



# UNITED CAPITAL CORP.

United Capital Building  
9 Park Place  
Great Neck, NY 11021

## **Quarterly Report**

For the Period Ended  
June 30, 2011  
(Unaudited)

The accompanying unaudited interim financial statements have been prepared by the Company's management.  
Independent auditors have not performed a review of these financial statements.

**Item 1. The exact name of issuer and the address of its principal executive offices.**

United Capital Corp.  
 United Capital Building  
 9 Park Place  
 Great Neck, New York 11021  
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 Website: [www.unitedcapitalcorp.net](http://www.unitedcapitalcorp.net)

**Item 2. Shares outstanding.**

Period end date ..... June 30, 2010  
 Number of shares authorized ..... 17,500,000  
 Number of shares outstanding ..... (as of July 31, 2011) 7,429,457

**Item 3. Interim financial statements.**

	<u>Page</u>
Condensed Consolidated Balance Sheets as of June 30, 2011 (Unaudited) and December 31, 2010	2
Condensed Consolidated Statements of Income for the Three and Six Months Ended June 30, 2011 and 2010 (Unaudited)	3
Condensed Consolidated Statements of Cash Flows for the Six Months Ended June 30, 2011 and 2010 (Unaudited)	4
Notes to Condensed Consolidated Financial Statements (Unaudited)	5-10

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

	<b>June 30, 2011</b>	<b>December 31, 2010</b>
	<u>(Unaudited)</u>	<u></u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 92,581	\$ 82,397
Marketable securities	12,175	29,182
Notes and accounts receivable, net	14,365	8,724
Inventories	5,822	5,812
Prepaid expenses and other current assets	1,963	1,842
Deferred income taxes	<u>494</u>	<u>—</u>
<b>Total current assets</b>	<u>127,400</u>	<u>127,957</u>
Property, plant and equipment, net	9,253	10,202
Real property held for rental, net	101,315	100,608
Other investments	8,330	8,887
Notes receivable, net of current portion	43,905	42,362
Other assets	<u>6,986</u>	<u>6,112</u>
<b>Total assets</b>	<u>\$ 297,189</u>	<u>\$ 296,128</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Current maturities of long-term debt	\$ 1,270	\$ 1,226
Accounts payable and accrued liabilities	11,858	13,238
Income taxes payable	5,337	4,345
Deferred income taxes	<u>—</u>	<u>2,848</u>
<b>Total current liabilities</b>	<u>18,465</u>	<u>21,657</u>
Long-term debt	36,006	36,660
Other long-term liabilities	11,730	12,967
Deferred income taxes	<u>9,825</u>	<u>9,855</u>
<b>Total liabilities</b>	<u>76,026</u>	<u>81,139</u>
Commitments and contingencies		
Stockholders' equity:		
Common stock, \$.10 par value, authorized 17,500 shares; issued and outstanding 9,195 and 8,955 shares, respectively	919	896
Retained earnings	219,458	206,843
Accumulated other comprehensive income, net of tax	<u>786</u>	<u>7,250</u>
<b>Total stockholders' equity</b>	<u>221,163</u>	<u>214,989</u>
<b>Total liabilities and stockholders' equity</b>	<u>\$ 297,189</u>	<u>\$ 296,128</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 June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
<b>Revenues:</b>				
Revenues from real estate operations	\$ 13,328	\$ 12,256	\$ 27,035	\$ 24,722
Net sales	<u>9,063</u>	<u>7,649</u>	<u>17,944</u>	<u>15,237</u>
Total revenues	<u>22,391</u>	<u>19,905</u>	<u>44,979</u>	<u>39,959</u>
<b>Costs and expenses:</b>				
Cost of sales	6,769	5,756	13,713	11,397
Real estate operations:				
Mortgage interest expense	572	501	1,148	1,039
Depreciation expense	1,489	1,226	2,934	2,459
Other operating expenses	7,330	6,891	14,711	13,621
General and administrative expenses	1,947	2,090	3,523	3,683
Selling expenses	<u>904</u>	<u>789</u>	<u>1,768</u>	<u>1,579</u>
Total costs and expenses	<u>19,011</u>	<u>17,253</u>	<u>37,797</u>	<u>33,778</u>
Operating income	<u>3,380</u>	<u>2,652</u>	<u>7,182</u>	<u>6,181</u>
<b>Other income (expense):</b>				
Interest and dividend income	1,332	906	1,924	1,805
Other income and (expense), net	<u>(343)</u>	<u>1,377</u>	<u>8,783</u>	<u>1,372</u>
Total other income	<u>989</u>	<u>2,283</u>	<u>10,707</u>	<u>3,177</u>
Income from continuing operations before income taxes	4,369	4,935	17,889	9,358
Provision for income taxes	<u>1,735</u>	<u>1,428</u>	<u>5,448</u>	<u>2,775</u>
<b>Income from continuing operations</b>	<u>2,634</u>	<u>3,507</u>	<u>12,441</u>	<u>6,583</u>
<b>Discontinued operations:</b>				
Income from discontinued operations, net of tax provision of \$22 and \$49, respectively	<u>—</u>	<u>32</u>	<u>—</u>	<u>73</u>
<b>Net income</b>	<u>\$ 2,634</u>	<u>\$ 3,539</u>	<u>\$ 12,441</u>	<u>\$ 6,656</u>
<b>Basic earnings per share:</b>				
Income from continuing operations	\$ .29	\$ .39	\$ 1.38	\$ .73
Income from discontinued operations	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
<b>Net income per share</b>	<u>\$ .29</u>	<u>\$ .39</u>	<u>\$ 1.38</u>	<u>\$ .73</u>
<b>Diluted earnings per share:</b>				
Income from continuing operations	\$ .28	\$ .37	\$ 1.30	\$ .67
Income from discontinued operations	<u>—</u>	<u>—</u>	<u>—</u>	<u>.01</u>
<b>Net income per share assuming dilution</b>	<u>\$ .28</u>	<u>\$ .37</u>	<u>\$ 1.30</u>	<u>\$ .68</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,	
	2011	2010
<b>Cash flows from operating activities:</b>		
Net income	\$ 12,441	\$ 6,656
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	3,169	2,722
Net gain on available-for-sale securities	(8,956)	(1,386)
Deferred income taxes	109	57
Other, net	97	(21)
Changes in assets and liabilities:		
Notes and accounts receivable, net	(989)	(1,959)
Inventories	(10)	(124)
Prepaid expenses and other current assets	(121)	84
Other assets	(816)	(385)
Accounts payable and accrued liabilities	(1,380)	387
Income taxes payable	992	(2,579)
Other long-term liabilities	(1,237)	(859)
Net cash provided by operating activities of continuing operations	3,299	2,593
Operating activities of discontinued operations	—	4
<b>Net cash provided by operating activities</b>	<b>3,299</b>	<b>2,597</b>
<b>Cash flows from investing activities:</b>		
Purchase of available-for-sale securities	(6,128)	—
Proceeds/maturities from sale of available-for-sale securities	22,146	5,473
Net investment in non-performing mortgage notes	(6,220)	—
Acquisition of property, plant and equipment	(548)	(277)
Acquisition of/additions to real estate assets	(2,597)	(1,918)
Distributions from other investments	388	389
Other	257	23
<b>Net cash provided by investing activities</b>	<b>7,298</b>	<b>3,690</b>
<b>Cash flows from financing activities:</b>		
Principal payments on mortgage obligations	(610)	(1,582)
Purchase and retirement of common stock	(10,318)	(23,594)
Proceeds from exercise of stock options	7,703	7,387
Tax benefit from exercise of stock options	2,812	5,106
<b>Net cash used in financing activities</b>	<b>(413)</b>	<b>(12,683)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	10,184	(6,396)
<b>Cash and cash equivalents, beginning of period</b>	<b>82,397</b>	<b>124,354</b>
<b>Cash and cash equivalents, end of period</b>	<b>\$ 92,581</b>	<b>\$ 117,958</b>
<b>Supplemental disclosures of cash flow information:</b>		
Cash paid during the period for:		
Interest	\$ 1,111	\$ 1,019
Taxes	\$ 2,519	\$ 839

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. 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. The results of operations for the periods presented are not necessarily indicative of the results to be expected for the full year. 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, 2010, as filed with the Securities and Exchange Commission on March 30, 2011, and should be read in conjunction therewith.

**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, 2011 and 2010, the Company purchased and retired 406 and 968 shares of common stock for an aggregate purchase price of \$10,318 and \$23,594, respectively.

During the six months ended June 30, 2011 and 2010, the Company received proceeds of \$7,703 and \$7,387 from the exercise of options to purchase 646 and 918 shares of the Company’s common stock, respectively, and recorded a tax benefit of \$2,812 and \$5,106, respectively, to retained earnings related to such exercises.

During July 2011, United Capital completed a tender offer resulting in the purchase of an aggregate of 3,379 shares of its common stock, at a purchase price of \$30 per share, for a total cost of approximately \$101,384, excluding fees and expenses related to the tender. After completion of the tender offer, United Capital has 7,429 shares of common stock outstanding (see Note 4).

**3. EARNINGS PER SHARE**

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

	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
	<b>June 30,</b>		<b>June 30,</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
Numerator:				
Income from continuing operations	<u>\$ 2,634</u>	<u>\$ 3,507</u>	<u>\$ 12,441</u>	<u>\$ 6,583</u>
Denominator:				
Basic – weighted-average shares outstanding	9,012	9,047	8,984	9,057
Dilutive effect of employee stock options	<u>427</u>	<u>559</u>	<u>562</u>	<u>755</u>
Diluted – weighted-average shares outstanding	<u>9,439</u>	<u>9,606</u>	<u>9,546</u>	<u>9,812</u>
Basic earnings per share – continuing operations	<u>\$ .29</u>	<u>\$ .39</u>	<u>\$ 1.38</u>	<u>\$ .73</u>
Diluted earnings per share – continuing operations	<u>\$ .28</u>	<u>\$ .37</u>	<u>\$ 1.30</u>	<u>\$ .67</u>

**4. STOCK-BASED COMPENSATION**

The Company had 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 could 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 became exercisable in three equal installments, beginning one year from the date of grant. Stock options generally expire ten years from the date of grant. Each plan has expired and accordingly, no options are available for grant under these plans.

As of June 30, 2011 and December 31, 2010, the Company had outstanding options to purchase 1,614 and 2,260 shares with a weighted-average exercise price of \$16.59 and \$15.26 per share, respectively. As of June 30, 2011, these options had a weighted-average remaining contractual term of 1.4 years and an aggregate intrinsic value of \$21,564. The aggregate intrinsic value represents the difference between the Company's closing stock price on June 30, 2011 (\$29.95) 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 July 2011, all of the Company's outstanding options were exercised and sold in the tender offer (see Note 3).

**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>
<b>June 30, 2011:</b>				
Equity securities	\$ 11,377	\$ 1,300	\$ (718)	\$ 11,959
Bonds	<u>116</u>	<u>101</u>	<u>(1)</u>	<u>216</u>
	<u>\$ 11,493</u>	<u>\$ 1,401</u>	<u>\$ (719)</u>	<u>\$ 12,175</u>
<b>December 31, 2010:</b>				
Equity securities	\$ 18,438	\$ 11,124	\$ (578)	\$ 28,984
Bonds	<u>117</u>	<u>82</u>	<u>(1)</u>	<u>198</u>
	<u>\$ 18,555</u>	<u>\$ 11,206</u>	<u>\$ (579)</u>	<u>\$ 29,182</u>

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

	<b>Six Months Ended June 30,</b>	
	<u>2011</u>	<u>2010</u>
Proceeds/maturities	<u>\$ 22,146</u>	<u>\$ 5,473</u>
Gains recognized in earnings	<u>\$ 8,956</u>	<u>\$ 1,386</u>

**6. INVENTORIES**

The components of inventories are as follows:

	<u>June 30, 2011</u>	<u>December 31, 2010</u>
Raw materials	\$ 2,946	\$ 2,595
Work in process	456	552
Finished goods	<u>2,420</u>	<u>2,665</u>
	<u>\$ 5,822</u>	<u>\$ 5,812</u>

**7. REAL ESTATE***Property sales*

There were no properties sold in the six months ended June 30, 2011 or 2010. The results of operations of properties sold prior to June 30, 2011 have been reclassified to discontinued operations, on a net of tax basis, for the three and six months ended June 30, 2010. Summarized financial information of these properties is as follows:

	<b>Three Months Ended June 30, 2010</b>	<b>Six Month Ended June 30, 2010</b>
Revenues	\$ 73	\$ 154
Depreciation expense	2	4
Other operating expense	<u>17</u>	<u>28</u>
Income from operations	<u>\$ 54</u>	<u>\$ 122</u>

*Properties held for sale*

As of June 30, 2011, there were no properties considered by the Company to be held for sale.

**8. 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:

	<b>Fair Value Measurements at Reporting Date Using</b>			
	<b>Total Fair Value</b>	<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>
<b>June 30, 2011:</b>				
Equity securities	\$ 11,959	\$ 9,889	\$ 2,070	\$ —
Bonds	<u>216</u>	<u>116</u>	<u>100</u>	<u>—</u>
	<u>\$ 12,175</u>	<u>\$ 10,005</u>	<u>\$ 2,170</u>	<u>\$ —</u>
<b>December 31, 2010:</b>				
Equity securities	\$ 28,984	\$ 27,056	\$ 1,928	\$ —
Bonds	<u>198</u>	<u>98</u>	<u>100</u>	<u>—</u>
	<u>\$ 29,182</u>	<u>\$ 27,154</u>	<u>\$ 2,028</u>	<u>\$ —</u>

The carrying amount of financial instruments such as cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities approximate their fair value due to the short 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, 2011 and December 31, 2010 are as follows:

	<b>June 30, 2011</b>		<b>December 31, 2010</b>	
	<b>Carrying Amount</b>	<b>Fair Value</b>	<b>Carrying Amount</b>	<b>Fair Value</b>
Notes receivable	<u>\$ 4,884</u>	<u>\$ 4,927</u>	<u>\$ 4,909</u>	<u>\$ 5,578</u>
Long-term debt, including current portion	<u>\$ 37,276</u>	<u>\$ 31,985</u>	<u>\$ 37,886</u>	<u>\$ 33,574</u>

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. 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.

**9. LONG-TERM INVESTMENT**

In 2011, the Company purchased a non-performing senior mortgage loan and mezzanine note which have combined outstanding obligations in excess of \$22,000. These notes are included in notes receivable in the Condensed Consolidated Balance Sheets and are secured by a 326 room full-service hotel and spa located in Nashua, New Hampshire. The Company intends to pursue all legal remedies in connection with the outstanding obligations, up to and including foreclosure. If title to the property is obtained, the net investment will be reclassified to real property held for rental.

In 2010, the Company purchased a non-performing mortgage note (the "Note") which has been in default since January 2008. The Note, which is included in notes receivable in the Condensed Consolidated Balance Sheets, bears interest at the default rate of 9.8%, has approximately \$60,000 in total outstanding obligations and is secured by a 254-room hotel located in Long Branch, New Jersey, and was subject to a pending foreclosure action obtained by the seller of the Note in 2009. The foreclosure sale was scheduled for February 2011, at which time the borrower filed for Chapter 11 bankruptcy protection. The Company is vigorously pursuing all of its legal remedies. If title to the property is obtained, the net investment will be reclassified to real property held for rental.

**10. PENSION PLAN**

Net periodic pension income for the Company's noncontributory defined benefit pension plan was as follows:

	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
Service cost	\$ (16)	\$ (15)	\$ (32)	\$ (30)
Interest cost	(178)	(171)	(350)	(343)
Expected return on plan assets	<u>226</u>	<u>195</u>	<u>455</u>	<u>394</u>
Net periodic pension income	<u>\$ 32</u>	<u>\$ 9</u>	<u>\$ 73</u>	<u>\$ 21</u>

During the first quarter of 2011, the Company contributed \$555 to the pension plan.

**11. COMPREHENSIVE INCOME**

The components of comprehensive income are as follows:

	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
Net income	\$ 2,634	\$ 3,539	\$ 12,441	\$ 6,656
Other comprehensive income (loss), net of tax:				
Change in net unrealized (loss) gain on available-for-sale securities, net of tax effect of \$254, \$97, \$346, and (\$1,623), respectively	(471)	(178)	(643)	3,014
Reclassification adjustment for net gains realized in net income, net of tax effect of \$485, \$3,135, and \$485, respectively	<u>—</u>	<u>(901)</u>	<u>(5,821)</u>	<u>(901)</u>
Comprehensive income	<u>\$ 2,163</u>	<u>\$ 2,460</u>	<u>\$ 5,977</u>	<u>\$ 8,769</u>

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

	<b>June 30, 2011</b>	<b>December 31, 2010</b>
Net unrealized gains on available-for-sale securities, net of tax effect of \$239 and \$3,720, respectively	\$ 443	\$ 6,907
Pension plan adjustments, net of tax effect of \$185	<u>343</u>	<u>343</u>
Accumulated other comprehensive income, net of tax	<u>\$ 786</u>	<u>\$ 7,250</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 four 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, 2010, as filed with the Securities and Exchange Commission on March 30, 2011.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
Net revenues and sales:				
Real estate investment and management	\$ 5,552	\$ 5,250	\$ 10,847	\$ 10,147
Hotel operations	7,776	7,006	16,188	14,575
Engineered products	<u>9,063</u>	<u>7,649</u>	<u>17,944</u>	<u>15,237</u>
	<u>\$ 22,391</u>	<u>\$ 19,905</u>	<u>\$ 44,979</u>	<u>\$ 39,959</u>
Operating income:				
Real estate investment and management	\$ 3,083	\$ 3,005	\$ 6,048	\$ 5,989
Hotel operations	854	633	2,194	1,614
Engineered products	662	338	997	796
General corporate expenses	<u>(1,219)</u>	<u>(1,324)</u>	<u>(2,057)</u>	<u>(2,218)</u>
	3,380	2,652	7,182	6,181
Other income, net	<u>989</u>	<u>2,283</u>	<u>10,707</u>	<u>3,177</u>
Income from continuing operations before income taxes	<u>\$ 4,369</u>	<u>\$ 4,935</u>	<u>\$ 17,889</u>	<u>\$ 9,358</u>

**13. COMMITMENTS AND CONTINGENCIES**

The Company has undertaken the completion of environmental studies and/or remedial action at its two New Jersey manufacturing 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") while environmental studies at the second facility indicate that remediation may be necessary. The foregoing estimates may 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 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. 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.

**15. RECLASSIFICATIONS**

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

**Item 4. Management's discussion and analysis.**

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, 2011 AND 2010**

Net income increased \$5,785 or 87% for the six months ended June 30, 2011 to \$12,441, compared to \$6,656 for the six months ended June 30, 2010. Total revenues increased \$5,020 or 13% for the first half of 2011 to \$44,979, compared to \$39,959 in the comparable half of 2010. The results of 2011 include \$8,956 in pre-tax gains on the sale of available-for-sale securities, compared to \$1,386 for the same six month period of 2010.

Total revenues for the quarter ended June 30, 2011 were \$22,391, an increase of \$2,486 or 12%, compared to \$19,905 for the quarter ended June 30, 2010. Operating income benefited from the increased revenues, growing \$728 or 27% to \$3,380 for the three months ended June 30, 2011, compared to the same period of 2010. Net income for the current quarter was \$2,634, compared to \$3,539 reported for the same quarter of 2010 which included \$1,386 in pre-tax gains on the sale of available-for-sale securities. No such gains were realized in the current quarter.

**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:

	<b>Three Months Ended June 30, 2011</b>			<b>Six Months Ended June 30, 2011</b>		
	<b>Real Estate</b>	<b>Hotel Operations</b>	<b>Total</b>	<b>Real Estate</b>	<b>Hotel Operations</b>	<b>Total</b>
Revenues	\$ 5,552	\$ 7,776	\$ 13,328	\$ 10,847	\$ 16,188	\$ 27,035
Mortgage interest expense	166	406	572	332	816	1,148
Depreciation expense	699	790	1,489	1,356	1,578	2,934
Other operating expenses	<u>1,604</u>	<u>5,726</u>	<u>7,330</u>	<u>3,111</u>	<u>11,600</u>	<u>14,711</u>
Income from operations	<u>\$ 3,083</u>	<u>\$ 854</u>	<u>\$ 3,937</u>	<u>\$ 6,048</u>	<u>\$ 2,194</u>	<u>\$ 8,242</u>
	<b>Three Months Ended June 30, 2010</b>			<b>Six Months Ended June 30, 2010</b>		
	<b>Real Estate</b>	<b>Hotel Operations</b>	<b>Total</b>	<b>Real Estate</b>	<b>Hotel Operations</b>	<b>Total</b>
Revenues	\$ 5,250	\$ 7,006	\$ 12,256	\$ 10,147	\$ 14,575	\$ 24,722
Mortgage interest expense	86	415	501	176	863	1,039
Depreciation expense	606	620	1,226	1,213	1,246	2,459
Other operating expenses	<u>1,553</u>	<u>5,338</u>	<u>6,891</u>	<u>2,769</u>	<u>10,852</u>	<u>13,621</u>
Income from operations	<u>\$ 3,005</u>	<u>\$ 633</u>	<u>\$ 3,638</u>	<u>\$ 5,989</u>	<u>\$ 1,614</u>	<u>\$ 7,603</u>

***Real Estate Investment and Management***

Revenues from the real estate investment and management segment increased \$302 or 5.8% to \$5,552 for the quarter ended June 30, 2011 and \$700 or 6.9% to \$10,847 for the six months ended June 30, 2011, compared to the corresponding periods of 2010, primarily attributable to additional revenues from a property acquisition in the prior year. Operating income for this segment increased \$78 or 2.6% to \$3,083 for the three months ended June 30, 2011 and \$59 or 1.0% to \$6,048 for the six months ended June 30, 2011, compared to the same periods of 2010. During these periods, this segment experienced increases in certain operating costs such as mortgage interest expense resulting from additional interest from a mortgage obtained in December 2010 and depreciation expense attributable to depreciation expense related to additions to real estate assets over the past twelve months.

***Hotel Operations***

Revenues from our hotel operations were \$7,776 and \$16,188 for the second quarter and first half of 2011, reflecting increases of \$770 or 11.0% and \$1,613 or 11.1%, respectively, compared to the corresponding periods of 2010. These increases primarily result from improved occupancy and RevPAR (revenue per available room) at each of our hotels. Hotel operating income benefited from the increases in this segment's revenues, increasing \$221 or 34.9% for the three months ended June 30, 2011 and \$580 or 35.9% for the six months ended June 30, 2011, compared to the same 2010 periods.

**ENGINEERED PRODUCTS**

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

	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
Net sales	\$ 9,063	\$ 7,649	\$ 17,944	\$ 15,237
Cost of sales	6,769	5,756	13,713	11,397
Selling, general and administrative expenses	<u>1,632</u>	<u>1,555</u>	<u>3,234</u>	<u>3,044</u>
Operating income	<u>\$ 662</u>	<u>\$ 338</u>	<u>\$ 997</u>	<u>\$ 796</u>

Net sales of the engineered products segment increased \$1,414 or 18.5% for the three months ended June 30, 2011, compared to the corresponding period of 2010, primarily resulting from increased demand for the Company's transformer and engineered product lines. On a year-to-date basis, net sales from this segment increased \$2,707 or 17.8%, from that of the first half of 2010, attributable to increased demand for the Company's engineered and transformer product lines and a slight increase in the automotive product lines. Operating income of the engineered products segment increased \$324 or 95.9% and \$201 or 25.3% for the three and six months ended June 30, 2011, compared to the comparable 2010 periods, primarily related to the benefits obtained from improved operating efficiency in the current quarter.

**OTHER INCOME AND EXPENSE, NET**

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

	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
Net gain on available-for-sale securities	\$ —	\$ 1,386	\$ 8,956	\$ 1,386
Equity losses from other investments	(349)	—	(169)	—
Other, net	<u>6</u>	<u>(9)</u>	<u>(4)</u>	<u>(14)</u>
	<u>\$ (343)</u>	<u>\$ 1,377</u>	<u>\$ 8,783</u>	<u>\$ 1,372</u>

During 2011, the Company sold available-for-sale securities receiving proceeds of \$22,146 and realizing a gain of \$8,956 before taxes.

The Company accounts for certain investments using the equity method. Such investments are initially recorded at cost and subsequently adjusted for the Company's proportionate share of earnings or losses, net of cash contributions or distributions. During the three and six months ended June 30, 2011, the Company recorded (\$349) and (\$169) in losses from such investments, respectively.

#### **DISCONTINUED OPERATIONS**

Income from operations on properties sold and accounted for as discontinued operations was \$32 and \$73, on a net of tax basis, for the three and six months ended June 30, 2010. Such amounts have been reclassified to reflect results of operations of real estate properties sold during 2010 as discontinued operations. The Company did not consider any of its properties to be held for sale as of June 30, 2011 and no properties have been sold during the six months ended June 30, 2011.

#### **LIQUIDITY AND CAPITAL RESOURCES**

At June 30, 2011, the Company's cash and marketable securities totaled \$104.8 million and working capital was \$108.9 million compared to cash and marketable securities of \$111.6 million and working capital of \$106.3 million at December 31, 2010. During July 2011, the Company completed a tender offer resulting in the purchase of an aggregate of 3,379 shares of its common stock, at a purchase price of \$30 per share, for a total cost of approximately \$101.4 million, excluding fees and expenses related to the tender. In addition, all of the Company's outstanding stock options were exercised in July 2011 generating \$26.8 million in proceeds and the shares issued upon such exercises were sold in the tender offer. As a result, on a net basis, the Company expended \$74.6 million on the tender.

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 2010 Annual Report on Form 10-K, as filed with the Securities and Exchange Commission on March 30, 2011, 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 three months ended June 30, 2011.

#### **OFF-BALANCE SHEET ARRANGEMENTS**

Except as already discussed above, the Company does not believe it has any material off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the Company's financial condition.

**Item 5. 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 a decision based on a new hearing held in September 2009. In March 2010, another of the insurance companies filed a motion for summary judgment relating to coverage allocations which was decided in July, 2010. Similar motions were filed by other carriers. One such matter was heard in September 2010 with the court granting plaintiffs motion, in part, and also granting the Company's counter motion. All remaining motions are pending and not currently scheduled. Certain matters were remanded to federal court and heard in September 2010. A decision is pending. The Company intends to continue to vigorously defend all actions in this matter.

In June 2011, United Capital, its directors, and Beverly Petrocelli were named in a suit filed in Supreme Court of the State of New York, New York County challenging the tender offer announced on June 17, 2011. In the action, plaintiffs allege that United Capital, and the other defendants, breached and/or aided and abetted in the breach of fiduciary duties purportedly owed to United Capital's public stockholders. The action seeks to enjoin the tender offer which was completed on July 25, 2011. The action also seeks attorney's fees and expenses. United Capital and its directors believe these claims are wholly without merit and have filed a motion to dismiss the matter. The Company intends to continue to vigorously defend this action.

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 6. Defaults upon senior securities.**

None.

**Item 7. Other information.**

During July 2011, United Capital completed a tender offer resulting in the purchase of an aggregate of 3,379,474 shares of its common stock, at a purchase price of \$30 per share, for a total cost of approximately \$101.4 million, excluding fees and expenses related to the tender. After completion of the tender offer, United Capital has 7,429,457 shares of common stock outstanding.

**Item 8. Exhibits.**

There have been no changes or amendments to any previously described or attached exhibits.

**Item 9. Certifications.**

I, A.F. Petrocelli, certify that:

1. I have reviewed this quarterly disclosure statement of United Capital Corp.;
2. Based on my knowledge, this disclosure statement does not contain any untrue statements of 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 disclosure statement; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

Date: August 11, 2011

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

I, Anthony J. Miceli, certify that:

1. I have reviewed this quarterly disclosure statement of United Capital Corp.;
2. Based on my knowledge, this disclosure statement does not contain any untrue statements of 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 disclosure statement; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

Date: August 11, 2011

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