UNIVEC INC
Form 10QSB/A
February 23, 2007

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

FORM 10-QSB
Amendment No. 1

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

For the quarterly period ended September 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 November 10, 2006 Issuer had 63,440,360 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)
September 30, 2006

ASSETS		
Cash	$	70,204
Accounts receivable		35,393
Inventories		104,000
Due from affiliated companies		16,418
Investment and other miscellaneous balances receivable		151,200
Total current assets		377,215
Fixed assets, net		520,092
Other assets		45,416
Total assets	$	942,723
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Accounts payable and accrued expenses	$	1,740,449
Deferred payroll		1,910,724
Notes and loans payable - current		890,437
Loans payable - officers/directors		264,914
Total current liabilities		4,806,524
Officers/directors notes and loans payable - long-term		50,000
Notes and loans payable - long-term		1,663,183
Total liabilities		6,519,707
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: 62,309,590 and outstanding: 61,905,436 shares		62,310
Additional paid-in capital		11,581,638

Treasury stock, 404,154 shares - at cost		(28,291)
Accumulated deficit		(17,192,850)
Total stockholders' deficit		(5,576,984)
Total liabilities and stockholders' deficit	$	942,723

See notes to the consolidated financial statements.

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

	Three months ended September 30, 2006	Three months ended September 30, 2005	Nine months ended September 30, 2006	Nine months ended September 30, 2005
Revenues	$ 2,808	$ (6,683	$ 16,492	$ 78,384
Cost of revenues	0	17,135)	(10,263)	(6,012)
Gross Margin	2,808	10,452	6,229	72,372
Operating Expenses				
Marketing and selling	(6,945)	(74,897)	(19,337)	(232,975)
Product development	0	0	2,578	(648)
General and administrative	(513,017)	(283,161)	(684,393)	(1,011,507)
Total operating expenses	(519,962)	(358,058)	(701,152)	(1,245,130)
Loss from Operations	(517,154)	(347,606)	(694,923)	(1,172,758)
Other Income (Expense)				
Interest expense, net	(31,145)	(72,712)	(98,457)	(146,007)
Total other expenses	(31,145)	(72,712)	(98,457)	(146,007)
Net loss	(548,299)	(420,318)	(793,380)	(1,318,765)
Dividends attributable to preferred stock	(8,213)	(8,213)	(24,639)	(26,631)
Loss attributable to common stockholders	(556,512)	(428,531)	($818,019)	($1,345,396)
Share information				
Basic and diluted net loss per common share	($0.00)	($0.01)	($0.01)	($0.03)
Basic weighted average number of common shares outstanding	61,883,764	56,464,432	59,831,084	50,999,828

See notes to the consolidated financial statements.

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

		2006		2005
Cash flows from operating activities				
Net loss	$	(793,380)	$	(1,318,765)
Adjustments to reconcile net loss to net cash				
` used in operating activities		1		
Depreciation and amortization		12,022		286,312
Stock based compensation				167,198
Receipt of gain on marketable securities				36,349
Changes in assets and liabilities				
Accounts receivable		(10,529)		2,152,963
Inventories		89,325		
Other current assets and other assets		6,000		46,630
Accounts payable and accrued expenses		213,848		(2,097,475)
Deferred payroll		32,241		522,364
Net cash (used in) operating activities		(450,473)		(204,424)
Cash flows from investing activities				
Increase in restricted cash				(8,542)
Fixed assets acquired				(13,500)
Net cash used in investing activities				(22,042)
Cash flows from financing activities				
Increase in due from affiliated companies				243,560
Increase in loans payable - officers/directors		6,614		55,000
Proceeds from loans payable		1,345,000		
Proceeds from sale of stock				85,000
Payments on loans from affiliated companies		(831,928)		
Payments on notes and loans payable		-		(183,237)
` Net cash provided by financing activities		519,686		200,323
Net increase (decrease) in cash		69,213		(26,143)
Cash, beginning of period		991		29,444
Cash, end of period	$	70,204	$	3,301

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 in August 2004, 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 September 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. Debt Repayment

During the nine month period ended September 30, 2006, the Company repaid a net total of $831,928 of outstanding debt.

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 $29,482.

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.

In October 2006, the Company issued an aggregate of 1,134,770 shares of common stock to an executive officer of the Company in exchange for accrued employment contract benefits of $21,220.

5. Financing Agreement

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 September 30,			Nine months ended September 30,		
	2006	**2005**	**Change**	**2006**	**2005**	**Change**
Revenues	$ 2,808	$ (6,683)	142%	$ 16,492	$ 78,384	(79%)
Cost of Revenues	-	(17,135)	(100%)	10,263	6,012	(71%)
Gross Margin	2,808	10,452	(73%)	6,229	72,372	(91%)
Expenses:						
Marketing and Selling	6,945	74,897	(91%)	19,337	232,975	(92%)
Product Development	-	-	-	(2,578)	648	497%)
General and Administrative	513,017	283,161	81%	684,393	1,011,507	(32%)
Loss from operations	(517,154)	(347,606)	(49 %)	(694,923)	(1,172,758)	41 %
Other Income (Expense)						
Interest Expense, Net	(31,145)	(72,712)	(26%)	(98,457)	(146,007)	(33%)
Net Loss	$ (548,299)	$ (420,318)	(30%)	$ (793,380)	$ (1,318,765)	40%

As illustrated in the table above, overall revenues for the three month period ended September 30, 2006 increased by $9,491 (142%) as compared to the comparable period ended September 30, 2005. However, revenues for the nine month period ended September 30, 2006 decreased by $61,892 (79%) as compared to the nine month period ended September 30, 2005.Product sales alone accounted for all of these decreases. Sales within Univec, Inc. comprised all of the total sales for the three and nine month periods ended September 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 Company operations for the impending future period. The Company management has decided to concentrate resources on the distribution sector having direct control of product purchases and distribution that management feels will have greater gross margin opportunity although gross revenue will be maintained at present levels. Management feels 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 the 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.

Physician and Pharmaceutical Services, Inc. (PPSI) is a Group Purchasing Organization (GPO) and formulary management company. Group purchasing allows companies to get better prices by combining purchasing power. It is also important that the products being purchased are appropriate for the drug formulary that is approved.

Gross margin for the three and nine month periods ended September 30, 2006 decreased to $2,808 from $10,452, and to $6,229 from $72,372, respectively, as compared to the comparable periods ended September 30, 2005. The reduced gross margin is primarily due to the lower gross margin contribution from lower 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.

Marketing and selling costs for the three and nine month periods ended September 30, 2006 decreased by $67,952 (91%) and $213,638 (92%), respectively as compared to the comparable periods ended September 30, 2005. This decrease is primarily due to decreases in overall sales volume.

There were very minimal product development expenses incurred for three and nine month periods ended September 30, 2006 as compared to the comparable periods ended September 30, 2005. These decreases were the result of negligible expenditures for patent legal costs and product testing expense.

General and administrative expenses for the three month period ended September 30, 2006 increased $229,856 (81%) as compared to the three month period ended September 30, 2005. This increase is due primarily to increases in insurance, legal and professional fees, financial funding commissions and securities maintenance expenses. However, during the nine month period ended September 30, 2006 as compared to the comparable period ended September 30, 2005 general and administrative expenses decreased $327,114 (32%) primarily as a result of decreases in payroll and travel expenses.

Interest expense for the three and nine month periods ended September 30, 2006 decreased by $41,567 (57%) and $47,550 (33%), respectively, as compared to the similar periods ended September 30, 2005, primarily as a result increased debt outstanding during 2006.

Net loss for the three month period ended September 30, 2006 increased by $127,981 (30%) as compared to the three month period ended September 30, 2005 primarily due to the $229,856 (81%) increase, as discussed above, in general and administrative expenses. However, the $327,114 reduction in general and administrative expenses when combined with the $213,638 reduction in marketing and selling expenses during the nine month period ended September 30, 2006 as compared to the comparable period ended September 30, 2005 are the primary reasons for the resulting $525,385 reduction in the net loss for the nine month period ended September 30, 2006.

Liquidity and Capital Resources

The working capital deficit of $5,072,075 at December 31, 2005, was decreased to a deficit of $4,429,309 (12%) at September 30, 2006 primarily because of a $1,345,000 long-term debt refinancing from current debt during the quarter ended September 30, 2006. However, a year-to-date net loss of $793,380 through September 30, 2006 did restrict the liquidity improvement realized in the refinancing arrangement.

Operating activities used net cash of $246,049 (120%) more during the nine month period ended September 30, 2006 from the comparable period in 2005, primarily due to the net loss incurred and by decreases in accounts receivable, depreciation and amortization expense which was offset in part by increases in accounts payable and deferred payroll.

Net cash used in investing activities decreased by $22,042 primarily as a result of not expending $13,500 for the purchases of fixed asset equipment during the nine months ended September 30, 2006 as compared with the nine months ended September 30, 2005.

Net cash provided by financing activities increased by $319,363 (159%) to $519,686 for the nine months ended September 30, 2006 as compared with the nine months ended September 30, 2005. This increase resulted from an aggregate $404,363 increase in borrowing activity which was offset by an $85,000 decrease in proceeds from the sale of Company stock during the comparable nine month period ended September 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: February 22, 2007	/s/ Dr. David Dalton Dr. David Dalton Chief Executive Officer (Principal Executive Officer)
Dated: February 22, 2007	/s/ Michael A. Lesisko Mr. Michael A. Lesisko Chief Financial Officer (Principal Financial and Accounting Officer)