REGENCY AFFILIATES INC
Form 10QSB
May 19, 2006

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

FORM 10-QSB

(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, 2006

OR

|_| TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ______ to _______

COMMISSION FILE NUMBER 1-7949

REGENCY AFFILIATES, INC.
(Exact name of registrant as specified in its charter)

Delaware	72-0888772
(State or other jurisdiction of Incorporation or organization)	(IRS Employer Identification No.)

610 N.E. Jensen Beach Blvd., Jensen Beach, Florida 34957
(Address of principal executive offices)

Registrant's Telephone Number, including Area Code (772) 334-8181

Check whether the issuer (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 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 by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes |_| No |X|

As of May 15, 2006 there were 3,123,412 shares of the $.01 Par Value Common Stock outstanding.

Transitional Small Business Disclosure Form (check one): Yes |_| No |X|

Regency Affiliates, Inc. and Subsidiaries
Index to the Financial Statements

Regency Affiliates, Inc. and Subsidiaries
Condensed Consolidated Balance Sheet
March 31, 2006
(Unaudited)

Assets

Current Assets	
Cash and cash equivalents	$ 2,693,979
Marketable securities	8,986,170
Interest receivable	544,984
Other current assets	96
Total Current Assets	12,225,229
Investment in partnerships	7,463,946
Other	1,300
Total Assets	$ 19,690,475

Liabilities and Shareholders' Equity

Current Liabilities	
Accounts payable and accrued expenses	$ 1,170,656
Income taxes payable	113,000
Total Current Liabilities	1,283,656
Deferred credit	525,874
Total Liabilities	1,809,530
Shareholders' equity	
Serial preferred stock not subject to mandatory redemption (Maximum liquidation preference $24,849,410)	1,052,988
Common stock, par value $.01; authorized 8,000,000 shares; issued 3,177,412 shares; outstanding 3,122,412 shares	31,275
Additional paid-in capital	8,743,360
Readjustment resulting from quasi-reorganization at December 31, 1987	(1,670,596)
Retained earnings	12,501,713
Note receivable - sale of stock	(2,440,000)
Treasury stock, 55,000 shares	(337,795)
Total Shareholders' Equity	17,880,945
Total Liabilities and Shareholders' Equity	$ 19,690,475

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

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Regency Affiliates, Inc. and Subsidiaries
Condensed Consolidated Statements of Operations
(Unaudited)

	Three Months Ended March 31,	
	2006	2005
Net Sales	$ --	$ --
Costs and expenses		
Costs of goods sold	--	--
Selling, general and administrative expenses	293,437	315,075
	293,437	315,075
Loss from operations	(293,437)	(315,075)

Income from equity investment in partnerships	691,762	545,259
Interest and dividend income	215,203	38,377
Other income	8,108	48,322
Net income	621,636	316,883
Net income per common share:		
Basic	$ .20	$ .10
Diluted	$ .18	$ .10
Weighted average number of common shares outstanding		
Basic	3,122,234	3,020,912
Diluted	3,378,234	3,276,912

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

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Regency Affiliates, Inc. and Subsidiaries
Condensed Consolidated Statements of Cash Flows
(Unaudited)

	Three Months Ended March 31,	
	2006	2005
Cash Flows from operating activities		
Net income	$ 621,636	$ 316,883
Adjustments to reconcile net income to		
Net cash used in operating activities		
Depreciation and amortization	--	1,164
Income from equity investment in partnerships	(691,762)	(545,259)
Stock issued for services	6,100	2,700
Unrealized gain on marketable securities	--	(47,099)
Changes in operating assets and liabilities		
Accrued interest	(45,751)	(32,533)
Other current assets	10,625	20,900
Accounts payable and accrued expenses	(109,447)	(138,380)
Net cash used in operating activities	(208,629)	(421,624)
Cash flows from investing activities		
Proceeds from sales of marketable securities	24,000,000	27,000,000
Purchases of marketable securities	(26,994,180)	(26,952,274)
Disbursements from (investments in) partnerships	250,000	(200,000)

Net cash used in investing activities	(2,744,180)	(152,274)
Decrease in cash and cash equivalents	$ (2,952,809)	$ (573,898)
Cash and cash equivalents - beginning	5,646,788	1,469,353
Cash and cash equivalents - ending	$ 2,693,979	$ 895,455

	Three Months Ended March 31,	
	2006	2005
Supplemental disclosures of cash flow information:		
Cash paid during the year for		
Interest	$ --	$ --
Income taxes	$ --	$ 290

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

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Regency Affiliates, Inc. and Subsidiaries
Notes to Condensed Consolidated Financial Statements

Note 1. Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Item 310 of Regulation S-B. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three month period ended March 31, 2006 are not necessarily indicative of the results that may be expected for the year ended December 31, 2006. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's annual report on Form 10-KSB for the year ended December 31, 2005.

Principles of Consolidation - The consolidated financial statements include the accounts of Regency Affiliates, Inc. (the "Company"), its wholly owned subsidiaries, Regency Power, Inc. and Rustic Crafts International, Inc. ("Rustic Crafts"), its 75% owned subsidiary, Iron Mountain Resources, Inc. ("IMR"), and its 80% owned subsidiary, National Resource Development Corporation ("NRDC"). All significant intercompany balances and transactions have been eliminated in consolidation.

Note 2. Related Party Transactions

In December 2001, the Company's 80% owned subsidiary, NRDC, sold its inventory of stockpiled rock to the Company's 75% owned subsidiary, IMR, for a purchase price of $18,200,000 in the form of a note. The note has been in default since December 31, 2003. On February 9, 2005, in lieu of foreclosure, Iron Mountain re-conveyed the inventory to National Resource Development and the note was deemed satisfied. In June 2005, the Company obtained an appraisal of the aggregate which concluded that the aggregate has no value.

In December 2005, the Company's wholly owned subsidiary, Rustic Crafts, entered into a stipulation of settlement with RCI Wood Products regarding outstanding indebtedness with that company. Under the terms of this settlement, RCI will pay to Rustic Craft the sum of $125,000 with interest at six and one-half percent per annum, payable in thirty-five (35) monthly installments of $1,088 each commencing in January 2006. During the quarter ended March 31, 2006, $5,097 was received and is included in other income.

During the quarter ending March 31, 2005, two directors of the Company each received 250 shares of common stock for services. The fair market value of the stock issued was $2,700 and this expense is included in selling, general and administrative expenses in the statement of operations.

During the quarter ending March 31, 2006, two directors of the Company each received 500 shares of common stock for services. The fair market value of the stock issued was $6,100 and this expense is included in selling, general and administrative expenses in the statement of operations.

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Regency Affiliates, Inc. and Subsidiaries

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION.

Forward-Looking Statements and Associated Risk

Certain statements contained in this Quarterly Report on Form 10-QSB, including, but not limited to those regarding the Company's financial position, business strategy, acquisition strategy and other plans and objectives for future operations and any other statements that are not historical facts constitute "forward-looking statements" within the meaning of federal securities laws and the Private Securities Litigation Reform Act of 1995. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause the actual results, performance or achievements expressed or implied by such forward-looking statements to differ materially from any future results, performance or achievements expressed or implied by such forward-looking statements. Although the Company believes that the expectations reflected in these forward-looking statements are reasonable, there can be no assurance that the actual results or developments anticipated by the Company will be realized or, even if substantially realized, that they will have the expected effect on its business or operations. These forward-looking statements are made based on management's expectations and beliefs concerning future events impacting the Company and are subject to uncertainties and factors (including, but not limited to, those specified below) which are difficult to predict and, in many instances, are beyond the control of the Company. Such factors include:

- A default in the lease or sudden catastrophe to the property owned by Security Land and Development Company Limited Partnership ("Security") or the operating facilities owned by Mobile Energy Services Company, LLC ("Mobile Energy") from uninsured acts of God or war could have a materially adverse impact upon our investment in Security or Mobile Energy, respectively, and therefore our financial position and results of operations;

- Our subsidiaries currently lack the necessary infrastructure at the site of the Groveland mine in order to permit them to make more than casual sales of the rock aggregate located at the Groveland Mine;

- We have had significant tax loss and credit carryforwards and no assurance can be provided that the Internal Revenue Service would not attempt to limit or disallow altogether our use, retroactively and/or prospectively, of such carryforwards, due to ownership changes or any other reason. The disallowance of the utilization or our net operating loss would severely impact or financial position and results of operations due to the significant amounts of taxable income that has been, and may in the future be, offset by our net operating loss carryforwards;

- If the Company consummates the Reverse Stock Split (as defined below) and Forward Stock Split (as defined below) and becomes a privately held company, stockholders will own shares in a private company and may not have the ability to sell their shares in the public market. Furthermore, the Company would not file current, quarterly or annual reports or be subject to the proxy requirements of the federal securities laws. Stockholders may therefore find it more difficult to obtain information about the Company and its financial performance;

- Royalty Holdings, LLC ("Royalty"), an affiliate of the Company's management, beneficially owns approximately 60% of our common stock. As a result, Royalty has the ability to control the outcome of all matters requiring stockholder approval, including the election and removal of directors and any merger, consolidation or sale of all or substantially all of our assets;

- The Company does not expect to pay dividends in the foreseeable future; and

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- There are many public and private companies that are also searching for operating businesses and other business opportunities as potential acquisition or merger candidates. The Company will be in direct competition with these other companies in its search for business opportunities. Many of these entities have significantly greater financial and personnel resources than the Company.

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Regency Affiliates, Inc. and Subsidiaries

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION (continued)

The following discussion and analysis of the financial condition and results of operations of the Company should be read in conjunction with the accompanying financial statements and related notes included in Item 1 of this report.

General.

The Company is committed to enhancing the value of the Company's Common Stock by seeking opportunities to monetize certain existing assets and by seeking new business opportunities on an opportunistic basis.

Liquidity and Capital Resources.

On March 31, 2006, the Company had current assets of $12,225,229 and stockholders' equity of $17,880,945. On March 31, 2006, the Company had $11,680,149 in cash and marketable securities, total assets of $19,690,475 and total current liabilities of $12,283,656.

During the preparation of the Company's 2004 federal corporation income tax return, a dispute arose between the Company and Security Land regarding the proper amount of taxable income to be allocated to the Company and reported to the Internal Revenue Service (the "IRS") on Federal Form K-1. This dispute could not be resolved and as such the Company reported a different amount of income on its corporation income tax return than was reported to the IRS by Security. The discrepancy may cause the Company's tax returns to be audited by the IRS. The Company believes that the outcome of any IRS examination will not effect the financial statements of the Company in this year as net operating losses are available to offset any additional income not reported.

In December, 2001 the Aggregate inventory was sold to Iron Mountain at a purchase price of $18,200,000, payable, with interest of 2.46%, in ninety-six equal payments of principal and interest scheduled to commence in December, 2003. The intercompany gain on this transaction has been eliminated in the consolidation process resulting in the Aggregate inventory being carried at its historical cost. On February 9, 2005, in lieu of foreclosure, Iron Mountain reconveyed the Aggregate inventory back to NRDC and the note was deemed satisfied. In June 2005, the Company obtained an appraisal of the Aggregate which concluded that the Aggregate has no value and as such a full valuation allowance of $832,427 was taken in 2005.

On September 30, 2002, our subsidiary, Rustic Crafts International, Inc. ("Rustic Crafts") sold all of its operating assets subject to the assumption of certain of its liabilities. Prior to the sale, Rustic Crafts had established a $1,000,000 line of credit with PNC Bank which was guaranteed by the Company and expired on May 18, 2002. In conjunction with the Rustic Crafts asset sale, Rustic Crafts' indebtedness under the line of credit together with its $960,000 mortgage loan from PNC Bank and certain other indebtedness to PNC Bank was restructured to replace such indebtedness with five notes totaling $2,432,782 and have a ten year amortization schedule. The notes bear interest at the blended rate of 10.8% per annum. As part of the PNC Bank debt restructuring, Rustic Crafts was required to pay down the outstanding loan balance with $200,000 of the purchase price in the Rustic Crafts asset sale, and was required to make a $540,000 payment in December 2002. A $40,000 payment was made to PNC Bank in December 2002, but Rustic Crafts and the Company failed to make the balance of the December 2002 payment. Accordingly, the PNC Bank debt was subsequently modified to provide for the payment of the remaining $500,000 payment on or before June 30, 2003. On June 30, 2003, the Company paid all outstanding principal and interest due to PNC Bank, in satisfaction of the above described obligations. On December 30, 2005 the Company agreed to accept a $125,000 note from RCI as a restructuring of the above named obligation. The note, which bears interest at 6.5%, calls for payments of $1,088 per month until December 2008 at which time the balance will be due and payable. During the quarter ended March 31, 2006, the Company received $5,097 which was recorded as other income.

Management believes that the Company's cash balance and anticipated cash flows from operations will be adequate to fund our cash requirements for at least the next twelve months.

FILING OF GOING PRIVATE PROXY STATEMENT

On December 14, 2005, the Company filed with the SEC a preliminary Schedule 13E-3 Transaction Statement with respect to a going private transaction and a preliminary Schedule 14A Proxy Statement soliciting stockholders to vote on amending the Company's certificate of incorporation to provide for a 1-for-100 reverse stock split (the "Reverse Stock Split") followed immediately by a 50-for-1 forward stock split of the Company's common stock (the "Forward Stock Split"), which would result in the reduction of the number of common stockholders of record of the Company to fewer than 300. This will permit the Company to discontinue the filing of annual and periodic reports and other filings with the SEC. Once the Schedule 13E-3 Transaction Statement and Schedule 14A Proxy Statement are approved in a definitive form by the SEC, the Company will mail copies to its stockholders. The Company currently intends to effect the Reverse Stock Split and Forward Stock Split as soon as possible after such distribution.

Results of Operations.

2006 Compared to 2005

For the three months ended March 31, 2006 and March 31, 2005:

No revenue was generated by the Company in these periods.

Selling and administrative expenses decreased by $21,638 or 6.9% in 2006 compared to 2005 due primarily to a slight decrease in professional fees.

Income from equity investment in partnerships increased by $146,503, 26.9% more than 2005 due to income received from MESC, partially offset by increased interest expense incurred by Security. There was no interest expense by the Company in either period.

Net income increased by $304,753 in 2006 over 2005 or 96.2%. The increase was primarily due to the reduction in selling and administrative expenses, an increase in interest income, and an increase in income from equity investment in partnerships.

The Company's Shareholders' Equity at March 31, 2006 was $17,880,945 as compared to $17,877,997 on March 31, 2005, an increase of $2,948.

Impact of Inflation.

Although the Company has not attempted to calculate the effect of inflation, management does not believe inflation has had a material effect on its results of operations.

Off-Balance Sheet Arrangements

The Company has not entered into any off-balance sheet arrangements.

Regency Affiliates, Inc. and Subsidiaries

ITEM 3. CONTROLS AND PROCEDURES.

The Company's management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) as of the end of the period covered by this report. Based on such evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of such period, the Company's disclosure controls and procedures are effective.

In connection with the evaluation of the Company's internal controls during the Company's last fiscal quarter, the Company's Chief Executive Officer and Chief Financial Officer have determined that there are no changes to the Company's internal controls over financial reporting that has materially affected, or is reasonably likely to materially affect, the Company's internal controls over financial reporting.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

On December 14, 2001, we initiated a proceeding in The Circuit Court of the Nineteenth Judicial Circuit in and for Martin County, Florida, case number 01-1087-CA against Larry J. Horbach, individually and L.J. Horbach & Associates. Larry Horbach was a former interim CFO and Board member. We claim that Larry Horbach, without appropriate authority, borrowed $100,050 from Mid City Bank in the name of Regency. We further claim that Horbach converted all or part of the proceeds from the loan for his benefit and breached his fiduciary duties as an officer and director. Horbach filed a Motion for the Court to determine whether the claims asserted against him were properly brought in Florida, or whether they should have been filed in Nebraska. The matter was fully briefed, and the Florida Court took the matter under advisement. The Florida Court has not yet rendered its decision on this jurisdictional issue.

On February 7, 2002, a complaint naming Regency as defendant was filed in the District Court of Douglas County, Nebraska, case number 1012. The Plaintiffs are Larry J. Horbach, individually and L.J. Horbach & Associates and they are demanding payment on a loan they purchased from Mid City Bank. The plaintiffs are requesting payment of $82,512.57 plus accrued interest, costs and attorney fees. We are vigorously defending this litigation.

On January 20, 2004, a purported derivative and class action lawsuit was filed by two dissident Company shareholders, Edward E. Gatz and Donald D. Graham, in the New Castle County Court of Chancery, Delaware (the "Court"), captioned Gatz, et al. v. Ponsoldt, Sr., et al., (C.A. No. 174-N) naming as defendants certain current and former directors of the Company, Royalty and certain of its affiliates, Statesman and, nominally, the Company (the "Delaware Action"). The complaint alleged various breaches of fiduciary duties by the former directors and Statesman, and that Royalty and its affiliates knowingly participated in certain of the alleged breaches. In November 2004 the Court dismissed all but one claim alleged in the complaint. The Company was not a defendant with respect to the sole surviving claim, which related to the 2001 sale of a cache of previously quarried and piled aggregate rock by NRDC to Iron Mountain (the "Aggregate Sale"). On October 16, 2005, the Court dismissed plaintiffs' sole remaining claim for failure to state a claim for relief. The dismissal was without prejudice and the plaintiffs were given leave to file an amended complaint attacking the Aggregate Sale.

Regency Affiliates, Inc. and Subsidiaries

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS. (cont.)

On January 30, 2006, plaintiffs filed an amended complaint challenging the Aggregate Sale and alleging that the Aggregate Sale negatively impacted the consideration the Company received in connection with the October 2002 Restructuring Transactions. The Company is not a defendant with respect to this claim. Plaintiffs seek damages in excess of $5,400,000 with respect to the claim related to the Aggregate Sale. Defendants have moved to dismiss the amended complaint but briefing on the motion has not been completed. The Company has been advised that the defendants intend to vigorously defend the claim asserted against them in the Delaware Action.

The defendants in the Delaware Action, other than Statesman, are entitled to be indemnified by the Company for damages, if any, and expenses, including legal fees, they may incur as a result of the lawsuit, subject to certain circumstances under which such indemnification is not available. In addition, the Company's insurance carrier contends that none of the claims contained in the Delaware Action are covered by insurance on the basis of the "insured vs. insured" exclusion since one of the plaintiffs, Donald D. Graham, was previously a director of the Company.

On May 10, 2004, Gary Nuttall, a former President of the Company, commenced an arbitration proceeding against the Company with respect to certain claims allegedly arising under his 1995 Employment Agreement with the Company. Mr. Nuttall is seeking severance and all other compensation and benefits due him under the 1995 Employment Agreement in an amount in excess of approximately $1,650,000 ($1,400,000 of which is a financing bonus), 466,667 unrestricted shares of the Company (pre-split), options to purchase additional stock of the Company, punitive damages, interest, fees and costs associated with the arbitration. On May 4, 2006, the parties settled the disputes between them without admitting any liability, fault or wrongdoing, and entered into a settlement agreement providing for, among other things, the payment of $950,000 by the Company to Mr. Nuttall and the purchase by the Company of the 29,134 shares of Company common stock owned by Mr. Nuttall, at a purchase price of $6.50 per share.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

The Company awarded 250 restricted shares of common stock to each of Errol Glasser and Stanley Fleishman on April 3, 2006, pursuant to the Company's 2003 Stock Incentive Plan, as amended. Exemption from the registration requirements of the Securities Act of 1933, as amended (the "Securities Act"), for the issuance of such shares is claimed under Section 4(2) of the Securities Act.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

None.

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

None.

ITEM 5. OTHER INFORMATION.

None.

PART II - OTHER INFORMATION

ITEM 6. EXHIBITS.

(a) Exhibits

Exhibit Number	Description of Exhibit
3.1(i)(a)	Restated Certificate of Incorporation of the Company (filed as Exhibit 3.1(i)(a) to the Company's Quarterly Report on Form 10-Q for the period ended September 30, 2002, filed on November 19, 2002, and incorporated herein by reference).
3.1(i)(b)	Corrected Certificate of Amendment reflecting amendment to Restated Certificate of Incorporation of the Company (filed as Exhibit 3.1(i)(b) to the Company's Quarterly Report on Form 10-Q for the period ended September 30, 2002, filed on November 19, 2002, and incorporated herein by reference).
3.1(i)(c)	Certificate of Amendment of Restated Certificate of Incorporation of Regency Affiliates, Inc. (filed as Exhibit A to the Company's Information Statement on Schedule 14C filed on October 27, 2003 and incorporated by reference herein).
3.1(i)(d)	Certificate of Designation - Series B Preferred Stock, $10 Stated Value, $.10 par value (filed as Exhibit to Form 10-K dated June 7, 1993 and incorporated herein by reference).
3.1(i)(e)	Amended and Restated Certificate of Designation, Series C Preferred Stock, $100 Stated Value, $.10 par value (filed as Exhibit 99.4 to the Company's Current Report on Form 8-K filed on October 18, 2002, and incorporated herein by reference).
3.1(i)(f)	Certificate of Designation - Series D Junior Preferred Stock, $10 Stated Value, $.10 par value (filed as Exhibit to Form 10-K dated June 7, 1993 and incorporated herein by reference).
3.1(i)(g)	Certificate of Designation - Series E Preferred Stock, $100 Stated Value, $.10 par value (filed as Exhibit 4.1 to the Company's Annual Report on Form 10-K for the year ended December 31, 1995 at page E-1, and incorporated herein by reference).
3.1(ii)(a)	By-laws of the Company (filed as Exhibit 3.4 to the Company's Registration Statement on Form S-1, Registration Number 2-86906, and incorporated herein by reference).

3.1(ii)(b)	Amendment No. 1 to By-Laws of the Company (filed as Exhibit 3.1(ii)(b) to the Company's Quarterly Report on Form 10-Q for the period ended September 30, 2002, filed on November 19, 2002, and incorporated herein by reference).
10.1	Stock Option Agreement, dated as of April 1, 2006, between the Company and Laurence S. Levy.*
31.1	Chief Executive Officer's Certificate, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*

31.2	Chief Financial Officer's Certificate, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*

*Filed herewith

SIGNATURES

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

REGENCY AFFILIATES, INC.
(Registrant)

Date: May 19, 2006 — /s/ Laurence S. Levy
(President and Chief Executive Officer)

Date: May 19, 2006 — /s/ Neil N. Hasson
(Chief Financial Officer)

EXHIBIT INDEX

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of the Sarbanes-Oxley Act of 2002.*

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32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*

*Filed herewith

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