



The Highlights

- New offices added in Florida, Texas, Connecticut and Massachusetts
- **40% average increase in revenues of established firms** (at least one year of operation with United Capital)
- Raised an additional \$5 million from Grail Partners LLC
- Moved Headquarters to 2nd floor, 500 Newport Center Drive in Newport Beach
- Launched new corporate and regional UCFA website, www.unitedcp.com
- Constant improvements in operational infrastructure
- Currently have a robust acquisition pipeline totaling **3+ BB** in client assets

Since our last update about six months ago United Capital has continued its progress and growth. Our **client assets have expanded to over eight billion** dollars, although to be candid a little over six billion of those assets are comprised of institutional assets, primarily pension consulting. Nonetheless **we have grown to almost a hundred employees and expanded to fourteen offices in six states** around the country and are **rapidly heading toward \$20 million per year in gross revenues.**

Acquisition Progress

Our biggest challenge on the acquisition front continues to be ensuring the right alignment of values between new potential firms and what we look for in ideal partner offices around the country. **We have a very different strategy than the other few acquisition firms that are actually completing transactions** (there has been an explosion of acquisition entities over the past few years but very few are finding traction and some are now closing down). If we were simply in the business of buying cash flow, and amalgamating a collection of totally different firms, then we might have a different perspective. But the reality is that **we are very selective about whom we partner with and we are actively involved in trying to improve every firm that joins us.** In short, we could no doubt move faster (albeit with far less discipline) but the long term implications would not be the same.

That tradeoff of speed versus quality is one which every fast growing firm must confront. **We have always believed that building an enduring company, and making decisions in that context, are crucial to our long term success,** and protects us from whatever shifts there are in the winds of public sentiment. As such we do not take a shotgun approach and when we find a firm that we can work with we commit significant resources to making that work. **After two and a half years our business model has found enough traction that it's the appropriate time to be raising our visibility.** You will no doubt see more references to our firm in the industry press, and while the increased visibility is usually good, there will no doubt be the occasional article that is not completely supportive.

Progress in Our Established Regional Offices

With the 10 firms that have been with us for more than a year, we have witnessed an average increase of forty percent in revenues. We also have seen a significant increase on the recurring revenues and an expansion of overall client assets that we either advise or manage. This is no small feat and we could not be prouder of the open-minded spirit of partnership every firm has brought to make these results a reality. **This increase is due to enhanced client services, expanded client assets and the reduction of day-to-day operational work at the local offices that we have been able to centralize.**

While it has not been perfect, **over the past year we have made huge strides in elevating the operational support we provide each of our local/regional offices.** There is no question that after two and a half years we are much improved in almost every way.

Constant improvement is something that is a core value at our firm, and will help to make our firm stronger and protect the national company we are building. Our employees share ideas more freely and we are seeing best practices applied across the firm with innovations such as the **implementation of customized United Capital TV (UCTV) web education conferences.** Operationally applying centralized life-relevant deliverables, installing the Salesforce Client Retention Management (CRM) and implementing our outsourced technology support system has improved the stability and reliability of our offices. We also installed and implemented our centralized bill-paying and Great Plains accounting system which has improved the transparency and access to all of our financial results for our Managing Directors and their practice managers in each regional office.

On the Investment Front

The addition of several extremely experienced and talented professionals has elevated our investment research and analysis as well as operational support provided to every one of our offices, and by extension, to all of our clients. The quality of the personalized client statements and the timeliness with which they are sent to our clients has improved dramatically. This past quarter we started mailing statements three weeks after quarter end and the depth and quality of information will continue to improve.

A few months ago we brought in an additional \$5 million investment by Grail Partners LLC. We are well funded for the next round of firms we expect to acquire shortly. In July, we moved our corporate offices one building north on Newport Center Drive because we had outgrown our old space and could no longer operate efficiently. We now occupy the entire floor of a building in space that reflects the professional national firm we are building. The move was accomplished at a reasonable cost that did not increase our lease expense in the near term and provided a slow, gradual increase that can be absorbed with our growth. While we are very mindful of our corporate expense, cautiously adding employees on an as-needed basis, this new space provides for an appropriate level of growth in the coming years.

In Closing

Progress never feels fast enough when you are living it day-to-day and yet when we look at how our company has matured and grown in six-month increments, we can feel very good about the unique enterprise we are building. We are so proud about the way our firm continues to develop, and most importantly the way our fantastic teams around the country are helping our clients live the **One Best Financial Life™** they can. Over the next few years we will continue to evolve but it is our commitment to have **One vision, One Culture and One National Company™** that makes us different and a company that is built to endure.

Best Regards,
Joe Duran, CEO

Pat Bommarito, President