UNIVEC INC
Form 10KSB
May 14, 2004

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

FORM 10-KSB

/X/ Annual Report under Section 13 or 15(d) of the Securities Exchange Act of 1934 For the fiscal year ended December 31, 2003

/ / Transition report under Section 13 or 15(d) of the Securities Act of 1934 for the transition period from ---------- to----------

Commission file number 0-22413

UNIVEC, INC.
(Name of Small Business Issuer in its Charter)

Delaware	11-3163455
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

4810 Seton Drive
Baltimore, MD 21215
(410) 347-9959
(Address and telephone number of principal executive office)

Securities registered under Section 12(b) of the Exchange Act: None

Securities registered under Section 12(g) of the Act:

Title of Class
Common Stock, $.001 par value

Check whether the issuer: (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 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 / /

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B contained in this form, and no disclosure will be contained, to the best of registrant'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/

Revenues for the issuer's most recent fiscal year were $16,133,652.

The aggregate market value of the voting stock held by non-affiliates computed by reference to the closing price at which the stock was sold on May 6, 2004 was $3,109,744.

ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS
DURING THE PAST FIVE YEARS

Check whether the issuer has filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Exchange Act after the distribution of securities under a plan confirmed by a court. Yes / / No / /

APPLICABLE ONLY TO CORPORATE REGISTRANTS

As of May 6, 2004 the issuer had 37,871,795 shares of common stock, $.001 par value, outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

None

Part I

Item 1. Description of Business.

UNIVEC, Inc. ("UNIVEC" or "the Company") is an integrated licensing, manufacturing, and marketing company dedicated to providing safer health products to patients and caregivers worldwide. Univec produces auto-disable and safety syringes and portable units for onsite disposal of medical and sharps waste. Univec also assists pharmaceutical companies in marketing, fulfillment, and tracking drug samples. The Company is a Delaware corporation incorporated on October 7, 1996, and the successor by merger to UNIVEC, Inc., a New York corporation, incorporated on August 18, 1992.

On December 31, 2001 Univec, Inc., acquired Physician and Pharmaceutical Services, Inc., (PPSI) a company primarily engaged in promoting pharmaceutical company prescription samples to physicians. PPSI reduces the cost in the prescription-sampling channel by providing efficient fulfillment and tracking of prescription usage. PPSI's national network of pharmacies fills the sample prescription on a discounted fee and the Company's mail service fulfillment complements additional needs. PPSI's approach conforms to regulations requiring increased accountability and elimination of diversion of prescription samples, consequently reducing the exposure of physicians and pharmaceutical companies to potential liabilities and non-compliance penalties.

On February 28, 2002 Univec acquired Thermal Waste Technologies, Inc., ("TWT"), a manufacturer of the "Demolizer," a patented medical waste disposal unit designed to eliminate carting of red bag and sharps waste in medical offices. The Demolizer, about the size of a small microwave oven, automatically converts red bag and sharps waste inside a sealed container into sterilized waste that can be discarded as ordinary solid waste. All waste is placed in a disposable one-gallon container that sits inside the unit, which contains the sterilizer and the anti-viral, anti-bacterial and anti-odor filtration system. The unit meets OSHA regulations and has passed efficacy testing performed by Stanford University, Leberco Testing Inc., and Valley Medical Laboratories under a protocol approved by the New York State Department of Health. The unit has

also passed the "Microbial Survivability Test for Medical Waste Incinerator Emissions." The Demolizer is approved by state boards of health and departments of environment in 43 states, and is pending approval in two states.

The Company is in a dispute with Jonathan Bricken, the current president of Thermal Waste Technology, Inc. due to former principal actions which have hampered the ability of the Company to fulfill its strategy. See "Item 3 - Legal Proceedings".

In 1997, Univec commenced production and sales of its 1cc Auto-Disable Syringes (AD-syringes), which are designed to make accidental or deliberate reuse difficult. The accidental or deliberate reuse of syringes is a frequent cause of the spread of the human immunodeficiency ("HIV") and hepatitis viruses, as well as other blood-borne pathogens. Univec has received 510(k) clearance from the U.S. Food and Drug Administration (the "FDA") to market it's AD-Syringes in the United States.

Univec believes that its 1cc difficult-to-reuse syringes are more effective than competitive syringes and that they are competitively priced. Univec also believes that it is the only company that markets an AD-Syringe with a 1cc barrel, which is ideal for dispensing accurate dosages of medicine (e.g., allergy, immunization and insulin medicines). It is more difficult to deliver up to a .95cc dosage accurately with a syringe barrel that is greater than 1cc. Univec does not know of any other company that offers a lcc aspirating syringe that can be locked. Healthcare workers need aspirating syringes to mix medications in the syringe barrel and inject medications intravenously. Furthermore, Univec believes that aspirating syringes are preferred by diabetes patients and needle-exchange programs. Pursuant to programs of international relief agencies, Univec has shipped its lcc AD-Syringes to over 80 countries.

Univec also manufactures and markets patented Sliding Sheath Syringes designed to protect patients and healthcare workers from needle stick injuries, in compliance with the Federal Needlestick Safety and Prevention Act of the United States government, and requirements of the Occupational Safety and Health Administration (OSHA). Univec has FDA approval for an extendible barrel sleeve syringe used in the sliding sheath syringes based on technology licensed by Univec.

In addition, Univec has developed a Bifurcated Needle Safety Syringe specifically designed to comply with the Federal Needlestick Safety and Prevention Act of the United States government. Univec has been granted 510(k) clearance by the FDA. The device is intended for use in administering smallpox vaccines in response to potential bio-terrorist threats. The Needlestick Safety mandate requires all U.S. healthcare providers to evaluate and implement safer medical devices under their OSHA "Exposure Control Plans". All healthcare providers must now adopt safer devices to protect workers and others from needles potentially contaminated with blood borne pathogens such as hepatitis B, hepatitis C, and HIV.

In general, this "safer device" rule applies in the normal course of operations, as well as in connection with any mass immunization program authorized by the federal government.

Univec markets its AD-Syringes and Sliding Sheath Safety Syringes to governments of developing countries, provided that such syringes are manufactured in the United States, private hospitals and health facilities in the United States, and distributors in the United States.

Problems Associated With Traditional Disposable Syringes

In developing countries, accidental or deliberate reuse of disposable syringes poses a serious risk of transmitting HIV-AIDS, hepatitis and other blood-borne pathogens. Relief agencies, including UNICEF and WHO, administered almost a billion immunizations to women and children through immunization programs in developing countries in 1998 and anticipate administering 3.5 billion immunizations by 2005. WHO reported that surveys carried out in four of its six regions indicated that up to a third of immunization injections were unsterile. Immunization injections account for less than 10% of injections administered within the health sector. The United Nations estimates that more than half of all non-immunization injections in developing countries are unsafe. According to WHO, an estimated 40.0 million adults and children worldwide are infected with HIV, 90% of who live in developing countries.

Intravenous drug users, who share syringes or use syringes discarded by hospitals, medical clinics and laboratories, doctors or diabetic patients, are extremely susceptible to HIV, hepatitis and other blood-borne pathogens. An article in the May 1996 American Journal of Public Health for Disease Control written by an epidemiologist for the Center for Disease Control and Prevention (the "CDC") estimates that nearly half of all new HIV infections are occurring in intravenous drug users. In the United States, up to 30% of pregnant mothers infected with HIV transmit the virus to their babies, according to the CDC. Based on a study of children with HIV, who received care at Children's Hospital of Wisconsin, researchers estimated that the mean total lifetime costs of caring for a child with HIV was close to $1 million.

As a result of findings in the United States and developing countries, public health officials have encouraged the medical industry to develop safer syringes to prevent the spread of blood-borne pathogens, such as HIV and hepatitis. In 1995, the House of Delegates -- American Medical Association requested "manufacturers of disposable hypodermic needles and syringes to adopt designs to prevent reuse and to include in the packaging clear directions for their correct disposal." In late 1995, UNICEF and WHO recommended "the use of auto-disable syringes instead of disposable, single use syringes in order to avoid the hazards of unsafe injection practices."

Needlestick Prevention

Needlestick prevention devices are designed to prevent accidental puncture injuries to health care workers and patients before, during, and after the use of hypodermic syringes and needles. Statistics indicate that less than 1% of all reported HIV infections in the United States are attributed to needlestick injuries. The most prevalent needle stick prevention device, the extendible barrel sleeve, is not a substitute for features that render a syringe difficult-to-reuse; however, it can be combined with devices that make a syringe difficult-to-reuse. Needlestick prevention methods include:

Retracting Needles retract the needle into the barrel after use. These devices are effective needlestick prevention devices; however, operators must manually trigger the retraction of needles. Retracting needle devices that automatically trigger with a single use of the syringe can render the syringe design difficult to reuse. However, such devices are costly to manufacture due to the complexity of the mechanics required to retract the needle.

Self-Destruct Needles permit the needle to be collapsed or deformed into a shape which cannot result in a needlestick injury. Although self-destruct needle devices are mechanically simpler than retracting needle devices, less prone to malfunction and less costly to manufacture, such devices are effective only if the operator triggers the self-destruct feature.

Extendible Barrel Sleeves enclose the barrel of the syringe in a second cylinder. The operator extends the sleeve before and after use to cover the tip of the needle. The extendible barrel sleeves often lock in the extended position

after use. In virtually all designs, the operator of the syringe must manually extend the barrel sleeve after use. The sleeve does not prevent multiple use of the syringe before the operator encloses the barrel. However, extendible barrel sleeves are more cost-effective than the other alternatives and can be combined with a device that makes the syringe difficult to reuse.

UNIVEC Syringes

Univec has developed a 1cc AD-Syringe for aspirating and non-aspirating applications, which are ideally suited for dispensing accurate dosages of allergy, immunization and insulin medicines. The Company's 1cc AD-Syringe can deliver dosages of up to .95cc. With the aspirating syringe, the UNIVEC locking clip does not limit the user's ability to withdraw and depress ("to aspirate") the plunger until the user locks the syringe voluntarily. With the non-aspirating syringe, the UNIVEC locking clip limits the user's ability to aspirate the plunger and locks the syringe passively.

When the non-aspirating syringes are assembled, the syringe clip is placed on the ratcheted plunger in the position needed to limit dosage as desired. When the operator depresses the plunger, the clip travels down the barrel by an equal distance. Withdrawal of the plunger by any amount embeds the prongs into the barrel and the user cannot retract the plunger.

Univec's 1cc non-aspirating syringe was developed for the needs of immunization programs. Using existing components, the Company can limit its non-aspirating syringe to any dosage between .05cc and .95cc.

Univec's 1cc aspirating syringe works similarly to the non-aspirating model, except that the clip prongs do not engage the barrel until the operator withdraws the plunger completely. Once the operator does so, the clip catches a single ratchet and travels down the barrel as the plunger is depressed and the operator cannot withdraw the plunger.

Univec's 1cc aspirating syringe was developed for healthcare workers, who need to mix medications in the syringe barrel and inject medicines intravenously. Furthermore, the Company believes that aspirating syringes are preferred by diabetes patients and needle-exchange programs. The Company does not know of any other company that offers an aspirating syringe that can be locked.

Univec has licensed rights to a United States patent for a sliding sheath to function on all standard syringes. The Company believes that its licensed design for a safety syringe will compete successfully with the other safety syringes on the market. This design can be used on barrels of various sizes.

Marketing of Pharmaceutical Company Drug Samples to Physicians

The PPSI online network provides better marketing and clinical integration information than traditional systems, and enables pharmaceutical companies to maintain market share when competing with generic drugs. The PPSI information system includes detailed information such as the individual sales representative, zip codes, DEA number, pharmacy and prescribing physician. The PPSI system provides pharmaceutical companies with an easy, safe way to offer free samples through physicians and increase their value to patients who benefit through savings on prescriptions. In addition, the PPSI system provides incentives for chain drug stores to stock the pharmaceutical products and for

pharmaceutical companies to keep their products on managed care formularies within hospitals, correctional institutions, and nursing homes. The PPSI information system and clinical integration capability also provides a necessary service aiding government oversight. Pharmaceutical manufacturers spend over $16 billion a year for the marketing of products. PPSI's strategy is to provide flexible sample programs supported by technology to assist with distribution, dispensing, reporting, and clinical integration that maximizes the intent of appropriate sample model for marketing. PPSI out-sources its computer system applications to an industry leading provider.

Disposal of Medical and Sharps Waste

TWT's Demolizer(R) System consists of a computerized sterilization unit (19 1/4" D x 13" W x 12 1/4" H) and disposable one gallon metal waste collection containers. One container is used to collect sharps waste (i.e. syringes, needles, scalpels); the other is used to collect red bag (soft) waste. The containers meet all Occupational Safety and Health Administration ("OSHA") regulations governing the collection and storage of hazardous medical waste. The processing unit incorporates state-of the art electronic controls which assure operation within the approved parameters. If there is any malfunction, the system shuts down and prevents removal of any unprocessed waste. At the completion of a successful cycle, the processing unit issues a print-out label verifying that the correct operating parameters have been met. The print-out is used for the facilities in-house log book which records all cycles run by the Demolizer(R) System and verifies that the processed waste has been properly sterilized. The pressure sensitive label replaces the cumbersome medical waste tracking forms which are currently used by every state. In order to prevent odors and contaminants, such as dioxins, from being released into the environment, the Demolizer(R) System incorporates a sophisticated anti-viral, anti-bacterial and anti-odor filtration system in conjunction with a sophisticated air flow pattern which assures that all emissions are captured and processed. During processing, infectious medical waste is sterilized and sealed in the collection container using a thermal process. The sharps waste is rendered unrecognizable and non reusable. Medical waste processed by the Demolizer(R) System meets these criteria and may be discarded as ordinary solid waste.

Sales, Marketing and Distribution

Univec has entered into several agreements with large United States based wholesalers for the support and expansion of distribution channels for nationwide delivery of the Univec product line.

Univec has shipped its 1cc AD-Syringes to over 80 countries. Univec intends to market its Safety-Shield syringes, as well as the Demolizer medical waste disposal system to governments of developing countries, private hospitals and health facilities in the United States, and distributors in the United States. Univec is a licensee of products and proprietary manufacturing processes relating To 1cc AD-Syringes. For manufacturing in our facilities. The Company markets such syringes to governments of developing countries, private hospitals and medical facilities. To stimulate demand for its safety syringes, Univec plans to initiate promotional and educational campaigns directed at (i) public health officers and other government officials responsible for public health policies, (ii) doctors and administrators of healthcare facilities responsible for treatment of HIV-AIDS and hepatitis patients, and (iii) liability insurance companies.

Univec also markets its drug sampling services to pharmaceutical companies

desiring to maintain or expand market position.

Univec markets the Demolizer medical waste disposal unit to healthcare practitioners that desire to reduce the liability for storing medical wastes on premises and that desire to reduce the costs associated with the carting of medical waste to central facilities for disposal. Such practitioners include Allergists, Pediatricians, Dermatologists, Dentists, Veterinarians, Corporate medical departments, Community Health Centers, City Health Departments, Correctional Institutions, Nursing Homes, Assisted Living Facilities, the U.S. Military, and U.S. and foreign Health Organization

Production

Univec's lcc locking syringes are being assembled by contract manufacturers in the United States, China and Portugal. (See Item 1, "Description of Business" and Item 3 "Legal Proceedings" for the current status of the Compnay's business including the demolizer and its relationship to its former owner, Jonathan Bricken). The Portuguese and United States manufacturers also mold the Company's proprietary syringe plungers. Univec owns stamping, assembly, and molding equipment at its U.S. contract manufacturer. Univec relocated its clip plunger assembly production facility designed to produce 1cc AD-Syringes from Farmingdale, New York to Baltimore, Maryland during July 2003. These assemblies are shipped to our contract manufacturers to produce Auto-Disable Syringes.

Univec's syringes consist of a standard needle, barrel, rubber stopper, a ratcheted plunger designed by the Company, and a pronged stainless steel locking clip designed by Univec. The locking clip and plunger can be assembled, with minor modifications, into barrels manufactured by Becton-Dickinson, Tyco, and other syringe manufacturers. Univec has obtained a patent on its stainless steel locking clip, and has been granted a patent for the design of a plunger which, when combined with the locking clip, results in a narrow-barreled, difficult-to-reuse, locking syringe. The stainless steel for the locking clip and the plastic for the syringe barrels and plungers is readily available from several sources. The syringe barrels for some of the syringes sold by Univec have been manufactured by a Portuguese contract manufacturer. Univec has been successful through other sources worldwide in purchasing barrels to increase the overall production capacity. In addition, Univec continues to send clip plunger assemblies produced in the U.S. to syringe manufacturers to also increase overall production. Univec continues to pursue alternate sources of supply for components. Should there be a need for a certain component from an alternate supplier, there can be no assurance that the Company will be able to obtain it on acceptable terms, and there can be no assurance that production of certain configurations of its lcc locking syringes will not be delayed. Delays resulting from the selection of an alternate supplier to produce certain components could have a materially adverse effect on Univec's business.

The Demolizer is produced by a contract manufacturing facility in Connecticut.

Competition

Univec's principal competition for syringes is from traditional disposable syringes. Becton-Dickinson, Tyco and Terumo control approximately 90% of the worldwide syringe market, and are substantially larger, more established and have significantly greater financial, sales and marketing, distribution, engineering, research and development and other resources than the Company. To Univec's knowledge, only Becton-Dickinson and Bader, a German machine tool manufacturer, distribute commercially a line of difficult-to-reuse syringes, none of which allow for aspiration. The Bader DestroJect syringe and the Becton-Dickinson SOLOSHOT syringe were designed to dispense a dosage of .5cc only, whereas the UNIVEC 1cc locking clip syringe was designed to dispense dosages up to .95cc. Univec believes that UNIVEC syringes are more effective

than competitors' difficult-to-reuse syringes and that the UNIVEC syringes are

competitively priced. There can be no assurance that the major syringe manufacturers or others will not commence production of 1cc difficult to-reuse-syringes, or locking syringes which aspirate, or that Univec will be able to successfully compete in this market.

PPSI's competition comes from traditional sampling providers that include the actual drug samples and other pharmaceutical benefit management companies that offer similar services such as Caremark and Medco Health.

TWT's competition comes from traditional large-scale medical waste management systems that depend on collection of waste from a variety of sources for disposal at a large centralized facility.

Patents, Licenses and Proprietary Rights

In 1995, Univec was granted a United States patent for a locking clip device not biased against the plunger. The patent is broad enough to include several applications of the design covering the first series of products to be marketed by Univec. Univec was granted a United States patent for a plunger design which, in conjunction with its patented locking clip, results in a narrow barrel, difficult-to-reuse syringe that allows for aspiration during use.

In the past, Univec has filed patent applications for its locking clip and aspirating plunger in certain foreign countries participating in the Patent Cooperation Treaty (Canada, Brazil, Mexico, certain European countries, Japan, South Korea, China, Russia and Australia). However, patent applications filed in foreign countries and patents granted in such countries are subject to laws, rules and procedures that differ from those in the United States, and accordingly, patent protection in such countries may be different from patent protection provided by United States laws. In December 2003, to settle an outstanding note with Syrinter, Ltd. (Switzerland), the Company assigned certain patents for the 1cc auto-disabled syringe as in full payment of the note and interest thereon. The Company in turn received relief from restrictive patent payments and a perpetual license to exploit these patents provided manufacturing occurs in the United States. In addition, the Company will continue to receive 15% of future royalties being earned from the licensing of these items.

Univec has registered trademarks UNIVEC(R), and Rx Ultra(R), Rx Plus, The Univec Crest and the symbol representing no second use, (i.e., the number 2 crossed out inside of a circle), with the United States Patent and Trademark Office.

In March 2001, Univec exercised an option to acquire a license of a component for a period of the later of ten years or the expiration of the last patent relating to the component and its improvements, with the right to terminate the agreement if the Company fails to produce and ship at least ten million of this component within three years. Univec is committed to pay a royalty of $.001, per component sold, with an advance royalty fee of $15,000 previously paid. As of December 31, 2003, Univec has sold only an insignificant amount subject to royalties under this agreement.

In July 2000, Univec received FDA approval of the sliding sheath syringe and began to manufacture and market this product in 2001.

In August 2000, Univec entered into a licensing agreement providing for the non-exclusive, worldwide use of Univec patents for the manufacturing, use and

marketing of its auto-disable syringes through the period any patents are still in effect, providing for royalties on sales and for the sale of equipment necessary to manufacture the product. In accordance with this agreement, Univec has earned royalties of $109,690 and $128,677 for the years ended December 31, 2003 and 2002, respectively.

In 2003 the Company assigned certain patents to a creditor in payment of an amount due and also assigned the future royalties under the auto-disable syringe licensing agreement. The Company has licensed back the rights under these patents to market and manufacture in North America.

Government Regulation

The manufacture and distribution of medical devices are subject to extensive regulation by the FDA in the United States, and in some instances, by foreign and state regulatory authorities. Pursuant to the Federal Food, Drug, and Cosmetic Act, as amended, and the regulations promulgated there under (collectively, the "FDC Act"), the FDA regulates the clinical testing, manufacture, labeling, sale, distribution and promotion of medical devices. Before a new device can be introduced into the market, a manufacturer must obtain FDA permission to market through either the 510(k) pre-market notification process or the costlier, lengthier and less certain pre-market approval ("PMA") application process. With the 510(k) notification, the Company may sell its 1cc locking clip syringe in the United States, subject to compliance with other applicable FDA regulatory requirements. As a Class II device, performance standards may be developed for the 1cc locking clip syringe which the product would then be required to meet. Failure to meet standards for effectiveness and safety could require the Company to discontinue the manufacturing and/or marketing of the product in the United States. Furthermore,

manufacturers of medical devices are subject to record-keeping requirements and required to report adverse experiences relating to the use of the device. Device manufacturers are also required to register their establishments and list their devices with the FDA and with certain state agencies and are subject to periodic inspections by the FDA and certain state agencies.

Medical devices are subject to strict federal regulations regarding the quality of manufacturing ("Good Manufacturing Practices" or "GMP"). GMP regulations impose certain procedural and documentation requirements upon the Company with respect to manufacturing and quality assurance activities. The FDA conducts periodic audits and surveillance of the manufacturing, sterilizing and packaging facilities of medical device manufacturers to determine compliance with GMP requirements. These procedures may include a product recall or a "cease distribution" order which would require the manufacturer to direct its distributors and sales agents to stop selling products, as well as other enforcement sanctions. Univec's manufacturing facilities have not been certified as satisfying GMP requirements. Univec's facilities will be subject to extensive audits in the future, pursuant to standard FDA procedure. No assurance can be given that when the Company is audited that it will be found to be in compliance with GMP requirements, or that if it is not found in compliance, what penalties, enforcement procedures or compliance effort will be levied on or required of the Company. To date, Univec has not been audited by the FDA. The FDA also has the authority to request repair, replacement or refund of the cost of any device manufactured or distributed by the Company, and the failure to meet standards for safety and effectiveness could require the Company to discontinue marketing and/or manufacturing its product in the United States.

The introduction of Univec's products in foreign markets will also subject Univec to foreign regulatory clearances which may impose additional substantive costs and burdens. International sales of medical devices are subject to the regulatory requirements of each country. The regulatory review process varies from country to country. Many countries also impose product standards, packaging requirements, labeling requirements and import restrictions on devices. In addition, each country has its own tariff regulations, duties and tax requirements. Univec's products are required to satisfy international manufacturing standards for sale in certain foreign countries. Univec's Portuguese contract manufacturer received final ISO 9002 Certification in March, 1999.

Obtaining the ISO 9002 facilitates sales to certain export accounts, particularly in Europe. Currently, sales to international relief agencies, Univec's primary market, are not affected by ISO certification or other foreign regulations other than those regulations which have been imposed by the international relief agencies, with which Univec has been in compliance.

The approval by the FDA and foreign government authorities is unpredictable and uncertain, and no assurance can be given that the necessary approvals or clearances for the Company's products will be granted on a timely basis or at all. Delays in receipt of, or a failure to receive, such approvals or clearances, or the loss of any previously received approvals or clearances, could have a materially adverse effect on the business, financial condition and results of operations of the Company. Furthermore, approvals that have been or may be granted are subject to continual review, and later discovery of previously unknown problems may result in product labeling restrictions or withdrawal of the product from the market. Moreover, changes in existing requirements or adoption of new requirements or policies could adversely affect the ability of Univec to comply with regulatory requirements. There can be no assurance that Univec will not be required to incur significant costs to comply with applicable laws and regulations in the future. Failure to comply with applicable laws or regulatory requirements could have a materially adverse effect on Univec's business, financial position and results of operations.

Research and Development

For the years ended December 31, 2003 and 2002, Univec expended $28,617 and $45,873, respectively, on product development expenses.

Employees

As of May 4, 2004, Univec employed five persons, including three full time in sales and marketing, one full time in financial administration, and one part time in production. None of Univec's employees is covered by a collective bargaining agreement.

As of May 4, 2004, PPSI had no employees, but utilizes outside marketing representatives and consultants for marketing and employees of affiliated companies, owned by a stockholder/officer of the Company, to provide certain administrative services. These expenses, together with other expenses, have not been allocated between these companies.

As of May 4, 2004 TWT utilizes the employees of Univec for sales and marketing.

Item 2. Description of Property.

Univec occupies a production facility, warehouse, administrative, and executive offices in Baltimore, MD (comprised of approximately 22,000 square feet of space) pursuant to a lease that expires in July 15, 2004 with ten (10) renewable one (1) year option terms which are automatically renewable by Univec. Rental expense for the space is $72,000 per annum plus certain common charges maintenance costs and real estate tax, subject to a maximum increase of 3% for each three year term.

PPSI shares office space with affiliated companies, owned by the Chief Executive Officer of Univec. The expenses of the space, together with other expenses, that would be allocated to PPSI are insignificant.

Item 3. Legal Proceedings.

On July 17, 2003, the Company was advised that an employee who joined the Company through the acquisition of Thermal Waste Technology, Jonathan Bricken ("Bricken"), had filed a claim for unpaid wages with the Connecticut Department of Labor, Wage and Workplace Standards Division. The claim is in the amount of approximately $200,000 for wages, plus approximately $12,000 related to health and dental insurance premiums, plus interest. On March 29, 2004, case was entered in the U. S. Dstrict Court for the District of Connecticut. The Company has asserted defenses, as well as claims against Bricken, including a claim that Bricken entered into one or more agreements with third parties on behalf of the Company without notifying or obtaining the approval of either the Company's President or Board of Directors, resulting in damages to the Company in excess of the alleged liability to Bricken. The President of the Company and Bricken met with the Connecticut Department of Labor in an effort to resolve the matter without immediate success. Although negotiations are continuing, there is no assurance that the matter will be resolved in the Company's favor. Litigation, if necessary, would be adverse to the Company in light of our need for short-term capital.

On March 10, 2004, Allegent Growth Strategies, L.L.C. ("Allegent") and the Company entered a settlement agreement, related to (a) compensation for acquisitions of PPSI and TWT and consulting services in the amount of $165,000 without interest payable in monthly installments until March 2007 plus (b) 718,750 warrants to purchase shares of the Company's common stock at $0.25 to $0.29 per share through December 31, 2006.

In February 2000, a former consultant commenced an action against the Company and its directors, Alleging breach of contract and fiduciary duty, and is seeking consulting fees in the amount of: (1) 250,000 shares of common stock, (2) $192,000 and (3) costs of this action. The Company and counsel do not believe the consulting fees are due and will continue to vigorously defend this action.

Item 4 Submission of Matters to Vote of Security Holders.

The Annual Meeting of Stockholders of Univec, Inc. for the year ended December 31, 2002, was held on August 5, 2003, to consider and vote upon:

(i) a proposal to elect S. Robert Grass, Dr. David Dalton, Joel Schoenfeld, Dr. Alan Gold, John Frank, Richard Mintz, Dr. Andrew Rosenberg and William Wooldridge as directors,

The number of votes cast for and against each of the foregoing proposals and the number of abstentions are set forth below.

(i) Proposals to Elect Directors:

	For	Withhold Authority
S. Robert Grass	27,115,269	15,373
David Dalton	27,115,269	15,373
Joel Schoenfeld	27,115,269	15,373
Alan H. Gold, M.D.	27,115,269	15,373
John Frank	27,115,269	15,373
Richard Mintz	27,115,269	15,373
Andrew Rosenberg, M.D.	27,115,269	15,373
William Wooldridge	27,047,269	83,373

Item 5. Market for Common Equity and Related Stockholder Matters.

(a)(1) Prior to July 2, 1999, the Company's Common Stock and redeemable Common Stock Purchase Warrants ("Warrants") traded on the Nasdaq SmallCap Market. Following that date, the common stock and warrants have been quoted on the OTC Bulletin Board under the symbols "UNVC" and "UNVCW", respectively.

Set forth below are the high and low closing sale prices for the Common Stock and Warrants on the over-the-counter bulletin board from January 1, 2002 through December 31, 2003 and the first quarter of 2004.

	Common Stock ("UNVC")		Warrants ("UNVCW"
Quarter Ended	High	Low	High
March 31, 2002	$ 0.360	$ 0.190	None
June 30, 2002 (a)	$ 0.280	$ 0.120	None
September 30, 2002	$ 0.150	$ 0.050	
December 31, 2002	$ 0.080	$ 0.010	
March 31, 2003	$ 0.070	$ 0.040	
June 30, 2003	$ 0.010	$ 0.110	
September 30, 2003	$ 0.260	$ 0.050	
December 31, 2003	$ 0.140	$ 0.070	
March 31, 2004	$ 0.090	$ 0.150	

(a) Through April 2002, the expiration date of the warrants.

(2) As of December 31, 2003, there were 120 holders of record of the Common Stock.

(3) During the fiscal year ended December 31, 2003, Univec sold unregistered securities to a limited number of persons in transactions exempt from the registration requirements of the Securities Act, as described below. Except as indicated, there were no underwriters involved in the transactions, and there were no underwriting discounts or commissions paid in connection therewith. The purchasers of securities in each such transaction represented their intention to acquire the securities for investment only and not with a view to or for sale in connection with any distribution thereof and appropriate

legends were affixed to the certificates for the securities issued in such transactions. All purchasers of securities in each such transaction had adequate access to information about Univec, and in the case of transactions exempt from registration under Section 4(2) of the Securities Act, were sophisticated investors.

1. During 2003, Univec converted 45 shares of Series B Preferred Stock to 1,843,322 common shares at $.10 per common share.

2. On August 30 2003, an independent investor bought 500,000 common shares directly from Univec at $.04 per share.

3. On September 30, 2003, Univec issued 250,000 shares of common stock at $.02, per share, the agreed value of the shares to an officer/director of Univec as payment of $5,000 of notes payable.

3. On October 9, 2003, Univec converted 30 shares of Series E Preferred Stock to 340,909 common shares at $.09 per common share.

4. On December 11, 2003, a Company officer excercised 166,667 common stock options at $.04 per share.

5. On December 11, 2003, Univec issued 194,805 shares of common stock to an officer as payment of $15,000 of accrued salaries and notes payable.

6. On December 17, 2003, Univec issued 100,000 shares of common stock to a vendor in exchange for consulting services rendered.

Item 6. Management's Discussion and Analysis

The following discussion and analysis should be read in conjunction with Univec, Inc's ("Univec", "we" or "our"), consolidated financial statements, including the notes thereto, appearing elsewhere in this report.

Results of Operations

Condensed Consolidated Results of Operations

	2003	2002	Change
Revenues	$16,133,652	$2,887,510	(459)%
Expenses:			
Cost of Revenues	15,722,885	2,407,976	553%
Marketing and Selling Expense	387,765	511,969	(24%)
Product Development	28,617	45,873	(38%)
General and Administrative	1,478,913	973,826	52%
Interest Expense, Net	85,941	84,483	2%
Gain on Extinguishment of Debt	(24,872)		
Forgiveness of Deferred Payroll		(429,150)	

Litigation Settlement		(202,385)	
Total Expenses	(17,679,253)	(3,392,592)	421%
Net Loss	$(1,545,601)	$ (505,082)	(206%)

As illustrated in the table above, overall revenues for the year ended December 31, 2003 increased by $13,246,142 459% as compared to the previous year. Product sales alone for the year ended December 31, 2003 showed an increase of $13,256,101 (481%) as compared to the year ended December 31, 2002. The commencement of group purchasing of pharmaceutical drugs (GPO) was responsible for $14,743,440 of the increased sales during 2003.

The increase in demand for improved syringe technology may be the result of the creation of the Immunization Safety Priority Project by the World Health Organization. The program targets countries with the goal of establishing a comprehensive system to insure the safety of all immunizations given in national immunization programs. The Priority Project includes UNICEF, UNAIDS, the World Bank, PATH, and the Bill and Melinda Gates Children's Vaccine Program and has had a significant impact on the industry, professional organizations, and procurement requirements of development agencies.

The Company is concentrating on sales of product and on licensing of the technology of its sliding sheath syringe designed to protect health care workers from accidental needle-stick injury. As a result of the Federal Needlestick Safety and Prevention Law signed into law in November 2000, the Company anticipates an increasing domestic market for the sliding sheath syringe. The law revises the Bloodborne Pathogens Standard under the Occupational Safety and Health Act of 1970 to include safer medical devices, such as syringes or sharps with engineered sharps injury protections designed to eliminate or minimize occupational exposure to bloodborne pathogens through needlestick injuries. It requires certain parties to adopt plans and changes in technology that eliminate or reduce exposure to needlestick injury. The effective compliance date for the law was April 18, 2001, and the Company is expending additional sales resources on this product.

Gross profit for the year ended December 31, 2003 decreased to 3% from 17% in 2002. Gross profit based on product sales for the year ended December 31, 2003 decreased to 2% from 5% as compared to 2002. Considered separately, gross profit for each of the first three quarters of 2003 evidenced an unfavorable decrease, resulting from the lower sales of our 1cc clip syringe and the lower gross profit contribution from PPSI's GPO revenue. Further, as a result of the previously mentioned relocation, gross profit on the Univec syringe sales decreased approximately $445,606 (137%) from $324,748 (13%) to a gross loss of $(145,857). The negative syringe gross profit is primarily the result of continuing depreciation of $176,892 and non-variable overhead costs of $69,778. We anticipate gross profit levels to remain at current levels unless we increase our market penetration, increase our prices, product mix and/or realize anticipated production or economic benefits as a result of our relocation.

Marketing and selling costs in 2003 decreased $124,200 (24%) from 2002. This decrease is due to decreases in shipping costs, rent, and travel expenses, marketing consulting costs offset primarily by increases in marketing compensation costs. These compensation costs were incurred to generate new sales contracts and to expand existing product markets.

Product development expense for the year ended December 31, 2003 decreased by $17,256 (38%) as compared to 2002. This decrease was the result of decreased expenditures for patent legal costs and product testing expense.

General and administrative expenses for the year ended December 31, 2003

increased $505,087 (52%) as compared to 2002. This increase is due primarily to increases in GPO rebate costs, insurance, relocation costs expenses and securities maintenance expenses offset in part by decreases in compensation.

Interest expense for the year ended December 31, 2003 increased by $1,458 (2%) as compared to 2002 primarily as a result of continuing reduced commercial loan interest rates over the period.

The net loss for 2003 increased $1,040,519 (206%) as compared to 2002. This increase was due in part to the nonrecurring benefit of 2002 forgiveness of $429,150 deferred payroll and a litigation settlement amounting to $202,385.

Liquidity and Capital Resources

Univec's working capital deficit increased from $1,070,807 at December 31, 2002 to $2,399,823 at December 31, 2003, primarily resulting from increases in accounts payable and accrued expenses of $1,204,702 and deferred payroll of $536,933 offset in part by a $938,009 increase in accounts receivable. The introduction of the GPO program was responsible for increases in accounts payable and accrued expenses of $1,158,480 and also a $1,182,308 increase in accounts receivable. As a result of the operating losses for the year 2003, Univec is seeking additional debt financing.

Net cash used in operating activities increased by $29,545 to $326,146 from $296,601 for the years ended December 31, 2003 and 2002, respectively, primarily due to increases in the net loss and accounts receivable offset in part by an increase in accounts payable and accrued expenses.

Net cash provided by investing activities increased by $103,975, primarily as a result of the use of $80,226 for the nonrecurring investment in Thermal Waste Technologies, Inc. in 2002.

Net cash provided by financing activities decreased by $214,926 to $250,708 from $465,634 for the years ended December 31, 2003 and 2002, respectively, resulting from a reduction of proceeds from sales of securities of $230,000 and loans payable of $67,998 and the payoff of the capitalized lease, offset in part by an increase in borrowing from affiliated companies of $179,731.

The Company has continued to suffer from a serious shortage of working capital, which has resulted in the Company's limited ability to market and sell its products. The Company has recently received commitments to borrow an aggregate of $1,000,000 from a city development agency, a state development agency and a stockholder, which Univec believes will close in the near future, although there is no assurance that the borrowings will occur.

With the proceeds from the above loans or other sources and our designation as a minority business enterprise, we will be able to increase marketing of safety syringes, the Demolizer and marketing services for pharmaceutical companies. As a result of these actions, Univec's management anticipates that operations will generate a positive cash flow in the year 2004, but there can be no assurance this will occur.

Should the above financings not occur, we will continue to seek working capital to finance our financial needs from either debt or equity financing to enable us to implement our strategy. There is no assurance that any such financings will be available to the Company or on terms we deem favorable. In the event that the Company is unable to obtain any financing it may be forced to initiate curtailment of portions of its business program. This could result in

material adverse effects on the future of the Company. The Chief Executive Officer of the Company has committed to us that he will keep Univec operating through January 1, 2005.

Significant Estimates

Univec's business plan upon acquiring PPSI and TWT was to fully utilize each others capabilities to increase their sales and profitability. Although a shortage of cash flow has slowed the plan, management has reviewed the carrying amount of their goodwill and fixed assets. We have considered all the circumstances, specifically the fair value based on current and anticipated future undiscounted cash flows. In addition, as part of our relocation strategy, various production equipment is being reevaluated. Management has estimated no impairment loss is required at this time.

New Accounting Pronouncements

Management does not believe that any recently issued, but not yet effective accounting pronouncements, if adopted, would have a material effect on the accompanying financial statements.

Major Customer

For the year ended December 31, 2003, our largest customer was a company owned by our chief executive officer. We intend to reduce our reliance on this customer through expanding sales to others.

Forward Looking Statements

Except for the historical information contained herein, the matters discussed in this report are forward-looking statements that involve risks and uncertainties, including market acceptance of Univec's products, timely development and acceptance of new products, impact of competitive products, development of an effective organization, interruptions to production, and other risks detailed from time to time in Univec's SEC reports and its Prospectus dated April 24, 1997 (as supplemented by the Prospectus Supplement dated April 29, 1997) forming a part of its Registration Statement on Form SB-2 (File No. 333-20187), as amended, which was declared effective by the Commission on April 24, 1997.

Item 7. Financial Statements.

The financial statements follow Item 13 of this report.

Item 8. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

On November 1, 2002, the accounting firm of Most Horowitz & Company, LLP, (Former Accountants) resigned as our principal accountants. For the year ended December 31, 2001 and the interim period through the date the relationship ended, there were no disagreements with Most Horowitz & Company, LLP on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedures.

Most Horowitz & Company, LLP 's report for the year ended December 31, 2001 contained no adverse opinion or disclaimer of opinion, nor was it qualified or modified as to scope or accounting principles.

On November 1, 2002, we engaged the accounting firm of Most & Company, LLP as our principal accountants to audit the financial statements for the year ended December 31, 2002. The individual principal accountant who provided our accounting services has left the former accountant and is with the successor principal accountant.

The decision to engage Most & Company, LLP was approved by Univec's Board of Directors.

A letter from the former principal accountant addressed to the Securities and Exchange Commission stating that the former accountant agrees with the statements made by Univec in this report is attached as an exhibit to Form 8-K/A.

Item 8A CONTROLS AND PROCEDURES

(a) Explanation of disclosure controls and procedures. The Company's chief executive officer and its chief financial officer after evaluating the effectiveness of the Company's disclosure controls and procedures (as defined in Exchange Act Rules 13a-14(c) and 15-d-14(c) as of a date within 90 days of the filing date of the quarterly report (the "Evaluation Date") have concluded that as of the Evaluation Date, the Company's disclosure controls and procedures were adequate and effective to ensure that material information relating to the Company and its consolidated subsidiaries would be made known to them by others within those entities, particularly during the period in which this quarterly report was being prepared.

(b) Changes in internal controls. There were no significant changes in the Company's internal controls or in other factors that could significantly affect the Company's disclosure controls and procedures subsequent to the Evaluation Date, nor any significant deficiencies or material weaknesses in such disclosure controls and procedures requiring corrective actions. As a result, no corrective actions were taken.

Item III

Item 9. Directors, Executive Officers, Promoters and Control Persons; Compliance With Section 16(a) of the Exchange Act.

Directors, Executive Officers and Key Employees

The directors, executive officers and key employees of Univec are as follows:

Name	Age	Position
Dr. David Dalton	55	Chief Executive Officer, President and a Director
S. Robert Grass	70	Chairman of the Board of Directors
Alan Gold	55	Director
John Frank	64	Director
Richard Mintz	58	Director
Joel Schoenfeld	59	Director
William Wooldridge	59	Director
Raphael Langford	60	Chief Operating Officer and Vice President
Jon Bricken	49	Vice President
Michael Lesisko	54	Treasurer, Secretary and Chief Financial Officer

Dr. David Dalton assumed the position of President and Chief Executive

Officer of the Company on January 1, 2002, concurrent with the acquisition by Univec, Inc. of Physician and Pharmaceutical Services, Inc. (PPSI), a Baltimore based company founded by Dr. Dalton. Dr. Dalton has over 35 years experience in the healthcare industry, including 18 years with Rite-Aid where he served as Corporate Vice President.

Dr. Dalton founded Health Resources, Inc., in 1983, a pharmacy service provider having contracts with over 50,000 retail pharmacies for billing and payment of prescription orders through plan providers. HRI is recognized as one of the leading Black Enterprises in the United States. Dr. Dalton also founded Pharmacy Services, Inc., a pharmacy fulfillment center for correctional and other institutions, with facilities in Maryland, Tennessee and Pennsylvania.

On March 15, 2002 S. Robert Grass was elected a director of Univec. He was elected Chairman of the Board of Directors in May, 2002. Mr. Grass has been associated with the pharmaceutical and medical device industry for over thirty-two years. Mr. Grass developed a chain of pharmacies known as White Shield Drugstores in Pennsylvania, serving as President, Chief Executive Officer and Chairman of the Board from 1970 to 1996. Mr. Grass also served as Chief Executive Officer and Chairman of the Board of Managed Care RX, a drug fulfillment and mail order business from 1994 to 1999.

Joel Schoenfeld, the founder of Univec, had been Chief Executive Officer of the Company from its inception in August 1992 until November 30, 1999, and also served as Chairman of the Board of Directors until Dr. Alan Gold's election to the position on March 18, 1999. Since November, 1999, Mr. Schoenfeld again served as Chairman of the Board of Directors from November 1999 until May 2002. Mr. Schoenfeld was the founder and President of J&B Schoenfeld, a global trading company whose main focus was on the import, export and processing of pelts and hides, specializing in trade with the USSR and Europe.

In 1988, Mr. Schoenfeld formed the American-Russian International Trading Company ("AMRU"), which advised on trade agreements between the USSR and United States. AMRU's broad base of interest and expertise enabled it to take on such diverse projects as a joint venture with the Soviet government and military known as AMRU-STAR, the representation of the Soviet Space Agency to Washington, D.C., the introduction of western advertising to the USSR in conjunction with another American company, Transportation Displays, Inc. ("TDI"), and the construction of a studio producing children's films for international distribution.

As a result of the political changes in the former USSR, Mr. Schoenfeld sought to further his business strategies. In 1990, he founded Joel Schoenfeld & Associates in Garden City, New York. With affiliate offices in Moscow, San Jose, London, and Boston, to originate, structure, capitalize, negotiate and advise on the implementation of import and export trade transactions, projects and programs.

Mr. Schoenfeld has been a commercial attache and a consultant to a number of foreign and multinational governments. Recently, Mr. Schoenfeld was an advisor to United Nations Development Programs ("UNDP"). Previously, he served as:

- Senior Advisor to the Costa Rican Ambassador to the United Nations
- Senior Advisor and Coordinator, Chief of Staff to the Chairman of the Committee of States Parties to the International Covenant on Civil and Political Rights to the United Nations

- Senior Economic and Trade Advisor to the United Nations Commission on Transnational Corporations

Mr. Schoenfeld was named in February, 1999 in an indictment filed in the United States District Court for the Southern District of Ohio, Western Division. The indictment alleges that Mr. Schoenfeld engaged in certain improper activities in connection with a commercial transaction in 1991. In February 2001, a motion to dismiss was filed and Mr. Schoenfeld believes the court will dismiss the indictment.

Alan H. Gold, M.D., served as Chief Executive Officer of Univec from November 30, 1999 until December 31, 2001, and a Director of the Company since inception in August 1992. Prior to November, 1999, Dr. Gold served as President of the Company since July 1996, and as Chairman of the Board of Directors since March 18, 1999 to November 1999. On March 15, 2002 Dr. Gold was elected Secretary of Univec. Dr. Gold has been a plastic surgeon since 1972, and is currently
in private practice.

John Frank has been a consultant to Univec in the areas of corporate development and strategic planning since its inception in August 1992 until November 1, 2001. Mr. Frank served as Chief Information Officer of The Hartford Steam Boiler Inspection and Insurance Co. from August, 1996 through February, 2000, and as Vice President, Strategy and Corporate Development from February, 2000 until his retirement in November 2001. Mr. Frank is currently self-employed as a consultant.

From October 1994 to August 1996, he was Special Projects Manager for Electronic Data Systems Corporation. From August 1993 to September 1994, he was the chief auditor of Travelers Insurance Companies. From September 1991 to July 1993, he was a principal of Lipera Frank Inc., of which he was a co-founder. From January 1982 to September 1991, Mr. Frank was a partner of Coopers & Lybrand, where he managed strategic planning and financial management engagements for Fortune 500 clients. Mr. Frank is a CPA.

Richard Mintz has been a director of Univec since March 18, 1999. Mr. Mintz is also President of Peristaltic Technologies, Inc., a manufacturer of medical infusion pumps and plastic disposable catheters, and formerly Vice President and General Manager of A.K. Allen & Co., Inc./Allen Avionics, Inc., a manufacturer of electronic components and fluid power products, positions he held for more than the past five years.

William Wooldridge has been a director since August 5, 2003. Mr. Wooldridge is a recognized and respected entrepreneur. He is the founder of MedEcon, Inc. one of the largest group purchasing organizations in the United States. Over a twenty-eight year period he has developed a corporation with medical portfolio sales in excess of $3.5 billion. In 1999, Mr.Wooldridge formed OrderButton.Net, a new web-based transaction processing service that facilitates the establishment of merchant sites on the internet. Since 2002, Mr. Wooldridge has been developing a franchised, non-traditional based photography company.

Dr. Andrew Rosenberg voluntarily resigned as a director of Univec on February 9, 2004.

Raphael Langford became Chief Operating Officer and a Vice President on April 22, 2003. Prior to joining Univec, Mr. Langford was the Executive Director of the National Foundation for Women Legislators. He was also formerly

co-founder and president Of Olympic International Trading Corporation, an exporter of raw materials to third world countries. Mr. Langford has held upper level management positions in distribution production and operations for fortune 500 corporations.

Jon Bricken became a Vice President of Univec on February 28, 2002. Mr Bricken previously served as president and chief operating officer of Thermal Waste Technology, Inc. since its inception in 1997. From 1992 to 1997, Mr. Bricken expanded the technology used in the demolizer waste disposal process.

Michael Lesisko, a certified public accountant, was named as Chief Financial Officer of Univec on September 9, 2002. Mr. Lesisko was named Treasurer and Secretary of Univec on February 11, 2003. From June 1996 to September 2002 Mr. Lesisko was a CPA in public practice. He served as Vice President of Finance of CarrerCom Corporation and Subsidiaries from November 1988 to May 1996. Prior thereto, he served as a partner with KPMG Peat Marwick from July 1982 to August 1988, where he managed financial audits and a diverse tax practice.

All directors hold office until the annual meeting of stockholders of the Company following their election or until their successors are duly elected and qualified. Officers are appointed by the Board of Directors and serve at its discretion.

Meetings of the Board of Directors and Information Regarding Committees

The Board of Directors has two standing committees, an Audit Committee and a Compensation Committee. On August 5, 2003, Mr. John Frank, William Wooldridge and Dr. Andrew Rosenberg were elected to the Audit Committee. The duties of the Audit Committee include recommending the engagement of independent auditors, reviewing and considering actions of management in matters relating to audit functions, reviewing with independent auditors the scope and results of its audit engagement, reviewing reports from various regulatory authorities, reviewing the system of internal controls and procedures of Univec, and reviewing the effectiveness of procedures intended to prevent violations of law and regulations. The Audit Committee held two meetings in 2003. On August 5, 2003, Mr. S. Robert Grass, Dr. Alan Gold and Dr. Andrew Rosenberg were elected to the Compensation Committee. There was one meeting of the Compensation Committee in 2003.

The Board of Directors held five meetings in 2003, which included special telephonic meetings in addition to one Unanimous Written Consent. All Directors attended at least 75% of the total number of Board meetings and meetings of committees on which they served during the period they served thereon during 2002.

Section 16(a) Beneficial Ownership Reporting

Section 16(a) of the Securities Exchange Act of 1934 requires Univec's Officers, Directors and persons who own more than ten percent of a registered class of Univec's equity securities within specified time periods to file certain reports of ownership and changes in ownership with the Securities and Exchange Commission (the "Commission"). Officers, Directors and ten percent stockholders are required by regulation to furnish Univec with copies of all Section 16(a) forms they file. Based solely on a review of Copies of such reports received by Univec and written representations from such persons concerning the necessity to file such reports, Univec is not aware of any failures to file reports or report transactions in a timely manner during the fiscal year ended December 31, 2003.

Item 10. Executive Compensation.

The following table sets forth the compensation awarded to, earned by or

paid to Univec's Chief Executive Officer and each other executive officers of the Company whose salary and bonus for the two years ended December 31, 2003 exceeded $100,000.

		Annual Compensation		Long-Term Compensation
Name and Principal Position	Year	Salary	Other Annual Compensation	Securities Underlying Options
Dr. David Dalton 2,000,000(1) Chief Executive Officer and President	2002	$ 150,000(1)	-	
	2003	$ 360,000(2)	-	1,000,000(2)
Jonathan Bricken Vice President	2002	$ 121,156	-	None
	2003	$ 129,969	-	None

(1) Dr. David Dalton became Univec's Chief Executive Officer and President on January 1, 2002. During 2002, he earned a salary of $150,000, plus life, health and disability insurance, as well as an automobile lease and insurance allowance equal to $12,000 per year. Dr. Dalton forgave compensation of $50,000 and all of his benefits during 2002. His employment agreement granted an option to purchase 2,000,000 shares of common stock.

(2) During 2003, Dr. David Dalton earned a salary of $360,000, plus life, health and disability insurance, as well as an automobile lease and insurance allowance equal to $24,000 per year. He was granted an option to purchase 1,000,000 shares of common stock on April 21, 2003.

Employment Agreements

Dr. David Dalton provides the amount of time necessary to perform his corporate duties. Dr Dalton's salary was $360,000 for 2003, plus a bonus determined by the agreement of Dr. Dalton and the Compensation Committee. On each January 1, the base salary will be increased by an amount agreed upon by Dr. Dalton and the Compensation Committee. The agreement also provides Dr. Dalton with an option to purchase 2,000,000 shares of Common Stock at an exercise price of $.24 per share, vesting 500,000 shares on the first anniversary of the agreement, and an additional 41,667 shares vesting each month following the initial vesting date. The unexpired term of the agreement will be extended automatically by one year on each January 1 following the date of the agreement, such that the unexpired term of the agreement will at all times not be less than two years following each extension. The agreement provides for payment by Univec of annual premiums on a term life insurance policy with a face amount of $2 million. The agreement also provides for health and disability benefits, as well as an automobile lease and insurance allowance equal to $24,000 per year. Under the terms of the agreement, Dr. Dalton is entitled to a severance payment equal to his highest annual base salary during the term for the remainder of the term if the agreement is terminated by Dr. Dalton for good

reason, or in the event of a change in control of Univec.

Stock Options

The following table contains information concerning the grant of stock options to Dr. David Dalton (the "Named Executive Officer") during the fiscal year ended December 31, 2003.

Name	Number of Shares Underlying Options Granted	Percent of Total Options Granted to Employees in Fiscal Year	Exercise Price Per Share	Expirat Date
Dr. David Dalton	1,000,000	48%	$0.04	Apri

AGGREGATED OPTION/SAR EXERCISES IN LAST FISCAL YEAR
AND FISCAL YEAR END OPTION/SAR VALUES

The following table summarizes for Dr. Dalton the total number of shares acquired upon exercise of options during the year ended December 31, 2003, and the value realized (fair market value at the time of exercise less exercise price), the total number of unexercised options, if any, held at December 31, 2003, and the aggregate dollar value of in-the-money, unexercised options, held at December 31, 2003. The value of the unexercised, in-the-money options at December 31, 2003, is the difference between their exercise or base price, and the fair market value of the underlying Common Stock on December 31, 2003. The closing bid price of the Common Stock on December 31, 2003 was $0.12.

	Shares Acquired Upon Exercise of Options During Fiscal 2003		Number of Securities Underlying Unexercised Options at December 31, 2003		Value of Unexe In-The-Mon Options a December 31,	
Name	Number	Value Realized	Exercisable	Unexercisable	Exercisable	Un
Dr. David Dalton	None	None	2,000,000	1,000,000	None	$

Certain Transactions

In June, 2002, Joel Schoenfeld, the former Chief Executive Officer of the Company and former Chairman of the Board of Directors, forgave deferred compensation of $379,150.

In June, 2002, Dr. David Dalton, President and Chief Executive Officer and Director forgave deferred compensation of $50,000.

On October 7, 2002 the Board of Directors authorized the issuance of 500,000 shares of common stock of the Company to S. Robert Grass, Chairman of the Board of Directors in discharge of a note payable of $10,000.

At December 31, 2003, the following Deferred Payroll was payable to executive officers and other employees:

David Dalton, Chief Executive Officer and President	$480,000
Jonathan Bricken, Vice President	177,573
Raphael Langford, Chief Operating Officar	54,441
Michael Lesisko, Secretary - Treasurer	46,462
	758,476
Other employees	164,423
	$922,899

On October 7, 2002, the Board of the Company of Directors authorized the issuance of 5000,000 shares of common stock to S. Robert Grass, Chairman of the Board of Directors in discharge of a note payable of $10,000.

On August 5, 2003, the Board of the Company of Directors authorized the issuance of 250,000 shares of common stock to Richard Mintz, a Director of the Company, at $0.02 per share in discharge of a note payable of $5,000. A loan balance of $10,000 remains utstanding.

At December 31, 2003, notes payable to companies owned by David Dalton, President, amounted to $235,734. These loans are the result of providing working capital
to the Company.

At December 31, 2003, notes payable to David Dalton, President amounted to $98,000 and notes payable to S. Robert Grass, Chairman of the Board of Directors amounted to $101,300. These amounts were advanced to the Company at terms and rates similar to commercial bank provisions. The funds were provided to the Company for working capital operating needs.

On February 5, 2004, the Series E preferred stockholder exchanged 50 preferred shares plus $1,170 accrued dividends for 799,371 shares of Common Stock at $0.064 per share

On February 15, 2004, two executive officers exchanged a combined $50,000 of accrued Payroll for 500,000 common shares at $0.10 per share. These exchanges were authorized by the Company's Board of Directors on August 5, 2003.

On April 16, 2004, the Company's Chief Executive Officer exchanged $108,104 of employment Contract benefits for 1,403,948 common shares at $0.077 per share. This exchange was authorized by the Company's Board of Directors on August 5, 2003.

Change in Control

As a result of the acquisition by the Company of Physician and Pharmaceutical Services, Inc. ("PPSI") on December 31, 2001, Dr. David Dalton became President, Chief Executive Officer and a Director of the Company and received 2,567,000 shares of common stock and an option to purchase an additional 3,955,000 shares at a purchase price of $0.01 per share, which option he exercised on January 8, 2002. Following the exercise of the option, Dr. Dalton owned 6,522,000 shares, over 43% of the outstanding common stock, and became the Company's largest stockholder.

On October 7, 2002, Dr. David Dalton acquired an additional 10,672,500 shares of common stock in exchange for $213,450 of indebtedness

relating to advances made by Dr. Dalton during the first five months of 2002 to fund the Company's working capital needs. As a result of these transactions, Dr. Dalton beneficially owns a total of 17,694,500 shares, representing over 51% of the outstanding common stock.

Under a voting agreement entered into with certain stockholders of the Company (the "Univec Stockholders"), including the then officers and directors of the Company, in connection with the acquisition of PPSI, the Univec Stockholders agreed to vote their shares in favor of the election to the Board of Dr. Dalton and a designee of Dr. Dalton, and in the event the Company receives a cumulative investment of at least $1,500,000 through Dr. Dalton's relationships and contacts, as such consideration is determined in the good faith discretion of the Board, Dr. Dalton shall have the right to designate two additional members of the Board, one of which would replace an existing Director. Dr. Dalton has not exercised this right to designate Directors for this proxy. Dr. Dalton and the Univec Stockholders also agreed to vote their shares on all other matters in accordance with the recommendation of a majority of the Board. The voting agreement terminates on December 31, 2011, or earlier upon the termination of Dr. Dalton's employment by the Company without due cause or by Dr. Dalton for good reason.

Item 11. Security Ownership of Certain Beneficial Owners and Management

The following table sets forth certain information concerning the beneficial ownership of the Common Stock as of April 30, 2004 by (i) each stockholder known by the Company to be a beneficial owner of more than five percent of the outstanding Common Stock, (ii) each director of the Company and each Named Executive Officer and (iii) all directors and officers as a group.

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Name	Amount and Nature of Beneficial Ownership(1)	Percentage of Co Stock Beneficia Owned (2)
David Dalton (4).....	20,848,450 (5)	50.70% (
Joel Schoenfeld(4)	4,639,869 (7)	11.94% (
Jon Bricken (4).....	2,585,460 (13)	6.24% (1
Alan H. Gold, M.D.(4)	1,292,889 (7)(9)	3.30% (1
John Frank(4)	905,139 (11)	2.31% (1
S. Robert Grass(4).....	851,951 (18)	2.08% (1
Richard Mintz(4).....	318,000	.82% (1
Raphael Langford(4).....	894,446 (16)	2.27% (1
Michael Lesisko(4).....	889,251 (20)	2.26% (2
All directors and executive officers as a group (11 persons)	33,189,455(3)(22)	73.10% (2

* Less than 1%

(1) Unless otherwise indicated, each person has sole investment and voting power with respect to the shares indicated, subject to community property laws, where applicable. For purposes of computing the percentage of outstanding shares held by each person or group of persons named above as of April 30, 2004, any security which such person or group of persons has the right to acquire within 60 days after such date is deemed to be outstanding for the purpose of computing the percentage ownership for such person or persons, but is not deemed to be outstanding for the purpose of

computing the percentage ownership of any other person.

(2) Except as otherwise stated, calculated on the basis of 38,871,795 shares of Common Stock issued and outstanding on April 30, 2004.

(3) For purposes of this calculation, shares of Common Stock beneficially owned by more than one person have only been included once.

(4) Address is c/o the Company, 4810 Seton Drive , Baltimore, Maryland 21215.

(5) Includes 2,250,002 shares issuable upon exercise of presently exercisable options.

(6) Calculated on the basis of 41,121,797 shares of Common Stock issued and outstanding.

(7) All of the shares owned by Dr. Gold have been pledged to secure certain indebtedness to Joel Schoenfeld. Dr. Gold retains voting and dispositive power with respect to the pledged shares until the occurrence of a default in the payment of the indebtedness secured by the pledged shares. Accordingly, the pledged shares have been included in the number of shares beneficially owned by Dr. Gold and excluded from the number of shares beneficially owned by Mr. Schoenfeld.

(8) Calculated on the basis of 38,871,795 of Common Stock issued and outstanding.

(9) Includes 330,000 shares issuable upon exercise of presently exercisable options.

(10) Calculated on the basis of 39,201,795 shares of Common Stock issued and outstanding.

(11) Includes 300,000 shares issuable upon exercise of presently exercisable options.

(12) Calculated on the basis of 39,171,795 shares of Common Stock issued and outstanding.

(13) Includes 2,585,460 shares issuable upon exercise of presently exercisable options.

(14) Calculated on the basis of 41,457,255 shares of Common Stock issued and outstanding.

(15) Calculated on the basis of 38,871,795 shares of Common Stock issued and outstanding.

(16) Includes 477,779 shares issuable upon exercise of presently exercisable options.

(17) Calculated on the basis of 39,349,574 shares of Common Stock issued and outstanding.

(18) Includes 312,501 shares issuable upon conversion of Series D Preferred Stock.

(19) Calculated on the basis of 39,184,296 shares of Common Stock issued and

outstanding.

(20) Includes 444,446 shares issuable upon exercise of presently exercisable options.

(21) Calculated on the basis of 39,316,241 shares of Common Stock issued and outstanding.

(22) Includes 6,700,188 shares issuable upon exercise of presently exercisable options. See footnotes (8)(9) and (13).

(23) Calculated on the basis of 45,571,983 shares of Common Stock issued and outstanding.

Item 12. Certain Relationships and Related Transactions

During 2003, Univec received a line of credit from Dr. David Dalton, President and Chief Executive Officer, and S. Robert Grass, Chairman of the Board of 2%, per annum. This line of credit was issued under the same terms as an underlying line of credit which Dr, Dalton and Mr. Grass received from a commercial bank. As of December 31, 2003, the outstanding balance of this loan was $196,000.

During February 2004, Univec borrowed $50,000 from Mr. S. Robert Grass, Chairman of the Board of Directors, repayable on demand at prime plus 2%, per annum.

During the years ended December 31, 2003 and 2002, Univec has borrowed an aggregate of $233,839 from Pharmacy Services, Inc., Health Resources, Inc. and other companies all owned by Dr. David Dalton, President and Chief Executive Officer. These loans are repayable on demand at 6%, per annum. At December 31, 2003 and 2002, the aggregate balance outstanding was $233,839 and $35,645, respectively.

During 2003, Pharmacy Services, Inc., a company owned by Dr. David Dalton, President and Chief Executive Officer, purchased $14,743,440 from PPSI's GPO.

PPSI shares office space and other administrative expenses with affiliated companies owned by Dr. David Dalton, the Chief Executive Officer of Univec. These expenses have not been allocated between the companies, but PPSI's portion would be insignificant.

Item l3. Exhibits and Reports on Form 8-K.

(a) Exhibits

Exhibit	Description
2.1(1)	Stock Purchase Agreement and Plan of Reorganization made and entered into as of December 31, 2001, by and among Physician and Pharmaceutical Services, Inc. ("PPSI"), the stockholder of PPSI and the Registrant.
2.2(2)	Stock Purchase Agreement made and entered into as of February 28, 2002, by and among Thermal Waste Technologies, Inc. ("TWT"), the stockholders of TWT and the Registrant.
3.1(4)	Restated Certificate of Incorporation of the Registrant, as amended.
3.2(3)	By-laws of the Registrant, as amended. 4.1(3) Agreement and Plan of Merger dated as of October 7, 1996 between the Registrant and UNIVEC, Inc., a New York corporation.

4.3(3) Form of warrant between the Registrant and the underwriters of the Registrant's initial public offering.
4.4(3) Specimen Common Stock Certificate.
4.5(3) Specimen Warrant Certificate (included as Exhibit A to Exhibit 4.3 herein).
4.6(3) Registration Rights Agreement among Registrant and the holders of bridge warrants.
4.7(5) Certificate of Designation of Series B Preferred Stock. 4.8(6) Certificate of Amendment of Certificate of Designation of Series B Preferred Stock.
4.9(5) Form of Warrant Agreement dated July 27, 1998, between Company and selling securityholder.
4.10(6) Form of Amended and Restated Warrant Agreement, amending and restating the Warrant Agreement dated July 27, 1998, between the Company and the selling securityholder.
4.11(5) Registration Rights Agreement dated July 27, 1998, between the Company' and selling securityholder.
4.12(6) Registration Rights Agreement, dated February 8, 1999, between the Company and the selling securityholder.
4.13(6) Certificate of Designation of Series C Preferred Stock. 4.14(6) Form of Warrant Agreement dated February 8, 1999. between the Company and selling securityholder.
10.1(3) Amended 1996 Stock Option Plan of the Registrant.
10.2(7) 1998 Stock Option Plan of the Registrant.
10.3(8) 2000 Stock Option Plan of the Registrant.

10.4(7) Employment Agreement dated as of September 4, 1998 between the Registrant and Joel Schoenfeld.
10.5(9) Patent License Agreement dated August 16, 2000 by and between the Company and Terumo Europe, NV.
10.6(9) Manufacturing Agreement dated August 16, 2000, by and between the Company and Terumo, N.V.
10.7(9) Equipment Purchase Agreement dated August 16, 2000, by and between the Company and Terumo Europe, N.V.
10.10(9) Employment Agreement dated as of January 1, 2002, between the Registrant and David L. Dalton.
10.11(10) Employment Agreement dated as of December 31, 2001, between the Registrant and Joel Schoenfeld.
21.1(3) List of Subsidiaries.
23.1(10) Consent of Most Horowitz & Company, LLP as Independent Accountants.
99.1(10) Statement 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.
99.2(10) Statement 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.

(1) Incorporated by reference to the Registrant's Form 8K filed January 4, 2002.

(2) Incorporated by reference to the Registrant's Form 8K filed March 11, 2002.

(3) Incorporated by reference from the Registrant's Registration Statement on Form SB-2 (File No. 333-20187) declared effective on April 24, 1997.

(4) Incorporated by reference from the Registrant's Periodic Quarterly

Report on Form 10-QSB for the fiscal quarter ended September 30, 2000.

(5) Incorporated by reference from the Registrant's Registration Statement on Form S-3 (File No. 333-62261) declared effective December 11, 1999.

(6) Incorporated by reference from Amendment No. 2 to the Registrant's Registration Statement Form 10-S-3 (File 333-74199).

(7) Incorporated by reference to the Registrant's Annual Report on Form 10-KSB for the year ended December 31, 1998 (File No. 0-22413).

(8) Incorporated by reference from the Registrant's Post-Effective Amendment No 1 on Form S-2 to Form S-3 (File No. 333-74199) declared effective on January 26, 2001.

(9) Incorporated by reference to the Registrant's Annual Report on Form 10-KSB for the year ended December 31, 2000 (File No. 0-22413).

(10) Filed herewith.

(b) Reports on Form 8-K filed during the fourth quarter 2003.

No Forms 8-K were filed during the fourth quarter 2003.

Item 14. Principal Accountant Fees and Services.

The following table presents the cost of Univec's principal accountants' fees and services for the years ended December 31, 2003 and 2002, respectively:

	2003	2002
Audit fees	$98,794	$ 99,559
Audit related fees	-	-
Tax fees	14,199	14,179
All other fees	-	-
Total	$112,993	$113,738

Univec's Audit Committee pre-approves the engagement of the principal accountant and the estimated audit fee, by each catagory.

SIGNATURES

In accordance with Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: May 12, 2004

UNIVEC, INC.

By: s/ Dr. David Dalton

Dr. David Dalton
Chief Executive Officer
(Principal Executive Officer)

In accordance with the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant on May 12, 2004 in the capacities indicated.

Signatures	Title
/s/ Dr. David Dalton Dr. David Dalton	Chief Executive Officer and a Director (Principal Executive Officer)
/s/ Michael Lesisko Michael Lesisko	Chief Financial Officer, Treasurer, Secretary
/s/ S. Robert Grass S. Robert Grass	Chairman and a Director
/s/ John Frank John Frank	Director
/s/ Richard Mintz Richard Mintz	Director
/s/ Dr. Alan Gold Dr. Alan Gold	Director
/s/ Joel Schoenfeld Joel Schoenfeld	Director
/s/ William Wooldridge William Wooldridge	Director

Index to Consolidated Financial Statements

Report of Independent Accountants

To the Board of Directors and Stockholders of Univec, Inc.:

We have audited the accompanying consolidated balance sheet of Univec, Inc. and Subsidiaries as of December 31, 2003 and the related consolidated statements of operations, stockholders' equity and cash flows for the two years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Univec, Inc. and Subsidiaries as of December 31, 2003 and the consolidated results of their operations and their consolidated cash flows for the two years then ended in conformity with accounting principles generally accepted in the United States.

New York, New York
April 23, 2004

/s/ Most & Company, LLP
Most & Company, LLP

Univec, Inc. and Subsidiaries
Consolidated Balance Sheet
December 31, 2003

ASSETS	
Cash	$ 11,821
Accounts receivable	1,273,322
Inventories	291,715
Other current assets	147,635
Total current assets	1,724,493
Fixed assets, net	633,536
Goodwill	2,328,662
Other assets	6,000
Total assets	$4,692,691
LIABILITIES AND STOCKHOLDERS' EQUITY	
Accounts payable and accrued expenses	$2,571,527
Due to affiliated companies	235,734
Deferred payroll - officers	922,899
Notes and loans payable - current	177,663
Loans payable - officers/directors	216,493
Total current liabilities	4,124,316
Notes and loans payable	505,739
Total Liabilities	4,630,055
Commitments and contingencies (Notes 2,7 and 10)	
Stockholders' equity	
Preferred stock $.001 par value; 3,743,500 shares authorized; none issued and outstanding	
Series D 5% cumulative convertible preferred stock $.001 par value; authorized: 1,250,000 shares; issued and outstanding: 104,167 shares (aggregate liquidation value: $274,236)	104
Series E 5% cumulative convertible preferred stock $.001 par value; authorized: 2,000 shares; issued and outstanding: 492 shares (aggregate liquidation value: $501,652)	1
Common stock $.001 par value; authorized: 75,000,000 shares;	

issued and outstanding: 35,168,476 shares	35,169
Additional paid-in capital	10,506,007
Accumulated deficit	(10,478,645)
Total stockholders' equity	62,636
Total liabilities and stockholders' equity	$ 4,692,691

See notes to consolidated financial statements.

Univec, Inc. and Subsidiaries
Consolidated Statements of Operations
Years ended December 31, 2003 and 2002

	2003	2002
Revenues	$ 16,133,652	$ 2,887,510
Expenses		
Cost of revenues	15,722,885	2,407,976
Marketing and selling	387,769	511,969
Product development	28,617	45,873
General and administrative	1,478,913	973,826
Interest expense, net	85,941	84,483
Gain on extinguishment of debt	(24,872)	
Settlement of litigation		(202,385)
Forgiveness of deferred payroll		(429,150)
Total expenses	17,679,253	3,392,592
Net loss	(1,545,601)	(505,082)
Dividends attributable to preferred stock	(39,025)	(153,262)
Loss attributable to common stockholders	$(1,584,626)	$ (658,344)
Share information		
Basic loss per common share	$ (.05)	$ (.03)
Basic weighted average number of common shares outstanding	33,751,508	19,420,961

See notes to consolidated financial statements.

Univec, Inc. and Subsidiaries
Consolidated Statement of Stockholders' Equity
Years ended December 31, 2003 and 2002

	Series A Preferred		Series B Preferred		Series C Preferred		Seri
	Shares	Amount	Shares	Amount	Shares	Amount	
Balance, January 1, 2002	2,072	$ 2	198.5	$ 1	250	$ 1	
Common stock issued for							
Notes and accounts payable							
Loans payable - officers/directors							
Conversion of Series A and options	(1,948)	(1)					
Conversion of Series B			(31.5)				
Acquisition of subsidiary							
Exercise of options by officer							
Exercise of options							
Issuance of Series D							
Net loss							
Balance, December 31, 2002	124	1	167	1	250	1	
Exchange of Series B and C for Series E			(122)	(1)	(250)		
(1)							
Common stock issued for							
Cash							
Consulting fees							
Loans payable - officers/directors							
Adjustment to conversion of Series A and options	(124)	(1)					
Conversion of Series B			(45)				
Conversion of Series E							
Exercise of options by officer							
Options issued							
Net loss							
Balance, December 31, 2003	-	$ -	-	$ -	-	$ -	

	Series E Preferred		Common Stock		Additional Paid-in	Accumulated	Stock
	Shares	Amount	Shares	Amount	Capital	Deficit	E
Balance, January 1, 2002			10,524,573	$ 10,525	$ 9,246,152	$(8,338,255)	$
Common stock issued for							
Notes and accounts payable			512,236	511	71,576		
Loans payable - officers/directors			11,172,500	11,173	212,277		
Conversion of Series A and options			4,009,000	4,009	(4,008)		
Conversion of Series B			949,464	950	(950)		
Acquisition of subsidiary			620,000	620	481,620		
Exercise of options by officer			3,955,000	3,955	35,594		
Exercise of options			30,000	30	4,470		
Issuance of Series D					249,896		
250,000							
Net loss						(505,082)	(
Balance, December 31, 2002			31,772,773	31,773	10,296,627	(8,843,337)	1,
Exchange of Series B and C for Series E							
	522	1			89,708	(89,707)	
Common stock issued for							
Cash			500,000	500	19,500		
Consulting fees			100,000	100	9,900		
Loans payable - officers/directors			444,805	444	49,556		
50,000							
Adjustment to conversion of Series A and options				1			
Conversion of Series B			1,843,322	1,843	(1,843)		
Conversion of Series E							
	(30)		340,909	341	(341)		
Exercise of options by officer			166,667	167	6,500		
Options issued					36,400		
Net loss						(1,545,601)	(1,
Balance, December 31, 2003							
	492	$ 1	35,168,476	$ 35,169	$ 10,506,007	$ (10,478,645)	$

See notes to consolidated financial statements.

Univec, Inc. and Subsidiaries
Consolidated Statement of Cash Flows
Years ended December 31, 2003 and 2002

	2003	2002
Cash flows from operating activities		
Net loss	$ (1,545,601)	$ (505,082)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	193,161	230,684
Write-down of inventories	45,000	
Stock based compensation	76,400	
Forgiveness of deferred payroll		(429,150)
Gain on extinguishment of debt	(24,872)	
Write off of accounts payable		(111,339)
Changes in assets and liabilities, net of effects from acquisition		
Accounts receivable	(938,009)	329,555
Inventories	128,413	29,722
Other current assets and other assets	7,727	36,108
Accounts payable and accrued expenses	1,204,702	
(173,194)		
Deferred payroll - officers	536,933	296,095
Escrow deposits	(10,000)	
Net cash used in operating activities	(326,146)	(296,601)
Cash flows from investing activities		
Investment in TWT (net of cash acquired of $31 and notes payable of $37,888 and $60,000)		(80,226)
Purchase of fixed assets	(1)	
		(23,750)
Net cash used in investing activities	(1)	(103,976)
Cash flows from financing activities		
Proceeds from sale of securities	20,000	250,000
Proceeds from loans payable - officers/directors	228,160	247,450
Proceeds from loans payable	178,452	246,450
Proceeds from exercise of options		39,549
Increase in due from affiliated companies	200,089	20,358
Proceeds from notes and loans payable	(226,954)	(214,486)
Payments of capitalized lease obligations	(149,039)	(99,687)
Payments of loans payable - officers/directors		(24,000)
Net cash provided by financing activities	250,708	465,634
Net (decrease) increase in cash	(75,439)	65,057

Cash, beginning of period	87,260	22,203
Cash, end of period	$ 11,821	$ 87,260
Supplemental disclosure of cash flow information		
Cash paid for interest	$ 97,338	$ 77,877
Supplemental disclosures of noncash activity		
Common stock issued for acquisition		$ 482,241
Common stock issued in payment of loans payable - officers/directors	$ 20,000	$ 223,450
Common stock and options issued in payment of debts		$ 72,087
Options issued in payment of loan payable		$ 4,500
Exchange of Series B and C to Series E, including dividends (Note 8)	$ 89,807	

Conversion of Series A and options to common (Note 8) Conversions of Series B, C, and E to common (Note 8)

See notes to the consolidated financial statements.

Univec, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

1. Nature of Operations

Univec, Inc. (Company) produces, licenses and markets medical products, primarily syringes, on a global basis. Physician and Pharmaceutical Services, Inc. (PPSI), a subsidiary, provides pharmaceutical sample and group purchasing services of pharmaceutical products. Thermal Waste Technologies, Inc. (TWT), a subsidiary, markets a medical waste disposal unit.

2. Significant Accounting Policies

Basis of Presentation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Physician and Pharmaceutical Services, Inc. (PPSI), Thermal Waste Technologies, Inc. (TWT) and Rx Ultra, Inc. (inactive). All material intercompany balances and transactions have been eliminated.

Accounts Receivable

Accounts receivable consisted of receivables from customers. The Company records a provision for doubtful receivables, if necessary, to allow for any amounts which may be unrecoverable and is based upon an analysis of the Company's prior collection experience, customer creditworthiness, and current economic trends. As of December 31, 2003, no allowance was necessary.

Inventories

Inventories are valued at the lower of cost, determined by the first-in, first-out method, or market.

Fixed Assets

Fixed assets are stated at cost, less accumulated depreciation, and are depreciated on a straight-line basis over the estimated useful lives of the asset. Maintenance and repairs are charged to expense as incurred; renewals and improvements which extend the life of assets are capitalized. Upon retirement or disposal, the asset cost and related accumulated depreciation and amortization are eliminated from the respective accounts and the resulting gain or loss, if any, is included in the results of operations.

The carrying value of fixed assets is evaluated whenever changes in circumstances indicate the carrying amount of such assets may not be recoverable. If necessary, the Company recognizes an impairment loss for the difference between the carrying amount of the assets and their estimated fair value. Fair value is based on current and anticipated future undiscounted cash flows.

Goodwill

Goodwill represents the excess purchase prices paid by the Company over the fair value of the tangible and other intangible assets and liabilities at the dates of acquisitions. Goodwill is not being amortized, but instead will be subject to an annual assessment of impairment by applying a fair-value based test. The Company evaluates the carrying value of goodwill as of December 31 of each fiscal year. As part of the evaluation, the Company compares the carrying value of each goodwill with its fair value to determine whether there has been impairment. If projected future cash flows indicate that goodwill will not be recovered, an adjustment is made to reduce the goodwill to an amount consistent with projected future cash flows discounted at the Company's incremental borrowing rate. Cash flow projections, although subject to a degree of uncertainty, are based on trends of historical performance and management's estimate of future performance, considering existing and anticipated competitive and economic conditions. As of December 31, 2003, the Company does not believe any impairment of goodwill has occurred.

Shipping Income and Expense

Shipping income is included in product sales. Shipping expenses are included in marketing and selling.

Product Development

Research and development costs have been expensed as incurred.

Income Taxes

Deferred income taxes have been provided for temporary differences between consolidated financial statements and income tax reporting on the liability method.

Basic Loss per Share

Basic net loss per common share was computed based on the weighted average number of common shares outstanding during the year. Dilutive net loss per share has not been presented as they are antidilutive.

Revenue Recognition

Product sales are recognized when products are shipped. Although the Company and TWT warrant their products, they are unable to estimate the future costs relating to warranty expense and, as such, recognize warranty expenses as incurred. Revenues for PPSI's group purchasing service are recognized when the products are shipped.

Stock Based Compensation

Compensation cost for stock, stock options, warrants, etc., issued to employees and non-employees is based on the fair value method.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fair Values

The carrying amounts of cash, accounts receivable, accounts payable and accrued expenses, notes and loans payable and deferred payroll approximate their fair values.

New Accounting Pronouncements

Management does not believe that any recently issued, but not yet effective accounting pronouncements, if adopted, would have a material effect on the accompanying financial statements.

3. Inventories

Inventories consisted of the following:

Raw materials	$ 103,009
Work-in-process	106,474
Finished goods	82,232
	$ 291,715

4. Fixed Assets

Fixed assets consisted of the following:

	Estimated useful lives in years	
Equipment	7	$1,567,407
Office equipment and furniture	7	56,660
Furniture and fixtures	5	14,101
		1,638,168
Less accumulated depreciation		1,004,632
		$ 633,536

During the year ended December 31, 2003, the Company made the final payment of their previously capitalized lease of equipment and then purchased the equipment for $1.

Depreciation expense was $193,161 and $230,684 in 2003 and 2002, respectively.

As of December 31, 2003, the Company has evaluated the carrying value of the equipment of $630,229 and, based on management's review of the circumstances, has determined that no impairment has incurred.

5. Notes and Loans Payable

As of December 31, 2003, notes and loans payable consisted of:

Loan payable to a vendor without specific payment terms or interest (1)	$ 211,852
Loan payable to a vendor without specific payment terms or interest	151,164
Notes payable on August 14, 2005, with interest at 8%, per annum	85,000
Loan payable to a former officer on demand, with interest at 6%, per annum	12,248
Notes payable to a shareholder's trusts on April 2004, with interest at 12%, per annum	27,000
Note payable to a vendor	104,395
Notes payable on June 2004, with interest at 10%, per annum	60,000
Notes payable to finance insurance March to May 2004, with interest at 7.16% to 8.74% per annum	31,743
	683,402
Less: Current portion of notes and loans payable	177,663
	$505,739

(1) Subject to forgiveness upon the vendor's sale of shares of the Company's common stock.

6. Income Taxes

The Company files consolidated income tax returns with its subsidiaries. Prior to their acquisitions, PPSI and TWT were S Corporations.

For the years ended December 31, 2003 and 2002, the Company's deferred tax benefits (expenses) were as follows:

	2003	2002
Net operating loss carryforwards	$200,000	$ 200,000
Depreciation	140,000	92,000
Goodwill	(59,000)	(41,000)
Compensation	200,000	50,000
Valuation allowance	(481,000)	(301,000)
	None	None

As of December 31, 2003, the tax effects of the components of deferred tax assets and liabilities were as follows:

Deferred tax assets	
Net operating loss carryforwards	$4,085,000
Compensation	350,000
Total deferred tax asset	4,435,000
Deferred tax liabilities	
Goodwill	(100,000)
Depreciation	(53,000)
Net deferred tax asset	4,282,000
Valuation allowance	(4,282,000)
	None

As of December 31, 2003, realization of the Company's net deferred tax asset of approximately $4,282,000 was not considered more likely than not and, accordingly, a valuation allowance of $4,282,000 was provided.

The following is a reconciliation of expected income tax benefit utilizing the Federal statutory tax rate to income tax benefit reported on the statement of operations.

Expected income tax benefit	$ (280,000)	$(
Change in valuation allowance arising in current year	481,000	
State income tax benefit, net of federal income tax effect	(75,000)	
Other	(126,000)	
(76,000)		
	None	

As of December 31, 2003, the Company had net operating loss carryforwards of approximately $11,4000,000 available to reduce future taxable income expiring through 2023, which may be limited due to ownership changes.

7. Commitments and Contingencies

Lease

The Company is committed under a noncancelable lease for production, storage and office space through June 2005. The lease provides for minimum annual rent of $72,000, additional rents for the Company's share of normal maintenance plus its pro-rata share of real estate taxes and nine one year renewals at the Company's option.

Total rent expense for 2003 and 2002 was $77,439 and $75,854, respectively.

Employment Agreements

On January 1, 2002, the Company entered into an employment agreement with the chief executive officer, through January 2005, requiring annual compensation to be determined annually by the officer and Company. Annually, the agreement shall automatically renew for one year, resulting in a new three year term each January 1. For the year ended December 31, 2003, the compensation was $360,000. The agreement also provides for bonuses, as determined by the officer and Company, an automobile allowance (of $24,000, per annum, for 2004) and life, disability and health insurance. For the years ended December 31, 2003 and 2002, the officer has deferred his salary. In addition, the officer was granted options to purchase 2,000,000 shares of common stock exercisable at $.24, per share, through 2012. The options vest 25% on January 1, 2003 and 41,667 during each subsequent month.

On February 28, 2002, the Company entered into an employment agreement with another officer through February 2005, requiring annual compensation of $125,000, with annual increases of no less than 10%, per annum. The agreement also provides for an automobile allowance of $12,000, per annum, and life, disability and health insurance. In addition, the officer was granted options to purchase 1,400,000 shares of common stock exercisable at $.27, per share, through 2012. The options vest 25% on February 28, 2003 and 29,167 during each

subsequent month.

Financial Consulting Agreement

In December 2003, the Company entered into an agreement for financial advice and support, in exchange for 100,000 common shares of the Company, $7,500 in cash and $5,000, per month, through the expiration of the agreement in December 2004. The shares were valued at $10,000. The agreement also provides for additional contingent compensation of up to 350,000 shares of common stock of the Company and cash of $20,000 upon achieving certain financial related objectives and 8% and 3% of equity or debt financings, respectively.

8. Stockholders' Equity

Common Stock

In October 2002, the Company issued 11,172,500 shares of common stock to two officers/directors of the Company in exchange for $223,450 of notes payable.

During the year ended December 31, 2003, the Company issued an aggregate of 444,805 shares of common stock to a stockholder and an officer in payment of notes and loans and deferred payroll of $20,000 and compensation of $30,000.

In August 2003, the Company sold 500,000 shares of common stock for $20,000.

In December 2003, an officer exercised options to purchase 166,667 shares of common stock for $6,667.

Preferred Stock

During the years ended December 31, 2002 and 2003, a director of the Company exchanged 1,948 and 124 shares, respectively, of Series A preferred stock, cumulative dividends thereon and the cancellation of options to purchase 5,858,858 shares of common stock for 4,009,000 shares of common stock.

During the year ended December 31, 2002, 31.5 shares of Series B were converted into 949,464 shares of common stock at prices of $.0525 to $.15, per share. During the year ended December 31, 2003, 45 shares of Series B were converted into 1,843,322 shares of common stock at prices of $.0163 to $.0325, per share.

In February 2002, the Company designated 1,250,000 shares of Series D 5% Cumulative Convertible Preferred Shares (Series D), which are entitled to receive, prior to the payment of dividends to the common stock, cumulative dividends of 5%, per share, per annum. The Series D stock may be redeemed at the option of the Company, at $2.40, per share. In addition, Series D stockholders are entitled to a liquidation preference of the redemption price of $2.40, per share, plus accrued and unpaid dividends. Each share of Series D is initially convertible into 3 shares of common stock.

In March 2002, the Company issued 104,167 shares of Series D Preferred in exchange for $250,000.

In August 2003, the Company designated 2000 shares of Series E 5% Cumulative Convertible Preferred Shares (Series E), which are entitled to receive, prior to the payment of dividends to the Series D and common stock, cumulative dividends of 5%, per share, per annum. The Series E stock may be redeemed at the option of the Company, in cash, at 135% of the stated value, per share, plus all unpaid and accrued dividends. In addition, Series E stockholders are entitled to a liquidation preference of $1,000, per share, plus all unpaid and accrued dividends. Each share of Series E is convertible into shares of common stock at the lesser of $1.10 or 80% of market value, as defined. In August 2006, the Company is required to convert all the Series E into common stock at the conversion price, unless the holder becomes a 5% or greater stockholder. The Company may redeem the Series E in cash at $1,350, per share, plus all accrued and unpaid dividends, as defined.

On August 5, 2003, the Company exchanged 122 shares of Series B and 250 shares of Series C, all the outstanding shares, for 522 shares of Series E.

In October 2003, 30 shares of Series E were converted into 340,909 shares of common stock at $.09, per share.

Holders of preferred shares have no voting rights.

As of December 31, 2003, cumulative dividends in arrears on preferred stock were:

Series D	$ 24,236
Series E	9,652
	$ 33,888

Warrants

The Company's redeemable warrants and underwriters warrants expired in April 2002 and April 2003, respectively, without being exercised.

Non Plan Options

Through June 30 2002, the Company granted options to purchase 790,625 shares of common stock exercisable at $.24, per share, through January 2012 to a financial consultant.

During the year ended December 31, 2002, a vendor exercised options to purchase an aggregate of 30,000 shares of common stock at $.15, per share, as payment of a loan payable to the vendor.

During the year ended December 31, 2003, the Company issued options to purchase an aggregate of 6,200,000 shares of common stock of the Company to officers, directors and others. The options are exercisable at $.04 to $.25, per share, through various dates until November 2008 and were valued at $36,000. Certain of these options to officers vest over three years.

During 2003, options to purchase 1,763,941 shares of common stock expired

without being exercised.

Reserved Shares

As of December 31, 2003, the Company has reserved shares of common stock as follows:

Non-plan options and warrants	11,238,728
Options under the Plans	1,335,000
Series D conversions	312,501
Series E conversions(a)	4,180,433
Litigation reserve	250,000
	17,316,662

(a) assumes conversions as of December 31, 2003 at $.12, per share.

9. Stock Option Plans

The 1996 Stock Option Plan (Plan) is administered by the Board of Directors or a committee thereof and options to purchase 4,709,219 shares of common stock may be granted under the Plan to directors, employees (including officers) and consultants to the Company. The Plan authorizes the issuance of incentive stock options (ISO's), as defined in Section 422A of the Internal Revenue Code of 1986, as amended, and non-qualified stock options (NQSO's). Consultants and directors who are not also employees of the Company are eligible for grants of only NQSOs. The exercise price of each ISO may not be less than 100% of the fair market value of the common stock at the time of grant, except that in the case of a grant to an employee who owns 10% or more of the outstanding stock of the Company or a subsidiary or parent of the Company, the exercise price may not be less than 110% of the fair market value on the date of grant. The aggregate fair market value of the shares covered by ISO's granted under the Plan that become exercisable by a Plan participant for the first time in any calendar year is subject to a $100,000 limitation. The exercise price of each NQSO is determined by the Board, or committee thereof, in its discretion; provided that NQSO's granted a 10% Stockholder be no less than 110% of the fair market value on the date of grant.

Under the 1998 Stock Option Plan (98 Plan), the Company may grant options to purchase 300,000 shares of common stock to employees, directors, independent contractors and consultants of the Company. The 98 Plan is similar to the Plan and authorizes the issuance of ISO's, NQSO's and Stock Appreciation Rights.

Under the 2000 Stock Option Plan (2000 Plan), the Company may grant options to purchase 2,000,000 shares of common stock to employees, directors, independent contractors and consultants of the Company. The Plan includes options to purchase an addition 250,000 shares of common stock, reserved for an Industrial and Scientific Advisory Committee to be formed as necessitated by the Company.

The following table summarizes the activity of the Plans for 2003 and 2002.

	2003		2
	Shares	Weighted Average Exercise Price	Shares
Options outstanding, beginning of year	2,569,000	$1.20	5,414,000
Granted	None		None
Canceled, exercised, expired or exchanged	(1,234,000)	$1.74	(2,845,000)
Options outstanding, end of year	1,335,000	$0.70	2,569,000
Options exercisable, end of year	1,335,000	$0.70	2,504,000
Options available for grant, end of year	1,050,000		1,845,219
Weighted-average fair value of options granted during the year	$.00		$.00

The following table summarizes information about stock options outstanding under the Plan at December 31, 2003:

Range of Exercise Prices	Outstanding Options	Weighted Average Remaining Contractual Life (Years)	Exercisable Options	Weighted Average Exercisable Price
$3.50	65,000	3.50	65,000	$3.50
$2.00	70,000	4.00	70,000	$2.00
$0.675	650,000	1.50	650,000	$0.675
$0.50	100,000	7.25	100,000	$0.50
$0.24	35,000	9.00	35,000	$0.24
$0.20	60,000	2.75	60,000	$0.20
$0.15	355,000	6.34	355,000	$0.15
$0.15 to $3.50	1,335,000	3.70	1,335,000	$0.70

10. Litigation

In December 2003, the Company assigned certain of their patents, earned royalties of $72,125 and 85% of all future royalties being earned from these patents in payment of a note payable and interest thereon for an aggregate of $99,434, in settlement to a collection matter. The Company recognized a $24,872 gain upon extinguishment of the debt. The Company in turn received relief from the restrictive patent payments and a perpetual license to exploit, market and manufacture these patents in North America. As the value of the license received could be determined, no value was assigned to them.

In April 2003 and March 2004, an officer of the Company commenced actions

against the Company for unpaid compensation of $220,000. The Company has asserted defenses and counterclaims against the officer. All amounts claimed were accrued as incurred. If there is a judgment against the Company, it would not be in be excess of amounts accrued.

In March 2004, the Company settled a collection matter with a former consultant in the amount of $165,000, payable in varying amounts through March 2007 and options to purchase 359,375 shares of common stock of the Company, all of which have been accrued as of December 31, 2003.

In February 2000, a former consultant commenced an action against the Company and its directors, Alleging breach of contract and fiduciary duty, and is seeking consulting fees in the amount of: (1) 250,000 shares of common stock, (2) $192,000 and (3) costs of this action. The Company and counsel do not believe the consulting fees are due and will continue to vigorously defend this action.

11. Revenues

Sales of Technology

Through September 1, 2003, the Company licensed the non-exclusive, worldwide use of the Company's patents for the manufacture, use and marketing of its auto-disable syringes providing for royalties on sales.

Foreign Sales

During the years ended December 31, 2003 and 2002, foreign revenues were $484,950 and $2,246,262, respectively.

12. Concentrations

From time to time, the Company maintains cash in financial institutions in excess of insured limits. In assessing its risk, the Company's policy is to maintain funds only with reputable financial institutions.

During 2003 revenues from one customer, a company owned by the president of the Company, was approximately 91% of total product sales. As of December 31, 2003, this customer accounted for 91% of total accounts receivable.

During 2003 and 2002, purchases from one supplier and three suppliers were approximately 93% and 76% of total purchases, respectively. As of December 31, 2003, accounts payable to three vendors were 52% of total accounts payable.

13. Due to Affiliated Companies

Due to affiliated companies, owned by the chief executive officer of the Company, on demand, with interest at 6%, per annum.

14. Loans Payable - Officer/Directors

As of December 31, 2003, loans payable - officer/ directors consisted

of:

Note payable to the chief executive officer and the chairman of the board of the Company, due on demand, with interest at prime, plus 2%, per annum. (1)	$196,000
Note payable to a director	10,000
Others	10,493
	$216,493

(1) The same terms as an underlying borrowing from a bank and collateralized by certain equipment

15. Acquisition of Thermal Waste Technologies, Inc.

On February 28, 2002 the Company acquired all of the outstanding shares of Thermal Waste Technologies, Inc. (TWT). As a result of the acquisition, the Company has an additional product line and increased sales.

The aggregate purchase price was $660,386, consisting of 620,000 shares of common stock, warrants to purchase 1,080,145 shares of common stock of the Company, the assumption of notes payable of $60,000 and expenses of $118,145. The warrants are exercisable at $.01, per share, through February 2012. The notes are payable in June 2004 and interest is payable quarterly at 10%, per annum. Included in expenses were $37,888 to a company owned by two former officers of the Company. The value of the common shares and warrants issued were determined based on the market price of the Company's common shares on the date of the acquisition, less the exercise price of the warrants.

The acquisition was accounted for under the purchase method of accounting as required under the recently issued Statement of Financial Accounting Standards No. 141, Business Combinations. Under purchase accounting, the total purchase price was allocated to the tangible and intangible assets and liabilities of TWT at their respective fair values as of the closing date, based on preliminary valuations. The estimated fair values of the assets acquired and liabilities assumed were as follows:

Cash	$ 31
Accounts receivable	2,424
Inventory	52,068
Other current asset	89,582
Fixed Assets	39,944
Goodwill	554,543
Accounts payable and accrued expenses	(73,841)
Other current liabilities	(4,365)
	$ 660,386

The operations of TWT after February 28, 2002 have been included in the statement of operations.

16. Subsequent Events

Common Stock

In February 2004, 50 shares of Series E and accrued dividends thereon of $1,160 were converted into 799,371 shares of common stock at $.06, per share.

In February 2004, the Company issued 500,000 shares of common stock to two officers of the Company in exchange for $50,000 of compensation.

In April 2004, the Company issued 1,403,948 shares of common stock to an officer/director of the Company in exchange for benefits not taken of $108,104.

Due to Affiliated Companies and Officers

Subsequent to December 31, 2003, the Company borrowed an addition $70,000 from the affiliated companies.

In February 2004, the Company borrowed $50,000 from an officer of the Company, payable on demand, with interest at prime, plus 2%,per annum.

Financing

The Company has obtained a commitment from a city development agency and a state development agency to borrow an aggregate of $500,000, payable in equal monthly installments over five years, with interest at 4%, per annum. The proceeds shall be used to purchase equipment of at least $400,000, which shall be collateral under the loans. The Company shall also provide a $200,000 standby letter of credit as additional collateral.

As required under the loans, the Company has obtained a line of credit from a stockholder of the Company in the amount of $500,000. Loans under the line bear interest at 12%, per annum, and may be converted to a term loan or into common stock at $.11, per share, as defined. Also, all loans from stockholders shall be subordinated.