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FRANKLIN CAPITAL CORP
Form 8-K
June 17, 2002

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT PURSUANT
TO SECTION 13 OR 15(D) OF THE
SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of Earliest Event Reported): April 3, 2002

FRANKLIN CAPITAL CORPORATION

(Exact Name of Registrant as Specified in its Charter)

DELAWARE

(State or Other Jurisdiction of Incorporation)

1-9727

13-3419202

(Commission File Number)

(I.R.S. Employer Identification No.)

450 PARK AVENUE, 10TH FLOOR
NEW YORK, NEW YORK

10022

(Address of Principal Executive offices)

(Zip Code)

(212) 486-2323

(Registrant's Telephone Number, Including Area Code)

NOT APPLICABLE

(Former Name or Former Address, if changed Since Last Report)

=====

ITEMS 2 AND 5. ACQUISITION OR DISPOSITION OF ASSETS AND OTHER EVENTS.

As previously disclosed in a Form 8-K (the "April Form 8-K") filed by Franklin Capital Corporation ("Franklin") on April 12, 2002, on April 3, 2002 Dial Communications Global Media, Inc., a newly formed wholly-owned subsidiary of Excelsior Radio Networks, Inc. ("Excelsior"), completed the acquisition of

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substantially all of the assets of Dial Communications Group, Inc. ("DCGI"), and Dial Communications Group, LLC ("DCGL" and together with DCGI, the "Dial Entities") used in connection with the Dial Entities' business of selling advertising relating to radio programming (the "Acquisition"). Concurrent with the Acquisition, Excelsior issued promissory notes to Change Technology Partners, Inc. and Sunshine II, LLC totaling \$7,000,000 (in the aggregate, the "Notes").

As contemplated in the April Form 8-K, attached hereto is financial information relative to the Acquisition.

ITEM 7. FINANCIAL STATEMENTS, PRO FORMA FINANCIAL INFORMATION AND EXHIBITS.

(a), (b) Included in the following financial information, under the column "Dial Communications", is the historical financial information of DCGL for the periods presented. The following unaudited pro forma combined financial information for Franklin gives effect to the Acquisition and issuance of the Notes. Franklin is registered as a business development company and as such files its financial statements under the Investment Company Act of 1940. The pro forma financial statements reflect the accounting presentation as an Investment Company. The unaudited pro forma combined statements of operations for the three months ended March 31, 2002 give pro forma effect to the Acquisition and issuance of the Notes as if the Acquisition had occurred, and the Notes had been issued, on January 1, 2002. The unaudited pro forma condensed combined balance sheet as of March 31, 2002 gives pro forma effect to the Acquisition and related purchase accounting adjustments as if the Acquisition had occurred, and the Notes had been issued, on March 31, 2002. The unaudited pro forma combined statements of operations for the year ended December 31, 2001 give pro forma effect to the Acquisition and issuance of the Notes as if the Acquisition had occurred, and the Notes had been issued, on January 1, 2001. The pro forma adjustments relating to the Acquisition and Notes are described in the notes to the pro forma combined financial information.

2

The unaudited pro forma combined financial information does not purport to represent the results of operations or the financial position of Franklin that would have resulted had the Acquisition been consummated as of the date or for the period indicated, and does not purport to be indicative of the effects that may be expected to occur in the future. The historical financial information set forth below has been derived from, and is qualified by reference to, the financial statements of Franklin previously filed with the Securities and Exchange Commission for the periods presented and should be read in conjunction with those financial statements and notes thereto.

(c) None.

3

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this Report to be signed on its behalf by the undersigned thereunto duly authorized.

FRANKLIN CAPITAL CORPORATION

Date: June 17, 2002

By: /s/ Spencer L. Brown

Spencer L. Brown
Senior Vice-President

4

FRANKLIN CAPITAL CORPORATION

PRO-FORMA STATEMENTS OF OPERATIONS

| FOR THE YEAR ENDED DECEMBER 31, | 2001 | DIAL COMMUNICATIONS | ADJ |
|---|----------|------------------------|-----|
| INVESTMENT INCOME | | | |
| Interest on short term investments and money market accounts | \$45,953 | | |
| Dividend income | 26,744 | | |
| Income from majority-owned affiliates | 120,000 | | |

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| | | | |
|--|---------------|-------------|-------|
| Other income | - | \$4,405,558 | (\$ |
| | ----- | ----- | ----- |
| | 192,697 | 4,405,558 | (|
| | ----- | ----- | ----- |
| EXPENSES | | | |
| Salaries and employee benefits | 933,081 | 2,572,258 | (|
| Professional fees | 168,618 | 11,459 | |
| Rent | 126,134 | 103,417 | |
| Insurance | 41,955 | | |
| Directors' fees | 18,802 | | |
| Taxes other than income taxes | 40,394 | | |
| Newswire and promotion | 5,707 | | |
| Depreciation and amortization | 19,994 | | |
| General and administrative | 224,697 | 663,015 | |
| | ----- | ----- | |
| | 1,579,382 | 3,350,149 | (|
| | ----- | ----- | ----- |
| Net investment loss from operations | (1,386,685) | 1,055,409 | (|
| Net realized gain (loss) on portfolio of investments: | | | |
| Investment securities: | | | |
| Affiliated | 7,613 | | |
| Unaffiliated | 512,842 | | |
| | ----- | | |
| Total investment securities | 520,455 | | |
| Net realized gain on portfolio of investments | 520,455 | | |
| Benefit for current income taxes | (1,676) | 66,000 | |
| | ----- | ----- | |
| Net realized loss | (864,554) | 989,409 | |
| | | ----- | |
| Decrease in unrealized appreciation of investments, net Investment securities: | | | |
| Affiliated | 279,699 | | |
| Unaffiliated | (1,833,455) | | |
| | ----- | | |
| Total investment securities | (1,553,756) | | |
| Decrease in unrealized appreciation of investments | (1,553,756) | | |
| | ----- | | |
| Decrease increase in net assets from operations | (2,418,310) | 989,409 | |
| | | ----- | |
| Preferred dividends | 115,150 | | |
| | ----- | | |
| Net (decrease) increase in net assets attributable to common stockholders | (\$2,533,460) | \$989,409 | |
| | ===== | ===== | ===== |
| Basic and diluted net (decrease) increase in net assets per share attributable to common stockholders | (\$2.34) | \$0.91 | |
| | ===== | ===== | ===== |

FRANKLIN CAPITAL CORPORATION

PRO-FORMA STATEMENTS OF OPERATIONS
(UNAUDITED)

| FOR THE THREE MONTHS ENDED MARCH 31, | 2002 | DIAL COMMUNICATIONS |
|---|-----------|------------------------|
| INVESTMENT INCOME | | |
| Dividend income | \$ - | |
| Interest income | 1,549 | |
| Management fees | 90,000 | |
| Other income | - | \$1,095,307 |
| | ----- | ----- |
| | 91,549 | 1,095,307 |
| | ----- | ----- |
| EXPENSES | | |
| Salaries and employee benefits | 181,776 | 523,498 |
| Professional fees | 35,925 | 34,029 |
| Rent | 35,154 | 27,605 |
| Insurance | 11,148 | |
| Directors' fees | 500 | |
| Taxes other than income taxes | 18,896 | |
| Newswire and promotion | 1,000 | |
| Depreciation and amortization | 4,243 | |
| Interest expense | 8,850 | |
| General and administrative | 48,498 | 123,045 |
| | ----- | ----- |
| | 345,990 | 708,177 |
| | ----- | ----- |
| Net investment loss from operations | (254,441) | 387,130 |
| Net realized (loss) gain on portfolio of investments: | | |
| Investment securities: | | |
| Affiliated | - | |
| Unaffiliated | (23,507) | |
| | ----- | |
| Total investment securities | (23,507) | |
| Net realized (loss) gain on portfolio of investments | (23,507) | |
| | ----- | |
| Provision for current income taxes | - | 14,050 |
| | ----- | ----- |
| Net realized loss | (277,948) | 373,080 |
| | | ----- |

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Increase (decrease) in unrealized appreciation of investments:

Investment securities:

| | |
|--------------|--------|
| Affiliated | - |
| Unaffiliated | 37,833 |

| | |
|-----------------------------|--------------------------|
| Total investment securities | ----- 37,833 ----- |
|-----------------------------|--------------------------|

Increase (decrease) in unrealized appreciation of investments

37,833

Net decrease in net assets from operations

| | |
|-----------|---------|
| (240,115) | 373,080 |
|-----------|---------|

Preferred dividends

28,788

Net decrease in net assets attributable to common stockholders

| | |
|-------------|-----------|
| (\$268,903) | \$373,080 |
|-------------|-----------|

Basic and diluted net decrease attributable to common stockholders per share

| | |
|----------|--------|
| (\$0.25) | \$0.34 |
|----------|--------|

6

FRANKLIN CAPITAL CORPORATION

PRO-FORMA BALANCE SHEET

| | MARCH 31, 2002 (UNAUDITED) | DIAL COMMUNICATIONS |
|---|----------------------------------|------------------------|
| ASSETS | | |
| Marketable investment securities, at market value (cost: March 31, 2002 - \$57,660) | \$62,175 | |
| Investments, at fair value (cost: March 31, 2002 - \$3,757,830) | | |
| Excelsior Radio Networks, Inc. | 2,250,000 | |
| Other investments | 1,358,915 | |
| | ----- 3,608,915 ----- | |
| Cash and cash equivalents | 116,737 | \$659,116 |
| Accounts receivable | | 679,347 |
| Other assets | 99,937 | 120,438 |
| | ----- | ----- |

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| | | | |
|--|----------------------|----------------------|---|
| TOTAL ASSETS | \$3,887,764 ===== | \$1,458,901 ===== | (|
| ----- | | | |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | | |
| LIABILITIES | | | |
| Notes payable | \$1,000,000 | | |
| Accounts payable and accrued liabilities | 234,922 | \$217,482 | |
| | ----- | ----- | |
| TOTAL LIABILITIES | 1,234,922 | 217,482 | |
| | ----- | ----- | |
| Commitments and contingencies | | | |
| STOCKHOLDERS' EQUITY | | | |
| Convertible preferred stock, \$1 par value, cumulative 7% dividend: | | | |
| 5,000,000 shares authorized; 16,450 shares issued and outstanding at March 31, 2002 (Liquidation preference \$1,645,000) | 16,450 | | |
| Common stock, \$1 par value: 5,000,000 shares authorized; 1,505,888 shares issued:1,074,700 shares outstanding at March 31, 2002 | 1,505,888 | | |
| Paid-in capital - common stock | 10,271,610 | | |
| Unrealized depreciation of investments | (144,400) | | |
| Accumulated deficit | (6,477,350) | 1,241,419 | |
| | ----- | ----- | |
| | 5,172,198 | 1,241,419 | |
| Deduct common stock held in treasury, at cost, 431,188 shares at March 31, 2002 | (2,519,356) | | |
| | ----- | | |
| Net assets | 2,652,842 | 1,241,419 | |
| | ----- | ----- | |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | \$3,887,764 ===== | \$1,458,901 ===== | (|

7

Notes to Pro Forma Combined Financial Information:

1. Adjustment to reflect Franklin filing under the Investment Act of 1940. Franklin's majority-owned investment Excelsior purchased the assets of Dial. Dial will be consolidated into Excelsior. Since Franklin files under the Investment Act of 1940, Franklin reflects its investment in Excelsior and does not consolidate Excelsior.

2. Adjustment to reflect the receipt by Franklin of \$300,000 for Franklin's obligations in connection with any Franklin common stock that may be issued pursuant to the terms of the purchase agreement or the promissory notes issued in consideration of the purchase of Dial. Any common stock issued in the future would be recorded as an entry to common stock and additional paid in capital.

