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 March 31, 2007

COMMISSION FILE NUMBER: 1-10104

UNITED CAPITAL CORP.
(Exact name of registrant as specified in its charter)

Delaware	**04-2294493**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
9 Park Place, Great Neck, NY	**11021**
(Address of principal executive offices)	(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 and 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 is a large accelerated filer, an accelerated filer or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☒

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 8,278,543 shares of common stock, $.10 par value, outstanding as of May 9, 2007.

UNITED CAPITAL CORP. AND SUBSIDIARIES

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

	March 31, 2007	December 31, 2006
	(Unaudited)	
Assets		
Current assets:		
Cash and cash equivalents	$ 82,443	$ 76,688
Marketable securities	58,189	62,917
Notes and accounts receivable, net	16,916	8,833
Inventories	4,941	4,894
Prepaid expenses and other current assets	1,659	1,659
Deferred income taxes	698	583
Current assets of discontinued operations	—	13
Total current assets	164,846	155,587
Property, plant and equipment, net	5,965	6,250
Real property held for rental, net	49,241	49,301
Investment in joint venture	6,563	6,711
Noncurrent notes receivable	1,739	1,694
Other assets	3,891	2,976
Noncurrent assets of discontinued operations	—	1,081
Total assets	$ 232,245	$ 223,600
Liabilities and Stockholders' Equity		
Current liabilities:		
Current maturities of long-term debt	$ 479	$ 471
Accounts payable and accrued liabilities	9,574	9,599
Income taxes payable	5,260	5,253
Current liabilities of discontinued operations	—	65
Total current liabilities	15,313	15,388
Long-term debt	11,546	11,669
Other long-term liabilities	15,302	14,277
Deferred income taxes	4,449	2,793
Total liabilities	46,610	44,127
Commitments and contingencies		
Stockholders' equity:		
Common stock, $.10 par value, authorized 17,500 shares; issued and outstanding 8,278 shares	828	828
Retained earnings	182,952	176,520
Accumulated other comprehensive income, net of tax	1,855	2,125
Total stockholders' equity	185,635	179,473
Total liabilities and stockholders' equity	$ 232,245	$ 223,600

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 March 31, 2007	Three Months Ended March 31, 2006
Revenues:		
Net sales	$ 9,928	$ 9,297
Revenues from real estate operations	6,928	6,679
Total revenues	16,856	15,976
Costs and expenses:		
Cost of sales	7,420	6,993
Real estate operations:		
Mortgage interest expense	195	202
Depreciation expense	713	530
Other operating expenses	3,190	3,137
General and administrative expenses	1,619	2,245
Selling expenses	909	1,065
Total costs and expenses	14,046	14,172
Operating income	2,810	1,804
Other income (expense):		
Interest and dividend income	1,808	1,340
Other income and expense, net	5,711	164
Total other income	7,519	1,504
Income from continuing operations before income taxes	10,329	3,308
Provision for income taxes	3,674	1,206
Income from continuing operations	6,655	2,102
Discontinued operations:		
Loss from discontinued operations, net of tax benefit of $10 and $9, respectively	(14)	(14)
Net gain on disposal of discontinued operations, net of tax provision of $632	947	—
Income (loss) from discontinued operations	933	(14)
Net income	$ 7,588	$ 2,088
Basic earnings per share:		
Income from continuing operations	$ .81	$ .25
Income from discontinued operations	.11	—
Net income per share	$ .92	$ .25
Diluted earnings per share:		
Income from continuing operations	$ .63	$ .20
Income from discontinued operations	.09	—
Net income per share assuming dilution	$ .72	$ .20

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)

	Three Months Ended March 31, 2007	Three Months Ended March 31, 2006
Cash flows from operating activities:		
Net income	$ 7,588	$ 2,088
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Depreciation and amortization	831	643
Non-cash stock-based compensation	—	457
Net loss (gain) on sale of available-for-sale securities	25	(161)
Income from equity investment	(48)	(70)
Net gain from condemnation award	(5,665)	—
Gain on disposal of discontinued operations, net of tax	(947)	—
Net realized and unrealized gain on derivative instruments	(71)	(32)
Other, net	31	63
Changes in assets and liabilities:		
Notes and accounts receivable, net	(8,042)	909
Inventories	(47)	(714)
Prepaid expenses and other current assets	—	(60)
Deferred income taxes	1,687	(233)
Other assets	(1,022)	89
Accounts payable and accrued liabilities	(5)	2,242
Income taxes payable	502	299
Other long-term liabilities	(102)	(65)
Net cash (used in) provided by operating activities of continuing operations	(5,285)	5,455
Operating activities of discontinued operations	(38)	(19)
Net cash (used in) provided by operating activities	(5,323)	5,436
Cash flows from investing activities:		
Purchase of available-for-sale securities	(10,978)	(6,144)
Proceeds from sale of available-for-sale securities	15,334	661
Proceeds from sale of real estate assets	2,646	—
Net proceeds from condemnation award	5,665	—
Proceeds from sale of derivative instruments	51	72
Principal payments on notes receivable	38	1,372
Acquisition of property, plant and equipment	(70)	(302)
Acquisition of/additions to real estate assets	(533)	(1,164)
Distributions from joint venture	196	195
Net cash provided by (used in) investing activities of continuing operations	12,349	(5,310)
Investing activities of discontinued operations	—	(4)
Net cash provided by (used in) investing activities	12,349	(5,314)

Continued

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

	Three Months Ended March 31, 2007	2006
Cash flows from financing activities:		
Principal payments on mortgage obligations	(115)	(318)
Purchase and retirement of common stock	(2,511)	(13,323)
Proceeds from exercise of stock options	733	753
Tax benefit from exercise of employee stock options	622	568
Net cash used in financing activities	(1,271)	(12,320)
Net increase (decrease) in cash and cash equivalents	5,755	(12,198)
Cash and cash equivalents, beginning of period	76,688	99,628
Cash and cash equivalents, end of period	$ 82,443	$ 87,430

	2007	2006
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Interest	$ 195	$ 204
Taxes	$ 842	$ 518

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 10 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, 2006 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.

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 three months ended March 31, 2007 and 2006, the Company received proceeds of $733 and $753 from the exercise of 73 and 97 stock options, respectively. The Company recorded a tax benefit of $622 and $568 to retained earnings related to the exercise of stock options during the three months ended March 31, 2007 and 2006, respectively.

During the three months ended March 31, 2007, the Company purchased and retired 73 shares of common stock for an aggregate purchase price of $2,511. In November 2005, the Board of Directors authorized a "Dutch Auction" self-tender offer for up to 1,000 shares of the Company's common stock resulting in the January 2006 repurchase and retirement of 544 shares of common stock for an aggregate purchase price of $13,323 or $24.50 per share.

3. Earnings Per Share

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

	Three Months Ended March 31,	
	2007	**2006**
Numerator:		
Income from continuing operations	$ 6,655	$ 2,102
Denominator:		
Basic – weighted-average shares outstanding	8,279	8,355
Dilutive effect of employee stock options	2,203	1,905
Diluted – weighted-average shares outstanding	10,482	10,260
Basic earnings per share – continuing operations	$ .81	$ .25
Diluted earnings per share – continuing operations	$ .63	$ .20

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.

On January 1, 2006, the Company adopted Statement of Financial Accounting Standards No. 123 (Revised 2004) – "Share-Based Payment" ("SFAS No. 123R") using the modified prospective transition method. SFAS No. 123R requires the Company to measure all employee stock-based compensation awards using a fair value method and record the related expense in the financial statements. The adoption of SFAS No. 123R reduced income from continuing operations before income taxes and net income by $457 and $290, respectively, for the three months ended March 31, 2006. All options previously granted were fully vested as of June 30, 2006. Therefore, no compensation costs relating to share-based payments were recognized during the three months ended March 31, 2007.

A summary of the activity of the Company's outstanding stock options for the three months ended March 31, 2007 is as follows:

	Number of Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding at January 1, 2007	5,299	$ 11.61		
Exercised	(73)	$ 10.05		
Outstanding and exercisable at March 31, 2007	5,226	$ 11.63	3.5 Years	$ 117,484

The aggregate intrinsic value in the table above represents the difference between the Company's closing stock price on March 31, 2007 ($34.11) and the exercise price of each stock option, multiplied by the number of "in-the-money" options. This amount changes based upon the fair market value of the Company's stock. The total intrinsic value of options exercised during the three months ended March 31, 2007 was $1,778 based on the market price on the date of exercise.

5. Marketable Securities

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

	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Market Value
March 31, 2007:				
Equity securities	$ 53,394	$ 4,051	$ (2,348)	$ 55,097
Bonds	3,082	28	(18)	3,092
	$ 56,476	$ 4,079	$ (2,366)	$ 58,189
December 31, 2006:				
Equity securities	$ 57,708	$ 4,778	$ (2,741)	$ 59,745
Bonds	3,131	43	(2)	3,172
	$ 60,839	$ 4,821	$ (2,743)	$ 62,917

Proceeds from the sale of available-for-sale securities and the resulting gross realized gains and losses included in the determination of net income are as follows:

	Three Months Ended March 31,	
	2007	2006
Available-for-sale securities:		
Proceeds	$ 15,334	$ 661
Gross realized gains	$ 1,214	$ 161
Gross realized losses	$ (1,239)	$ —

6. Inventories

The components of inventories are as follows:

	March 31, 2007	December 31, 2006
Raw materials	$ 2,046	$ 2,197
Work in process	500	506
Finished goods	2,395	2,191
	$ 4,941	$ 4,894

7. Real Estate

Property sales

During the three months ended March 31, 2007, the Company divested itself of four commercial properties and one other property which had a net book value of $1,067 from its real estate investment and management segment. The aggregate proceeds from these transactions were $2,646 resulting in a gain of $947, on a net of tax basis.

The results of operations of properties sold prior to March 31, 2007 have been reclassified to discontinued operations, on a net of tax basis, for the three months ended March 31, 2007 and 2006. Summarized financial information of properties sold and accounted for as discontinued operations is as follows:

	Three Months Ended March 31,	
	2007	2006
Revenues from real estate operations	$ 18	$ 50
Depreciation expense	(2)	(16)
Other operating expenses	(40)	(57)
Loss from operations	$ (24)	(23)

Properties held for sale

As of March 31, 2007, there were no properties considered by the Company to be held for sale.

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, 2006, the fair value of such derivatives was ($20), 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 $71 and $32 in net realized and unrealized gains from derivative instruments for the three months ended March 31, 2007 and 2006, respectively, which are included in other income and expense, net in the Condensed Consolidated Statements of Income. The Company held no such derivatives as of March 31, 2007.

9. Income Taxes

On January 1, 2007, the Company adopted Financial Accounting Standard Board ("FASB") Interpretation No. 48, "Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109" ("FIN 48"), which clarifies the accounting for uncertainty in tax positions by prescribing a recognition threshold for positions taken or expected to be taken in a tax return that result in a benefit.

At the date of the adoption, the Company had a total of $4,324 of gross unrecognized tax benefits. Substantially the entire amount, if recognized, would favorably effect the Company's effective tax rate in future periods. The adoption of FIN 48 did not result in a cumulative effect adjustment to retained earnings. As of March 31, 2007, there were no material changes to the amount of unrecognized tax benefits.

FIN 48 also requires companies to reclassify uncertain tax positions not expected to be settled within one year to long-term liabilities. Therefore upon adoption of FIN 48, the Company reclassed $1,128 from income taxes payable to other long-term liabilities.

The Company's recognizes interest and penalties related to unrecognized tax positions as a component of income tax expense. As of January 1, 2007, the Company had approximately $2,076 of accrued interest related to uncertain tax positions.

The Company is subject to U.S. federal income tax, as well as income tax in multiple states. For all major taxing jurisdictions, the tax years 2003 through 2006 remain open to examination. As of March 31, 2007, the Company does not anticipate that total unrecognized tax benefits will significantly change during the next twelve months.

10. Pension Plan

The Company has a noncontributory defined benefit pension plan that covers substantially all full-time employees and the former employees of one of the Company's discontinued manufacturing segments. The plan provides defined benefits based on years of service and compensation level.

Net periodic pension expense consists of the following:

	Three Months Ended March 31,	
	2007	**2006**
Service cost	$ (70)	$ (70)
Interest cost	(165)	(165)
Actual return on plan assets	135	324
Net amortization and deferral	52	(152)
Net periodic pension expense	$ (48)	$ (63)

The Company did not contribute to the pension plan during the three months ended March 31, 2007.

11. Net Gain from Condemnation Award

Included in other income and expense, net during the first quarter of 2007 is $5,665 in net gain from a condemnation award related to a property taken by the City of New York in 2001.

12. Comprehensive Income

The components of comprehensive income are as follows:

	Three Months Ended March 31, 2007	Three Months Ended March 31, 2006
Net income	$ 7,588	$ 2,088
Other comprehensive income, net of tax:		
Change in net unrealized (loss) gain on available-for-sale securities, net of tax effect of $137 and ($607), respectively	(252)	1,127
Reclassification adjustment for net losses (gains) realized in net income, net of tax effect of ($9) and $56, respectively	16	(104)
Amortization of unrecognized net gains from pension plan, net of tax effect of $18	(34)	—
Comprehensive income	$ 7,318	$ 3,111

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

	March 31, 2007	December 31, 2006
Net unrealized gains on available-for-sale securities, net of tax effect of $599 and $728, respectively	$ 1,114	$ 1,350
Unrecognized net gains from pension plan, net of tax effect of $399 and $417, respectively	741	775
Accumulated other comprehensive income, net of tax	$ 1,855	$ 2,125

13. 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, 2006.

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

	Three Months Ended March 31, 2007	Three Months Ended March 31, 2006
Net revenues and sales:		
Real estate investment and management	$ 4,835	$ 4,698
Hotel operations	2,093	1,981
Engineered products	9,928	9,297
	$ 16,856	$ 15,976
Operating income (loss):		
Real estate investment and management	$ 2,953	$ 2,926
Hotel operations	(123)	(116)
Engineered products	756	417
General corporate expenses	(776)	(1,423)
	2,810	1,804
Other income, net	7,519	1,504
Income from continuing operations before income taxes	$ 10,329	$ 3,308

14. Commitments and Contingencies

The Company has undertaken the completion of environmental studies and/or remedial action at Metex' (as hereafter defined) 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"). Environmental experts engaged by the Company estimate 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, environmental experts have advised the Company 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 $9,600 and $9,700 recorded in accounts payable and accrued liabilities and other long-term liabilities at March 31, 2007 and December 31, 2006, 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 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. None of these matters are expected to result in a material adverse effect on the Company's consolidated financial position or results of operations.

15. Recent Accounting Pronouncements

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements" ("SFAS No. 157"). SFAS No. 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. SFAS No. 157 applies under other accounting pronouncements that require or permit fair value measurements and, accordingly, does not require any new fair value measurements. SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years, which would be the first quarter of 2008 for the Company. The Company is currently evaluating the effect, if any, that SFAS No. 157 will have on its consolidated financial position or results of operations. However, the Company does not expect the adoption of SFAS No. 157 to have a material effect on the Company's financial position or results of operations.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities—Including an Amendment of FASB Statement No. 115" ("SFAS No. 159"). SFAS No. 159 permits entities to choose to measure many financial instruments and certain other items at fair value that are not currently required to be measured at fair value. SFAS No. 159 is effective for fiscal years beginning after November 15, 2007, which would be the first quarter of 2008 for the Company. The Company is currently evaluating the effect, if any, that SFAS No. 159 will have on its consolidated financial position or results of operations.

16. 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.

17. Reclassifications

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

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 Months Ended March 31, 2007 and 2006

Net income increased $5,500 or 263% for the quarter ended March 31, 2007 to $7,588, compared to $2,088 for the quarter ended March 31, 2006. On a per share basis, net income was $.92 per basic share for the current quarter, compared to $.25 per basic share for the comparable 2006 period. Total revenues increased $880 or 5.5% to $16,856 for the three months ended March 31, 2007, compared to $15,976 for the comparable quarter of 2006, while operating income increased 56% in the current quarter to $2,810, compared the first quarter of 2006.

Included in other income and expense, net during the first quarter of 2007 is $5,665 in net gain from a condemnation award related to a property taken by the City of New York in 2001.

The results of the first quarter of 2006 include compensation expense associated with unvested stock options ($457) recorded in connection with the adoption of SFAS No. 123R (see Note 4 of Notes to Condensed Consolidated Financial Statements).

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:

	Three Months Ended March 31, 2007			Three Months Ended March 31, 2006		
	Real Estate	**Hotel Operations**	**Total**	**Real Estate**	**Hotel Operations**	**Total**
Revenues	$ 4,835	$ 2,093	$ 6,928	$ 4,698	$ 1,981	$ 6,679
Mortgage interest expense	64	131	195	69	133	202
Depreciation expense	420	293	713	334	196	530
Other operating expenses	1,398	1,792	3,190	1,369	1,768	3,137
Income (loss) from operations	$ 2,953	$ (123)	$ 2,830	$ 2,926	$ (116)	$ 2,810

Real Estate Investment and Management

Revenues from the real estate investment and management segment increased $137 or 2.9% to $4,835 for the quarter ended March 31, 2007, compared to the corresponding period in 2006. This increase is primarily the result of new leases and/or renewals at higher rents ($662), partially offset the recognition of additional revenue from a non-recurring transaction ($500) during the first quarter in 2006. 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, step-ups and escalations and by the purchase or sale of additional properties.

Mortgage interest expense amounted to $64 for the quarter ended March 31, 2007, a decrease of $5 or 7.2%, compared to 2006, as a result of continuing mortgage amortization. Mortgage interest expense on existing obligations of the Company's real estate investment and management segment will continue to decline with scheduled principle reductions.

Depreciation expense associated with real properties held for rental increased $86 or 25.7% for the quarter ended March 31, 2007, compared to the corresponding period in 2006, primarily attributable to depreciation expense ($130) related to additions to real estate assets over the past twelve months, partially offset by a reduction in depreciation expense ($46) associated with certain properties or improvements becoming fully depreciated in the current and prior year. Due to the May 2006 purchase of a commercial property and other expenditures for capital improvements incurred during the current and prior years, depreciation expense on the Company's real estate properties should continue to increase through the next quarter, but should be more comparable to the 2006 quarters during the second half of 2007.

Other operating expenses associated with the management of real properties increased $29 or 2.1% for the quarter ended March 31, 2007, compared to the same period in 2006, primarily related to an increase in property maintenance expenses ($71), partially offset by a decrease in professional services ($57).

Hotel Operations

Hotel operating revenues increased $112 or 5.7% to $2,093 for the three months ended March 31, 2007, compared to $1,981 for the same period of 2006, primarily as the result of stronger demand at the Company's hotels due to recent renovations and improvements which has allowed the Company to increase average room rates. In addition, the Company experienced increased transient guests at the Company's hotels located in the vicinity of airports due to inclement weather conditions. Total operating expenses of the Company's hotel segment increased $119 or 5.7% to $2,216 for the first quarter of 2007, compared to the corresponding quarter of 2006, primarily due to the increase in depreciation expense related to the renovations and improvements to the Company's hotels during 2006. Future hotel operating revenues and expenses will vary based on demand and desirability of these properties compared to others in their immediate proximity and may be influenced by local and other economic conditions, including the room rate of the hotels.

Engineered Products

The Company's engineered products segment includes Metex Mfg. Corporation ("Metex") and AFP Transformers, LLC ("AFP Transformers"). The operating results of the engineered products segment are as follows:

	Three Months Ended March 31,	
	2007	2006
Net sales	$ 9,928	$ 9,297
Cost of sales	7,420	6,993
Selling, general and administrative expenses	1,752	1,887
Operating income	$ 756	$ 417

Net sales of the engineered products segment increased $631 or 6.8% for the first quarter of 2007, compared with the results of the corresponding 2006 period. This increase was primarily due to increased demand in the

Company's engineered, transformer and automotive product lines. Although management believes that sales of its engineered products segment are directly influenced by general economic conditions, worldwide automotive demand and industrial capital spending, future sales of this segment could also be affected by changes in technology, competitive forces or challenges to its intellectual property.

Cost of sales as a percentage of sales decreased less than 1% for the three months ended March 31, 2007, compared to the three months ended March 31, 2006, primarily related to the mix of products sold, offset by an increase in the cost of raw materials, primarily copper components, which, where possible, has been passed along to customers. Continued increases in the price of raw materials could effect the gross margin and operating profit of the engineered products segment.

Selling, general and administrative expenses of the engineered products segment decreased $135 or 7.2% for the quarter ended March 31, 2007, compared to the corresponding period of 2006, primarily due to a non-recurring amount ($166) incurred during the first quarter of 2006.

General and Administrative Expenses

General and administrative expenses not associated with the manufacturing operations decreased $647 or 46% for the first quarter of 2007, compared to such expenses incurred for the comparable 2006 period. The decrease primarily relates to compensation expense associated with unvested stock options ($457) recorded during the first quarter of 2006 in connection with the adoption of SFAS No. 123R (see Note 4 of Notes to Condensed Consolidated Financial Statements). No compensation costs relating to share-based payments were recognized in 2007.

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 March 31,	
	2007	2006
Net gain from condemnation award	$ 5,665	$ —
Net (loss) gain on sale of available-for-sale securities	(25)	161
Net realized and unrealized gain on derivative instruments	71	32
Equity in losses of hotel venture	—	(35)
Other, net	—	6
	$ 5,711	$ 164

Included in other income and expense, net during the first quarter of 2007 is $5,665 in net gain from a condemnation award related to a property taken by the City of New York in 2001.

Discontinued Operations

Losses from operations on properties sold and accounted for as discontinued operations were $14, on a net of tax basis, for both the three months ended March 31, 2007 and 2006. Prior year amounts have been reclassified to reflect results of operations of real properties sold during 2007 and 2006 as discontinued operations. As of March 31, 2007, no properties were classified as held for sale. Net gain on the disposal of real estate assets accounted for as discontinued operations was $947 for the three months ended March 31, 2007, on a net of tax basis (see Note 7 of Notes to Condensed Consolidated Financial Statements).

Liquidity and Capital Resources

Net cash used in operating activities was $5,323 for the three months ended March 31, 2007, compared to net cash provided by operating activities of $5,436 for the same period of 2006. This change in operating cash flow results principally from an increase in notes and accounts receivables, net ($8,951), due to the timing of cash receipts of certain items including proceeds received from the sale of marketable securities and other assets.

Net cash provided by investing activities was $12,349 for the three months ended March 31, 2007 versus net cash used in investing activities of $5,314 for the three months ended March 31, 2006. This change primarily results from the timing of the purchase or sale of available for sale securities ($9,839), and net proceeds received from a condemnation award ($5,665) and sale of real estate assets ($2,646), partially offset by a decrease in principal payments on notes receivable ($1,334).

Net cash used in financing activities was $1,271 and $12,320 during the three months ended March 31, 2007 and 2006, respectively. The decrease in cash used for financing activities primarily results from the purchase and retirement of common stock during the first quarter of 2007 ($2,511) versus that purchased during the same period of 2006 ($13,323).

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 March 31, 2007, the Company's cash and marketable securities totaled $140.6 million and working capital was $149.5 million compared to cash and marketable securities of $139.6 million and working capital of $140.2 million at December 31, 2006. Management continues to believe that the real estate market is overvalued and accordingly acquisitions have been limited to those select properties that meet the Company's stringent financial requirements. Management believes that the available working capital puts the Company in an opportune position to fund acquisitions and grow its portfolio, if and when attractive long-term opportunities become available.

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. 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, changes in U.S. interest rates could impact the Company's earnings.

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 are recorded as a component of accounts payable and accrued liabilities in the Condensed Consolidated Balance Sheets.

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. For the three months ended March 31, 2007 and 2006, 8.7% and 6.4% of the net sales of the Company’s engineered products segment were denominated in Euros, 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. Since the Euro has historically been relatively stable in relation to the U.S. dollar, the Company’s results have not been significantly impacted by foreign exchange gains or losses in the past. 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 Company has undertaken the completion of environmental studies and/or remedial action at Metex’ two New Jersey facilities and has recorded a liability for the estimated investigation, remediation and administrative costs associated therewith. See Note 14 of Notes to Condensed Consolidated Financial Statements for further discussion of 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 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. None of these matters are expected to result in a material adverse effect on the Company’s consolidated financial position or results of operations.

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 2006 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. Also see Note 9 of Notes to Condensed Consolidated Financial Statements included herein for a discussion on the adoption of FIN 48 effective January 1, 2007. There were no other material changes to the Company’s critical accounting policies during the three months ended March 31, 2007.

Recent Accounting Pronouncements

Refer to Notes to Condensed Consolidated Financial Statements for a discussion of recent accounting pronouncements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE OF MARKET RISK

See Note 8 of Notes to Condensed Consolidated Financial Statements for a discussion of derivative financial activity since December 31, 2006. There have been no other material changes in quantitative and qualitative market risks from those disclosed in Item 7A of the Company's Annual Report on Form 10-K for the year ended December 31, 2006, which is incorporated herein by reference.

ITEM 4T. 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. There have been no significant changes in the Company's internal controls over financial reporting or in other factors that could significantly affect these controls subsequent to the date of their evaluation.

PART II – OTHER INFORMATION

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, 2006, which are incorporated herein by reference.

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 2006 Annual Report on Form 10-K for a discussion of risk factors that could impact our 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 March 31, 2007:

Issuer Purchases of Equity Securities
(In thousands, except per share data)

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value that May Yet Be Purchased Under the Plans or Programs
March 1, 2007 — March 31, 2007	73	$ 34.40	73	$ 3,962

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 March 31, 2007, $3,962 remains to be purchased under such plans. These authorizations are ongoing and do not have an expiration date.

ITEM 6. EXHIBITS

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 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 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: May 9, 2007

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

EXHIBIT 31.1

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)) for the registrant and we 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. 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
    c. 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: May 9, 2007

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

EXHIBIT 31.2

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)) for the registrant and we 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. 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
   c. 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: May 9, 2007

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

EXHIBIT 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

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 March 31, 2007 (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: May 9, 2007

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

EXHIBIT 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

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 March 31, 2007 (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: May 9, 2007

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