shares of Franklin Capital'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 Investment Company 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.

On December 31, 2003, there were 20,625 options to purchase common stock outstanding and 26,250 remain available for future issuance.

The following is a description of each of the Stock Option Plans followed by a description of the provisions applicable to both Stock Option

Plans.

STOCK INCENTIVE PLAN (SIP)

PURPOSE

The purpose of the SIP is to give the Corporation and its Affiliates a competitive advantage in attracting, retaining and motivating officers, employees and consultants of the Corporation and to provide the Corporation with a stock plan that provides incentives linked to the financial results of the Corporation and increase in stockholder value.

TYPE OF AWARDS

The SIP permits, at the discretion of the Committee, the granting to SIP participants of options to purchase Common Stock (including incentive stock options within the meaning of Section 422 of the Code ("ISOs") or "non-statutory stock options" ("non-ISOs")), stock appreciation rights, restricted stock and tax offset bonuses. A stock appreciation right entitles an optionee to an amount equal to the excess of the fair market value of one share of common stock over the per share exercise price multiplied by the number of shares in respect of which the stock appreciation right is exercised. Stock appreciation rights may only be granted in conjunction with all or part of an option grant.

Restricted stock may be awarded to any participant, for no cash consideration and may be subject to such conditions, including vesting, forfeiture and restrictions on transfer, as the Committee shall determine. Such terms and conditions will be specified in an agreement evidencing the award.

Finally, the SIP permits the granting of a right to receive a cash payment at such time or times as an award under the SIP results in compensation income to the participant for the purpose of assisting the participant in paying the resulting taxes.

Upon exercise of an ISO or non-ISO, the Committee may elect to cash out all or any portion of the shares of common stock for which an option is being exercised by paying the optionee the excess of the fair market value of a share of common stock over the per share exercise price for each such option share being cashed out. All options granted under the SIP become automatically exercisable upon a "change of control" and remain exercisable until expiration of their respective terms. A "change in control" is defined in the Stock Option Plans as the acquisition by any person or group (other than Stephen L. Brown and his Affiliates) of more than 25% of the voting securities of the Corporation or a sale or other disposition of all or substantially all of the assets of the Corporation to any person.

ADMINISTRATION

The SIP will be administered by a committee of the Board of Directors composed of not fewer than two outside directors each of whom will qualify as a "non-employee director" within the meaning of Rule 16b-3 of the 1934 Act and an "outside Director" within the meaning of Section 162(m) of the Code with all grants under the SIP approved pursuant to Section 57(o) of the 1940 Act. Section 57(o) of the 1940 Act requires that grants be approved by a majority of the directors with no financial interest in the grant and a majority of non-interested directors. The Committee will have the authority, among other rights, to select the participants to whom awards may be granted, determine whether to grant ISOs, non-ISOs, stock appreciation rights or restricted stock, or any combination thereof and determine the vesting terms and other conditions of an award to an SIP participant.

PARTICIPANTS

SIP participants will be the officers, employees (including such officers and employees who are also directors) or consultants of the Corporation and its Affiliates who are responsible for or contribute to the management, growth and profitability of the business of the Corporation and its Affiliates. Each grant of an award under the SIP will be evidenced by an agreement between the participant and the Corporation, which shall include such terms and provisions as the Committee may determine from time to time.

TRANSITION OF AWARDS

Under the SIP, generally, upon an SIP participant's death or when an SIP participant's employment is terminated for any reason, all unvested stock options will be forfeited. Upon the termination of employment of an optionee other than as a result of the optionee's death, unless otherwise provided in such optionee's option agreement, an optionee's right to exercise a vested option will expire three months after termination of employment. If an optionee's employment is terminated by reason of death, the period of exercise for options vested at the optionee's death is 12 months. Options are not transferable except on the death of the optionee, by will or the laws of decent and distribution. Stock appreciation rights may be exercised and transferred to the same extent that the options to which they relate may be exercised or transferred.

The Board of Directors may terminate, suspend, amend or revise the SIP at any time subject to limitations in the plan. The Board may not, without the consent of the optionee, alter or impair rights under any award previously granted except in order to comply with applicable law.

NON-STATUTORY STOCK OPTION PLAN (SOP)

PURPOSE

The purpose of the SOP is to further the interests of the Corporation, its stockholders and its employees by providing the "outside" directors of the Corporation (I.E., those who are not also officers and employees of the Corporation) the opportunity to purchase the Common Stock of the Corporation as an appropriate reward for the dedication and loyalty of the "outside" directors.

TYPE OF AWARDS

The SIP only permits the granting of options to purchase common stock. Only non-ISOs can be granted under the SOP.

ADMINISTRATION

The SOP will be administered by the Board of Directors of the Corporation with all grants approved pursuant to Section 57(o) of the 1940 Act. Options granted under the SOP are intended to comply with the exemption afforded by Rule 16b-3 of the 1934 Act. The Board, in its discretion, can impose any vesting or other restrictions on options granted under the SOP.

PARTICIPANTS

SOP participants will be outside directors of the Corporation.

TERMINATION OF AWARDS

Under the SOP, options expire 30 days after the date of a SOP participant's appointment with the Corporation is terminated except if such termination is by reason of death or disability. In the event of termination by reason of disability, options expire 12 months after such termination. In the event of the participant's death while serving as director or within the 30-day period following termination of the participant's appointment, options expire 12 months following the date of death.

PROVISIONS APPLICABLE TO BOTH STOCK OPTION PLANS

AVAILABLE SHARES

The aggregate number of shares of common stock reserved for issuance under the Stock Option Plans will be 112,500, of which 67,500 shares have been reserved for issuance under the SIP and 45,000 have been reserved for issuance under the SOP. Shares subject to options that terminate or expire prior to exercise will be available for future grants under the Stock Option Plan.

The number of shares of common stock reserved for issuance under the Stock Option Plans, the number of shares issuable upon the exercise of options or subject to stock appreciation rights, the exercise price of such awards and the number of restricted stock awards granted under the Stock Option Plans may be subject to "anti-dilution" adjustments, in the sole discretion of the Committee, in the event of any merger, reorganization, consolidation, separation, liquidation, stock dividend, stock split, share combination, recapitalization or other change in corporate structure affecting the outstanding common stock of the Corporation.

GRANT AND EXERCISE OF AWARDS

The exercise price for options under the Stock Option Plans will be determined, in the case of the SIP, by the Committee, and in the case of the SOP, by the Board of Directors, but will not be less than the "Fair Market Value" of the Corporation's common stock at the date of grant (as defined in the Stock Option Plans as the closing market price of the common stock on the American Stock Exchange on the date of such grant).

Options granted under the Stock Option Plans are exercisable for a period of 10 years from the date of grant (five years with respect to ISOs granted to optionees who own more than 10% of the voting power of the Corporation or any subsidiary) or such shorter period as the administrator of such plan (either the Committee or the Board, as the case may be) may establish as to any or all shares of common stock subject to any option. Options will become exercisable in accordance with the vesting schedule prescribed in such optionee's option agreement, and may be subject to satisfaction of such other conditions as the administrator may determine. Stock appreciation rights granted under the SIP are

exercisable to the same extent as the options to which they relate and upon exercise terminate the related option.

An employee, officer or director exercising a non-ISO pursuant to the SIP may elect to have the Corporation withhold shares of the Corporation's common stock to satisfy tax liabilities arising from the exercise of such options. Initially, there will be three employees of the Corporation, two of whom are also directors, who will be eligible to participate in the SIP. There are five outside directors eligible to participate in the SOP.

CERTAIN FEDERAL INCOME TAX CONSEQUENCES OF OPTIONS

The following discussion of certain relevant federal income tax effects applicable to stock options granted under the Stock Option Plans is a brief summary only, and reference is made to the Code and the regulations and interpretations issued thereunder for a complete statement of all relevant federal tax consequences.

INCENTIVE STOCK OPTIONS

No taxable income will be realized by an optionee upon the grant or timely exercise of an ISO. If shares are issued to an optionee pursuant to the timely exercise of an ISO and a disqualifying disposition of such shares is not made by the optionee (I.E., no disposition is made within two years after the date of grant or within one year after the receipt of shares by such optionee, whichever is later), then (i) upon sale of the shares, any amount realized in excess of the exercise price of the ISO will be taxed to the optionee as a long-term capital gain and any loss sustained will be long-term capital loss, and (ii) no deduction will be allowed to the Corporation. However, if shares acquired upon the timely exercise of an ISO are disposed of prior to satisfying the holding period described above, generally (a) the optionee will realize ordinary income in the year of disposition in an amount equal to the excess (if any) of the fair market value of the shares at the time of exercise (or, if less, the amount realized on the disposition of the shares) over the exercise price thereof, and (b) the Corporation will be entitled to deduct an amount equal to such income. Any additional gain recognized by the optionee upon a disposition of shares prior to satisfying the holding period described above will be taxed as a short-term or long-term capital gain, as the case may be, and will not result in any deduction for the Corporation.

If an ISO is not exercised on a timely basis, the option will be treated as a nonqualified stock option. Subject to certain expectations, an ISO generally will not be exercised on a timely basis if it is exercised more than three months following termination of employment.

The amount that the fair market value of shares of common stock on the exercise date of an ISO exceeds the exercise price generally will constitute an item that increases the optionee's alternative minimum taxable income.

In general, the Corporation will not be required to withhold income or payroll taxes on the timely exercise of an ISO.

NON-ISOS

In general, an optionee will not be subject to tax at the time a non-ISO is granted. Upon exercise of a non-ISO where the exercise price is paid in cash, the optionee generally must include in ordinary income at the time of exercise an amount equal to the excess, if any, of the fair market value of the shares of common stock at the time of exercise over the exercise price. The optionee's tax basis in the shares acquired upon exercise will equal the exercise price plus the amount taxable as ordinary income to the

optionee. The federal income tax consequences of an exercise of a non-ISO where the exercise price is paid in previously owned shares of common stock are generally similar to those where the exercise price is paid in cash. However, the optionee will not be subject to tax on the surrender of such shares, and the tax basis of the shares acquired on exercise that are equal in number to the shares surrendered will be the same as the optionee's tax basis in such surrendered shares. Special timing rules may apply to an optionee who is subject to reporting under Section 16(a) of the 1934 Act (generally an executive officer of the Corporation) and would be subject to liability under Section 16(b) of the 1934 Act.

The Corporation generally will be entitled to a deduction in the amount of an optionee's ordinary income at the time such income is recognized by the optionee upon the exercise of a non-ISO. Income and payroll taxes are required to be withheld for employees on the amount of ordinary income resulting from the exercise of a non-ISO.

On February 14, 2000, 30,000 options were granted under the SOP to four eligible "outside" directors. The strike price of the options was $11.50 per share, which represented the closing price of Franklin's common stock as reported by the American Stock Exchange on that date. One-third of the options granted vested immediately; another one-third vested one year from the date of issuance; and the final one-third vest two years after the date of issuance. The options expire after ten years. On June 7, 2000, 7,500 options were granted under the SOP to four eligible "outside" directors. The strike price of the options was $9.67 per share, which represented the closing price of Franklin's common stock as reported by the American Stock Exchange on that date. One-third of the options granted vested immediately; another one-third vest one year from the date of issuance; and the final one-third vest two years after the date of issuance. The options expire after ten years.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The following tables set forth certain information with respect to beneficial ownership (as that term is defined in the rules and regulations of the Commission) of the Corporation's common stock as of March 9, 2004, by 1) each person who is known by the Corporation to be the beneficial owner of more than five percent of the outstanding common stock, 2) each director of the Corporation, 3) each current executive officer listed in the Summary Compensation Table and 4) all directors and executive officers of the Corporation as a group. Except as otherwise indicated, to the Corporation's knowledge, all shares are beneficially owned and investment and voting power is held as stated by the persons named as owners. The address for all beneficial owners, unless stated otherwise below, is c/o Franklin Capital Corporation 450 Park Avenue, Suite 2002, New York, NY 10022.

COMMON STOCK

NAME AND ADDRESS OF BENEFICIAL OWNER	AMOUNT AND NATURE OF BENEFICIAL OWNERSHIP	
The Prudential Insurance Company of America 751 Broad Street, Newark, NJ 07102	161,854	
Stephen L. Brown	142,590	(1)
Irving Levine	46,375	(2)
Hiram M. Lazar	9,085	(3)
David T. Lender	300	
Laurence I. Foster	-	
All officers and directors as a group (5 persons)	198,350	

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* Less than 1.0%

(1) Does not include 5,023D Does not include 45,829 shares owned by Mr. Brown's children. Mr. Brown disclaims beneficial ownership of such shares.

(2) Includes options for 2,500 shares exercisable on February 14, 2000, options for 625 shares exercisable on June 7, 2000, options for 2,500 shares exercisable on February 14, 2001 and options for 625 shares exercisable on June 7, 2001. Also includes preferred stock which is convertible into 35,625 shares of common stock owned by Copley Fund, Inc. ("Copley"). Mr. Levine may be deemed to be a controlling person of Copley due to his position as Chairman and Chief Executive Officer. Therefore, Mr. Levine may be deemed to be a beneficial owner of all shares owned by Copley.

(3) Includes options for 937 shares exercisable on March 1, 2000, and options for 938 shares exercisable on March 1, 2001. Also includes preferred stock held which is convertible into 750 shares of common stock.

PREFERRED STOCK

NAME AND ADDRESS OF BENEFICIAL OWNER	AMOUNT AND NATURE OF BENEFICIAL OWNERSHIP	
Irving Levine	4,750	(1)
Mark Rattner 37 Radio Circle Drive Mount Kisco, NY 10549	2,000	
Gerry M. Ritterman 47 Lawrence Farms Crossways Chappaqua, NY 10514	1,500	
Hiram M. Lazar	100	
Stephen L. Brown	-	
David T. Lender	-	
Laurence I. Foster	-	
All officers and directors As a group (6 persons)	4,850	

* Less than 1.0%

(1) Preferred stock owned by Copley Fund, Inc. ("Copley"). Mr. Levine may be deemed to be a controlling person of Copley due to his position as Chairman and Chief Executive Officer. Therefore, Mr. Levine may be deemed to be a beneficial owner of all shares owned by Copley.

Set forth below is the dollar range of equity securities beneficially owned by each nominee and continuing director as of March 10, 2004:

NAME OF DIRECTOR	DOLLAR RANGE OF EQUITY SECURITIES BENEFICIALLY OWNED(1)(2)(4)
Stephen L. Brown(3)	over $100,000
David T. Lender	$1-$10,000
Lawrence J. Foster	None

Irving Levine	over $100,000

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(1) Beneficial ownership has been determined in accordance with Rule 16a-1(a)(2) of the Securities Exchange Act of 1934.

(2) The dollar ranges are: None, $1-$10,000, $10,001-$50,000, $50,001-100,000, or over $100,000.

(3) Denotes an individual who is an "interested person" as defined in the Investment Company Act of 1940.

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(4) Franklin Capital has not provided information with respect to the "Aggregate Dollar Range of Equity Securities in All Funds Overseen or to be Overseen by Director or Nominee in Family of Investment Companies" because it is not part of a family of investment companies.

EQUITY COMPENSATION PLAN INFORMATION

The following table summarizes information about the options, warrants and rights and other equity compensation under the Corporation's equity plans as of December 31, 2003.

PLAN CATEGORY	NUMBER OF SECURITIES TO BE ISSUED UPON EXERCISE OF OUTSTANDING OPTIONS	WEIGHTED-AVERAGE EXERCISE PRICE OF OUTSTANDING OPTIONS	NUMBER OF SECURIT AVAILABLE FOR FUT UNDER EQUITY COMP (EXCLUDING SECURI IN COLUMN (A))
Equity compensation plans approved by security holders (1)	20,625	$11.39	26,250

(1) Includes options to purchase shares of Corporation common stock under the following stockholder approved plans: Stock Incentive Plan and the Non-Statutory Stock Option Plan both approved on September 9, 1997.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

See Items 10 through 12 and Footnote 6 to the Financial Statements.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

AUDIT FEES. The aggregate fees billed for professional services rendered by Ernst & Young LLP for 2003 for the audit of the Corporation's annual financial statements for 2003 and for the review of the financial statements included in the Corporation's Forms 10-Q for 2003 were $89,500.

ALL OTHER FEES. Ernst & Young LLP billed fees of $7,500 during for 2003 for services that were not related to the audit and review of the Corporation's financial statements.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENTS, SCHEDULES AND REPORTS ON FORM 8-K

The following financial statements are set forth under Item 8.

(a) (1) Financial Statements
Report of Ernst & Young LLP
Balance Sheets as of December 31, 2003 and 2002
Statements of Operations for the years ended December 31, 2003, 2002 and 2001
Statements of Cash Flows for the years ended December 31, 2003, 2002 and 2001
Statements of Changes in Net Assets for the years ended December 31, 2003, 2002 and 2001
Financial Highlights for the years ended December 31, 2003, 2002, 2001, 2000 and 1999

Portfolio of Investments as of December 31, 2003
Notes to Financial Statements

The following exhibits are filed herewith or incorporated as set forth below:

(2) Exhibits

(2)(i)	Agreement and Plan of Merger between Franklin Capital Corporation and Change Technology Partners, Inc. dated as of December 4, 2001(1)
(3)(i)	Articles of Incorporation(2) (3) (ii) By-Laws(2)
(3)(iii)	Amendment to Articles of Incorporation(3)
(4)(i)	Certificate of Designation(4)
(4)(ii)	Registration Rights Agreement(5)
(4)(iii)	Preferred Stock Purchase Agreement(6)
(10)(i)	Employment Agreement - Stephen L. Brown(7)
(10)(ii)	Employment Agreement - Spencer L. Brown(8)
(10)(iii)	Severance Agreement - Stephen L. Brown(9)
(10)(iv)	Severance Agreement - Spencer L. Brown(10)
(10)(v)	Stock Incentive Plan(12)
(10)(vi)	Stock Option Plan(13)
(10)(vii)	Management Agreement with Excelsior Radio Networks(14)
(10)(viii)	Asset Purchase Agreement, dated as of April 1, 2002, by and among the Dial Entities, Franklin and Excelsior (11)
(10)(ix)	Convertible Promissory Note, dated April 3, 2002, issued by Newco in favor of DCGL (11)
(10)(x)	Convertible Promissory Note, dated April 3, 2002, issued by Newco in favor of DCGL (11)
(10)(xi)	Convertible Promissory Note, dated April 3, 2002, issued by Newco in favor of DCGL (11)
(10)(xii)	Promissory Note, dated April 3, 2002, issued by Excelsior in favor of Change

	(11)
(10)(xiii)	Promissory Note, dated April 3, 2002, issued by Excelsior in favor of Sunshine (11)
(10)(xiv)	Security Agreement, dates as of April 3, 2002, by and among Excelsior, Sunshine and Change (11)
(10)(xv)	Amendment No. 1 to Agreement and Plan of Merger, dated as of April 3, 2002, by and between Change and Franklin (11)
(21)	List of Subsidiaries(15)
(23)	Consent of Ernst & Young LLP
(99.1)	Certification Pursuant To 18 U.S.C. Section 1350, As Adopted By Section 906 Of The Sarbanes-Oxley Act Of 2002
(99.2)	Certification Pursuant To 18 U.S.C. Section 1350, As Adopted By Section 906 Of The Sarbanes-Oxley Act Of 2002

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(1) Incorporated by reference to the Current Report on Form 8-K filed December 5, 2001.

(2) Incorporated by reference to the Corporation's Form N-2, as amended, filed July 31, 1992.

(3) Incorporated by reference to Exhibit 3(iii) filed on the Company's Annual Report filed on Form 10-K for the year ended December 31, 2000

(4) Incorporated by reference to Exhibit 4(i) filed on the Company's Annual Report filed on Form 10-K for the year ended December 31, 2000

(5) Incorporated by reference to Exhibit 4(ii) filed on the Company's Annual Report filed on Form 10-K for the year ended December 31, 2000

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(6) Incorporated by reference to Exhibit 4(iii) filed on the Company's Annual Report filed on Form 10-K for the year ended December 31, 2000

(7) Incorporated by reference to Exhibit 10(i) filed on the Company's Annual Report filed on Form 10-K for the year ended December 31, 2000

(8) Incorporated by reference to Exhibit 10(ii) filed on the Company's Annual Report filed on Form 10-K for the year ended December 31, 2000

(9) Incorporated by reference to Exhibit 10(iii) filed on the Company's Annual Report filed on Form 10-K for the year ended December 31, 2000

(10) Incorporated by reference to Exhibit 10(iv) filed on the Company's Annual Report filed on Form 10-K for the year ended December 31, 2000

(11) Incorporated by reference to Current Report on form 8-K filed on April 3, 2002

(12) Incorporated by reference to Exhibit 10(v) filed on the Company's Annual Report filed on Form 10-K for the year ended December 31, 2001

(13) Incorporated by reference to Exhibit 10(vi) filed on the Company's Annual Report filed on Form 10-K for the year ended December 31, 2001

(14) Incorporated by reference to Exhibit 10(vii) filed on the Company's Annual Report filed on Form 10-K for the year ended December 31, 2001

(15) Incorporated by reference to Exhibit 21 filed on the Company's Annual Report filed on Form 10-K for the year ended December 31, 2001

(b) Reports on Form 8-K.
None

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Corporation has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

FRANKLIN CAPITAL CORPORATION

Date: March 30, 2004

By: /s/ Stephen L. Brown

Stephen L. Brown
CHAIRMAN & CHIEF EXECUTIVE OFFICER

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

SIGNATURES	TITLE
/s/ Stephen L. Brown Stephen L. Brown	Chairman & Chief Executive Officer
/s/ Hiram M. Lazar Hiram M. Lazar	Chief Financial Officer
/s/ Laurence I. Foster Laurence I. Foster	Director
/s/ David T. Lender David T. Lender	Director
/s/ Irving Levine Irving Levine	Director