U.S. SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2004

OR

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from__________ to__________

Commission File Number 1-6436

FRAWLEY CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	**95-2639686**
(State or other jurisdiction	**(I.R.S. EMP ID NO)**

of incorporation or organization)

5737 Kanan Rd. PMB 188, Agoura Hills, California	**91301**
(Address of principal executive offices)	**(ZIP CODE)**

(818)735-6640

(Registrant s telephone number, including area code)

(Former name, address and fiscal year, if changed since last report)

Indicated 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 registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES x NO ¨

Indicate the number of shares outstanding of each of the issuer s classes of common stock, as of the close of the latest practicable date.

Common stock, par value $1	1,222,905
(Class)	**(Outstanding at March 31, 2004)**

Total Number of Pages 11

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FRAWLEY CORPORATION AND SUBSIDIARIES

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ITEM I: FINANCIAL STATEMENTS

FRAWLEY CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	MARCH 31, 2004	DECEMBER 31, 2003
	(Unaudited)	
ASSETS		
CURRENT ASSETS		
Cash	$ 23,000	$ 18,000
Prepaid expenses and other assets	7,000	32,000
TOTAL CURRENT ASSETS	30,000	50,000
Real estate investments, net	1,052,000	1,052,000
Investment in partnership	16,000	16,000
TOTAL ASSETS	$ 1,098,000	$ 1,118,000
LIABILITIES AND STOCKHOLDERS EQUITY		
CURRENT LIABILITIES		
Notes payable to stockholders	$ 2,437,000	$ 2,437,000
Accounts payable and accrued expenses	160,000	184,000
Interest payable to related parties	1,251,000	1,192,000
Environmental reserve	139,000	139,000
Deposits	322,000	269,000
TOTAL CURRENT LIABILITIES	4,309,000	4,221,000
LONG TERM LIABILITIES		
Environmental reserve	1,224,000	1,224,000
TOTAL LIABILITIES	5,533,000	5,545,000
STOCKHOLDERS DEFICIT:		
Preferred stock, par value $1 per share:		
Authorized, 1,000,000 shares; none issued Common stock, par value $1 per share;		
Authorized, 6,000,000 shares, issued 1,414,217 shares	1,414,000	1,414,000
Capital surplus	17,166,000	17,140,000
Accumulated deficit	(22,254,000)	(22,120,000)
	(3,674,000)	(3,566,000)
Less common stock in treasury, 191,312 shares (at cost)	(761,000)	(761,000)

TOTAL STOCKHOLDERS DEFICIT	(4,435,000)	(4,327,000)
TOTAL LIABILITIES AND STOCKHOLDERS DEFICIT	$ 1,098,000	$ 1,118,000

See notes to consolidated financial statements

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FRAWLEY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

	Three Months Ended March 31, 2004	Three Months Ended March 31, 2003
REVENUES:		
Net revenues	$	$
COSTS AND EXPENSES:		
Selling, general and administrative expenses	74,000	87,000
Interest expense	60,000	60,000
TOTAL COSTS AND EXPENSES	134,000	147,000
NET LOSS	$ (134,000)	$ (137,000)
NET LOSS PER SHARE, COMMON	$ (.11)	$ (.12)
FULLY DILUTED	$ (.11)	$ (.12)
Weighted average number of common shares outstanding	1,222,905	1,222,905

See notes to consolidated financial statements

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FRAWLEY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	Three Months Ended March 31, 2004	Three Months Ended March 31, 2003
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (134,000)	$ (147,000)
Changes in operating assets and liabilities:		
Prepaid expenses and other assets	25,000	30,000
Accounts payable and accrued expenses	88,000	83,000
TOTAL ADJUSTMENTS	113,000	113,000
NET CASH USED IN OPERATING ACTIVITIES	(21,000)	(34,000)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Capital contributions	26,000	19,000
NET CHANGE IN CASH AND CASH EQUIVALENTS	5,000	(15,000)
CASH, BEGINNING OF PERIOD	18,000	38,000
CASH, END OF PERIOD	$ 23,000	$ 23,000

See notes to consolidated financial statement

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FRAWLEY CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: In the opinion of management, the accompanying unaudited consolidated financial statements contain all adjustments necessary to present fairly the financial position at March 31, 2004, the results of operations and changes in cash flows for the three months then ended.

NOTE 2: The results of operations for the three months ended March 31, 2004 and 2003 are not necessarily indicative of results to be expected for the full year.

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FRAWLEY CORPORATION AND SUBSIDIARIES

ITEM 2: MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Real Estate

The real estate operating loss during the quarter ended March 31, 2004 was approximately $84,000 as compared to a loss of $79,000 for the same period in 2003. Real estate losses continue as the Company incurs carrying costs and improvements required to sell the property.

In February 2004, the Company received notice from Los Angeles County that the County intends to severely restrict grading permits and may require condition use permits for grading on the Company s property. In addition, the County of Los Angeles announced its intention to restrict the building of residences on three of the Company s eight parcels of land because of new ridgeline building ordinances. The above regulations potentially require multi-year processing to reach the point that a parcel can be sold to a third party.

If an agreement cannot be reached with Los Angeles County, these new regulations may force the Company to liquidate its real estate, make settlements with its lenders and close down its real estate development business. As of the date of this filing, no decision has been made by management regarding liquidation, nor can they determine the potential financial impact to the Company. Accordingly, the March 31, 2004 financial statements do not reflect any adjustments that might result from these new and more stringent regulations.

Liquidity and Capital Resources

The Company s recurring losses from continuing operations and difficulties in generating cash flow sufficient to meet its obligations raise substantial doubt about its ability to continue as a going concern.

Real Estate and Corporate overhead are producing losses that the real-estate business is unable to absorb. The required investments in real estate are currently funded from loans.

The Company intends to meet its obligations through real estate sales. The limited resources available to the Company will be directed at reducing operating expenses and selling real estate.

The Company continues to incur legal expenses and has an obligation in 2004 to contribute to the Chatham Brothers toxic waste cleanup lawsuit.

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PART II OTHER INFORMATION

ITEM 1: Legal Proceedings

The Company is named as a defendant in the Chatham Brothers Toxic Waste cleanup lawsuit. In February 1991, the Company was identified as one of many Potentially Responsible Parties (PRPS) in the Chatham Brothers toxic waste cleanup site case, filed by the State of California Environmental Protection Agency, Department of Toxic Substances Control (DTSC) and involved The Harley Pen Company previously owned by the Company.

On December 31, 1991, the Company and approximately 90 other companies were named in a formal complaint. The Company joined a group of defendants, each of whom was so notified and which is referred to as Potentially Responsible Parties (PRPs) for the purpose of negotiating with the DTSC and for undertaking remediation of the site. Between 1995 and 1998, the State of California adjusted the estimated Cost of remediation on several occasions. As a result, the Company has increased their recorded liability to reflect their share. In January, 1999, the PRP s consent decree was approved by the Court. As of March 31, 2004, the Company had made payments into the PRP Group totaling approximately $840,000, which includes the assignment of the $250,000 note receivable and had a cash call contribution payable of $61,000. The Company has accrued short-term and long-term undiscounted liabilities of $139,000 and $1,224,000, respectively, to cover future costs under the remediation plan.

During the past several years, the Company has requested a Hardship Withdrawal Settlement with the PRP Group due to the Company s financial condition. The PRP group has continually denied the Company s request. In December 2003, the Company again formally requested a Hardship Withdrawal Settlement with the PRP Group. The Company s proposal was a payment of $240,000 over four years in exchange for complete release from all further legal and financial responsibility related to the environmental liability. The PRP Group has agreed to review the Company s proposal and, as of the date of this filing, is in process of reaching a decision. No assurances can be made that the PRP Group will accept the Company s proposal at this time.

The Company is in dispute with its 1988 licensee over the trademark Classics Illustrated . In 1998, the Company terminated its license agreement for breach of contract. The licensee has objected to the termination stating that the Company failed to notify the licensee of a potential problem with the trademark in Greece. A Greek court has ruled against a sub licensee in Greece. The Company believes that the license agreement supports that it adequately notified the licensee that the licensee would have to investigate the international trademark involving Classics Illustrated . Although the parent company of the licensee has filed for Chapter 7 bankruptcy protection, management believes that there is no probable risk of loss related to this dispute.

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ITEM 5: Other Information

Related Party Transactions

During the First Quarter ended March 31, 2004 the Company received approximately $53,000 from various family members of the President of the Company as an advance on property that they intend to purchase. The specific property has not been identified and the terms of the purchase have not been finalized. The advance is included in deposits.

The Company has charged its stockholders for any employee time spent on non-corporate matters. The Company has received $26,000 from the Frawley Family Trust as reimbursement for payroll expenses during the First Quarter ended March 31, 2004. The funds do not have to be repaid and are accounted for as capital contributions in the financial statements.

ITEM 6: Exhibits and Reports on Form 8-K

Exhibit 31.1, CEO & CFO Certification

Exhibit 32.1, CEO & CFO Certification

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SIGNATURES

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

FRAWLEY CORPORATION

(REGISTRANT)

Date: May 7, 2004

By: /s/ Michael P. Frawley
(Authorized Officer and CEO and Chairman of the Board)

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