UNIVEC INC
Form 10QSB/A
January 08, 2007

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

Amendment 1
to
FORM 10-QSB

x **Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the quarterly period ended June 30, 2006

¨ **Transition report under Section 13 or 15(d) of the Securities Exchange Act of 1934 (No Fee Required)**

For the transition period from__________ to__________

Commission File Number: 0-22413

UNIVEC, INC.
(Exact name of registrant as specified in its charter)

Delaware	**11-3163455**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

822 Guilford Avenue, Suite 208, Baltimore, MD 21202
(Address of principal executive offices)

(410) 347-9959
(Issuers telephone number)

Former address: 4810 Seton Drive, Baltimore, MD 21215
(Former name, former address, and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). [ ] Yes [X] No

As of August 31, 2006 Issuer had 57,478,726 shares of Common Stock, $0.001 par value, outstanding.

Transitional Small Business Disclosure Format: Yes¨ No x

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PART I
FINANCIAL INFORMATION

Item 1: Consolidated Financial Information

Univec, Inc. and Subsidiaries
Consolidated Balance Sheet (Unaudited)
June 30, 2006

ASSETS		
Accounts receivable	$	34,384
Inventories		183,062
Investment and other miscellaneous balances receivable		151,200
Total current assets		368,646
Fixed assets, net		520,092
Other assets		49,423
Total assets	$	938,161
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Cash overdraft	$	185
Accounts payable and accrued expenses		1,725,191
Deferred payroll		1,940,658
Notes and loans payable - current		890,438
Loans payable - officers/directors		264,914
Due to affiliated companies		819,718
Total current liabilities		5,641,104
Officers/directors notes and loans payable - long-term		50,000
Notes and loans payable - long-term		318,183
Total liabilities		6,009,287
STOCKHOLDERS' DEFICIT		
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; issued and outstanding: 208,333 shares (aggregate liquidation value: $563,004)		208
Series E cumulative convertible preferred stock, $.001 par value; authorized: 2,000 shares; issued and outstanding: 312 shares (aggregate liquidation value: $358,441)		1
Common stock $.001 par value; authorized: 75,000,000 shares; issued: 59,044,921 and outstanding: 58,640,767 shares		59,045

Additional paid-in capital		11,542,462
Treasury stock, 404,154 shares - at cost		(28,291)
Accumulated deficit		(16,644,551)
Total stockholders' deficit		(5,071,126)
Total liabilities and stockholders' deficit	$	938,161

See notes to the consolidated financial statements.

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UNIVEC, Inc. and Subsidiaries
Consolidated Statement of Operations (Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2006	2005	2006	2005
Revenues	$ 6,480	$ 45,056	$ 13,684	$ 85,067
Cost of revenues	(4,860)	(8,201)	(10,263)	(23,147)
Gross Margin	1,620	36,855	3,421	61,920
Operating Expenses				
Marketing and selling	(95)	(65,988)	(12,392)	(158,078)
Product development	2,916	(648)	2,578	(648)
General and administrative	(34,414)	(389,941)	(171,376)	(728,346)
Total operating expenses	(31,593)	(456,577)	(181,190)	(887,072)
Loss from Operations	(29,973)	(419,722)	(177,769)	(825,152)
Other Income (Expense)				
Interest expense, net	(32,537)	(43,874)	(67,312)	(73,295)
Total other expenses	(32,537)	(43,874)	(67,312)	(73,295)
Net loss	(62,510	(463,596)	(245,081)	(898,447)
Dividends attributable to preferred stock	(8,213)	(8,213)	(16,426)	(18,418)
Loss attributable to common stockholders	(70,723)	(471,809)	($261,507)	($916,865)
Share information				
Basic net loss per common share	($0.00)	($0.01)	($0.01)	($0.02)
Basic weighted average number of common shares outstanding	59,044,921	37,871,795	58,787,733	48,222,239

See notes to the consolidated financial statements.

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Univec, Inc. and Subsidiaries
Consolidated Statement of Cash Flows (Unaudited)
Six months ended June 30, 2006 and 2005

	2006	2005
Cash flows from operating activities		
Net loss	$ (245,081)	$ (898,447)
Adjustments to reconcile net loss to net cash		
used in operating activities		
Depreciation and amortization	8,015	187,397
Stock based compensation		167,199
Receipt of gain on marketable securities		36,349
Changes in assets and liabilities		
Accounts receivable	(9,520)	56,891
Inventories	10,263	
Other current assets and other assets	6,000	46,630
Accounts payable and accrued expenses	156,150	(128,243)
Deferred payroll	62,175	346,592
Net cash (used in) operating activities	(11,998)	(185,632)
Cash flows from investing activities		
Fixed assets acquired	-	(13,500)
Net cash used in investing activities	-	(13,500)
Cash flows from financing activities		
Increase in due from affiliated companies	4,208	175,375
Increase in loans payable - officers/directors	6,614	50,000
Proceeds from sale of stock		85,000
Payments on notes and loans payable	-	(137,717)
Net cash provided by financing activities	10,822	172,658
Net (decrease) in cash	(1,176)	(26,474)
Cash, beginning of period	991	29,444
Cash, end of period	$ (185)	$ 2,970

See notes to the consolidated financial statements.

UNIVEC, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (Un-audited)

1. Nature of Operations

Univec, Inc. (Company) produces, licenses and markets medical products primarily syringes and specialty pharmaceutical drugs. Physician and Pharmaceutical Services, Inc. (PPSI), a subsidiary, provides pharmaceutical samples and group purchasing services of pharmaceutical products. Thermal Waste Technologies, Inc. (TWT), a subsidiary until its sale, marketed a medical waste disposal unit.

2. Summary of Significant Accounting Policies

Financial Statements

The accompanying un-audited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial statements and with the rules and regulations of the Securities and Exchange Commission for Form 10-QSB. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. In the opinion of management, all adjustments (consisting only of normal recurring accruals) considered necessary for a fair presentation of the consolidated financial position, results of operations and cash flows for the interim periods presented have been included. These consolidated financial statements should be read in conjunction with the consolidated financial statements of Univec, Inc., together with the Company's Management's Discussion and Analysis, included in the Company's Form 10-KSB for the year ended December 31, 2005. Interim results are not necessarily indicative of the results for a full year.

Net Loss Per Share

Basic net loss per share was computed based on the weighted-average number of common shares outstanding during the six and three month periods ended June 30, 2006 and 2005. Dilutive net loss per share has not been presented because it was anti-dilutive.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

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. Related Party Transactions

Due to Affiliated Companies

Subsequent to December 31, 2005, the Company borrowed a net total of $ 4,208 from affiliated companies, owned by the chief executive officer of the Company.

4. Common Stock

In February 2006, the Company issued an aggregate of 1,410,639 shares of common stock to an executive officer of the Company in exchange for accrued employment contract benefits of $29,842.

In July 2006, the Company issued an aggregate of 3,264,669 shares of common stock to an executive officer of the Company in exchange for accrued employment contract benefits of $42,441.

On July 19, 2006 the Board of Directors declared of a one for ten common share reverse stock split. The reverse stock split was authorized by the corporate shareholders at the annual stockholders meeting, which was held on October 14, 2005.

5. Subsequent Event

On July 31, 2006 the Company completed the private placement of a $2,000,000 6% Note Warrants Securities Purchase Agreement. The Agreement allows the investor to purchase 10,000,000 common stock warrants for seven years at an exercise price of $0.02 each. The Note and Warrants were issued in reliance upon exemptions from regulation pursuant to section 4(2) of the Securities Act of 1933 and Rule 506 of Regulation D promulgated thereto. Each of the Investors is an accredited investor as defined in Rule 501 of Regulation D under the Securities Act of 1933.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Results of Operations

Condensed Consolidated Results of Operations

	Three months ended June 30,			Six months ended June 30,		
	2006	2005	Change	2006	2005	Change
Revenues	$ 6,480	$ 45,056	(86%)	$ 13,684	$ 85,067	(84%)
Cost of Revenues	(4,860)	(8,201)	(41%)	(10,263)	(23,147	(56%)
Gross Margin	1,620	36,855	(96%)	3,421	61,920	(94%)
Expenses:						
Marketing and Selling	95	65,988	(100%)	12,392	158,078	(92%)
Product Development	(2,916)	648	550%	(2,578)	648	497%)
General and Administrative	34,414	389,941	(91%)	171,376	728,346	(76%)
	31,593	456,577		181,190	887,072	(80%)
Other Income (Expense)						
Interest Expense, Net	(32,537)	(43,874)	(26%)	(67,312)	(73,295	(8%)
Net Loss	$ (62,510)	$ (463,596	87%	$ (245,081	$ (898,447	73%

Results of Operations

For the Three Months Ended June 30, 2006, as Compared to the Three Months Ended June 30, 2005

Revenues

Revenues for the three months ended June 30, 2006 were $6,408, a decrease of $38,576, from $45,056 in revenues for the three months ended June 30, 2005. The decrease of 86% in revenues during 2006 was attributable to a decrease in product sales. Sales within Univec, Inc. comprised total sales for the three month period ended June 30, 2006. PPSI has experienced a complete reduction in sales to its principal group purchasing organization (GPO) customer. This sales depletion will continue to have a detrimental effect on operations for the impending future..

As a result of the decrease in revenues, management has decided to focus Company resources in the distribution sector allowing for direct control of product purchases and distribution, which in our belief will have greater gross margin opportunity, although gross revenue will be maintained at present levels. Management believes that this model will allow a direct relationship with the end purchaser and not be dependent on an intermediary. The Company will endeavor to replace declining revenues by placing increased product sales in the direct marketplace and by expanding its higher gross profit atypical product sales. The Company will focus on marketing, production, development and distribution of its pharmaceutical and proprietary products and licensing of the technology of its insulin and tuberculin sliding sheath safety syringes.

Gross Margin

Gross margin decreased to 25% from 82.0% as compared to the three months ended June 30, 2005.. The reduced gross margin is primarily due to the lower gross profit contribution from our reduced sales volume of our pharmaceutical drugs and syringes. We anticipate gross margin levels to remain at these decreased levels due to the GPO’s principal customer’s commercial activity decline.

Operating Expenses

Operating expenses for the three months ended June 30, 2006 were $31,593 as compared to $456,577 for the three months ended June 30, 2005 or a 93% decrease. Operating expenses for the three months ended June 30, 2006 consisted of $95 in selling and marketing fees, $(2,916) in product development fees and $34,414 in general and administrative expenses.

Several categories of operating expenses were reduced substantially during the three months ended June 30, 2006 as compared to the three months ended June 30, 2005. The most substantial of the expense reductions included the following:

	Quarter ended June 30, 2006	Quarter ended June 30, 2005
Payroll and related expenses	$ 0	$ 185,516
Insurance	18,717	24,322
Professional fees	5,350	61,550
Travel and automobile	6,153	80,738
Equipment depreciation	0	28,047

Net Income (Loss)

The Company had a net loss of $62,510 for the three months ended June 30, 2006 and a loss of $463,596 for the three months ended June 30, 2005 or an 86% decrease. The decreased loss of $401,086 was mostly attributable to the reduction in general and administrative expenses.

For the Six Months Ended June 30, 2006, as Compared to the Six Months Ended June 30, 2005

Revenues

Revenues for the six months ended June 30, 2006 were $13,684, a decrease of $71,383, from $85,067 in revenues for the same period ended June 30, 2005. The decrease of 84% in revenues during 2006 was attributable to a decrease in product sales as discussed above.

Gross Margin

Gross margin decreased to 25% from 73.0% as compared to the six months ended June 30, 2005.. The reduced gross margin is primarily due to the lower gross profit contribution from the reduced sales volume of our pharmaceutical drugs and syringes. We anticipate gross margin levels to remain at these decreased levels due to the GPO's principal customer's commercial activity decline.

Operating Expenses

Operating expenses for the six months ended June 30, 2006 were $181,190 as compared to $887,072 for the six months ended June 30, 2005 or an 80% decrease. Operating expenses for the six months ended June 30, 2006 consisted of $12,392 in selling and marketing fees, $(2,578) in product development fees and $171,376 in general and administrative expenses.

Several categories of operating expenses were reduced substantially during the six months ended June 30, 2006 as compared to the six months ended June 30, 2005. The most substantial of the expense reductions included the following:

	YTD June 30, 2006	YTD June 30, 2005
Payroll and related expenses	$ 65,711	$ 394,440
Insurance	42,199	82,311
Professional fees	21,676	134,778
Travel and automobile	12,153	87,185
Market consulting	0	45,000
Equipment depreciation	0	58,047

Net Income (Loss)

The Company had a net loss of $245,081 for the six months ended June 30, 2006 and a loss of $898,447 for the six months ended June 30, 2005 or a 73% decrease. The decreased loss of $653,366 was mostly attributable to the reduction in general and administrative expenses.

Liquidity and Capital Resources

The working capital deficit of $5,072,075 at December 31, 2005, increased to a deficit of $5,272,458 (4%) at June 30, 2006 primarily because of a net loss incurred, increases in deferred compensation and accounts payable and accrued expenses.

Net cash used in operating activities decreased by $173,634 (94%) to $11,998 for the six month period ended June 30, 2006 from the comparable period in 2005, primarily due to the net loss incurred and by decreases in depreciation and amortization which was offset in part by increases in accounts payable and deferred payroll.

Net cash used in investing activities decreased by $13,500 as a result of not expending cash for the purchases of fixed asset equipment during the six months ended June 30, 2006 as compared with the six months ended June 30, 2005.

Net cash provided by financing activities decreased by $161,836 (94%) to $10,822 for the six months ended June 30, 2006 as compared with the six months ended June 30, 2005. This decrease resulted from an aggregate $76,836 decrease in borrowing activity which was offset by an $85,000 decrease in proceeds from the sale of Company stock during the comparable six month period ended June 30, 2005.

As a result of these actions, Univec's management anticipates that operations will generate a negative cash flow during our fiscal year.

The relatively low trading price and volume of our common shares hampers our ability to raise equity capital. There is no assurance that any such equity financing will be available to the Company or on terms we deem favorable. Management will continue its efforts to obtain debt and/or equity financing.

Significant Estimates

Univec's business plan upon acquiring PPSI was to fully utilize its distribution capabilities to increase sales and profitability. A shortage of cash flow has slowed the effectiveness of the plan. Management has reviewed the carrying amount of goodwill and fixed assets, considering their fair value based on anticipated future undiscounted cash flows and appraisals of the equipment

We have also reviewed the carrying value of both our accounts receivable and inventory. Based on both our anticipated future undiscounted cash flows and recent financings, no impairment is required.

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.

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 3. Controls and Procedures.

Based on their evaluation required by Rule 13a-15(b) or 15d-15(b) under the Securities and Exchange Act of 1934 (the "Exchange Act"), management, including the Chief Executive Officer and Chief Financial Officer, concluded that our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) were effective as of the end of the period covered by this report.

PART II

OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

31.1	Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of the Chief Executive Officer pursuant U.S.C. Section 1350 as adopted pursuant Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of the Chief Financial Officer pursuant U.S.C. Section 1350 as adopted pursuant Section 906 of the Sarbanes-Oxley Act of 2002.

(b) Form 8-K

A Form 8-K was filed on July 31, 2006, reporting the completion of a private placement of a $2,000,000 6% Note and Warrants Securities Purchase Agreement. The agreement allows the investor to purchase 10,000,000 common stock warrants for seven years at an exercise price of $0.02 each. The Note and Warrants were issued in reliance upon exemptions from registration pursuant to Section 4(2) of the Securities Act of 1933 and Rule 506 of Regulation D promulgated thereto. Each of the Investors is an accredited investor as defined in Rule 501 of Regulation D under the Securities Act of 1933.

SIGNATURES

In accordance with the requirements of the Exchange Act, the Registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

UNIVEC, INC.

Dated: January 3, 2007,	/s/ Dr. David Dalton Dr. David Dalton Chief Executive Officer (Principal Executive Officer)
Dated: January 3, 2007	/s/ Michael A. Lesisko Mr. Michael A. Lesisko Chief Financial Officer (Principal Financial and Accounting Officer)