

FORM 10-QSB

U.S. SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)  
OF THE SECURITIES AND EXCHANGE ACT OF 1934  
For the Quarterly period ended June 30, 1999.

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_.

Commission File No. 0-17843

REGAL ONE CORPORATION  
(name of small business issuer in its charter)

FLORIDA  
(State or other jurisdiction of  
incorporation or organization)

95-4158065  
(IRS Employer  
Identification No.)

551 Driftstone Avenue, Las Vegas, NV  
(Address of principal executive offices)

89123  
(Zip Code)

Issuer's telephone number: (702) 897-5331

Check whether the issuer (1) 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  No

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY  
PROCEEDING DURING THE PRECEDING FIVE YEARS

Check whether the registrant filed all documents and reports required to be filed by Section 12, 13, or 15(d) of the Exchange Act after the distribution of Securities under a plan confirmed by court.

Yes  No

APPLICABLE ONLY TO CORPORATE ISSUERS

Indicate the number of shares outstanding of each of the issuers classes of common stock, as of the latest practicable date:  
1,191,217 shares as of August 19, 1999.

REGAL ONE CORPORATION  
Form 10-Q for the quarter ended June 30, 1999

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

REGAL ONE CORPORATION  
Balance Sheet  
(Unaudited)

<TABLE>  
<S>

<C>  
June 30, 1999

ASSETS

Cash	\$ 4,334
Total Assets	<u>\$ 4,334</u>

LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)

Accounts Payable and accrued expenses	\$ 150,364
Due to Officer and Shareholders	73,660
Total Liabilities	<u>\$ 224,024</u>

Stockholders' Equity (Deficit):

Preferred Stock; \$.01 par value, authorized 50,000,000 shares; Series A Preferred Stock; No shares Issued and Outstanding	-0-
Series B Preferred Stock Issued and Outstanding 208,965 shares	500

Common Stock; no par value, authorized 50,000,000 shares; Issued and Outstanding 1,191,217 shares	5,941,113
Accumulated Deficit	( 6,164,303)
-----	
Total Stockholders' Equity (Deficit)	( 222,690)
Total Liabilities and Stockholders' Equity (Deficit)	\$ 4,334

</TABLE>

See accompanying Notes to Financial Statements

REGAL ONE CORPORATION  
Statement of Operations  
(Unaudited)

<TABLE>

	For the Quarter ended June 30		For the Six Months ended June 30	
	<C> 1999	<C> 1998	<C> 1999	<C> 1998
	----	----	----	----
Revenues	\$ 0	\$ 0	\$ 0	\$ 0
Operating Expenses:				
General and Administrative expenses		17,585	32,945	35,539
		-----	-----	-----
Loss From Operations		(17,585)	(32,945)	(35,539)
Other Income (expense):		0	0	25,000
		-----	-----	-----
Income (Loss) Before income taxes		(17,585)	(32,945)	(35,539)
Provision for Income Taxes		0	0	0
		-----	-----	-----
Net Income (Loss)	\$ (17,585)	\$ (32,945)	\$ (35,539)	\$ (24,215)
	=====	=====	=====	=====
Net Income (Loss) per share	\$ (0.01)	\$ 0.01	\$ (0.03)	\$ 0.02
	=====	=====	=====	=====

Weighted average common and common equivalent shares outstanding	1,191,217	1,196,875	1,191,217	1,196,875
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See accompanying Notes to Financial Statements

</TABLE>

REGAL ONE CORPORATION  
Statement of Cash Flows  
(Unaudited)

<TABLE>

	<C> 1999	<C> 1998
	For the Six Months ended June 30	
	1999	1998
Cash flows from operating activities:		
Net Loss	\$ (35,539)	\$ (24,215)
Adjustments to reconcile net loss to net cash used by operating activities:		
Increase (Decrease) in accounts payable and accrued expenses	11,055	3,275

Increase in due to Officer	21,000	21,000
	-----	-----
Total Adjustments	32,055	24,275
	-----	-----
Net cash used by operating activities	(3,484)	60
Cash flows from investing activities:		
Net cash provided by investing activities	0	0
Cash flows from financing activities:		
Net cash used by financing activities	0	0
	-----	-----
Net Increase (Decrease) in cash	(3,484)	60
Cash at beginning of period	4,818	55
	-----	-----
Cash at end of period	1,334	115
	=====	=====

Supplemental disclosure of cash flow information:

Cash paid during the period for

Income taxes	\$ 0	\$ 0
Interest	\$ 0	\$ 0

</TABLE>

See accompanying Notes to Financial Statements

REGAL ONE CORPORATION  
Notes to the financial Statements  
(Unaudited)

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

General and Background

Regal One Corporation (the "Company") is a Florida corporation originally incorporated as Electro-Mechanical Services, Inc. ("EMS") in 1959. In 1974, Mr. Israel Rubinstein, currently the President, a director and a shareholder of the Company, acquired the Company, then named EMS, which at the time had no operations. Pursuant to the merger agreement, Mr. Rubinstein transferred the assets of Regal Muffler Centers, a franchise network of over 100 muffler shops that he founded in 1972 and solely owned, into EMS. In March of 1975, EMS amended its certificate of incorporation and changed its name to Regal International Holding Co., Inc. In 1976, the Company sold substantially all of its assets, but Mr. Rubinstein retained control of the Company. In June 1988, after merging with its wholly owned Nevada Subsidiary, Regal One Corporation, the Company changed its name to Regal One Corporation, but remained a Florida entity.

From 1987 to 1992, the Company was engaged in the acquisition and holding of real estate, primarily in the Western United States. Until the end of 1992, the Company assets consisted primary of irrevocable options to acquire the real estate in exchange for shares of the Company's common stock. Generally, the Company would issue to the Seller of the property shares of its common stock with a fair value equal to the value of the real estate on the date of the agreement.

During 1992, due to the protracted depressed national real estate market, the Company decided to abandon its real estate operations and pursue opportunities in the pharmaceutical and health fields.

Xechem, Inc.

In January, 1993, the Company executed an agreement to acquire Xechem,

Inc. The total costs incurred by the Company relating to the proposed investment in Xechem were approximately \$1,012,000. On January 14, 1994, the agreement with Xechem was canceled and a settlement agreement was entered into whereby the Company received 60,000 shares of common stock of Xechem, \$250,000 in cash and the satisfaction of \$131,000 of liabilities at no cost to the Company. Accordingly, based on this settlement agreement, the net realizable cost of the Xechem investment was adjusted down to the estimated fair value of \$150,000, resulting in a loss of \$142,645 in 1994. The Company then sold 20,000 shares of Xechem (one third of its investment) for \$50,000. In 1995, the Company distributed the remaining 40,000 shares of Xechem common stock to consultants or advisors of the Company for services provided to the Company.

#### Carbonex Systems Corporation

In August, 1995, the Company acquired in a reverse acquisition all of the issued and outstanding shares of common stock of Carbonex Systems Corporation ("Carbonex"), a development stage Delaware Corporation, owning certain exclusive rights to a proprietary emission reduction system for internal combustion engines. To effect the acquisition, the Company issued a total of 464,000 shares of 8.75% convertible, participating voting Series B Preferred Stock (the "Preferred Stock"). Each share of Preferred Stock is convertible into 100 shares of common stock and has 100 votes for each vote allowed to a share of common stock.

In June, 1996, the Company entered into a Stock Exchange Settlement Agreement and General Release whereby the Company exchanged all of the issued and outstanding shares of common stock of Carbonex for 255,035 shares of Series B Preferred Stock owned by Gene Bemel and certain members of his family. As part of the agreement, the Company assumed certain specified accounts payable totaling approximately \$61,000. The net impact of this transaction was a gain on sale of \$295,803, primarily due to the forgiveness of debt and accrued interest payable. As a result of this transaction, the Company has issued and outstanding 208,965 shares of Series B Preferred Stock.

#### Quality Franchise Systems, Inc.

In November, 1996, the Company executed a Letter of Intent to acquire all of the issued and outstanding stock of Quality Franchise Systems, Inc. However, a final agreement was never completed, and the Company is no longer pursuing this acquisition.

#### Safesight, Inc.

In July, 1997, the Company announced the acquisition of Safesight, Inc., a development-stage company engaged in the design of vehicle anti-collision warning products for the automobile, commercial vehicle, recreational vehicle and motorcycle markets. In August, 1997, the parties elected not to proceed with this transaction because of the parties' inability to obtain adequate funding for operations.

#### Current Operations

In April, 1998, the Company entered into an agreement to merge a newly formed subsidiary of the Company with Infectech, Inc. ("Infectech"). Infectech, founded in 1989, is a development-stage biotechnology company which owns 15 patents for the rapid identification and antibiotic sensitivity testing of 34 disease-causing bacteria.

On August 5, 1998, the Company announced that Infectech, Inc. had unilaterally acted to terminate the merger agreement between the two parties. Infectech stated as its reason that it had not been successful in raising the requisite \$300,000 prior to June 30, 1998. Infectech further notified the Company that it proposed to arbitrate the return of \$56,000 paid by Infectech for legal fees and certain other merger-related expenses of the Company, as per the merger agreement. On November 18, 1998, the Company and Infectech, Inc. resolved the matter subject to arbitration, with the Company issuing 10,000 shares of restricted common stock to Infectech, Inc. on November 24, 1998.

## Basis of Presentation

The unaudited financial statements presented herein have been prepared by the Company, without audit, pursuant to the rules and regulations for interim financial information and the instruction to Form 10-QSB and Regulation S-B. Accordingly, certain information and footnote disclosure normally included in financial statements prepared in accordance with generally accepted accounting principals have been omitted. These unaudited financial statements should be read in conjunction with the financial statement and notes thereto included in the Company's Annual Report Form 10-KSB for the fiscal year ended December 31, 1998. In the opinion of management, the unaudited financial statements reflect all adjustments (consisting of normal recurring accruals only) which are necessary to present fairly the financial position, results of operation, and changes in cash flows of the Company. Operating results for the interim periods are not necessarily indicative of the results which may be expected for the entire year.

## Income Taxes

The Company did not provide for income taxes in the accompanying interim financial statements since the Company does not anticipate generating taxable income for the full year.

## Net Income (Loss) Per Share Computation

Net Income (Loss) per share is based on the weighted average number of common stock for all periods presented. The outstanding preferred stock and common stock warrants are not considered in the calculations because they are anti-dilutive.

## NOTE 2 - GOING CONCERN AND MANAGEMENT'S PLAN

For the fiscal year ended December 31, 1998, the independent auditors report included an explanatory paragraph calling attention to a going concern issue. The Company has suffered recurring losses from operations and at June 30, 1999, continues to have an accumulated deficit. The accompanying financial statements have also been prepared contemplating continuation of the Company as a going concern, which is dependent upon the Company obtaining additional financing to satisfy the operating needs of the Company and/or completing a successful merger.

## NOTE 3 - STOCK OPTION PLAN

The Company has a stock option plan for its employees, directors, officers, and consultants or advisors of the Company. In May 1995, 3,000,000 shares were registered on Form S-8 for this plan.

## Managements Discussion and Analysis of Plan of Operation

The following discussion should be read in conjunction with the Company's financial statements and notes thereto included elsewhere in this Form 10-QSB report. In addition, the discussion of the Company's expected plan of operation included in the Company's Annual Report on Form 10-KSB for the fiscal year ended December 31, 1998, is incorporated herein in its entirety as the discussion of the Plan of Operation as required by Item 303(a) Regulation SB.

## Plan of Operation

The Company was incorporated in 1959 in Florida. Since that time, the Company has owned and operated, and subsequently sold off, a number of businesses. During 1987, the Company pursued a policy of using its common stock to purchase, either in fee simple or as an irrevocable option to purchase, a number of parcels of real estate, in the form of commercial, industrial, residential and development stage land parcels. In 1992, market conditions for real estate were no longer deemed to be favorable and the Company decided to abandon its real estate operations and pursue other

courses of operation.

In January, 1993, the Company agreed to acquire Xechem, Inc., a development-stage company engaged in the research and development of pharmaceuticals from plants and other naturally-occurring sources. However, the transaction was terminated in January, 1994 pursuant to a settlement agreement.

In August, 1995, the Company acquired all of the issued and outstanding common stock of Carbonex Systems Corporation ("Carbonex"). In June, 1996, the Company entered into a Stock Exchange, Settlement Agreement and General Release whereby the Company exchanged with its then-principal shareholders, Gene Bemel and members of his family, all of the issued and outstanding common stock of Carbonex for 255,035 shares of Series B Preferred Stock of the Company.

In November, 1996, the Company executed a Letter of Intent to acquire all of the issued and outstanding stock of Quality Franchise Systems, Inc. However a final agreement was never completed and the Company is no longer pursuing this acquisition.

In July, 1997, the Company announced the acquisition of Safesight, Inc., a development-stage company engaged in the design of vehicle anti-collision warning products. However, in August, 1997, the parties elected not to proceed with the transaction because of the inability to obtain adequate funding for operations.

In April, 1998, the Company entered into an agreement to merge a newly-formed subsidiary of the Company with Infectech, Inc. Infectech, Inc., founded in 1989, is a development-stage biotechnology company which owns 15 patents for the rapid identification and antibiotic sensitivity testing of 34 disease-causing bacteria. However, in August, 1998, the merger agreement was terminated. (See Note 1, "Organization and Significant Accounting Policies").

#### Liquidity and Capital Resources - June 30, 1999 Compared to December 31, 1998

During the prior year and current quarter, the Company had continuing losses from operations. There can be no assurances that the Company will be able to secure long-term borrowings with which to finance its future operations. The Company does not currently have any established bank lines of credit. The Company's lack of liquidity is reflected in the table below, which shows comparative working capital (current assets less current liabilities) which is an important measure of the Company's ability to meet its short-term obligations.

	June 30, 1999	December 31, 1998
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Working Capital (deficit)	\$ (219,663)	\$ (187,151)
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The Company's financial condition at June 30, 1999 reflects an immediate inability to meet its short-term obligations. At June 30, 1999, the Company had \$4,334 cash on hand. The liabilities of the Company at June 30, 1999 aggregated \$224,024, consisting primarily of accounts payable to accountants, lawyers and other service providers. Accounts payable are due and in default, and it is possible that persons to whom these obligations are due may seek to collect the amounts due them.

Since April, 1998, the Company has relied primarily on Infectech for the infusion of cash to fund basic operations, principally fees due to accountants and lawyers. However, in August, 1998, the merger agreement with Infectech was terminated. (See Note 1, "Organization and Significant Accounting Policies").

The Company Stock Option Plan is for its employees, directors, officers, and consultants or advisors of the Company. In May, 1995, the Company filed a registration statement on Form S-8 covering 3,000,000 shares of common stock for this Plan. Since May, 1995, holders have exercised options to purchase 548,506 shares of common stock. No options were exercised during the quarter ended June 30, 1999, leaving 2,451,494

yet available, with an amended expiration date of December 31, 2000. (See the Company's 14c, filed April 8, 1998).

#### Capital Expenditures and Commitments

During the quarter ended June 30, 1999, the Company had no capital expenditures. In the near term, the Company believes its capital expenditures will principally be expended for office equipment. The amount of such additional capital required is uncertain, and may be beyond that generated from future operations. There can be no assurance that the Company will be able to obtain any such capital or a merger acquisition candidate on satisfactory terms.

Results of Operations - The quarter and six months ended June 30, 1999 compared to the quarter and six months ended June 30, 1998.

The Company reported no revenues for the quarters and six months ended June 30, 1999 and 1998. During the quarter and six months ended June 30, 1999, operating expenses were \$17,585 and \$35,539, respectively, as compared to \$32,945 and \$49,215, respectively, for the quarter and six months ended June 30, 1998 (consisting primarily of professional and consulting fees). During the six months ended June 30, 1998, the Company had other income of \$25,000 from expenses paid by Infectech, Inc. (see Note 1). As a result, the quarter and six months ended June 30, 1999, had net losses of \$17,585 and \$ 35,539, respectively, as compared to net losses of \$32,945 and \$24,215, respectively, for the quarter and six months ended June 30, 1998.

#### Year 2000 Issues

Because many computer systems use only two digits to record the year in date fields, such systems may not be able to accurately process dates including the year 2000 and after. The effects of this problem will vary from system to system and may adversely affect a company's operations as well as the ability to prepare financial statements. In order to determine the impact that Year 2000 issues have on the Company, (1) a complete assessment of all systems potentially affected by Year 2000 issues needs to be completed, and (2) management needs to determine the consequences that its Year 2000 issues would have on its business, results of operations, and financial condition. The Company's assessment of its Year 2000 issues includes addressing whether third parties with whom the Company has a material relationship are Year 2000 compliant.

Although the Company has not completed any evaluation of its Year 2000 issues or assessed third party issues, since the Company currently has no operations and is not reliant on internal computer systems for any matters, it believes that the impact of Year 2000 issues will have an immaterial effect on its business, results of operations, and financial condition.

#### Factors that may affect future results

A number of uncertainties exist that may affect the Company's future operating results, including the possibility of uncertain general economic conditions, market acceptance of the Company's planned future operations, the Company's ability to manage expense growth and the ability to acquire long-term funding (including costs of the Infectech merger).

## PART II. OTHER INFORMATION

#### Item 1. Legal Proceedings

The Company is not aware of any litigation either pending, asserted, unasserted, or threatened.

#### Item 2. Changes in Securities

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Submission of Matters to a vote of Security Holders

None.

Item 5. Other Information

None.

Item 6. Exhibits and Reports on Form 8-K

Exhibits

None.

A copy of any of the exhibits listed or referred to above will be furnished at a reasonable cost to any person who was a shareholder of the Company on June 30, 1999, upon receipt from any such person of written request for any such exhibit. Such request should be sent to the Company with the attention directed to the Corporate Secretary.

Reports on Form 8-K

None.

SIGNATURES

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

Dated: December 6, 1999

REGAL ONE CORPORATION  
(Registrant)

By: /s/ Israel Rubinstein  
Israel Rubinstein, President

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