

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

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended June 30, 2009

COMMISSION FILE NUMBER: 1-10104

UNITED CAPITAL CORP.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or
organization)

04-2294493

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

9 Park Place, Great Neck, NY

(Address of principal executive offices)

11021

(Zip Code)

516-466-6464

(Registrant's telephone number, including area code)

N/A

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

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 registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or smaller reporting company. See definition of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer
Non-accelerated filer

Accelerated filer
Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

The registrant had 9,107,430 shares of common stock, \$.10 par value, outstanding as of August 11, 2009.

UNITED CAPITAL CORP. AND SUBSIDIARIES

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UNITED CAPITAL CORP. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except per share data)

	June 30, 2009	December 31, 2008
	<u>(Unaudited)</u>	
ASSET		
Current assets:		
Cash and cash equivalents	\$ 142,772	\$ 138,142
Marketable securities	16,659	9,178
Notes and accounts receivable, net	6,316	7,427
Income taxes receivable	—	4,163
Inventories	3,833	5,624
Prepaid expenses and other current assets	1,592	1,732
Deferred income taxes	<u>2,633</u>	<u>4,011</u>
Total current assets	<u>173,805</u>	<u>170,277</u>
Property, plant and equipment, net	5,417	5,591
Real property held for rental, net	72,722	73,060
Investment in joint venture	5,051	5,440
Noncurrent notes receivable	5,711	1,058
Other assets	3,412	3,317
Noncurrent assets of discontinued operations	<u>3,298</u>	<u>4,142</u>
Total assets	<u>\$ 269,416</u>	<u>\$ 262,885</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current maturities of long-term debt	\$ 1,038	\$ 2,717
Accounts payable and accrued liabilities	8,102	10,036
Income taxes payable	<u>3,945</u>	<u>3,629</u>
Total current liabilities	<u>13,085</u>	<u>16,382</u>
Long-term debt	29,608	30,146
Other long-term liabilities	18,135	18,076
Deferred income taxes	<u>7,956</u>	<u>8,314</u>
Total liabilities	<u>68,784</u>	<u>72,918</u>
Commitments and contingencies		
Stockholders' equity:		
Common stock, \$.10 par value, authorized 17,500 shares; issued and outstanding 9,092 and 8,483 shares, respectively	909	848
Retained earnings	205,056	197,056
Accumulated other comprehensive loss, net of tax	<u>(5,333)</u>	<u>(7,937)</u>
Total stockholders' equity	<u>200,632</u>	<u>189,967</u>
Total liabilities and stockholders' equity	<u>\$ 269,416</u>	<u>\$ 262,885</u>

The accompanying Notes to Condensed Consolidated Financial Statements are an integral part of these statements.

UNITED CAPITAL CORP. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)
(In thousands, except per share data)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2009	2008	2009	2008
Revenues:				
Revenues from real estate operations	\$ 8,497	\$ 9,377	\$ 16,449	\$ 17,930
Net sales	<u>5,201</u>	<u>9,620</u>	<u>10,985</u>	<u>19,519</u>
Total revenues	<u>13,698</u>	<u>18,997</u>	<u>\$ 27,434</u>	<u>37,449</u>
Costs and expenses:				
Cost of sales	4,290	7,647	8,802	15,181
Real estate operations:				
Mortgage interest expense	520	536	1,052	1,050
Depreciation expense	960	921	1,900	1,811
Other operating expenses	3,793	4,393	7,776	8,590
General and administrative expenses	1,672	1,622	3,462	3,412
Selling expenses	<u>743</u>	<u>990</u>	<u>1,561</u>	<u>1,924</u>
Total costs and expenses	<u>11,978</u>	<u>16,109</u>	<u>24,553</u>	<u>31,968</u>
Operating income	<u>1,720</u>	<u>2,888</u>	<u>2,881</u>	<u>5,481</u>
Other income (expense):				
Interest and dividend income	827	1,261	1,662	2,815
Other income and (expense), net	<u>124</u>	<u>(234)</u>	<u>15</u>	<u>(211)</u>
Total other income (expense)	<u>951</u>	<u>1,027</u>	<u>1,677</u>	<u>2,604</u>
Income from continuing operations before income taxes	2,671	3,915	4,558	8,085
Provision for income taxes	<u>988</u>	<u>1,468</u>	<u>1,681</u>	<u>2,988</u>
Income from continuing operations	<u>1,683</u>	<u>2,447</u>	<u>2,877</u>	<u>5,097</u>
Discontinued operations:				
(Loss) income from discontinued operations, net of tax (benefit) provision of (\$37), \$44, (\$89) and \$69, respectively	(57)	65	(134)	103
Impairment of property held for sale, net of tax benefit of \$260	<u>(390)</u>	<u>—</u>	<u>(390)</u>	<u>—</u>
(Loss) income from discontinued operations	<u>(447)</u>	<u>65</u>	<u>(524)</u>	<u>103</u>
Net income	<u>\$ 1,236</u>	<u>\$ 2,512</u>	<u>\$ 2,353</u>	<u>\$ 5,200</u>
Basic earnings per share:				
Income from continuing operations	\$.19	\$.29	\$.33	\$.61
(Loss) income from discontinued operations	<u>(.05)</u>	<u>.01</u>	<u>(.06)</u>	<u>.01</u>
Net income per share	<u>\$.14</u>	<u>\$.30</u>	<u>\$.27</u>	<u>\$.62</u>
Diluted earnings per share:				
Income from continuing operations	\$.17	\$.25	\$.30	\$.53
(Loss) income from discontinued operations	<u>(.04)</u>	<u>.01</u>	<u>(.06)</u>	<u>.01</u>
Net income per share assuming dilution	<u>\$.13</u>	<u>\$.26</u>	<u>\$.24</u>	<u>\$.54</u>

The accompanying Notes to Condensed Consolidated Financial Statements are an integral part of these statements.

UNITED CAPITAL CORP. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(In thousands)

	Six Months Ended June 30,	
	2009	2008
Cash flows from operating activities:		
Net income	\$ 2,353	\$ 5,200
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	2,091	2,039
Impairment of property held for sale, net of tax	390	—
Net loss on available-for-sale securities	104	417
Net realized and unrealized gains on derivative instruments	(139)	(222)
Deferred income taxes	(382)	(162)
Other, net	245	(234)
Changes in assets and liabilities:		
Notes and accounts receivable, net	1,864	(583)
Inventories	1,791	307
Prepaid expenses and other current assets	140	121
Accounts payable and accrued liabilities	(1,930)	(86)
Income taxes payable	4,739	(1,818)
Other long-term liabilities	(311)	141
Net cash provided by operating activities of continuing operations	10,955	5,120
Operating activities of discontinued operations	194	111
Net cash provided by operating activities	11,149	5,231
Cash flows from investing activities:		
Purchase of available-for-sale securities	(3,939)	(24,902)
Proceeds/maturities from sale of available-for-sale securities	376	997
Escrowed proceeds from sale of real estate assets	—	15,000
Proceeds from sale of derivative instruments	135	242
Purchase of notes receivable	(5,428)	—
Principal payments on notes receivable	22	23
Acquisition of property, plant and equipment	(453)	(455)
Acquisition of/additions to real estate assets	(1,112)	(13,666)
Distributions from joint venture	389	390
Net cash used in investing activities of continuing operations	(10,010)	(22,371)
Investing activities of discontinued operations	—	133
Net cash used in investing activities	(10,010)	(22,238)
Cash flows from financing activities:		
Principal payments on mortgage obligations	(2,217)	(482)
Purchase and retirement of common stock	(180)	(12,808)
Proceeds from exercise of stock options	4,359	9,224
Tax benefit from exercise of stock options	1,529	2,830
Net cash provided by (used in) financing activities	3,491	(1,236)
Net increase (decrease) in cash and cash equivalents	4,630	(18,243)
Cash and cash equivalents, beginning of period	138,142	129,003
Cash and cash equivalents, end of period	\$ 142,772	\$ 110,760
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Interest	\$ 1,039	\$ 1,050
Taxes	\$ 600	\$ 1,959

The accompanying Notes to Condensed Consolidated Financial Statements are an integral part of these statements.

UNITED CAPITAL CORP. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(In thousands, except per share data)
(Unaudited)

1. BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim financial information and with the instructions to Form 10-Q and Article 8 of Regulation S-X, as promulgated by the Securities and Exchange Commission ("SEC"). Accordingly, they do not include all information and footnotes required by GAAP for complete financial statements.

In the opinion of management, all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the results for the interim periods presented have been recorded. These financial statements have been prepared in conformity with the accounting principles, and methods of applying those accounting principles, as reflected in the audited financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2008 and should be read in conjunction therewith. The results of operations for the periods presented are not necessarily indicative of the results to be expected for the full year. The Company has evaluated subsequent events through August 11, 2009, the date the financial statements were issued (see Note 17).

2. STOCKHOLDERS' EQUITY

Previous purchases of the Company's common stock have reduced the Company's additional paid-in-capital to zero and have also reduced retained earnings by amounts in excess of par value. Any future purchases in excess of par value will also reduce retained earnings.

Repurchases of the Company's common stock may be made from time to time in the open market at prevailing market prices and may be made in privately negotiated transactions, subject to available resources. Future proceeds from the issuance of common stock in excess of par value will be credited to retained earnings until such time that previously recorded reductions have been recovered. During the six months ended June 30, 2009 and 2008, the Company received proceeds of \$4,359 and \$9,224 from the exercise of 620 and 804 stock options, respectively. During the six months ended June 30, 2009 and 2008, the Company recorded a tax benefit of \$1,529 and \$2,830 to retained earnings related to the exercise of stock options.

During the six months ended June 30, 2009 and 2008, the Company purchased and retired 11 and 585 shares of common stock for an aggregate purchase price of \$180 and \$12,808, respectively.

3. EARNINGS PER SHARE

The following table sets forth the computation of basic and diluted earnings per share from continuing operations:

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2009	2008	2009	2008
Numerator:				
Income from continuing operations	<u>\$ 1,683</u>	<u>\$ 2,447</u>	<u>\$ 2,877</u>	<u>\$ 5,097</u>
Denominator:				
Basic – weighted-average shares outstanding	9,076	8,405	8,877	8,342
Dilutive effect of employee stock options	<u>806</u>	<u>1,211</u>	<u>764</u>	<u>1,374</u>
Diluted – weighted-average shares outstanding	<u>9,882</u>	<u>9,616</u>	<u>9,641</u>	<u>9,716</u>
Basic earnings per share – continuing operations	<u>\$.19</u>	<u>\$.29</u>	<u>\$.33</u>	<u>\$.61</u>
Diluted earnings per share – continuing operations	<u>\$.17</u>	<u>\$.25</u>	<u>\$.30</u>	<u>\$.53</u>

Potentially dilutive common shares, related to outstanding employee stock options, amounting to 740 shares for the three and six months ended June 30, 2009, respectively, were not included in the computation of diluted earnings per share because their effect would have been anti-dilutive.

4. STOCK-BASED COMPENSATION

The Company has two stock option plans, the Incentive and Non-Qualified Stock Option Plan and the 1988 Joint Incentive and Non-Qualified Stock Option Plan, under which qualified and non-qualified options may be granted to key employees to purchase the Company's common stock at the fair market value on the date of grant. Under both plans, the options typically become exercisable in three equal installments, beginning one year from the date of grant. Stock options generally expire ten years from the date of grant. Currently, there are no options available for grant under these plans.

As of June 30, 2009 and December 31, 2008, the Company had outstanding options to purchase 3,325 and 3,945 shares with a weighted-average exercise price of \$12.92 and \$11.99 per share, respectively. As of June 30, 2009, these options had a weighted-average remaining contractual term of 2.4 years and an aggregate intrinsic value of \$20,533. The aggregate intrinsic value represents the difference between the Company's closing stock price on June 30, 2009 (\$18.32) and the exercise price of each option, multiplied by the number of "in-the-money" options. This amount changes based upon the fair market value of the Company's common stock. During the six months ended June 30, 2009, options to purchase 620 shares were exercised which had a weighted-average exercise price of \$7.03 per share.

5. MARKETABLE SECURITIES

The cost, gross unrealized gains, gross unrealized losses and fair market value of available-for-sale securities are as follows:

	<u>Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Fair Market Value</u>
June 30, 2009:				
Equity securities	\$ 20,379	\$ 567	\$ (4,839)	\$ 16,107
Bonds	<u>567</u>	<u>3</u>	<u>(18)</u>	<u>552</u>
	<u>\$ 20,946</u>	<u>\$ 570</u>	<u>\$ (4,857)</u>	<u>\$ 16,659</u>
December 31, 2008:				
Equity securities	\$ 16,440	\$ 1,050	\$ (9,184)	\$ 8,306
Bonds	<u>1,031</u>	<u>4</u>	<u>(163)</u>	<u>872</u>
	<u>\$ 17,471</u>	<u>\$ 1,054</u>	<u>\$ (9,347)</u>	<u>\$ 9,178</u>

Proceeds/maturities from the sale of available-for-sale securities as well as the gains and losses recognized in earnings on available-for-sale securities included in the determination of net income are as follows:

	Six Months Ended June 30,	
	<u>2009</u>	<u>2008</u>
Proceeds/maturities	<u>\$ 376</u>	<u>\$ 997</u>
Gains recognized in earnings	<u>\$ —</u>	<u>\$ 32</u>
Losses recognized in earnings	<u>\$ (104)</u>	<u>\$ (449)</u>

6. INVENTORIES

The components of inventories are as follows:

	<u>June 30, 2009</u>	<u>December 31, 2008</u>
Raw materials	\$ 1,811	\$ 2,607
Work in process	322	458
Finished goods	<u>1,700</u>	<u>2,559</u>
	<u>\$ 3,833</u>	<u>\$ 5,624</u>

7. REAL ESTATE

Property acquisitions

During January 2008, the Company purchased two commercial properties located in Michigan for approximately \$13,600. These properties were purchased using funds available from a property sold during 2007 in connection with a Section 1031 tax-deferred exchange.

Property sales

The results of operations of properties sold prior to June 30, 2009, consisting primarily of \$67 and \$133 of revenues and \$8 and \$20 of depreciation expense, have been reclassified to discontinued operations, on a net of tax basis, for the three and six months ended June 30, 2008.

Properties held for sale

At June 30, 2009, the Company considered one commercial property and one of its shopping centers and retail outlets from its real estate investment and management segment to be held for sale and reported as discontinued operations. The results of operations of these properties have been reclassified to discontinued operations, on a net of tax basis, in the Condensed Consolidated Statements of Income for the three and six months ended June 30, 2009 and 2008. In addition, the assets and liabilities associated with these properties, which primarily consist of real property, net of accumulated depreciation, have been reclassified to discontinued operations in the Condensed Consolidated Balance Sheets at June 30, 2009 and December 31, 2008. During the six months ended June 30, 2009, the Company recognized a non-cash impairment charge amounting to \$390, on a net of tax basis, on the carrying value of one of these properties.

Summarized financial information for these properties held for sale and accounted for as discontinued operations is as follows:

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2009	2008	2009	2008
Revenues	\$ 59	\$ 223	\$ 123	\$ 447
Depreciation expense	97	45	194	91
Other operating expenses	<u>56</u>	<u>128</u>	<u>152</u>	<u>297</u>
(Loss) income from operations	<u>\$ (94)</u>	<u>\$ 50</u>	<u>\$ (223)</u>	<u>\$ 59</u>

8. DERIVATIVE FINANCIAL INSTRUMENTS

Management maintains a diversified portfolio of cash equivalents and investments in a variety of securities, primarily U.S. investments in common and preferred equity issues, as well as corporate bonds, and participates on a limited basis in transactions involving derivative financial instruments, including short stock sales and put and/or call options. At December 31, 2008, the fair value of such derivatives was (\$5), which is recorded as a component of accounts payable and accrued liabilities in the Condensed Consolidated Balance Sheet. These instruments do not qualify for hedge accounting and therefore changes in the derivatives' fair value are recognized in earnings. The Company recognized \$139 and \$222 in net realized and unrealized gains on derivative instruments for the six months ended June 30, 2009 and 2008, respectively, which are included in other income and (expense), net in the Condensed Consolidated Statements of Income. The Company held no such derivatives at June 30, 2009.

9. FAIR VALUE MEASUREMENTS

The following table sets forth the Company's financial assets and liabilities that were measured at fair value on a recurring basis, by level, within the fair value hierarchy in accordance with Statement of Financial Accounting Standards ("SFAS") No. 157, "Fair Value Measurements":

	Fair Value Measurements at Reporting Date Using			
	Total Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
June 30, 2009:				
Marketable securities	\$ 16,659	\$ 16,618	\$ 41	\$ —
December 31, 2008:				
Marketable securities	\$ 9,178	\$ 9,144	\$ 34	\$ —
Derivative financial instruments	\$ (5)	\$ (5)	\$ —	\$ —

The carrying amounts of financial instruments such as cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities approximate their fair value due to the short-term maturity of such items. The estimated fair values of the Company's other financial assets and liabilities not measured at fair value on a recurring basis at June 30, 2009 and December 31, 2008 are as follows:

	June 30, 2009		December 31, 2008	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Notes receivable	\$ 1,080	\$ 1,126	\$ 1,101	\$ 1,169
Note receivable – non-performing	\$ 5,428	\$ 5,428	\$ —	\$ —
Long-term debt, including current portion	\$ 30,646	\$ 28,238	\$ 32,863	\$ 29,435

The fair value of notes receivable is estimated using discounted cash flow analyses, with interest rates comparable to loans with similar terms and borrowers of similar credit quality. In May 2009, the Company purchased a non-performing mortgage note for \$5,428 encumbering a property located in Jericho, New York which is subject to a pending foreclosure action. Management believes that the fair value of the note approximates its carrying amount. Upon foreclosure, such amounts will be reclassified to real property held for rental. The fair value of long-term debt is estimated based on interest rates available for debt with terms and due dates similar to the Company's existing debt arrangements.

In February 2008, the Financial Accounting Standards Board ("FASB") issued Staff Position No. 157-2, which delayed the effective date of SFAS 157 for one year for all nonfinancial assets and liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis. The Company adopted the provisions of SFAS 157 as they relate to long-lived assets effective January 1, 2009 and it did not have a material impact on the Company's financial statements.

10. PENSION PLAN

The Company has a noncontributory defined benefit pension plan that covers substantially all full-time employees of the engineered products and real estate investment and management segments. The plan provides defined benefits based on years of service and compensation level.

Net periodic pension cost consists of the following:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
Service cost	\$ (61)	\$ (75)	\$ (141)	\$ (150)
Interest cost	(189)	(180)	(379)	(350)
Expected return on plan assets	134	201	272	405
Amortization of net loss	(61)	—	(122)	—
Net periodic pension cost	\$ (177)	\$ (54)	\$ (370)	\$ (95)

11. COMPREHENSIVE INCOME (LOSS)

The components of comprehensive income (loss) are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
Net income	\$ 1,236	\$ 2,512	\$ 2,353	\$ 5,200
Other comprehensive income (loss), net of tax:				
Change in net unrealized gain (loss) on available-for-sale securities, net of tax effect of (\$1,891), \$2,180, (\$1,365) and \$3,497, respectively	3,511	(4,048)	2,536	(6,494)
Reclassification adjustment for net losses (gains) realized in net income, net of tax effect of (\$147), (\$36) and \$11, respectively	<u>—</u>	<u>271</u>	<u>68</u>	<u>(21)</u>
Comprehensive income (loss)	<u>\$ 4,747</u>	<u>\$ (1,265)</u>	<u>\$ 4,957</u>	<u>\$ (1,315)</u>

The components of accumulated other comprehensive loss, net of tax are as follows:

	June 30, 2009	December 31, 2008
Net unrealized loss on available-for-sale securities, net of tax effect of \$1,500 and \$2,902, respectively	\$ (2,787)	\$ (5,391)
Unrecognized net gains from pension plan, net of tax effect of \$1,371	<u>(2,546)</u>	<u>(2,546)</u>
Accumulated other comprehensive loss, net of tax	<u>\$ (5,333)</u>	<u>\$ (7,937)</u>

12. BUSINESS SEGMENTS

The Company operates through three business segments: real estate investment and management, hotel operations and engineered products. The real estate investment and management segment is engaged in the business of investing in and managing real estate properties located throughout the United States. The hotel operations segment owns and operates three hotels located in the United States. Engineered products are manufactured through wholly-owned subsidiaries of the Company and primarily consist of knitted wire products and components and transformer products sold worldwide.

The accounting policies of the Company's segments are the same as those described in the Summary of Significant Accounting Policies included in the Notes to Consolidated Financial Statements in the Company's Annual Report on Form 10-K for the year ended December 31, 2008.

Operating results of the Company's business segments are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
Net revenues and sales:				
Real estate investment and management	\$ 5,068	\$ 5,137	\$ 9,904	\$ 10,020
Hotel operations	3,429	4,240	6,545	7,910
Engineered products	<u>5,201</u>	<u>9,620</u>	<u>10,985</u>	<u>19,519</u>
	<u>\$ 13,698</u>	<u>\$ 18,997</u>	<u>\$ 27,434</u>	<u>\$ 37,449</u>
Operating income (loss):				
Real estate investment and management	\$ 3,211	\$ 3,212	\$ 6,136	\$ 6,268
Hotel operations	13	315	(415)	211
Engineered products	(555)	184	(874)	733
General corporate expenses	<u>(949)</u>	<u>(823)</u>	<u>(1,966)</u>	<u>(1,731)</u>
	1,720	2,888	2,881	5,481
Other income (expense), net	<u>951</u>	<u>1,027</u>	<u>1,677</u>	<u>2,604</u>
Income from continuing operations before income taxes	<u>\$ 2,671</u>	<u>\$ 3,915</u>	<u>\$ 4,558</u>	<u>\$ 8,085</u>

13. COMMITMENTS AND CONTINGENCIES

The Company has undertaken the completion of environmental studies and/or remedial action at its two New Jersey facilities and has recorded a liability for the estimated investigation, remediation and administrative costs associated therewith.

The process of remediation has begun at one facility pursuant to a plan filed with the New Jersey Department of Environmental Protection (“NJDEP”). Management’s assessment, based on estimates from environmental contractors, is that under the most probable scenario, the remediation of this site is anticipated to require initial expenditures of \$860, including the cost of capital equipment, and \$86 in annual operating and maintenance costs over a 15 year period.

Environmental studies at the second facility indicate that remediation may be necessary. Based upon the facts presently available, management’s assessment, based on estimates from environmental contractors, is that under the most probable remediation scenario, the estimated cost to remediate this site is anticipated to require \$2,300 in initial costs, including capital equipment expenditures, and \$258 in annual operating and maintenance costs over a 10 year period. These estimated costs of future expenses for environmental remediation obligations are not discounted to their present value. The Company may revise such estimates in the future due to the uncertainty regarding the nature, timing and extent of any remediation efforts that may be required at this site, should an appropriate regulatory agency deem such efforts to be necessary.

The foregoing estimates may also be revised by the Company as new or additional information in these matters become available or should the NJDEP or other regulatory agencies require additional or alternative remediation efforts in the future. Although such events are not expected to change these estimates, adverse decisions or events, particularly as to the merits of the Company’s factual and legal basis, could cause the Company to change its estimate of liability with respect to such matters in the future. The Company had approximately \$9,000 and \$9,300 recorded in accounts payable and accrued liabilities and other long-term liabilities at June 30, 2009 and December 31, 2008, respectively, to cover such matters.

The Company has an employment agreement with its Chairman, President and Chief Executive Officer (the “Officer”) which provides for a base salary of \$800 per annum plus a discretionary bonus as determined by the Compensation and Stock Option Committee of the Board of Directors. In the event of termination or a change in control, as defined in the employment agreement, the Company is required to pay the Officer a lump sum severance payment equal to three years salary and purchase outstanding options. The employment agreement contains non-competition, non-solicitation and confidentiality provisions which apply for one year after cessation of employment and also provides for successive one-year terms, unless either the Company or the Officer gives the other written notice that the employment agreement is terminated, and also provides a death benefit which the Company secures through an insurance policy.

The Company is subject to various other litigation, legal and regulatory matters that arise in the ordinary course of business activities. When management believes it is probable that a liability has been incurred and such amounts are reasonably estimable, the Company provides for amounts that include judgments and penalties that may be assessed. These liabilities are usually included in accounts payable and accrued liabilities or other long-term liabilities in the Condensed Consolidated Financial Statements, depending on the anticipated payment date. Based on the facts presently available, the Company does not believe that the disposition of matters that are pending or asserted will have a material adverse effect on the Company’s consolidated financial position or results of operations. However, new or additional facts or an adverse judgment by a court, arbitrator or a settlement could adversely impact the Company’s results of operations in any given period.

14. Recent Accounting Pronouncements

In July 2009, the FASB issued SFAS No. 168, “The FASB Accounting Standards CodificationTM and the Hierarchy of Generally Accepted Accounting Principles — a replacement of FASB Statement No. 162” (“FAS 168”). With the issuance of FAS 168, the FASB Accounting Standards Codification (“Codification”) becomes the single source of authoritative accounting and reporting standards applicable for all nongovernmental entities, with the exception of guidance issued by the SEC. The Codification does not change current GAAP, but changes the referencing of

financial standards, and is intended to simplify user access to authoritative GAAP by providing all the authoritative literature related to a particular topic in one place. The Codification is effective for interim and annual periods ending after September 15, 2009, and is effective for the Company's third quarter of 2009. At that time, all references made to GAAP will use the new Codification numbering system prescribed by the FASB. The Company is currently evaluating the impact to its financial reporting process of providing Codification references in the Company's public filings. However, as the Codification is not intended to change or alter existing GAAP, it is not expected to have any impact on the Company's consolidated financial condition or results of operations.

In May 2009, the FASB issued SFAS No. 165, "Subsequent Events" ("FAS 165"), which provides guidance to establish general standards of accounting for and disclosures of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. FAS 165 also requires entities to disclose the date through which subsequent events were evaluated as well as the rationale for why that date was selected. FAS 165 is effective for interim and annual periods ending after June 15, 2009. Accordingly, the Company has adopted the provisions of FAS 165 and the adoption has not had a material impact on the Company's financial condition, results of operations or disclosures.

In December 2008, the FASB issued FASB Staff Positions ("FSP") FSP FAS 132(R)-1, "Employers' Disclosures about Postretirement Benefit Plan Assets." This FSP requires an employer to provide certain disclosures about plan assets of its defined benefit pension or other postretirement plans. The disclosures required include the investment policies and strategies of the plans, the fair value of the major categories of plan assets, the inputs and valuation techniques used to develop fair value measurements and a description of significant concentrations of risk in plan assets. This FSP, which only provides for enhanced annual disclosures and does not require additional interim disclosures, will be effective for the Company's current fiscal year ending December 31, 2009. The Company does not expect the adoption of FSP FAS 123(R)-1 will have a material impact on its financial condition or results of operations.

In April 2009, the FASB issued three FSPs to address concerns about measuring the fair value of financial instruments when the markets become inactive and quoted prices may reflect distressed transactions, recording impairment charges on investments in debt instruments, and requiring the disclosure of fair value of certain financial instruments in interim financial statements. The first Staff Position, FSP FAS 157-4, "Determining Whether a Market is Not Active and a Transaction is Not Distressed," provides additional guidance to highlight and expand the factors that should be considered in estimating fair value when there has been a significant decrease in market activity for a financial asset. The second Staff Position, FSP FAS 115-2 and FAS 124-2, "Recognition and Presentation of Other-Than-Temporary Impairments," changes the method for determining whether an other-than-temporary impairment exists for debt securities and the amount of an impairment charge to be recorded in earnings. The third Staff Position, FSP FAS 107-1 and APB 28-1, "Interim Disclosures about Fair Value of Financial Instruments" increases the frequency of fair value disclosures from annual, to quarterly. All three FSPs are effective for interim periods ending after June 15, 2009, with the option for early adoption in interim periods ending after March 15, 2009. The Company adopted all three FSPs effective April 1, 2009 which did not have a material impact on its financial statements. See Note 9 for the additional interim disclosures required by the third Staff Position.

15. USE OF ESTIMATES

The preparation of consolidated financial statements in conformity with GAAP requires management to use judgment in making estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosure of contingent assets and liabilities. Certain of the estimates and assumptions required to be made relate to matters that are inherently uncertain as they pertain to future events. While management believes that the estimates and assumptions used were the most appropriate, actual results could differ significantly from those estimates under different assumptions and conditions.

16. RECLASSIFICATIONS

Certain prior year amounts have been reclassified to present them on a basis consistent with the current year.

17. SUBSEQUENT EVENTS

On July 14, 2009, the Company purchased a non-performing mortgage note for approximately \$17,000 encumbering a hotel located in Miami, Florida. On July 30, 2009, the Company was the successful bidder at the foreclosure auction and expects to take title to the property at the expiration of the redemption period in mid-August.

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

(In thousands, except per share data or as otherwise noted)

The following discussion should be read in conjunction with the Condensed Consolidated Financial Statements of United Capital Corp. (the "Company") and related notes thereto.

RESULTS OF OPERATIONS: THREE AND SIX MONTHS ENDED JUNE 30, 2009 AND 2008

Total revenues for the three and six months ended June 30, 2009 were \$13,698 and \$27,434, compared to \$18,997 and \$37,449 for the three and six months ended June 30, 2008, respectively. As a result of the weakened economy and its consequences on the Company's engineered products and hotel operations segments, operating income decreased \$1,168 and \$2,600 for the current quarter and six month period, respectively. Net income for the second quarter of 2009 was \$1,236 or \$.14 per basic share, compared to net income of \$2,512 or \$.30 per basic share for the same period in 2008. Net income for the first half of 2009 was \$2,353 or \$.27 per basic share, compared to net income of \$5,200 or \$.62 per basic share for the six months ended June 30, 2008.

The ongoing weakness in the economy continues to impact the results of the Company's engineered products and hotel operations segments. These factors are expected to continue to impact the Company for the remainder of the year.

REAL ESTATE OPERATIONS

The Company's real estate operations consist of the real estate investment and management and hotel operations segments. The operating results for these segments are as follows:

	<u>Three Months Ended June 30, 2009</u>			<u>Six Months Ended June 30, 2009</u>		
	<u>Real Estate</u>	<u>Hotel Operations</u>	<u>Total</u>	<u>Real Estate</u>	<u>Hotel Operations</u>	<u>Total</u>
Revenues	\$ 5,068	\$ 3,429	\$ 8,497	\$ 9,904	\$ 6,545	\$ 16,449
Mortgage interest expense	37	483	520	97	955	1,052
Depreciation expense	570	390	960	1,125	775	1,900
Other operating expenses	<u>1,250</u>	<u>2,543</u>	<u>3,793</u>	<u>2,546</u>	<u>5,230</u>	<u>7,776</u>
Income (loss) from operations	<u>\$ 3,211</u>	<u>\$ 13</u>	<u>\$ 3,224</u>	<u>\$ 6,136</u>	<u>\$ (415)</u>	<u>\$ 5,721</u>
	<u>Three Months Ended June 30, 2008</u>			<u>Six Months Ended June 30, 2008</u>		
	<u>Real Estate</u>	<u>Hotel Operations</u>	<u>Total</u>	<u>Real Estate</u>	<u>Hotel Operations</u>	<u>Total</u>
Revenues	\$ 5,137	\$ 4,240	\$ 9,377	\$ 10,020	\$ 7,910	\$ 17,930
Mortgage interest expense	56	480	536	115	935	1,050
Depreciation expense	550	371	921	1,082	729	1,811
Other operating expenses	<u>1,319</u>	<u>3,074</u>	<u>4,393</u>	<u>2,555</u>	<u>6,035</u>	<u>8,590</u>
Income from operations	<u>\$ 3,212</u>	<u>\$ 315</u>	<u>\$ 3,527</u>	<u>\$ 6,268</u>	<u>\$ 211</u>	<u>\$ 6,479</u>

Real Estate Investment and Management

Revenues from the real estate investment and management segment decreased slightly for the three and six months ended June 30, 2009, compared to the corresponding periods of 2008, with no significant fluctuations. In general,

rental revenues from the Company's real estate properties do not fluctuate significantly due to the long-term nature of the Company's leases. However, future rental revenues could be affected by lease renewals, terminations and by the purchase or sale of additional properties.

Mortgage interest expense decreased \$19 or 33.9% for the second quarter and \$18 or 15.7% for the first half of 2009, compared to the corresponding 2008 periods. These decreases are primarily the result of continuing mortgage amortization, partially offset by an increase in mortgage interest due to a mortgage obtained in connection with the purchase of a commercial property in the second quarter of 2008. At June 30, 2009, the outstanding mortgage balance on the Company's three real estate investment properties which are currently encumbered is below \$2,200. Based on scheduled amortizations, mortgage interest expense on existing obligations of the Company's real estate investment and management segment will continue to decline.

Depreciation expense associated with real properties held for rental increased \$20 for the quarter and \$43 for the six months ended June 30, 2009, compared to the corresponding periods of 2008. These increases are primarily attributable to depreciation expense (\$32 and \$49 for the three and six month periods, respectively) related to additions to real estate assets over the past twelve months. As a result of the purchase of commercial properties during the prior year and other expenditures for capital improvements incurred during the current and prior year, the Company expects that depreciation expense on the Company's properties for each of the quarters and full year of 2009 should be higher than that reported in the corresponding 2008 periods.

Other operating expenses associated with the management of real properties decreased \$69 for the quarter and less than 1% for the six month period ended June 30, 2009, compared to the corresponding periods of 2008. The decrease for the quarterly period primarily relates to a decrease in professional fees (\$59) which is related to the timing of lease renewals and other property related transactions. For the six month period, the most significant fluctuations were declines in professional fees (\$64) and the cost of utilities (\$41), primarily offset by an increase in property maintenance (\$107) which is the result of the timing of certain repairs and renovations. Future operating expenses of the Company's real estate properties may vary as a result of property age, location and vacancies.

Hotel Operations

Hotel revenues decreased \$811 or 19.1% to \$3,429 for the quarter ended June 30, 2009 and \$1,365 or 17.3% to \$6,545 for the first half of 2009, compared to the corresponding 2008 periods, primarily related to the overall weakness in the U.S. economy which has resulted in a reduction in both consumer and business travel. As a result, the Company expects lodging demand to continue to decline through the remainder of 2009, which will likely result in lower reported revenues from existing properties for the balance of the year.

Mortgage interest expense related to the Company's hotel properties increased less than 1% for the second quarter and \$20 for the first half of 2009, compared to the corresponding periods of 2008. The increase for the six month period is primarily the result of a mortgage obtained on one of the Company's hotels in the prior year. Although mortgage interest expense on existing obligations related to the Company's hotel properties has increased, the Company expects that, with continued amortization, mortgage interest expense for the full year of 2009 should be less than that reported in 2008.

Depreciation expense associated with the Company's hotel operations increased \$19 for the three months and \$46 for the six months ended June 30, 2009, compared to the corresponding periods of 2008, primarily attributable to additional depreciation expenses (\$41 and \$80 for the three and six month periods, respectively) on renovations and improvements added during the past twelve months at two of the Company's hotels. As a result of these renovations and improvements, and additional renovations and improvements currently occurring at one of the hotels, depreciation expense for each of the quarters and the full year of 2009 should be higher than that reported in the corresponding 2008 periods.

Other operating expenses related to the management of the Company's hotels decreased \$531 to \$2,543 for the second quarter and \$805 to \$5,230 for the first half of 2009, compared to the corresponding 2008 periods, primarily as a result of the lower revenues, noted above. The Company is continuously working to streamline operations, control expenses and maximize cash flow from operations. The growing weakness in the economy has pressured results in the Company's hotel operations. This condition is expected to continue to impact this segment for the remainder of 2009. The success of these efforts and the depth and duration of the current negative economic environment and its impact on future hotel operations remain uncertain.

ENGINEERED PRODUCTS

The operating results of the engineered products segment are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
Net sales	\$ 5,201	\$ 9,620	\$ 10,985	\$ 19,519
Cost of sales	4,290	7,647	8,802	15,181
Selling, general and administrative expenses	<u>1,466</u>	<u>1,789</u>	<u>3,057</u>	<u>3,605</u>
Operating (loss) income	<u>\$ (555)</u>	<u>\$ 184</u>	<u>\$ (874)</u>	<u>\$ 733</u>

Net sales of the engineered products segment decreased \$4,419 or 45.9% for the three months and \$8,534 or 43.7% for the six months ended June 30, 2009, compared with the results of the corresponding periods of 2008, primarily related to decreases in demand for the Company's automotive product line which continues to be down approximately 50% from the prior year periods. These declines are the result of a significant reduction in North American automotive production, especially from General Motors, our largest customer, and the general slowdown in the global vehicle market. The filing for bankruptcy of General Motors during the second quarter, which led to extended plant shut-downs, has had a significant adverse effect on our engineered products segment. Although the automotive companies have started re-opening certain plants, the Company expects continued declines in sales of its automotive product line during the remainder of the year.

Cost of sales as a percentage of net sales increased 3.0% and 2.4% in the three and six months ended June 30, 2009, compared to the corresponding 2008 periods. These increases are primarily attributable to the significant reduction in net sales, noted above, which led to lower absorption of incurred manufacturing costs. Labor and overhead costs as a percentage of net sales increased in both periods (6.6% and 5.9% for the three and six month periods, respectively) while material costs as a percentage of net sales declined (3.9% and 3.8% for the three and six month periods, respectively) reflecting a reduction in the cost of raw materials and changes in the mix of products sold. As a result of the significant decline in sales and ongoing uncertainty, the Company has taken significant steps to reduce its operating costs, including the reduction of 40% of its direct and indirect positions since the beginning of the year.

Selling, general and administrative expenses of the engineered products segment decreased \$323 or 18.1% for the second quarter and \$548 or 15.2% for the first half of 2009, compared to the corresponding periods of 2008. These decreases are the result of cost containment efforts which include reductions in payroll and payroll related expenses (\$207 and \$318 for the three and six month period, respectively), professional fees (\$55 and \$117 for the three and six month period, respectively) and freight charges (\$57 and \$111 for the three and six month period, respectively). In light of the significant decline in sales, the Company is continuously working to control expenses and maximize cash flow.

GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses not associated with the manufacturing operations increased \$126 for the second quarter and \$235 for the first half of 2009, compared to such expenses incurred in the comparable 2008 periods. These increases are primarily attributable to the increase in net periodic pension expense (\$123 and \$275 for the three and six month period, respectively) which results from the significant decline in the fair value of the Company's pension assets in 2008.

OTHER INCOME AND EXPENSE, NET

The components of other income and (expense), net in the Condensed Consolidated Statements of Income are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
Net realized and unrealized gains on derivative instruments	\$ 134	\$ 192	\$ 139	\$ 222
Net loss on available-for-sale securities	—	(417)	(104)	(417)
Other, net	<u>(10)</u>	<u>(9)</u>	<u>(20)</u>	<u>(16)</u>
	<u>\$ 124</u>	<u>\$ (234)</u>	<u>\$ 15</u>	<u>\$ (211)</u>

DISCONTINUED OPERATIONS

Losses from operations on properties held for sale and accounted for as discontinued operations were \$57 and \$134, on a net of tax basis, for the three and six months ended June 30, 2009, compared to income from operations on properties sold or held for sale of \$65 and \$103, net of tax, for the respective periods in 2008. Such amounts have been reclassified to reflect results of operations of real properties held for sale as of June 30, 2009 or sold during 2008 as discontinued operations. As of June 30, 2009, the Company classified two properties as held for sale. During the six months ended June 30, 2009, the Company recognized a non-cash impairment charge amounting to \$390, on a net of tax basis, on the carrying value of one of these properties. No properties were sold during the six months ended June 30, 2009.

LIQUIDITY AND CAPITAL RESOURCES

Net cash provided by operating activities was \$11,149 and \$5,231 for the six months ended June 30, 2009 and 2008, respectively. This increase in operating cash flows results primarily from the receipt of tax refunds (\$4,163) and reductions in notes and accounts receivable, net and inventories (\$2,447 and \$,1484, respectfully), offset by lower operating income before depreciation (\$2,548) and interest and dividend income (\$1,153) in the current year period than realized in the prior year.

Net cash used in investing activities was \$10,010 and \$22,238 for the six months ended June 30, 2009 and 2008, respectively. This change primarily results from decreases in the purchase of available-for-sale securities (\$20,963) and acquisition of/additions to real estate assets (\$12,554), less the release of proceeds held in escrow on the sale of real estate in 2008 (\$15,000) and from the purchase of a note receivable in 2009 (\$5,428).

Net cash provided by financing activities was \$3,491 for the six months ended June 30, 2009, compared to net cash used in financing activities of \$1,236 for the same period of 2008. This change results from a decrease in the purchase and retirement of common stock (\$12,628) during the current year, as compared to 2008, offset by a reduction in proceeds from the exercise of stock options (\$4,865), an increase in principal payments on mortgage obligations (\$1,735) and a reduction in the tax benefits related to the exercise of stock options (\$1,301).

Previous purchases of the Company's common stock have reduced the Company's additional paid-in capital to zero and have also reduced retained earnings by amounts in excess of par value. Any future purchases in excess of par value will also reduce retained earnings. Repurchases of the Company's common stock may be made from time to time in the open market at prevailing market prices and may be made in privately negotiated transactions, subject to available resources. Future proceeds from the issuance of common stock in excess of par value will be credited to retained earnings until such time that previously recorded reductions have been recovered.

At June 30, 2009, the Company's cash and marketable securities totaled \$159.4 million and working capital was \$160.7 million compared to cash and marketable securities of \$147.3 million and working capital of \$153.9 million at December 31, 2008. While there has been a decline in the value of certain real estate properties in the United States, the recession could cause real estate prices to drop even further. Management has limited acquisitions to those select properties that meet the Company's stringent financial requirements. Management believes that opportunities to acquire additional properties at favorable prices may soon be available and the Company's available working capital provides a considerable advantage to fund acquisitions and grow its portfolio, if and when attractive

long-term opportunities become available. The tightened credit market however, could limit the Company's ability to leverage future acquisitions.

On July 14, 2009, the Company purchased a non-performing mortgage note for approximately \$17,000 encumbering a hotel located in Miami, Florida. On July 30, 2009, the Company was the successful bidder at the foreclosure auction and expects to take title to the property at the expiration of the redemption period in mid-August. The Company will undertake operation of the hotel at that time and intends to invest additional capital for renovations and improvements over the next twelve months.

The equity method of accounting is used for investments in 20% to 50% owned joint ventures in which the Company has the ability to exercise significant influence, but not control. These investments are recorded initially at cost and subsequently adjusted for equity in earnings and cash contributions and distributions. The debt of the joint venture in which the Company currently has an ownership interest is a non-recourse obligation and is collateralized by the entity's real property. The Company believes that the value of the underlying property and its operating cash flows are sufficient to satisfy its obligations. The Company is not obligated for the debts of the joint venture, but could decide to satisfy them in order to protect its investment. In such event, the Company's capital resources and financial condition would be reduced and, in certain instances, the carrying value of the Company's investment and its results of operations would be negatively impacted.

The cash needs of the Company have been satisfied from funds generated by current operations. It is expected that future operational cash needs will also be satisfied from existing cash balances, marketable securities, ongoing operations or borrowings. The primary source of capital to fund additional real estate acquisitions and to make additional high-yield mortgage loans may come from existing funds, the sale, financing and refinancing of the Company's properties and from third party mortgages and purchase money notes obtained in connection with specific acquisitions.

In addition to the acquisition of properties for consideration consisting of cash and mortgage financing proceeds, the Company may acquire real properties in exchange for the issuance of the Company's equity securities. The Company may also finance acquisitions of other companies in the future with borrowings from institutional lenders and/or the public or private offerings of debt or equity securities. The Company currently has no agreements, commitments or understandings with respect to the acquisition of real properties or other companies in exchange for its equity or debt securities.

Funds of the Company in excess of that needed for working capital, purchasing real estate and arranging financing for real estate acquisitions are invested by the Company in corporate equity securities, corporate notes, certificates of deposit, government securities and other financial instruments. Although these excess funds are invested in investment grade securities, they are subject to significant fluctuations in fair value due to the volatility of the stock market and changes in general economic conditions. Changes in U.S. interest rates affect the interest earned on the Company's cash and cash equivalent balances and other interest bearing investments. Given the level of cash and other interest bearing investments held by the Company, declines in U.S. interest rates have adversely impacted the Company's earnings in 2009.

In strategies designed to hedge overall market risk, the Company may sell common stock short and participate in put and/or call options. These instruments do not qualify for hedge accounting and therefore changes in such derivatives fair value are recognized in earnings. These derivatives, as of December 31, 2008, were recorded as a component of accounts payable and accrued liabilities in the Condensed Consolidated Balance Sheet. The Company held no such derivatives at June 30, 2009.

Globally, automakers and their suppliers continue to experience significant difficulties from a weakened economy and tightened credit market. The automotive industry also experienced extended production shut-downs as a result of bankruptcy filings by both General Motors, the largest customer of the engineered products segment, and Chrysler during the quarter. Continued adverse developments in the automotive industry, including but not limited to continued share declines in demand, customer bankruptcies and increased demands on the Company for pricing decreases, have had, and will continue to have, a significant adverse affect on our engineered products segment.

The Company manufactures its products in the United States and Mexico and sells its products in those markets as well as in Europe, South America and Asia. As a result, the Company's operating results could be affected by factors such as changes in foreign currency exchange rates or weak economic conditions in the foreign markets in

which the Company distributes its products. Most of the Company's sales are denominated in U.S. dollars. Net sales of the Company's engineered products segment denominated in Euros were 12.5% and 10.3% for the three and six months ended June 30, 2009 and 8.8% and 9.1% for the three and six months ended June 30, 2008, respectively. As such, a portion of the Company's receivables are exposed to fluctuations with the U.S. dollar. However, the Company does not believe this risk to be material to its overall financial position as the Company's historical results have not been significantly impacted by foreign exchange gains or losses. Accordingly, the Company has not entered into forward exchange contracts to hedge this exposure. If such exposure increased in the future, the Company may reexamine this practice to minimize the associated risks.

The growing weakness in the economy, exacerbated by recent credit market turmoil, together with higher year-over-year energy, freight and other costs, has pressured results of the Company's engineered products and hotel segments. These factors are expected to continue to impact the Company throughout the year. The Company is working to further streamline operations, control expenses and maximize cash flow from operations. While the depth and duration of the current negative economic environment and its impact on the Company are uncertain, management believes the Company's strong balance sheet together with the significant cash flow generated from its core real estate portfolio, should allow the company to weather this downturn.

The Company has undertaken the completion of environmental studies and/or remedial action at the Company's two New Jersey facilities and has recorded a liability for the estimated investigation, remediation and administrative costs associated therewith. See Note 13 of Notes to Condensed Consolidated Financial Statements for further discussion of this matter.

The Company is subject to various other litigation, legal, regulatory and tax matters that arise in the ordinary course of business activities. When management believes it is probable that liabilities have been incurred and such amounts are reasonably estimable, the Company provides for amounts that include judgments and penalties that may be assessed. These liabilities are usually included in accounts payable and accrued liabilities or other long-term liabilities in the Condensed Consolidated Financial Statements, depending on the anticipated payment date. Based on the facts presently available, the Company does not believe that the disposition of matters that are pending or asserted will have a material adverse effect on the Company's consolidated financial position or results of operations. However, new or additional facts or an adverse judgment by a court, arbitrator or a settlement could adversely impact the Company's results of operations in any given period.

CRITICAL ACCOUNTING POLICIES AND MANAGEMENT ESTIMATES

The preparation of consolidated financial statements in accordance with accounting principles generally accepted in the United States of America requires management to use judgment in making estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. Certain of the estimates and assumptions required to be made relate to matters that are inherently uncertain as they pertain to future events. While management believes that the estimates and assumptions used were the most appropriate, actual results could differ significantly from those estimates under different assumptions and conditions.

Refer to the Company's 2008 Annual Report on Form 10-K for a discussion of the Company's critical accounting policies, which include revenue recognition and accounts receivable, marketable securities, inventories, real estate, discontinued operations, long-lived assets and pension plans. There were no material changes to the Company's critical accounting policies during the six months ended June 30, 2009.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable, as the Company is a smaller reporting company.

ITEM 4. CONTROLS AND PROCEDURES

As of the end of the period covered by this report, the Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and

procedures pursuant to Exchange Act Rule 13a-15(e) and 15d-15(e). Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective in timely alerting them to material information relating to the Company (including its consolidated subsidiaries) required to be included in the Company's periodic reports.

The Company's internal control over financial reporting is a process designed by, or under the supervision of, the Chief Executive Officer and Chief Financial Officer and effected by the Company's Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of the Company's financial reporting and the preparation of the Company's financial statements for external purposes in accordance with generally accepted accounting principles (United States). Internal control over financial reporting includes policies and procedures that pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the Company's assets, provide reasonable assurance that transactions are recorded as necessary to permit preparation of the Company's financial statements in accordance with generally accepted accounting principles (United States), and that the Company's receipts and expenditures are being made only in accordance with the authorization of the Company's Board of Directors and management, and provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the Company's financial statements.

There have been no changes in the Company's internal controls over financial reporting during the quarter ended June 30, 2009 that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

In May 2008, an insurance company for one of the Company's subsidiaries, purchased as part of a bankruptcy reorganization, filed suit in Supreme Court of the State of New York against such entity's other insurance companies seeking, among other things, contribution for insurance settlements from carriers, some of which now claim to be exhausted. The complaint also names the Company's subsidiary and several underlying claimants with whom such settlements were reached. The action challenges the exhaustion of the underlying policies and seeks contribution as well as a declaration of the rights, duties and liabilities of the parties under the insurance policies. In June 2008, the Company removed the action to the U.S. Court for the Southern District of New York. Plaintiffs and certain defendants contested the removal. In October 2008, a stipulation was reached to remand certain issues to State Court while staying the remaining issues in Federal Court. Plaintiffs have also agreed to dismiss the underlying claimants. In February 2009, the Company succeeded on a motion for summary judgment against one of the primary insurance companies who claimed exhaustion. The insurance company was ordered to defend the underlying actions and reimburse certain costs to the other carriers. This decision was appealed by the carrier in April 2009. In July 2009, the Company asked the lower court for leave to amend its complaint to correct a procedural deficiency. The lower court granted such leave, but withdrew its earlier summary judgment motion, pending a rehearing of the matter, rendering the appeal moot. The lower court, however, stayed the defense obligations, pending the new hearing. The Company intends to vigorously defend this matter. The Company is subject to various other litigation, legal and regulatory matters that arise in the ordinary course of business activities. When management believes it is probable that a liability has been incurred and such amounts are reasonably estimable, the Company provides for amounts that include judgments and penalties that may be assessed. These liabilities are usually included in accounts payable and accrued liabilities or other long-term liabilities in the Condensed Consolidated Financial Statements, depending on the anticipated payment date. Based on the facts presently available, the Company does not believe that the disposition of matters that are pending or asserted will have a material adverse effect on the Company's consolidated financial position or results of operations. However, new or additional facts or an adverse judgment by a court, arbitrator or a settlement could adversely impact the Company's results of operations in any given period.

ITEM 1A. RISK FACTORS

The significant factors known to the Company that could materially effect the Company's business, financial position or results of operations are set forth under Item 1A of the Company's Annual Report on Form 10-K for the year ended December 31, 2008, which are incorporated herein by reference. The information presented below

updates and should be read in conjunction with the risk factors and information disclosed in our Form 10-K for the fiscal year ended December 31, 2008.

Our engineered products segment has been, and may continue to be, adversely affected by current conditions in the automotive industry.

Globally, automakers and their suppliers continue to experience significant difficulties from a weakened economy and tightened credit market. The automotive industry also experienced extended production shut-downs as a result of bankruptcy filings by both General Motors, the largest customer of the engineered products segment, and Chrysler during the quarter. Continued adverse developments in the automotive industry, including but not limited to continued share declines in demand, customer bankruptcies and increased demands on the Company for pricing decreases, have had, and will continue to have, a significant adverse affect on our engineered products segment.

FORWARD-LOOKING STATEMENTS

Certain statements in this Report on Form 10-Q and other statements made by the Company or its representatives that are not strictly historical facts are "forward-looking" statements within the meaning of the Private Securities Litigation Reform Act of 1995 that should be considered as subject to the many risks and uncertainties that exist in the Company's operations and business environment. The forward-looking statements are based on current expectations and involve a number of known and unknown risks and uncertainties that could cause the actual results, performance and/or achievements of the Company to differ materially from any future results, performance or achievements, expressed or implied, by the forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, and that in light of the significant uncertainties inherent in forward-looking statements, the inclusion of such statements should not be regarded as a representation by the Company or any other person that the objectives or plans of the Company will be achieved. The Company also assumes no obligation to publicly update or revise its forward-looking statements or to advise of changes in the assumptions and factors on which they are based. See the Company's 2008 Annual Report on Form 10-K and other portions of this Form 10-Q for a discussion of risk factors that could impact the Company's future financial performance and/or cause actual results to differ significantly from those expressed or implied by such statements.

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

The following table details the Company's repurchases of common stock during the three months ended June 30, 2009:

Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
May 1, 2009 – May 31, 2009	<u>5,541</u>	<u>\$18.24</u>	<u>5,541</u>	<u>477,072</u>

As previously announced, the Board of Directors have approved repurchase plans for the Company's common stock, which may be made from time to time in the open market at prevailing market prices or in privately negotiated transactions. At June 30, 2009, 477,072 shares remain to be purchased under such plans. These authorizations are ongoing and have no expiration date.

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

On June 9, 2009, the Company held its Annual Meeting of Stockholders, whereby the stockholders voted to elect Directors and approve performance criteria for the payment of bonuses to the Company's Chief Executive Officer as follows:

ELECTION OF DIRECTORS:

	<u>For</u>	<u>Withheld</u>
A.F. Petrocelli	8,204,501	595,567
Michael T. Lamoretti	8,175,257	624,811
Howard M. Lorber	8,062,739	737,329
Robert M. Mann	8,758,569	41,499
Anthony J. Miceli	8,081,643	718,425
Arnold S. Penner	8,692,650	107,418
Michael J. Weinbaum	8,175,257	624,811

APPROVAL OF PERFORMANCE CRITERIA FOR THE PAYMENT OF BONUSES TO THE COMPANY'S CHIEF EXECUTIVE OFFICER:

<u>For</u>	<u>Against</u>	<u>Abstain</u>
8,614,774	169,641	15,653

ITEM 6. EXHIBITS

- 10.5 Form of Indemnity Agreement dated as of May 7, 1991, by and between the Company and A.F. Petrocelli, Arnold S. Penner and Howard M. Lorber.
- 10.6 Supplemental Retirement and Death Benefit Program, as amended and restated.
- 31.1 Certification of the Chief Executive Officer pursuant to Rule 13a-15(e) and 15d-15(e).
- 31.2 Certification of the Chief Financial Officer pursuant to Rule 13a-15(e) and 15d-15(e).
- 32.1 Certification of the 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 the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

SIGNATURES

Pursuant to the requirements 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.

UNITED CAPITAL CORP.

Date: August 11, 2009

By: /s/ Anthony J. Miceli
Anthony J. Miceli
Vice President, Chief Financial Officer
and Secretary of the Company

UNITED CAPITAL CORP.

INDEMNITY AGREEMENT

This Indemnity Agreement (the "Agreement") is made as of _____, by and between UNITED CAPITAL CORP., a Delaware Corporation (the "Company"), and _____, (the "Indemnitee"), a director of the Company.

WHEREAS, the Indemnitee is currently serving as a director of the Company and in such capacity renders valuable services to the Company; and

WHEREAS, the Company has investigated whether additional protective measures are warranted to adequately protect its officers and directors against various legal risks and potential liabilities to which such individuals are subject due to their position with the Company and has concluded that additional protective measures are warranted; and

WHEREAS, in order to induce and encourage highly experienced and capable persons such as the Indemnitee to continue to serve as officers and directors of the Company and its subsidiaries, the Board of Directors has determined, after due consideration, that this Agreement is reasonable and prudent and necessary to promote and ensure the best interests of the Company and its stockholders;

NOW, THEREFORE, in consideration of the continued services of the Indemnitee as provided below, and other good and valuable consideration, the company and the Indemnitee do hereby agree as follows:

1. Definitions. As used in this Agreement:

(a) The term "Proceeding" shall include any threatened, pending or completed action, suit or proceeding, whether brought in the name of the Company or otherwise and whether of a civil, criminal or administrative or investigative nature, by reason of the fact that the Indemnitee is or was a director, officer, employee or agent of the Company, or is or was serving at the request of the Company as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, whether or not he is serving in such a capacity at the time any liability or Expense (hereinafter defined) is incurred for which indemnification or reimbursement is to be provided under this Agreement.

(b) The term "Expenses" shall include, without limitation, legal fees, disbursements and retainers, accounting and witness fees, travel and deposition costs, expenses of investigations, judicial or administrative proceedings or appeals, amounts paid in settlement by or on behalf of Indemnitee, and any expenses of establishing a right to indemnification, pursuant to this Agreement or otherwise, including reasonable compensation for time spent by the Indemnitee in connection with the investigation, defense, appeal or settlement of a Proceeding or any action to establish a right to indemnification pursuant to this Agreement or otherwise for which he is not otherwise compensated by any third party even if he is not then regularly employed by the Company or subsidiary or an affiliate thereof. The term "Expenses" does not include the amount of judgments, fines, penalties or ERISA excise taxes actually levied against the Indemnitee.

(c) Discharge by the Company of Indemnitee's employment for "cause" shall mean termination upon (i) the willful and continued failure by Indemnitee to substantially perform his material duties with the Company (other than any such failure resulting from incapacity due to physical or mental illness) after a written demand for substantial performance is delivered to Indemnitee by the Board, which demand specifically identifies the material duties that the Board believes that Indemnitee has not substantially performed, or (ii) the willful or grossly negligent engaging by Indemnitee in conduct that is materially injurious to the Company, monetarily or otherwise, or that involves fraud or dishonesty by the Indemnitee.

2. Agreement to Serve. The Indemnitee agrees to continue to serve as a director of the Company at the will of the Company for so long as Indemnitee is duly elected or appointed or until such time as Indemnitee tenders a resignation in writing.

3. Indemnification in Third Party Actions. The Company shall indemnify the Indemnitee in accordance with the provisions of this section if the Indemnitee is a party to or threatened to be made a party to or otherwise involved in any Proceeding (other than a Proceeding by or in the name of the Company to procure a judgment in its favor), by reason of the fact that the Indemnitee is or was a director, officer, employee or agent of the Company, or is or was serving at the request of the Company as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against all Expenses actually and reasonably incurred by the Indemnitee in connection with the defense or settlement of such Proceeding and judgments, fines, penalties and ERISA excise taxes (including all interest, assessments and other charges paid or payable in respect thereto) actually levied against the Indemnitee, to the fullest extent permitted by Delaware law; provided that any settlement shall be approved in writing by the Company. Notwithstanding the foregoing, any and all obligations of the Company to indemnify the Indemnitee in accordance with the provisions of this section shall cease upon the discharge from employment, for cause, of the Indemnitee by the Company.

4. Indemnification in Proceedings by or in the Name of the Company. The Company shall indemnify the Indemnitee in accordance with the provisions of this section if the Indemnitee is a party to or threatened to be made a party to or otherwise involved in any Proceeding by or in the name of the Company to procure a judgment in its favor by reason of the fact that Indemnitee was or is a director, officer, employee or agent of the Company, or is or was serving at the request of the Company as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against all Expenses actually and reasonably incurred by Indemnitee in connection with the defense or settlement of such proceeding, to the fullest extent permitted by Delaware law. Notwithstanding the foregoing, any and all obligations of the Company to indemnify the Indemnitee in accordance with the provisions of this section shall cease upon the discharge from employment, for cause, of the Indemnitee by the Company.

5. Conclusive Presumption Regarding Standard of Conduct. If a determination is required to be made as to compliance by the Indemnitee with the relevant standards of conduct as defined by Delaware law for indemnification pursuant to this Agreement or concerning the rights of the Indemnitee to payments for indemnification and advancement of Expenses under this Agreement or any other agreement or Company By-Law now or hereafter in effect relating to claims for indemnification, the Company shall seek the written opinion of independent counsel as to whether and to what extent the Indemnitee would be permitted to be indemnified under applicable law, and the Company shall indemnify the Indemnitee to the full extent set forth herein to the extent permitted in such written opinion. Such counsel shall be selected by the Company and approved by the Indemnitee (which approval shall not be unreasonably withheld). The Company agrees to pay the fees and disbursements of such counsel referred to above.

6. Indemnification of Expenses of Successful Party. Any other provisions of this Agreement to the contrary notwithstanding, to the extent that the Indemnitee has been successful in defense of any Proceeding or in defense of any claim, issue or matter therein, on the merits or otherwise, including, without limitation, the dismissal of a Proceeding without prejudice, the Indemnitee shall be indemnified against all Expenses actually and reasonably incurred in connection therewith to the fullest extent permitted by Delaware law.

7. Advances of Expenses. The Expenses incurred by the Indemnitee in any Proceeding shall, at the written request of the Indemnitee, be paid in full by the Company in advance of the final disposition of the Proceeding, and on no less than a bi-monthly basis, upon submission in each instance of documentation of such Expenses actually and reasonably incurred by the Indemnitee and not previously paid by the Company; provided that if Delaware law in effect at the time so requires, the Indemnitee shall undertake in writing to repay all such amounts to the extent that it is ultimately determined that the Indemnitee is not entitled to indemnification.

8. Partial Indemnification. If the Indemnitee is entitled under any provision of this Agreement to indemnification by the Company for some or a portion of the Expenses, actually and reasonably incurred by Indemnitee in the investigation, defense, appeal or settlement of any Proceeding or for some or a portion of judgments, fines, penalties or ERISA excise taxes actually levied against the Indemnitee, but not, however, for the total amount thereof, the Company shall nevertheless indemnify the Indemnitee for the portion of such Expenses, judgments, fines, penalties or ERISA excise taxes to which the Indemnitee is entitled.

9. Indemnification Procedure; Determination of Right to Indemnification.

(a) Promptly after receipt by the Indemnitee of notice of the commencement of any Proceeding, the Indemnitee shall, if a claim in respect thereof is to be made against the Company under this Agreement, notify the Company of the commencement thereof. The omission so to notify the Company shall not relieve it from any liability that it may have to the Indemnitee (i) hereunder unless, and then only to the extent that, the Company has been prejudiced by such omission, or (ii) otherwise than under this Agreement.

(b) If a claim for Expenses properly made under this Agreement is not paid by the Company within 30 days of receipt of written notice, the right to indemnification as provided by this Agreement shall be enforceable by the Indemnitee in any court of competent jurisdiction. It shall be defense to any such action (other than an action brought to enforce a claim for Expenses incurred in defending any Proceeding in advance of its final disposition where the required undertaking, if any is required, has been tendered to the Company, unless the Company is acting under advice of counsel pursuant to Section 5 hereof) that the Indemnitee has failed to meet a standard of conduct that makes it permissible under Delaware law for the Company to indemnify the Indemnitee for the amount claimed. The burden of proving that indemnification is not appropriate shall be on the Company. Neither the failure to have made a determination prior to the commencement of such action that indemnification or advances met the applicable standard of conduct, nor an actual determination that the Indemnitee has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that the Indemnitee has not met the applicable standard of conduct.

(c) The Indemnitee's Expenses incurred in connection with any action concerning the Indemnitee's right to Indemnification or advances in whole or in part pursuant to this Agreement shall also be indemnified by the Company regardless of the outcome of such action, unless the underlying claim as to a right of indemnification was not made in good faith or was frivolous.

(d) With respect to any proceeding for which indemnification is requested, the Company will be entitled to participate therein at its own expense and, except as otherwise provided below, to the extent that it may wish, the Company may assume the defense thereof, with counsel reasonably satisfactory to the Indemnitee. After notice from the Company to the Indemnitee of its election to assume the defense of a Proceeding, the Company will not be liable to the Indemnitee under this Agreement for any legal or other Expenses subsequently incurred by the Indemnitee without the prior written consent of the Company in connection with the defense thereof other than as provided below. The Company shall not settle any Proceeding in any manner that would impose any penalty or limitation on the Indemnitee without the Indemnitee's written consent. The Indemnitee shall have the right to employ counsel in any proceeding, but the fees and expenses of such counsel incurred after notice from the Company of its assumption of the defense thereof shall be at the expense of the Indemnitee, unless (i) the employment of counsel by the Indemnitee has been authorized by the Company, (ii) the Indemnitee shall have reasonably concluded, based on written advice of counsel, that there are conflicting legal defenses between the Company and the Indemnitee in the conduct of the defense of a Proceeding, or (iii) the Company shall not in fact have employed counsel to assume the defense of a Proceeding, in each of which cases the fees and expenses of the Indemnitee's counsel shall be at the expense of the Company and shall be payable as provided in and subject to Section 7 hereof. The Company shall not be entitled to assume the defense of any Proceeding brought by or on behalf of the Company or as to which the Indemnitee has made a reasonable conclusion, based on written advice of counsel, that there are conflicting legal defenses between the Company and the Indemnitee.

10. Limitations on Indemnification. No payments pursuant to this Agreement shall be made by the Company:

(a) To indemnify or advance Expenses to the Indemnitee with respect to Proceedings initiated or brought voluntarily by the Indemnitee and not by way of defense, except with respect to Proceedings brought to establish or enforce a right to indemnification under this Agreement or any other statute or law or otherwise as required under Delaware law, but such indemnification or advancement of Expenses may be provided by the Company in specific cases if a majority of the Board of Directors finds it to be appropriate;

(b) To indemnify the Indemnitee for any Expenses, judgments, fines, penalties or ERISA excise taxes for which payment is actually made to the Indemnitee under a valid and collectible insurance policy, except in respect of any excess beyond the actual amount of payment under such insurance;

(c) To indemnify the Indemnitee for any Expenses, judgments, fines or penalties sustained in any Proceeding for an accounting of profits made from the purchase or sale by Indemnitee of securities of the Company pursuant to the provisions of Section 16 (b) of the Securities Exchange Act of 1934 (the "Exchange Act"), the rules and regulations promulgated thereunder and amendments thereto or similar provisions of any federal, state or local statutory law; or

(d) If a court of competent jurisdiction shall finally determine that any indemnification hereunder is unlawful, from which determination all rights of appeal have been exhausted or lapsed.

11. Limitation of Actions and Release of Claims. No proceeding shall be brought and no cause of action shall be asserted by or on behalf of the Company or any subsidiary against the Indemnitee, Indemnitee's spouse, heirs, estate executors or administrators after the expiration of two years from the act or omission of the Indemnitee upon which such Proceeding is based; however, in a case where Indemnitee fraudulently conceals the facts underlying such cause of action, no Proceeding shall be brought and no cause of action shall be asserted after the expiration of two years from the earlier of (i) the date the Company or any subsidiary of the Company discovers such facts, or (ii) the date the Company or any subsidiary of the Company could have discovered such facts by the exercise of reasonable diligence. Any claim or cause of action of the Company or any subsidiary of the Company including claims predicted upon the negligent act or omission of the Indemnitee, shall be extinguished and deemed released unless asserted by filing of a legal action within such period. This section shall not apply to any cause of action that has accrued on the date hereof and of which the Company has no actual knowledge apart from the Indemnitee's knowledge.

12. No Presumption. For purposes of this Agreement, the termination of any claim, action, suit or proceeding, by judgment, order, settlement (whether with or without court approval) or conviction, or upon a plea of nolo contendere, or its equivalent, shall not create a presumption that the Indemnitee did not meet any particular standard of conduct or have any particular belief or that a court has determined that indemnification is not permitted by applicable law.

13. Indemnification Hereunder Not Exclusive. The indemnification provided by this Agreement shall not be deemed to limit or preclude any other rights to which the Indemnitee may be entitled under the Certificate of Incorporation, the By-Laws, any agreement, any vote of stockholders or of disinterested directors, Delaware Law, or otherwise, both as to action in Indemnitee's official capacity and as to action in another capacity on behalf of the Company while holding such office. To the extent that a change in the Delaware General Corporation Law (whether by statute or judicial decision) permits greater indemnification by agreements than would be afforded under the By-Laws or this Agreement, as then in effect, it is the intent of the parties hereto that the Indemnitee shall enjoy by this Agreement the greater benefits so afforded by such change.

14. Successors and Assigns. This Agreement shall be binding upon, and shall inure to the benefit of the Indemnitee and Indemnitee's heirs, personal representatives and assigns, and the Company and its successors and assigns.

15. Separability. Each provision of this Agreement is a separate and distinct agreement and independent of the others, so that if any provision hereof shall be held to be invalid or unenforceable for any reason, such invalidity or unenforceability shall not affect the validity or enforceability of the other provisions hereof. To the extent required, any provision of this Agreement may be modified by a court of competent jurisdiction to preserve its validity and to provide the Indemnitee with the broadest possible indemnification permitted under Delaware law.

16. Savings Clause. In the event this Agreement or any portion thereof is invalidated on any ground by any court of competent jurisdiction, then the Company shall nevertheless indemnify Indemnitee as to expenses, judgments, fines, penalties or ERISA excise taxes with respect to any Proceeding to the full extent permitted by any applicable portion of this Agreement that shall not have been invalidated or by any applicable provision of the law of Delaware or the law of any other jurisdiction.

17. Interpretation; Governing Law. This Agreement shall be construed as a whole and in accordance with its fair meaning. Headings are for convenience only and shall not be used in construing meaning. This Agreement shall be governed and interpreted in accordance with the laws of the State of Delaware governing contracts executed and performed in Delaware.

18. Amendments. No amendment, waiver, modification, termination or cancellation of this Agreement shall be effective unless in writing signed by the party against whom enforcement is sought. The indemnification rights afforded to the Indemnitee hereby are contract rights and may not be diminished, eliminated or otherwise affected by amendments to the Company's Certificate of Incorporation, By-Laws or other agreements including directors' and officers' liability insurance policies.

19. Counterparts. This Agreement may be executed in counterparts, all of which shall be considered one and the same agreement and shall become effective when signed by or on behalf of each party and delivered to the other.

20. Notices. Any notice required to be given under this Agreement shall be directed to the Company at _____, with a copy to _____, and to the Indemnitee at _____, or to such other address as either shall designate in writing.

21. Subject Matter. The intended purpose of this Agreement is to provide for indemnification, and this Agreement is not intended to affect any other aspect of any relationship between Indemnitee and Company.

IN WITNESS WHEREOF, the Indemnitee has executed this Agreement and the Company has caused this Agreement to be executed by its duly authorized officer as of the date first written above.

INDEMNITEE

Name:

UNITED CAPITAL CORP.

By:

METAL TEXTILES CORPORATION
SUPPLEMENTAL RETIREMENT AND DEATH BENEFIT PROGRAM
(As Amended and Restated)

ARTICLE I

Purposes

The purposes of this Program are to enable Metal Textiles, by providing benefits from executives which supplement existing employee security benefits, (a) to retain in its employ personnel serving in Executive Positions and personnel in lesser positions who hold promise for promotion to Executive Positions; and (b) to enable Metal Textiles to attract to its employ persons of outstanding ability to fill future vacancies in Executive Positions.

ARTICLE II

Definitions

The terms used in this Program shall have the following meanings:

- 2.1 “Board” means the Board of Directors of Metal Textiles Corporation.
- 2.2 “Designated Beneficiary” means the person (which may be a Participant’s estate or a trust created by the Participant) designated by a Participant to receive the Supplemental Death Benefit or the balance of the Supplemental Retirement Benefit payable after the Participant’s death in accordance with the provisions of this Program. The term “Designated Beneficiary” includes the estate of a Participant in the event of the Participant shall have failed to designate a beneficiary under this Program during his lifetime or in the event no such beneficiary shall have survived the Participant
- 2.3 “Early Retirement” means Retirement at age 55 or thereafter prior to attaining age 65.
- 2.4 “Employee” means any person employed by Metal Textiles on a full-time permanent basis.
- 2.5 “Executive Positions” means those employment positions presently classified by Metal Textiles as Grade 10-15, inclusive, provided, however, nothing contained in this Program shall be construed as preventing or limiting Metal Textiles or the Board, for the purpose of this Program or otherwise, from modifying, eliminating or establishing different employment classifications.
- 2.6 “Insurer” means the insurance company authorized by the Board from time to time to provide funds to Metal Textiles to pay all or any portion of the benefits provided under this Program.
- 2.7 “Metal Textiles” means Metal Textiles Corporation, a New York corporation, and those subsidiaries of Metal Textiles Corporation, whether presently existing or hereafter formed or acquired, which the Board shall determine to include in this Program.

2.8 “Normal Retirement” means Retirement at age 65 or thereafter and includes “deferred retirement” as such term is used in the Metal Textiles Corporation Employees’ Retirement Plan as presently constituted or as it may be amended hereafter.

2.9 “Participant” means any Employee who meets the eligibility and insurability requirements specified in Article III of this Program.

2.10 “Program” means the Metal Textiles Corporation Supplemental Retirement and Death Benefit Program as presently constituted or as it may be modified or amended by the Board hereafter.

2.11 “Retirement” means the retirement of a Participant from active service with Metal Textiles in the manner contemplated by the Metal Textiles Corporation Employees’ Retirement Plan as presently constituted or as it may be amended hereafter, but is not a termination of employment as set forth in the exception in the first sentence of Section 4.2 of such Retirement Plan.

2.12 “Supplemental Death Benefit,” “Supplemental Retirement Benefit,” “Supplemental Normal Retirement Benefit,” “Supplemental Early Retirement Benefit,” “Full Supplemental Early Retirement Benefit” and “Reduced Supplemental Early Retirement Benefit” shall have the meanings assigned to such terms in Articles IV and V, respectively.

2.13 “Year of Service” means 12 months of continuous full-time permanent employment by Metal Textiles. In computing Years of Service for the purpose of this Program, all periods of full-time permanent employment shall be included, whether rendered before or after the effective date of this Program. Leaves of absence which have been approved by an authorized representative of Metal Textiles shall not be considered a break in continuity of service in computing Years of Service.

ARTICLE III

Eligibility

Employees who meet the following conditions are eligible to participate in this Program:

- a) Completion of two Years of Service.
- b) Hold an Executive Position and be less than age 55 at either the effective date of this Program or on the anniversary of the Employee’s second Year of Service after the effective date of this Program.
- c) At such time as an Employee meets the conditions specified in subparagraphs (a) and (b) — i.e., at either the effective date of this Program or the anniversary of his second Year of Service after such effective date, as applicable — be certified to Metal Textiles by the Insurer as “insurable” at standard premium rates at the time in effect for persons of the particular Employee’s then age. If the particular Employee is certified as being “insurable” only on a “rated” basis, the Employee may participate in the Program only on such basis as the Board shall determine and any benefits so made available to such “rated” Employee shall be in lieu of the benefits specified in Articles IV and V of this Program.

ARTICLE IV

Supplemental Death Benefit

Section 4.1. Circumstances of Death: In the event a Participant shall die while in the service of Metal Textiles or after Retirement but prior to the time when any payment on account of the Supplemental Retirement

Benefit shall have been made, Metal Textiles will pay to the Designated Beneficiaries of the Participant, a Supplemental Death Benefit in the amount and at the times specified in Section 4.3. The Supplemental Death Benefit is in addition to any insurance that may be payable to the Participant's Designated Beneficiaries under the Metal Textiles Corporation Group Insurance Plan.

Section 4.2. Benefit Amounts and Number of Installments: The total and installment amounts of the Supplemental Death Benefit based on the Executive Position held by a Participant at the date of his death and the number of installment payments are set forth in the following table; provided, however, if the Participant dies on or after his 55th birthday, his beneficiary or his estate will receive only the amount of Supplemental Death Benefit the Participant was eligible to receive on his 55th birthday:

<u>Executive Position</u>	<u>Total Amount</u>	<u>Amount of Each Installment</u>	<u>Number of Installments</u>
Grade 10	\$50,000	\$10,000	5
Grade 11	75,000	10,000*	7*
Grade 12	100,000	10,000	10
Grade 13	150,000	15,000	10
Grade 14	200,000	20,000	10
Grade 15	250,000	25,000	10

* Final installment (8th installment) will be in the amount of \$5,000.

Section 4.3. Timing of Installments: The Supplemental Death Benefit will be payable in the number of installments for each Executive Position set forth in the table under the caption "Number of Installments" set forth in Section 4.2. The first installment will be payable 60 days after Metal Textiles receives notice of a Participant's death, except if the Supplemental Death Benefit is payable to the Participant's estate or the trustee of a testamentary trust under the Participant's will, the first installment will be payable 30 days after Metal Textiles receives notice of the appointment of the representative of the Participant's estate or the testamentary trustee, as applicable. Thereafter, each installment will be paid on the anniversary date of the participant's death until the Supplemental Death Benefit has been fully paid. See Schedule 4.3 attached to and forming part of this Program for the schedule of installment payments.

ARTICLE V

Supplemental Retirement Benefits

Section 5.1. Normal Retirement: Upon the Normal Retirement of a Participant, a Supplemental Normal Retirement Benefit equal to 75% of the total amount of the Supplemental Death Benefit for the Participant at the date of his Retirement is payable to the Participant in 40 equal consecutive quarterly installments, commencing on the first day of the first calendar quarter after the date of Retirement, except if the Participant retires in the last month of a calendar quarter, the first installment will be paid on the first day of the second calendar month after the date of Retirement. For example, if a Participant retired on January 31, the first installment would be payable on the following April 1, but Retirement on March 15 would result in the first installment being payable on the following May 1. For Participants certified as being "insurable", the following table sets forth the respective amounts of quarterly installments based on Executive Positions:

<u>Grade</u>	<u>Amount of Quarterly Installment</u>
10	\$ 937.50
11	1,406.25
12	1,875.00
13	2,812.50
14	3,750.00
15	4,687.50

Notwithstanding the foregoing, the total amount of Supplemental Normal Retirement Benefit that a participant shall be entitled to receive may never exceed the total amount of Supplemental Normal Retirement Benefit the Participant was eligible to receive on his 55th birthday.

Section 5.2. Early Retirement:

a) Full Supplemental Early Retirement Benefit: Upon the Early Retirement of a Participant, a Full Supplemental Early Retirement Benefit equal to the product of the following formula will be payable to the Participant commencing after the Participant's 65th birthday in the number of installments and in accordance with the payment schedule set forth in Section 5.1 to a Participant having at least 10 Years of Service and 5 continuous years of participation in the Program (an approved leave of absence shall not be deemed a break in continuity of participation and shall be included in computing years of participation):

Values

- A = Amount of Participant's Supplemental Normal Retirement Benefit
- B = Participant's actual number of Years of Service.*
- C = Number of Years of Service assuming Participant's Retirement at age 65.*
- X = Amount of Supplemental Early Retirement Benefit.

* Rounded to the nearest whole year.

Formula

$$A \times B / C = X$$

b) Reduced Supplemental Early Retirement Benefit: Notwithstanding the provisions of Section 5.2 (a), a Participant in his application for Early Retirement may elect to receive a Reduced Supplemental Early Retirement Benefit which shall be payable commencing on the first day of the first calendar quarter after the date of Early Retirement, except if the date of Early Retirement is in the last month of a calendar quarter, installment payments will commence on the first day of the second calendar month after the date of Early Retirement. The total amount of the Reduced Supplemental Early Retirement Benefit shall be calculated by subtracting from (A) the total amount of the Full Supplemental Early Retirement Benefit for such Participant [calculated as provided in Section 5.2 (a)], (B) the product of the following multiplications:

$$(.005 \times \text{Total Amount of Participant's Full Supplemental Early Retirement Benefit}) \times \text{Number of Calendar Months Early Retirement Date Precedes Participant's 65}^{\text{th}} \text{ Birthday.}$$

For the purpose of calculating the number of months in the above formula, the month in which the participant's 65th birthday occurs shall not be counted and the month in which the date of Early Retirement occurs shall be counted.

c) Number of Installments: Each Supplemental Early Retirement Benefit will be payable in 40 equal consecutive quarterly installment.

Section 5.3. Early Retirement Application: No Supplemental Early Retirement Benefit shall be paid unless a Participant shall have completed an application for the payment of such Benefit, in the form prescribed by Metal Textiles, and such application shall have been submitted to and approved by the Executive Committee of the Board.

Section 5.4. Post-Retirement Death: In the event of a Participants death after Retirement and the making of a payment on account of his Supplemental Retirement Benefit but prior to the payment of all installments of such Supplemental Retirement Benefit, the remaining installments will be paid to the Participant's Designated Beneficiaries, in Accordance with the installments payment schedule set forth in Section 5.1.

ARTICLE VI

Additional Conditions to Payment of Benefits

Section 6.1. Additional Conditions: In addition to the conditions to the payment of Benefits set forth in Articles IV and V, the payment of a benefit to a Participant or the Designated Beneficiary of a Participant under this Program shall be made only if all of the following conditions, to the extent applicable to the particular case, are fully satisfied at the time a benefit installment is payable:

a) The Participant's employment shall not have been terminated, except by Retirement. An approved leave of absence, as specified in the definition of "Year of Service" in Article II, shall not be deemed a termination of employment for this purpose.

b) The Participant shall not have engaged in any of the following conduct: (i) engagement before or after Retirement, directly or indirectly, in the operation or management of any business, whether as an officer, director, partner, proprietor, employee or consultant, which, in the sole judgment of the Board, is detrimental to or in competition with Metal Textiles; or (ii) disclosure to an unauthorized person of any confidential information or knowledge as to the business affairs of Metal Textiles which the Participant received during the time of his employment by Metal Textiles; or (iii) engagement in other conduct, which in the sole judgment of the Board, is contrary to the best interests of Metal Textiles.

Section 6.2. Termination of Rights: In the event that any of the conditions to payment set forth in Articles IV and V and in Section 6.1 shall not be fully satisfied at the time that any benefit installment is to be paid to a particular Participant or his Designated Beneficiary, or if the Participant violates any of the conditions specified in Section 6.1 (b), then all benefits standing to the Participant's credit at such time shall lapse and be credited to the general funds of Metal Textiles, and neither the Participant nor any of his Designated Beneficiaries or legal representatives shall thereafter have any rights under this Program.

Section 6.3. Benefits Conditioned on Insurance: Inasmuch as the source of funds for the payment of the benefits to be provided under this Program is to be through insurance maintained by and payable to Metal Textiles, Metal Textiles shall have no liability to pay any benefit if for any reason Metal Textiles is not able to collect from the Insurer the amount necessary to fund the payment of such benefit, including as the result of the termination of this Program pursuant to Section 7.2.

ARTICLE VII

Miscellaneous

Section 7.1. Administration and Interpretation: Full power and authority to construe, interpret and administer this Program is vested in the Board and its decision shall be final, conclusive and binding upon all parties. The place of administration of this Program shall be conclusively deemed to be within the State of New Jersey and the validity, construction, interpretation and administration and effect of the Program and the rights of any and all personnel having or claiming to have an interest therein or thereunder shall be governed by and determined exclusively and solely in accordance with the laws of the State of New Jersey. Nothing contained in this Program and no action taken by the Board pursuant to its provisions shall create or be construed to create a trust of any kind, or a fiduciary relationship between Metal Textiles or the Board, or either of them, and any Employee, Designated beneficiary or other person.

Section 7.2. Amendment or Termination of Plan: While Metal Textiles hopes to continue this Program indefinitely, it reserves the right in the Board to amend, modify, supplement, suspend or terminate this Program at any time. Accordingly, no Employee or any person claiming under or through an Employee shall have any vested right or interest in this Program or in any benefit provided hereunder or in any specific asset of Metal Textiles, except to the extent that, after suspension or termination of the Program, (i) Metal Textiles actually collects from the Insurer the money necessary to fund the payment of any benefit which would have been paid upon the death or retirement of a Participant but for such suspension or termination and (ii) all conditions established by the Program for the payment of such benefit have then been satisfied (other than conditions relating to Years of Service or years of participation in the Program which must be satisfied prior to such suspension or termination).

Section 7.3. Designation of Beneficiary: A Participant may designate a Designated Beneficiary or change such Beneficiary (without the consent of any prior Designated Beneficiary) on a form provided by Metal Textiles and delivered to it prior to the Participant's death.

Section 7.4. Limitation on Liability: No member of the Board shall be liable with respect to this Program for any act, whether of commission or omission, taken by any other member of the Board or by any officer, agent or employee of Metal Textiles, nor, except in circumstances involving his own bad faith, for anything done or omitted by himself.

Section 7.5. Expenses of Administration: All expenses of the administration of this Program shall be borne by Metal Textiles.

Section 7.6. Nontransferability: The right of a Participant or any other person to the payment of any benefit hereunder shall not be assigned, transferred, pledged or encumbered and shall not be subject to execution, attachment or similar process. Any attempted assignment, transfer, pledge or encumbrance or other disposition of such right, contrary to the foregoing provisions, or the levy of any attachment or similar process thereon, shall be null and void and without effect.

Section 7.7. Effective Date: This Program shall become effective on such date as it shall be declared effective by the Board.

1997 AMENDMENT

Effective January 1, 1977, the Program is hereby terminated. All Participants as of the January 1, 1977 will continue to be eligible for benefits in accordance with their employment status at such date, including those participants not fully vested at such time. Subsequent changes in a Participant's employment status will be in accordance with the provisions of the Program, however, in no event will such benefits be increased from those determined as of January 1, 1977. Should a Participant fail to meet the eligibility requirement of the Program at a later date, the Participant will be eliminated from the Program in accordance with current provisions. All other provisions of the Program will remain as currently provided.

CERTIFICATION

I, A. F. Petrocelli, certify that:

1. I have reviewed this report on Form 10-Q of United Capital Corp.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any changes in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 11, 2009

By: /s/ A. F. Petrocelli
A. F. Petrocelli
Chairman, President and Chief Executive Officer

CERTIFICATION

I, Anthony J. Miceli, certify that:

1. I have reviewed this report on Form 10-Q of United Capital Corp.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any changes in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 11, 2009

By: /s/ Anthony J. Miceli
Anthony J. Miceli
Chief Financial Officer

**CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

Pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned, A. F. Petrocelli, Chairman, President and Chief Executive Officer of United Capital Corp., (the "Company"), does hereby certify, with respect to the Quarterly Report of the Company on Form10-Q for the period ended June 30, 2009 (the "Report") that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 11, 2009

By: /s/ A. F. Petrocelli
A. F. Petrocelli
Chairman, President and Chief Executive Officer

**CERTIFICATION OF THE CHIEF FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

Pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned, Anthony J. Miceli, Chief Financial Officer of United Capital Corp., (the "Company"), does hereby certify, with respect to the Quarterly Report of the Company on Form 10-Q for the period ended June 30, 2009 (the "Report") that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 11, 2009

By: /s/ Anthony J. Miceli
Anthony J. Miceli
Chief Financial Officer