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UNITY BANCORP INC /DE/
Form 10KSB
March 30, 2001

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-KSB

(MARK ONE)

(X) ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2000

OR

() TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

FOR THE TRANSITION PERIOD FROM _____ TO _____.

Commission file number 1-12431

UNITY BANCORP, INC.

(Name of small business issuer as specified in its charter)

DELAWARE

22-3282551

(State or other jurisdiction
of incorporation or organization)

(I.R.S. employer
identification no.)

64 OLD HIGHWAY 22, CLINTON, NJ

08809

(Address of principal executive offices)

(Zip Code)

ISSUER'S TELEPHONE NUMBER, INCLUDING AREA CODE (908) 730-7630

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE EXCHANGE ACT: NONE.

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE EXCHANGE ACT:

Title of each class: Common Stock, No Par Value

Indicate by check mark whether the Issuer: (1) has filed all reports
required to be filed by Section 13 or 15(d) of the Securities Exchange Act of
1934, as amended, 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 X No

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Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-B is not contained herein, and will not be contained, to the best of Issuer's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB. (X)

The aggregate market value of the voting stock held by non-affiliates of the Issuer, as of March 1, 2001, was \$9,502,699

The number of shares of the Issuer's Common Stock, no par value, outstanding as of March 27, 2001, was 3,706,708.

For the fiscal year ended December 31, 2000, the Issuer had total revenues of \$35.7 million.

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UNITY BANCORP, INC.

DOCUMENTS INCORPORATED BY REFERENCE

10-KSB ITEM	DOCUMENT INCORPORATED BY REFERENCE
Item 6. Management's Discussion and Analysis of Financial Condition and Results of Operations	Financial Report to Shareholders December 31, 2000
Item 7. Financial Statements	Financial Report to Shareholders December 31, 2000
Item 9. Directors and Executive Officers of the Company; Compliance with Section 16(a) of the Exchange Act	Proxy Statement for 2001 Annual Meeting to be filed no later than April 3, 2001
Item 10. Executive Compensation	Proxy Statement for 2001 Annual Meeting to be filed no later than April 3, 2001
Item 11. Security Ownership of Certain Beneficial Owners and Management	Proxy Statement for 2001 Annual Meeting to be filed no later than April 3, 2001
Item 12. Certain Relationships and Related Transactions	Proxy Statement for 2001 Annual Meeting to be filed no later than April 3, 2001

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PART I

ITEM 1. DESCRIPTION OF THE BUSINESS

a) GENERAL

Unity Bancorp, Inc. (the "Company" or "Registrant") is a one-bank holding company incorporated under the laws of the State of Delaware to serve as a holding company for Unity Bank (the "Bank"). The Company was organized at the direction of the Board of Directors of the Bank for the purpose of acquiring all of the capital stock of the Bank. Pursuant to the New Jersey Banking Act of 1948 (the "Banking Act"), and pursuant to approval of the shareholders of the Bank, the Company acquired the Bank and became its holding company on December 1, 1994. The only significant activity of the Company is ownership and supervision of the Bank.

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The Bank opened for business on September 16, 1991. The Bank received its charter from the New Jersey Department of Banking and Insurance on September 13, 1991. The Bank is a full-service commercial bank, providing a wide range of business and consumer financial services through its main office and twelve (12) branches located in Clinton, Colonia, Edison, Flemington, Highland Park, Linden, North Plainfield, Scotch Plains, South Plainfield, Springfield, Union and Whitehouse, New Jersey. The Bank's primary service area encompasses the Route 22/Route 78 corridor between the Bank's Clinton, New Jersey main office and its Linden, New Jersey branch.

In the second half of 1999, the Company incurred certain losses, which combined with the Company's asset growth, caused both the Bank's and the Company's capital ratios to fall below levels required under federal regulation. As a result of the capital deficiency, in the first quarter of 2000, the Company and the Bank entered into Memoranda of Understanding with their primary regulatory agencies. However, due to continued losses through the first two quarters of 2000, among other reasons, the Bank and the Company entered into stipulations and agreements with each of their respective regulators on July 18, 2000. Under these agreements, the Bank and the Company are each required to take a number of affirmative steps including hiring an outside consulting firm to review the management structures, adopt strategic and capital plans which will increase the Bank's leverage ratio to 6% or above, review and adopt various policies and procedures, adopt programs with regard to the resolution of certain criticized assets, and provide ongoing reporting to the various regulatory agencies with regard to the Bank's and Company's progress in meeting the requirements of the agreements. The agreements require the Bank and Company to establish a compliance committee to oversee the efforts in meeting all requirements of the agreements, and prohibited the Bank from paying a dividend to the Company and the Company from paying dividends on its common or preferred stock, without regulatory approval. As of December 31, 2000, the Bank and the Company believe they are in compliance with the requirements of the agreements.

As a result of the regulatory orders and the Company's losses in 1999 and 2000, the Company undertook a number of steps during 2000 to restructure its balance sheet, enhance its capital ratios and restructure the Company's management. In the first quarter of 2000, the Company completed an offering of shares of a newly created class of preferred stock. The offering was undertaken without registration with the Securities and Exchange Commission to a limited number of sophisticated investors, and yielded \$4.9 million in proceeds to the Company, net of offering expenses. This additional capital was contributed to the Bank. The preferred stock provides for a 10% annual cumulative dividend. However, due to the regulatory agreements discussed above, the Company had been unable to pay dividends on any of its outstanding securities, and therefore has failed to pay the dividend on the preferred stock since the first dividend payment in April 2000. At December 31, 2000, there were \$388 thousand in preferred stock dividends in arrears.

Also during 2000, the Company engaged in several sales of loan packages. In the first quarter of 2000, the Company sold \$36.4 million in adjustable rate 1-4 family mortgages, recognizing a loss of \$.7 million. In the third quarter of 2000, the Company also sold \$44.9 million in home equity loans, recognizing a loss of \$1.2 million. The loan sales helped improved the Company's liquidity as well as its capital ratios by reducing the Company's outstanding assets. In addition, the cash from the third quarter loan sale was used to fund the sale of five (5) of the Company's branches in the fourth quarter of 2000. The branch sales involved the assumption of \$48.0 million in deposits by the acquirers, which also assumed the Company's lease obligations under the leases for the branch premises. The Company recognized a pretax gain of \$3.5 million on these sales.

Also in the fourth quarter of 2000, Certified Mortgage Associates, Inc.

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("CMA"), a subsidiary of the Bank, ceased operations. CMA had been acquired in February 1999. However, CMA had not operated profitably since the second quarter of 1999. Certain members of management left the employment of CMA in the third and fourth quarters of 2000 and the Company

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elected to have CMA cease operations during the fourth quarter. In connection with the cessation of business, in the third and fourth quarters of 2000, the Company wrote off \$3.2 million in intangibles booked on the acquisition of CMA.

On August 14, 2000, Mr. Robert J. VanVolkenburgh resigned from his positions of Chairman of the Board and Chief Executive Officer of the Company. In February 2001, Mr. VanVolkenburgh filed a complaint in the Superior Court of New Jersey alleging breach of two agreements. The Company intends to vigorously defend itself from any claims for payment under the agreements. Counsel has advised the Company it has strong defenses to any such claims by Mr. VanVolkenburgh and he is not likely to succeed in this regard.

The Company is subject to the supervision and regulation of the Board of Governors of the Federal Reserve System (the "FRB"). The Bank is a New Jersey chartered commercial bank whose deposits are insured Federal Deposit Insurance Corporation ("FDIC"). The operations of the Company and the Bank are subject to the supervision and regulation of FRB, FDIC and the New Jersey Department of Banking and Insurance (the "Department").

The principal executive offices of the Company are located at 64 Old Highway 22, Clinton, New Jersey 08809, and the telephone number is (908) 730-7630.

BUSINESS OF THE COMPANY

The Company's primary business is ownership and supervision of the Bank. The Company, through the Bank, conducts a traditional and community-oriented commercial banking business, and offers services including personal and business checking accounts and time deposits, money market accounts and regular savings accounts. The Company structures its specific services and charges in a manner designed to attract the business of the small and medium sized business and professional community as well as that of individuals residing, working and shopping in its service area. The Company engages in a wide range of lending activities and offers commercial, SBA, consumer, mortgage, home equity and personal loans.

SERVICE AREAS

The Company's primary service area is defined as the neighborhoods served by the Bank's offices. The Bank's main office, located in Clinton, in combination with its Flemington and Whitehouse offices serves the greater area of Hunterdon County. The Bank's North Plainfield office serves those communities located in the northern, eastern and central parts of Somerset County, and the southernmost communities of Union County. The Bank's Springfield, Scotch Plains, Linden, Union, and Springfield offices serve the majority of the communities in Union County, and the southwestern communities of Essex County. The offices in South Plainfield, Highland Park, Edison, and Colonia Township extend the Company's service area into Middlesex County.

COMPETITION

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The Company is located in an extremely competitive area. The Company's service area is already serviced by major regional banks, large thrift institutions and by a variety of credit unions. In addition, since passage of the Gramm-Leach-Bliley Financial Modernization Act of 1999 (the "Modernization Act"), securities firms and insurance companies have been allowed to acquire or form financial institutions, thereby increasing competition in the financial services market. Most of the Company's competitors have substantially more capital and therefore greater lending limits than the Company. The Company's competitors generally have established positions in the service area and have greater resources than the Company with which to pay for advertising, physical facilities, personnel and interest on deposited funds. The Company relies upon the competitive pricing of its loans, deposits and other services as well as its ability to provide local decision making and personal service in order to compete with these larger institutions.

EMPLOYEES

At December 31, 2000, the Company employs 115 full-time and 24 part-time employees. None of the Company's employees are represented by any collective bargaining units. The Company believes that its relations with its employees are good.

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SUPERVISION AND REGULATION

GENERAL - SUPERVISION AND REGULATION

Bank holding companies and banks are extensively regulated under both federal and state law. These laws and regulations are intended to protect depositors, not stockholders. To the extent that the following information describes statutory and regulatory provisions, it is qualified in its entirety by reference to the particular statutory and regulatory provisions. Any change in the applicable law or regulation may have a material effect on the business and prospects of the Company and the Bank. Over the past several years, a number of legislative proposals have been debated in Congress concerning modernization of the nation's financial system. Many of these proposals would substantially alter the current regulatory framework, particularly as it relates to bank holding companies and their powers. Management of the Company is unable to predict, at this time, which, if any, of these legislative proposals may ultimately be adopted and the impact of any such regulatory proposals on the business of the Company.

GENERAL BANK HOLDING COMPANY REGULATION

General. As a bank holding company registered under the Bank Holding Company Act of 1956, as amended, (the "BHCA"), the Company is subject to the regulation and supervision of the FRB. The Company is required to file with the FRB annual reports and other information regarding its business operations and those of its subsidiaries. Under the BHCA, the Company's activities and those of its subsidiaries are limited to banking, managing or controlling banks, furnishing services to or performing services for its subsidiaries or engaging in any other activity which the FRB determines to be so closely related to banking or managing or controlling banks as to be properly incident thereto.

The BHCA requires, among other things, the prior approval of the FRB in any case where a bank holding company proposes to (i) acquire all or substantially

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all of the assets of any other bank, (ii) acquire direct or indirect ownership or control of more than 5% of the outstanding voting stock of any bank (unless it owns a majority of such bank's voting shares), or (iii) merge or consolidate with any other bank holding company. The FRB will not approve any acquisition, merger, or consolidation that would have a substantially anti-competitive effect, unless the anti-competitive impact of the proposed transaction is clearly outweighed by a greater public interest in meeting the convenience and needs of the community to be served. The FRB also considers capital adequacy and other financial and managerial resources and future prospects of the companies and the banks concerned, together with the convenience and needs of the community to be served, when reviewing acquisitions or mergers.

The BHCA also generally prohibits a bank holding company, with certain limited exceptions, from (i) acquiring or retaining direct or indirect ownership or control of more than 5% of the outstanding voting stock of any company which is not a bank or bank holding company, or (ii) engaging directly or indirectly in activities other than those of banking, managing or controlling banks, or performing services for its subsidiaries; unless such non-banking business is determined by the FRB to be so closely related to banking or managing or controlling banks as to be properly incident thereto. In making such determinations, the FRB is required to weigh the expected benefits to the public, such as greater convenience, increased competition or gains in efficiency, against the possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interest, or unsound banking practices.

The BHCA was substantially amended through the Modernization Act. The Modernization Act permits bank holding companies and banks, which meet certain capital, management and Community Reinvestment Act standards to engage in a broader range of nonbanking activities. In addition, bank holding companies, which elect to become financial holding companies, may engage in certain banking and nonbanking activities without prior FRB approval. Finally, the Modernization Act imposes certain new privacy requirements on all financial institutions and their treatment of consumer information. At this time, the Company has elected not to become a financial holding company, as it does not engage in any nonbanking activities.

There are a number of obligations and restrictions imposed on bank holding companies and their depository institution subsidiaries by law and regulatory policy that are designed to minimize potential loss to the depositors of such depository institutions and the FDIC insurance funds in the event the depository institution becomes in danger of default. Under a policy of the FRB with respect to bank holding company operations, a bank holding company is required to serve as a source of financial strength to its subsidiary depository institutions and to commit resources to support such institutions in circumstances where it might not do so absent such policy. The FRB also has the authority under the BHCA to require a bank holding company to terminate any activity or to relinquish control of a non-bank subsidiary upon the FRB's determination that such activity or control constitutes a serious risk to the financial soundness and stability of any bank subsidiary of the bank holding company.

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Capital Adequacy Guidelines for Bank Holding Companies. The FRB has adopted risk-based capital guidelines for bank holding companies. The risk-based capital guidelines are designed to make regulatory capital requirements more sensitive to differences in risk profile among banks and bank holding companies, to account for off-balance sheet exposure, and to minimize disincentives for holding liquid assets. Under these guidelines, assets and off-balance sheet

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items are assigned to broad risk categories each with appropriate weights. The resulting capital ratios represent capital as a percentage of total risk-weighted assets and off-balance sheet items.

The risk-based guidelines apply on a consolidated basis to bank holding companies with consolidated assets of \$150 million or more. The minimum ratio of total capital to risk-weighted assets (including certain off-balance sheet activities, such as standby letters of credit) is 8%. At least 4% of the total capital is required to be "Tier I," consisting of common stockholders' equity and certain preferred stock, less certain goodwill items and other intangible assets. The remainder, "Tier II Capital," may consist of (a) the allowance for loan losses of up to 1.25% of risk-weighted assets, (b) excess of qualifying preferred stock, (c) hybrid capital instruments, (d) debt, (e) mandatory convertible securities, and (f) qualifying subordinated debt. Total capital is the sum of Tier I and Tier II capital less reciprocal holdings of other banking organizations' capital instruments, investments in unconsolidated subsidiaries and any other deductions as determined by the FRB (determined on a case-by-case basis or as a matter of policy after formal rule-making).

Bank holding company assets are given risk-weights of 0%, 20%, 50% and 100%. In addition, certain off-balance sheet items are given similar credit conversion factors to convert them to asset equivalent amounts to which an appropriate risk-weight will apply. These computations result in the total risk-weighted assets. Most loans are assigned to the 100% risk category, except for performing first mortgage loans fully secured by residential property which carry a 50% risk-weighting and performing, guaranteed portions of unsold SBA loans, which carry a 20% risk-weighting. Most investment securities (including, primarily, general obligation claims of states or other political subdivisions of the United States) are assigned to the 20% category, except for municipal or state revenue bonds, which have a 50% risk-weight, and direct obligations of the U.S. Treasury or obligations backed by the full faith and credit of the U.S. Government, which have a 0% risk-weight. In converting off-balance sheet items, direct credit substitutes including general guarantees and standby letters of credit backing financial obligations, are given a 100% risk-weighting. Transaction related contingencies such as standby letters of credit backing non-financial obligations and undrawn commitments (including commercial credit lines with an initial maturity or more than one year) have a 50% risk-weighting. Short-term commercial letters of credit have a 20% risk-weighting and certain short-term unconditionally cancelable commitments have a 0% risk-weighting.

In addition to the risk-based capital guidelines, the FRB has adopted a minimum Tier I capital (leverage) ratio, under which a bank holding company must maintain a minimum level of Tier I capital to average total consolidated assets of at least 3% in the case of a bank holding company that has the highest regulatory examination rating and is not contemplating significant growth or expansion. All other bank holding companies are expected to maintain a leverage ratio of at least 100 to 200 basis points above the stated minimum.

The Company is currently in compliance with these minimum Federal capital requirements.

GENERAL BANK REGULATION

As a New Jersey-chartered commercial bank, the Bank is subject to the regulation, supervision, and control of the Department. As an FDIC-insured institution, the Bank is subject to regulation, supervision and control of the FDIC, an agency of the federal government. The regulations of the FDIC and the Department impact virtually all activities of the Bank, including the minimum level of capital the Bank must maintain, the ability of the Bank to pay dividends, the ability of the Bank to expand through new branches or acquisitions and various other matters.

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Insurance of Deposits. The Bank's deposits are insured up to a maximum of \$100,000 per depositor under the SAIF of the FDIC. Pursuant to the Federal Deposit Insurance Corporation Improvements Act of 1991 ("FDICIA") the FDIC has established a risk-based assessment system. Premium assessments under this system are based upon: (i) the probability that the insurance fund will incur a loss with respect to the institution; (ii) the likely amount of the loss; and (iii) the revenue needs of the insurance fund. To effectuate this system, the FDIC has developed a matrix that sets the assessment premium for a particular institution in accordance with its capital level and overall rating by the primary regulator.

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Dividend Rights. Under the Banking Act, a bank may declare and pay dividends only if, after payment of the dividend, the capital stock of the bank will be unimpaired and either the bank will have a surplus of not less than 50% of its capital stock or the payment of the dividend will not reduce the bank's surplus. However, as described above, pursuant to its agreements with its federal and state regulators, the Bank is currently prohibited from paying dividends without the prior written approval of those regulatory agencies.

b) STATISTICAL INFORMATION

The table below provides a cross-reference to portions of Unity Bancorp. Inc.'s 2000 Annual Report to Shareholders incorporated by reference herein. Information that is not applicable is indicated by (N/A):

Description of Financial Data	Annual Report Pages
I. Distribution of Assets, Liabilities, and Stockholders' Equity; Interest Rates and Interest Differential	
A. Analysis of Net Interest Earnings	7
B. Average Balance Sheets	8
C. Rate/Volume Analysis	8
II. Investment Portfolio	
A. Book value of investment securities	25
B. Investment securities by range of maturity with corresponding average yields	25
C. Securities of issuers exceeding ten percent of stockholders' equity	NA
III. Loan Portfolio	
A. Types of loans	11
B. Maturities and sensitivities of loans to changes in interest rates	11
C. Risk elements	
1) Nonaccrual, past due and restructured loans	11-12
2) Potential problem loans	12
3) Foreign outstandings	NA
4) Loan concentrations	NA
D. Other interest bearing assets	NA

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IV.	Summary of Loan Loss Experience	
	A. Analysis of the allowance for loan losses	12
	B. Allocation of the allowance for loan losses	13
V.	Deposits	
	A. Average amount and average rate paid on major categories of deposits	13
	B. Other categories of deposits	NA
	C. Deposits by foreign depositors in domestic offices	NA
	D. Time deposits of \$100,000 or more by remaining maturity	26
	E. Time deposits of \$100,000 or more by foreign offices	NA
VI.	Return on Equity and Assets	5
VII.	Short-term Borrowings	27

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ITEM 2. DESCRIPTION OF PROPERTIES

The Company presently conducts its business through its main office located at 64 Old Highway 22, Clinton, New Jersey, and its twelve branch offices.

The following table sets forth certain information regarding the Company's properties for which it conducts business as of December 31, 2000.

Location -----	Leased Or Owned -----	Date Leased or Acquired -----	Lease Expiration -----	2000 Annual Rental Fee -----
Clinton, NJ	Leased	1996	2006	\$ 448,056
Colonia, NJ	Leased	1995	2005	36,000
Flemington, NJ	Leased	1995	2003	55,725
Linden, NJ	Owned	1991	--	--
Highland Park, NJ	Leased	1999	2024	66,950
North Plainfield, NJ	Owned	1991	--	--
Scotch Plains, NJ	Leased	1996	2006	70,812
Springfield, NJ-1	Leased	1995	2003	30,336
South Plainfield, NJ	Leased	1999	2024	80,340
Union, NJ	Leased	1996	2006	61,350
Edison, NJ	Leased	1999	2024	92,700
Whitehouse, NJ	Owned	1998	--	--

ITEM 3. LEGAL PROCEEDINGS

The Company and the Bank are periodically parties to or otherwise involved in legal proceedings arising in the normal course of business, such as claims to enforce liens, claims involving the making and servicing of real property loans,

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and other issues incident to the Bank's business. With the exception of the litigation described below, none of these proceedings individually or in the aggregate is expected to have a material adverse effect upon the Company.

On August 14, 2000, Mr. Robert J. VanVolkenburgh resigned from his positions of Chairman of the Board and Chief Executive Officer of the Company. In February 2001, Mr. VanVolkenburgh filed a complaint in the Superior Court of New Jersey alleging breach of two agreements. The Company intends to vigorously defend itself from any claims for payment under the agreements. Counsel has advised the Company it has strong defenses to any such claims by Mr. VanVolkenburgh and he is not likely to succeed in this regard.

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

No matters were submitted for a vote of the Registrant's shareholders during the fourth quarter of fiscal 2000.

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PART II

ITEM 5. MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Commencing on September 21, 1998, the Company's Common Stock began trading on the NASDAQ National Market under the symbol "UNITY". Previously, the Company's Common Stock had traded on the American Stock Exchange under the symbol "UBI". As of December 31, 2000, there were 574 stockholders of record of the Common Stock.

The following table sets forth the high and low bid prices of the Common Stock along with the closing prices, as reported on the NASDAQ National Market for 2000 and 1999. The NASDAQ high and low bid prices reflect inter-dealer quotations, without retail mark-up, mark-down or commissions and do not necessarily represent actual transactions. The table also sets forth cash dividends paid on the Common Stock.

UNITY BANCORP, INC., COMMON STOCK PRICES AND CASH DIVIDENDS				
	HIGH	LOW	CLOSE	CASH DIVIDEND
2000:				
4th Quarter.....	\$ 4.38	\$ 2.00	\$ 2.00	\$ 0.00
3rd Quarter.....	4.94	3.44	3.44	0.00
2nd Quarter.....	6.25	3.50	3.88	0.00
1st Quarter.....	6.68	5.25	6.00	0.00
1999:				
4th Quarter.....	\$ 8.50	\$ 4.75	\$ 6.00	\$ 0.06
3rd Quarter.....	11.75	6.38	6.88	0.06

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2nd Quarter.....	12.00	9.63	11.75	0.06
1st Quarter.....	11.00	9.31	10.00	0.06

The Company began paying a cash dividend in the first quarter of 1995 and declared a quarterly dividend each quarter until the fourth quarter of 1999. However, as is discussed under Item 1 "Description of Business - General," the Company is currently prohibited from paying dividends on its securities pursuant to its consent with its state and federal regulators. On March 13, 2000, the Company completed an offering of shares of a newly created class of preferred stock. The offering was undertaken without registration with the Securities and Exchange Commission to a limited number of sophisticated investors. The preferred stock bears a cumulative dividend rate of 10%, and is convertible into shares of the Company's common stock at an assumed value of \$7.25 per common share. The Company also has rights to force conversion of its preferred stock into common stock starting in March 2002 at an assumed common stock price of \$7.25 per share. The Company obtained \$5.2 million in proceeds from this offering. The Company issued 103,500 shares of the preferred stock, which are convertible into 713,793 shares of the Company's common stock at a conversion rate of 6.8966 common. Due to the Company's regulatory agreements, the Company has not paid dividends on the preferred stock since the first dividend in April 2000. At December 31, 2000, there were \$388 thousand of preferred stock dividends in arrears.

ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

See Management's Discussion and Analysis of Financial Condition and Results of Operations on pages 5 to 17 of the 2000 Annual Report to Shareholders which information is incorporated by reference herein.

ITEM 7. FINANCIAL STATEMENTS

See Financial Statements and Notes to Financial Statements on pages 18 to 31 of the 2000 Annual Report to Shareholders which information is incorporated by reference herein.

ITEM 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART III

ITEM 9. DIRECTORS AND EXECUTIVE OFFICERS; COMPLIANCE WITH SECTION 16(a) OF THE EXCHANGE ACT

Information concerning directors and executive officers is included in the definitive Proxy Statement for the Company's 200 Annual Shareholders Meeting under the captions "ELECTION OF DIRECTORS" and information concerning compliance with Section 16(a) of the Exchange Act is included under the caption "COMPLIANCE WITH SECTION 16(a) OF THE SECURITIES EXCHANGE ACT OF 1934," each of which is incorporated herein by reference. It is expected that such Proxy Statement will be filed with the Securities and Exchange Commission no later than April 30,

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2001.

The following table sets forth certain information about each executive officer of the Company who is not also a director.

NAME, AGE AND POSITION	OFFICER SINCE	PRINCIPAL OCCUPATION DURING PAST FIVE YEARS
Anthony J. Feraro, 53, President and Chief Executive Officer of the Company and the Bank	1999	Previously, Mr. Feraro was an Executive Officer of Zion Bancorp.
James A. Hughes *, 42, Chief Financial Officer and Executive Vice President of the Company and Bank	2001	Previously, Mr. Hughes was SVP of Summit Bancorp, Inc.
James W. Loney **, 59, Chief Operating Officer and Executive Vice President of the Bank	2000	Managing Examiner for the State of Department of Banking and Insurance

* James A. Hughes began employment with the Company in December 2000 and was ratified by regulatory agencies as the Chief Financial Officer of the Company in February 2001.

** James W. Loney began employment with the Bank in September 2000.

ITEM 10. EXECUTIVE COMPENSATION

Information concerning executive compensation is included in the definitive Proxy Statement for the Company's 2001 Annual Meeting under the caption "EXECUTIVE COMPENSATION," which is incorporated herein by reference. It is expected that such Proxy Statement will be filed with the Securities and Exchange Commission no later than April 30, 2001.

ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Information concerning security ownership of certain beneficial owners and management is included in the definitive Proxy Statement for the Company's 2001 Annual Shareholders Meeting under the caption "SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT," which is incorporated herein by reference. It is expected that such Proxy Statement will be filed with the Securities and Exchange Commission no later than April 30, 2001.

ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Information concerning certain relationships and related transactions is included in the definitive Proxy Statement for the Company's 2001 Annual Shareholders Meeting under the caption "Certain Transactions with Management," which is incorporated herein by reference. It is expected that such Proxy Statement will be filed with the Securities and Exchange Commission no later than April 30, 2001.

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ITEM 13. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

a) (1) Financial statements

See Financial Statements and Notes to Financial Statements on pages 18 to 31 of the 2000 Annual Report to Shareholders which information is incorporated by reference herein.

(a) (2) Other Exhibits.

EXHIBIT NUMBER -----	DESCRIPTION OF EXHIBITS -----
3(i)	Certificate of Incorporation of the Company, as amended (2)
3(ii)	Bylaws of the Company (1)
4(i)	Form of Stock Certificate (2)
10(i)	1994 Stock Option Plan for Non-Employee Directors (1)
10(ii)	Stock Bonus Plan (2)
10(iii)	1997 Stock Option Plan (3)
10(iv)	1997 Stock Bonus Plan (3)
10(v)	1998 Stock Option Plan (4)
13	Unity Bancorp. Inc. 2000 Annual Report to Shareholders
21	Subsidiaries of the Registrant
23a	Consent of KPMG LLP
27	Financial Data Schedule

(1) Incorporated by reference from Exhibits 2(a) to 99(b) from the Registrant's Registration Statement on Form S-4, Registration No. 33-76392.

(2) Incorporated by reference from Exhibits 3(i) to 27 from the Registrant's Registration Statement on Form SB-2, Registration No. 333-12565.

(3) Incorporated by reference from Exhibits B and C from the Company's Definitive Proxy Statement for its 1997 Annual Meeting of Shareholders.

(4) Incorporated by reference from Exhibit A from the Company's definitive Proxy Statement for its 1998 Annual Meeting of Shareholders.

(a) (3) Reports on Form 8-K

DATE ----	ITEM REPORTED -----
October 10, 2000	5 - announcing loan and branch sale

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December 11, 2000

5- announcing the sale of certain branches of its subsidiary, Unity Bank and announcing the appointment of Anthony Feraro president of the Registrant and other certain management changes.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, hereunto duly authorized.

UNITY BANCORP, INC.

Dated: March 29, 2001

By: /s/ ANTHONY J. FERARO

Anthony J. Feraro
President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

NAME	TITLE	DATE
/s/ David D. Dallas David D. Dallas	Chairman of the Board	March 29, 2001
/s/ Anthony J. Ferraro Anthony J. Ferraro	President and Chief Executive Officer	March 29, 2001
/s/ James A. Hughes James A. Hughes	Chief Financial Officer (Principal Financial and Accounting Officer)	March 29, 2001
/s/ Charles S. Loring Charles S. Loring	Director	March 29, 2001
/s/ Peter P. DeTommaso Peter P. DeTommaso	Director	March 29, 2001

/s/ Allen Tucker

Director

March 29, 2001

Allen Tucker
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