

UNIVEC INC
Form 10KSB/A
June 01, 2007

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

**AMENDMENT NO. 1 TO
FORM 10-KSB**

(Mark One)

**ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2006

**TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

Commission file number 000-15893

UNIVEC, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

11-3163455

(I.R.S. Employer Identification No.)

**822 Guilford Avenue, Suite 208
Baltimore, Maryland**

(Address of principal executive offices)

21202

(Zip Code)

Registrant's telephone number, including area code:

(410) 347-9959

Securities registered under Section 12(b) of the Exchange Act:

Title of each class
None

Name of each exchange on which registered
None

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

Common Stock, par value \$.0001
(Title of class)

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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 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.

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

State issuer's revenues for its most recent fiscal year. \$21,457

Aggregate market value of the voting and non-voting common stock held by non-affiliates of the Company as of December 31, 2006: \$632,888.

Number of shares of the registrant's Common Stock outstanding as of May 31, 2007: 63,288,804

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Except as otherwise required by the context, all references in this prospectus to "we", "us", "our", "UNVC", or "Company" refer to the consolidated operations of Univec, Inc., a Delaware corporation, and its wholly owned subsidiaries.

Forward-Looking Statements and Associated Risks

The Private Securities Litigation Reform Act of 1995 provides a "safe harbor" for certain forward-looking statements. Some of the statements contained in this annual report of the Company discuss future expectations, contain projections of our operations or financial condition or state other forward-looking information. Some statements contained in this annual report on Form 10-KSB that are not historical facts (including without limitation statements to the effect that we "believe," "expect," "anticipate," "plan," "intend," "foresee," or other similar expressions) and are forward-looking statements. These forward-looking statements are based on our current expectations and beliefs concerning future developments and their potential effects on us. There can be no assurance that future developments affecting us will be those anticipated by us. All comments concerning our expectations for future revenue and operating results are based on our forecasts of our plan of operation and do not include the potential impact of any future acquisitions or operations. These forward-looking statements involve significant risks and uncertainties (some of which are beyond our control) and assumptions. Should one or more of these risks or uncertainties materialize, or should any of our assumptions prove incorrect, actual results may vary in material respects from those projected in the forward-looking statements.

PART I

Item 1. Description of Business.

Overview

Univec, Inc. is an integrated licensing, manufacturing, and marketing company operating two divisions dedicated to providing safer health products to patients and caregivers worldwide. The Company's Syringe Division develops, licenses and markets auto-disable and safety syringes worldwide. The Physician and Pharmaceutical Services Division assists pharmaceutical companies in marketing, fulfillment and tracking drug samples via an online system connecting pharmacies and managed payment providers. We are 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, we acquired PPSI a company engaged in group purchasing (GPO) and promoting Pharmaceutical company prescription samples to physicians for their patients. 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. PPSI's group purchasing programs provide for reduces prices on prescription drugs and other products through leveraged purchasing and closed system market share. Univec also is a distributor of a highly regulated pharmaceutical drug, methadone and other prescription drug products.

During late 2004, we established the company as a distributor of specialty and highly regulated pharmaceutical products. The company intends to expand the product line to take further advantage of its group purchasing and closed systems purchasing.

Univec extended its product line to include a highly regulated pharmaceutical (methadone) and other pharmaceutical products. The company will continue to sell it products through large United States based wholesalers as well as direct

in large bulk to the larger customers of the company. The company's group purchase programs and closed market purchasing positions the company's product line well.

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Business Operations

Syringe Division

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 its 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 1cc 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 1cc 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.

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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.

Physician and Pharmaceutical Services Division

We market pharmaceutical company drug samples to physicians. Management believes that the PPSI patient StarterScript prescription drug program allows the physician to provide to the patient a cost effective means to support medication management from both a clinical and economic perspective, which allows the patient to determine whether they can tolerate the medication under both physician and pharmacist oversight.

We believe that 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 what we believe is an easy, safe way to offer free samples through physicians and increase their value to patients who benefit through savings on prescriptions. In addition, we believe that 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. 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.

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 also markets its StarterScript patient prescription sampling services to pharmaceutical companies desiring to maintain or expand market position. The company management believes that with the growth of third party payments of prescription drug such as Medicare and managed care companies the direct to consumer programs will grow. Univec also believes that with more branded pharmaceutical products coming off patent will further enhance direct patient sampling or StarterScript programs as an offense to generic drug substitution.

Univec has shipped its 1cc AD-Syringes to over 80 countries. Univec intends to market its Safety-Shield syringes, as well 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. 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.

Production

Univec's 1cc locking syringes are being assembled by contract manufacturers in the United States, China and Portugal. The United States manufacturers also mold the Company's proprietary syringe plungers. Univec owns stamping, assembly, and molding equipment at its U.S. contract manufacturers. After relocating our clip plunger assembly production facility designed to produce 1cc AD-Syringes from Farmingdale, New York to Baltimore, Maryland during July 2003, we recently ceased operating our production facility as we will rely more on contract manufacturers for production and assembly.

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 1cc 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.

Competition

Our principal competition for syringes is from traditional disposable syringes. Becton, Dickinson and Company, 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 us. To our 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 our 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.

Intellectual Property and Proprietary Rights

Patents, trademarks and trade secrets are essential to the profitability of our products, and our company policy is to pursue intellectual property protection aggressively for all our products. We have patents for our syringe products. We have a total of 2 trademarks for our products. A summary of the patents and trademarks is provided in the following

table:

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Trademarks

1. **Mark: UNIV EC**
Serial No. 74508244
Registration No. 1947508
Design Search Code:
Goods and Services: Int'l Class 10 - sterilizers for dental drills; blood collection apparatus comprising needle tubing and multiple sample lure; hypodermic syringes
Filing date: April 4, 1994

2. **Mark: UNIV EC**
Serial No. 74508243
Registration No. 2010527
Goods and Services: Int'l Class 10 - sterilizers for dental drills; blood collection apparatus comprising needle tubing and multiple sample lure; hypodermic syringes
Filing date: April 4, 1994

United States Patents

- | | | Abstract |
|----|--|---|
| 1. | Patent No. 5,891,104

Date issued: April 6, 1999

Date expires: January 10, 2017 | Hypodermic syringe having retractable needle

An economical hypodermic syringe is provided. A retractable needle head is provided to slide along longitudinal grooves in the barrel of the syringe. Notches in the grooves engage teeth provided on tabs of the needle head, and lock the needle head in a predetermined position. The tabs are resilient, and if squeezed against the resilient bias, will disengage from the notches in the grooves. In this way, the needle may be partially or fully withdrawn into the barrel. In addition or alternatively, a needle cover is included which is adapted to serve as the plunger of the syringe. The outer diameter of the needle cover is narrower than the inner diameter of both the barrel and an ampoule. |
| | | Abstract |
| 2. | Patent No. 5,370,620

Date issued: December 6, 1994

Date expires: November 15, 2013 | Single use hypodermic syringe

A non-reusable syringe is provided with an annular locking groove having a seat proximal to the rear end of the barrel and a second annular locking groove with a second seat located near the proximal end of the barrel. The plunger for the non-reusable syringe is provided with a flexible disc preferably located directly behind the piston head so that when the plunger is inserted with the barrel, the disc can bend upwardly when sliding the plunger downwardly past the first seat of the annular locking groove and, yet, proximal relative movement of the plunger with respect to the barrel is precluded by the cooperation of the disc and the |

locking groove. When the plunger is fully pushed in the distal direction, the disc, again, can pass in one direction beyond the second locking groove and its seat and, yet, reciprocation or proximal movement of the plunger with respect to the barrel is precluded by the mechanical interaction of the disc with respect to the second locking groove and seat. In this manner, a non-reusable syringe is provided.

Abstract

3. Patent No. 5,562,623 Single-use syringe assembly including spring clip lock and plunger
- Date issued: October 8, 1996
- Date expires: April 25, 2014
- A single-use syringe is provided with a rod-like plunger having a plurality of frusto-conical ratchet teeth. A radially resilient locking spring clip having a circumferential opening, dangles on the ratchet teeth of the plunger. The original location of the spring clip on the plunger determines the maximum dosage which can be administered by the syringe. In use, a first withdrawal of the plunger allows medication to be drawn into the barrel of the syringe. The spring clip glides, by radial flexing, over the surface of the ratchet teeth during plunger withdrawal. The spring clip is maintained in relative position along the sidewall of the barrel by outwardly directed contact points which embed into the interior sidewall of the barrel. During administration of the medication previously drawn into the barrel, the spring clip moves along with the plunger since an interiorly directed camming tooth of the clip mechanically cooperates with the base of a ratchet tooth of the plunger. The clip is thus carried along with the plunger during distal/dispersing movement. A second use of the syringe is blocked once the spring clip has been moved to its full distal position. The tensile strength of the plunger is less than the embedding force of the locking clip to the sidewall of the barrel so that, after a full distal movement of the plunger, a second forced attempt of proximal movement will break the plunger.

Abstract

4. Patent No. 5,531,691 Single use syringe assembly
- Date issued: July 2, 1996
- Date expires: February 14, 2014
- A single use syringe is provided having a rod-like plunger comprising a plurality of cylindrical ratchet teeth. A resilient locking spring dangles on the ratchet teeth of the plunger. The original location of the locking spring determines the maximum dosage which may be administered by the syringe. A first withdrawal of the plunger with respect to the barrel allows medication to be drawn into the barrel. The tab of the locking spring resiliently cams over the surface of the ratchet teeth. The locking spring is maintained in position along the barrel by outwardly directed contact points which embed into the interior side wall of the barrel. During administration of the medication, i.e., when the plunger is distally pushed with respect to the barrel, the locking spring tab cooperates with the base of the ratchet teeth and causes the spring to move along with the plunger. A second attempted withdrawal of the plunger is blocked once the locking spring has been moved to its full distal position. The thumb engaging disk of the plunger can be bent and broken off to further prevent a second use of the syringe.

The disk is also useful for inventory control. The thumb engaging disk and the proximal end of the barrel mechanically cooperate as a further locking mechanism to also prevent reusability.

We have also filed patent applications for our 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 earned from the licensing of these items.

We also license Patent Nos. 5498243, 5205825 and 2241893 for various technical pieces and components for medical syringes.

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, 2006, 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 \$30,284 and \$109,690 for the years ended December 31, 2004 and 2003, 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.

In 2004 the Company applied for and received a Provisional Patent from the U.S. Patent and Trademark Office on September 21, 2004, the Patent #60/611,670 and Foreign Filing License Granted October 15, 2004, code US60/611,670. 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 brief description, a medical device with a sliding sheath to protect caregivers in the dental and the cosmetic market.

Revenue Recognition

As a result of the differing circumstances related to the Company's manufacture, procurement, distribution and physician sampling programs diverse financial accounting methods are utilized to recognize revenue from its various revenue sources. The Company's manufacturing and specialty pharmaceutical drug distribution programs employ the "gross" method of recognizing revenue. However, because of the distinctive type of services provided to customers, the GPO and physician sampling programs utilize the "net" method of revenue recognition.

Products Liability

Beginning with the design phase of product development, the Company has incorporated preventive measures aimed at reducing its potential exposure to liability risk. The Company's product development and manufacturing program includes high product reliability standards meant to result in high mean times between failures (MTBF). The company plans to achieve a high MTBF factor by pursuing strict quality control procedures and by holding its manufacturing partners to such high standards by written contract. By designing and manufacturing a reliable, high quality product, the Company will minimize, but not eliminate, the possibility and occurrence of defective products.

The manufacturing and marketing of the Company's products, incorporating new and unproved technology, has inherent risk. No one can be sure how each product will operate over time and under various conditions of actual use. Even if the products are successfully manufactured and marketed, the occurrence of warranty or product liability, or retraction of market acceptance due to product failure or failure of the product to meet expectations could prevent the Company from ever becoming profitable. Development of new technologies for manufacture is frequently subject to unforeseen expenses, difficulties and complications, and in some cases such development cannot be accomplished. In

the opinion of management, the products, and services, as designed, has many positive attributes, but such attributes must be balanced against limited field operating experience and unknown technological changes.

Government Regulation

Medical Device Approval Process. Medical devices are regulated by the Food and Drug Administration (“FDA”) according to their classification. The FDA classifies a medical device into one of three categories based on the device’s risk and what is known about the device. The three categories are as follows:

- Class I devices are generally lower risk products for which sufficient information exists establishing that general regulatory controls provide reasonable assurance of safety and effectiveness. Most class I devices are exempt from the requirement for pre-market notification under section 510(k) of the Federal Food, Drug, and Cosmetic Act. FDA clearance of a pre-market notification is necessary prior to marketing a non-exempt class I device in the United States.
- Class II devices are devices for which general regulatory controls are insufficient to provide a reasonable assurance of safety and effectiveness and for which there is sufficient information to establish special controls, such as guidance documents or performance standards, to provide a reasonable assurance of safety and effectiveness. A 510(k) clearance is necessary prior to marketing a non-exempt class II device in the United States.
- Class III devices are devices for which there is insufficient information demonstrating that general and special controls will provide a reasonable assurance of safety and effectiveness and which are life-sustaining, life-supporting or implantable devices, or devices posing substantial risk. Unless a device is a preamendments device that is not subject to a regulation requiring a Premarket Approval (“PMA”), the FDA generally must approve a PMA prior to the marketing of a class III device in the United States.

Univec’s syringes are “Class-II” devices.

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.

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.

Labeling and Advertising. The nature of marketing claims that the FDA will permit us to make in the labeling and advertising of our medical devices will be limited to those specified in our FDA 510(k)s. Should we make claims exceeding those that are warranted, such claims will constitute a violation of the Federal Food, Drug, and Cosmetics Act. Violations of the Federal Food, Drug, and Cosmetics Act, Public Health Service Act, or regulatory requirements at any time during the product development process, approval process, or after approval may result in agency enforcement actions, including voluntary or mandatory recall, license suspension or revocation, 510(k) withdrawal, seizure of products, fines, injunctions and/or civil or criminal penalties. Any agency enforcement action could have a material adverse effect on us. The advertising of our products will also be subject to regulation by the Federal Trade Commission, under the FTC Act. The FTC Act prohibits unfair methods of competition and unfair or deceptive acts in or affecting commerce. Violations of the FTC Act, such as failure to have substantiation for product claims, would subject us to a variety of enforcement actions, including compulsory process, cease and desist orders, and injunctions. FTC enforcement can result in orders requiring, among other things, limits on advertising, corrective advertising, consumer redress, and restitution. Violations of FTC enforcement orders can result in substantial fines or other penalties.

Foreign Regulation. Outside the United States, our ability to market our products will also depend on receiving marketing authorizations from the appropriate regulatory authorities. The foreign regulatory approval process includes all of the risks associated with FDA procedures described above. The requirements governing the conduct of clinical trials and marketing authorization vary widely from country to country.

Employees

As of May 31, 2007, the Company has three (3) employees, including two (2) full time sales and marketing and one (1) full time financial administrator.

As of May 31, 2007, PPSI had no employees, but utilizes outside marketing representatives and consultants for marketing and administrative services.

Item 2. Description of Property.

We do not own real property. The Company's corporate offices are located at 822 Guilford Avenue, Suite 208, Baltimore, Maryland 21202 for a minimal charge of approximately \$75 per month.

We occupied 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 expired on July 15, 2004 with ten (10) renewable one (1) year option terms which were automatically renewable by Univec. Rental expenses for the space were \$72,000 per annum plus certain common charges, maintenance costs and real estate taxes, subject to a maximum increase of 3% for each three year term. The lease on this facility was terminated on February 6, 2006.

Item 3. Legal Proceedings.

Neither the Company nor any of its subsidiaries is a party to any pending or threatened legal proceedings.

Item 4. Submission of Matters to a Vote of Security Holders.

There were no matters submitted to a vote of security holders in the fourth quarter of the fiscal year ended December 31, 2006.

PART II

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

Market Information

Our Common Stock is currently quoted on the OTCBB under the symbol "UNVC". There is a limited trading market for our Common Stock. The following table sets forth the range of high and low bid quotations for each quarter within the last two fiscal years and the subsequent interim period. These quotations as reported by the OTCBB reflect inter-dealer prices without retail mark-up, mark-down, or commissions and may not necessarily represent actual transactions.

YEAR 2005	Closing Bid	
	High Bid	Low Bid
1 st Quarter Ended March 31	\$0.120	\$0.080
2 nd Quarter Ended June 30	\$0.110	\$0.030
3 rd Quarter Ended September 30	\$0.050	\$0.020
4 th Quarter Ended December 31	\$0.040	\$0.020
YEAR 2006	High Bid	Low Bid
1 st Quarter Ended March 31	\$0.020	\$0.020
2 nd Quarter Ended June 30	\$0.021	\$0.013
3 rd Quarter Ended September 30	\$0.029	\$0.012
4 th Quarter Ended December 31	\$0.023	\$0.011
YEAR 2007	High Bid	Low Bid
1 st Quarter Ended March 31	\$0.013	\$0.011
Period Ended May 31	\$0.011	\$0.011

Holders

As of May 31, 2007 in accordance with our transfer agent records, we had 127 record holders of our Common Stock, holding 63,288,804 shares.

Dividends

Holders of our common stock are entitled to receive dividends if, as and when declared by the Board of Directors out of funds legally available therefore. We have never declared or paid any dividends on our common stock. We intend to retain any future earnings for use in the operation and expansion of our business. Consequently, we do not anticipate paying any cash dividends on our common stock to our stockholders for the foreseeable future.

Recent Sales of Unregistered Securities

During the fiscal year ended December 31, 2006, the Company issued an aggregate of 5,810,078 shares of common stock to David Dalton in exchange for benefits not taken of \$93,143.

Except as previously disclosed in our quarterly reports on Form 10-QSB and current reports on Form 8-K, we did not sell or issue any additional shares of stock during the fourth quarter of 2006.

Equity Compensation Plan Information

None.

Item 6. Management's Discussion and Analysis or Plan of Operations.

The following discussion should be read in conjunction with the Consolidated Financial Statements and Notes thereto appearing elsewhere in this Form 10-KSB. The following discussion contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 relating to future events or our future performance. Actual results may materially differ from those projected in the forward-looking statements as a result of certain risks and uncertainties set forth in this prospectus. Although management believes that the assumptions made and expectations reflected in the forward-looking statements are reasonable, there is no assurance that the underlying assumptions will, in fact, prove to be correct or that actual results will not be different from expectations expressed in this report.

Results of Operations***For the Fiscal Year Ended December 31, 2006 as Compared to the Fiscal Year Ended December 31, 2005***

Condensed Consolidated Results of Operations

	2006	2005	Change
Revenues	\$ 21,457	\$ 81,398	(74%)
Cost of Revenues	(32,344)	(3,164)	(922%)
Gross Margin	(10,887)	84,562	(113%)
Expenses:			
Marketing and Selling Expense	92,893	233,990	(60%)
Product Development	(2,578)	3,802	(168%)
General and Administrative	943,610	1,535,840	(39%)
Interest Expense, Net	138,255	200,019	(31%)
Other Income	-	-	-

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Total Expenses	1,172,180	1,973,651	(41%)
Net Loss	\$ (1,183,067)	\$ (1,889,089)	37%

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The Company has its 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.

Gross profit for the year ended December 31, 2006 decreased to (51%) from 104% in 2005. The reduced gross profit is primarily due to the lower sales revenue and lower gross profit contribution from PPSI's GPO revenue and also from lower sales volume of certain of our syringes. The GPO gross profit was 0.0% and 0.4% for the years 2006 and 2005, respectively. The reduction of syringe gross profit is largely the result of decreased sales volume. We anticipate gross profit levels to remain at current levels, unless we increase our market penetration, our prices, product mix and/or realize anticipated production or economic benefits that we anticipate as a result of our recent economic activities.

As a result of the acquisitions of PPSI, we have broadened our pharmaceutical product distribution base. We anticipate increases in sales on a period by period basis from PPSI if we can increase our market penetration in these areas. However, during 2005 our largest CPO customer was unable to renew a significant contract, which resulted in a significant loss of sales by PPSI.

Marketing and selling costs in 2006 decreased \$141,097 (60%) from 2005. This decrease is attributable primarily to reductions in compensation and consulting costs.

Product development expense for 2006 decreased by \$6,380 (168%) as compared to 2005. This decrease was the result of reduced expenditures for product design and engineering costs, which were curtailed until financing became available to market a new medical syringe with a sliding sheath to protect caregivers in the dental and the cosmetic market.

General and administrative expenses for the year ended December 31, 2006 decreased \$592,230 (39%) as compared to 2005. This decrease is due primarily to reductions in compensation, insurance, equipment costs and securities maintenance expenses offset in part by increases in professional fees and travel costs.

Interest expense for the year ended December 31, 2006 increased by \$61,764 (31%) as compared to 2005 primarily as a result of decreased debt outstanding during 2006.

During the years ended December 31, 2006 and 2005, the Company experienced net losses which had been generated primarily due to substantial reductions in sales and gross profit.

The Company had a net loss of \$1,183,067 for the fiscal year ended December 31, 2006, as compared to a net loss of \$1,889,089 for the year ended December 31, 2005. The decreased loss of \$706,022, or 37%, during 2006 was attributable to the reduced general and administrative, marketing and selling and interest expenses.

The December 31, 2006 net loss included \$66,261 payroll and related expenses versus \$787,447 for the year ended December 31, 2005. Insurance expense was \$92,640 during 2006 versus \$153,969 during 2005. Professional fees for the year ended December 31, 2006 were \$205,992 versus \$385,093 incurred for the year ended December 31, 2005.

Liquidity and Capital Resources

The working capital deficit of \$4,895,422 at December 31, 2006, decreased from a deficit of \$5,222,075 at December 31, 2005. This reduction of the working capital deficit is primarily attributable to the Company's year-end December 31, 2006 \$1,183,067 net loss. However, net decreases of \$12,888 in accounts receivable and increases in deferred compensation of \$58,608 were partially offset by \$160,086 increases in accounts payable and accrued expenses and also by a \$ 573,685 increase in total loans payable. All of these factors contributed to the overall decrease in the corporate working capital deficit.

The accompanying financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. As of December 31, 2006, the Company had negative working capital of \$4,895,422 and a stockholders' deficit of \$6,095,452 and incurred net losses of \$(1,183,067) and \$(1,889,089) for the years ended December 31, 2006 and 2005, respectively. These factors, among others, indicate that the Company's continuation as a going concern is dependent upon its ability to obtain adequate financing and/or achieve profitable operations. The financial statements do not include any adjustments related to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

Management is currently seeking additional investment capital to support its entrance into new business ventures and provide the capital needed to operate.

Net cash used in operating activities decreased by \$348,022 (109%) to (667,504) for the year ended December 31, 2006 from 2005, primarily due to the continued net loss.

Net cash used for investing activities was \$0 during the year ended December 31, 2006.

Net cash provided by financing activities increased by \$702,705 to \$666,828 for the year ended December 31, 2006 from (\$35,877) used during 2005. This increase in net cash provided by financing activities resulted primarily from increased aggregate borrowings of \$573,685.

During the years ended December 31, 2006 and 2005, we suffered from a serious shortage of working capital, which resulted in the Company's limited ability to market and sell its products.

In July 2004, the Company borrowed an aggregate of \$1,000,000 from a city development agency, a state development agency and a stockholder. These proceeds provided us with resources to acquire equipment, refinance an equipment capital lease and for working capital to enable us to continue to implement our business strategy. The proceeds from the above loans and our designation as a minority business enterprise (MBE) should increase our marketing service capabilities to pharmaceutical companies and to develop new products.

Unless we introduce new products or increase our market share Univec's management anticipates that operations will generate a negative cash-flow during our next fiscal year, but there can be no certainty this will occur.

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.

New Accounting Pronouncements

Management has demonstrated that any recently issued or not yet effective accounting pronouncements would have a material effect on the accompanying financial statements. Financial Accounting Standards Board Statement # 123R Stock Based Compensation has not proven to have a material effect on the Company's financial statements.

Major Customer - Certain Relationships and Related Transactions

For the year ended December 31, 2006, our largest customer, Pharmacy Services, Inc., a company owned and operated by Dr. David Dalton, our President and Chief Executive Officer, purchased goods and generated significant revenues from PPSI's GPO. We intend to reduce our reliance on this customer through expanding sales to other

parties.

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Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements, financings, or other relationships with unconsolidated entities or other persons, also known as “special purpose entities” (SPEs).

Item 7. Financial Statements.

Our financial statements begin on page F-1 below.

Item 8. Changes In and Disagreements With Accountants on Accounting and Financial Disclosure.

None.

Item 8A. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of our disclosure controls and procedures, as such term is defined under Rule 13a-15(e) and Rule 15d-15(e) promulgated under the Securities Exchange Act of 1934, as amended (Exchange Act), as of December 31, 2006. Based on this evaluation, our principal executive officer and principal financial officer have concluded that our disclosure controls and procedures are effective to ensure that information required to be disclosed by us in the reports we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the Securities and Exchange Commission's rules and forms and that our disclosure and controls are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our principal executive officer and principal financial officer, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Controls

There were no changes (including corrective actions with regard to significant deficiencies or material weaknesses) in our internal controls over financial reporting that occurred during the fiscal year ended December 31, 2006 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 8B. Other Information.

None.

PART III

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

The following table sets forth the name, age and position of each of our executive officers and directors as of May 31, 2007.

Name	Age	Position	Date Appointed Director
Dr. David Dalton	58	Chief Executive Officer, President and Director	January 1, 2002
Raphael Langford	62	Chief Operating Officer and Executive Vice President	
Michael Lesisko	56	Chief Financial Officer, Treasurer and Secretary	
S. Robert Grass	73	Chairman	March 15, 2002
William Wooldridge	60	Director	August 5, 2003

Set forth below is a brief description of the background and business experience of our executive officers and directors for the past five years (and, in some instances, for prior years).

Dr. David Dalton has served as our President and Chief Executive Officer since 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 and our wholly-owned subsidiary. Dr. Dalton has been the President of PPSI since 1995. 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. Dr. Dalton graduated from West Virginia University in 1971 with a B.S. in Pharmacy.

Raphael Langford has been Chief Operating Officer of the Company since April 2003 and is also our Executive Vice President. Prior to April 2003, Mr. Langford was the Executive Director of the National Foundation of Women Legislators. Mr. Langford served as liaison to Federal and State elected officials. Mr. Langford has over thirty-five years experience in senior management positions with AT&T, Inc., Norton Simon, Inc. and other telecommunications entities. Mr. Langford is a past president and past Chief Executive Officer of Olympic International, Inc. This company is an international broker and manufacturing network of raw materials to third world countries. Mr. Langford attended Western Reserve University.

Michael Lesisko, a certified public accountant, has served as our Chief Financial Officer since September 9, 2002, and as our Treasurer and Secretary since 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. Mr. Lesisko graduated from Pennsylvania State University in 1970 with a B.S. in Business.

S. Robert Grass was elected as Director of Univec on March 15, 2002. 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. Mr. Grass graduated from the University of Pittsburgh in 1954 with a B.A. focusing on Business.

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.

Term of Office

Our directors are appointed for a one-year term to hold office until the next annual general meeting of our shareholders or until removed from office in accordance with our bylaws. Our officers are appointed by our board of directors and hold office until removed by the board.

Audit Committee

The Company has an audit committee charter. The audit committee: (i) appoints the Company's independent auditors and monitors the independence of the Company's independent auditors; (ii) reviews the Company's policies and procedures on maintaining its accounting records and the adequacy of its internal controls; (iii) reviews management's implementation of recommendations made by the independent auditors and internal auditors; (iv) considers and pre-approves the range of audit and non-audit services performed by independent auditors and fees for such services; and (v) reviews and votes on all transactions between the Company and any of its officers, directors or other affiliates.

The Board of Directors has two standing committees, an Audit Committee and a Compensation Committee. On June 21, 2005, William Wooldridge was 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. On October 14, 2005, Mr. S. Robert Grass was elected to the Compensation Committee.

Significant Employees

None.

Family Relationships

No family relationships exist among our directors or executive officers.

Involvement in Certain Legal Proceedings

To our knowledge, during the past five years, none of our directors, executive officers, promoters, control persons, or nominees has been:

- the subject of any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;
- convicted in a criminal proceeding or is subject to a pending criminal proceeding (excluding traffic violations and other minor offenses);
- subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of

business, securities or banking activities; or

- found by a court of competent jurisdiction (in a civil action), the Commission or the Commodity Futures Trading Commission to have violated a federal or state securities or commodities law.

Compliance with Section 16(a) of the Exchange Act

Section 16(a) of the Securities Exchange Act of 1934 requires the Company's officers and directors, and persons who own more than 10 percent of a registered class of the Company's equity securities, to file reports of ownership and changes in ownership with the Securities and Exchange Commission (SEC). Officers, directors, and greater than 10 percent stockholders are required by SEC regulation to furnish the Company with copies of all Section 16(a) forms they file.

To the Company's knowledge, based solely on a review of the copies of such reports furnished to the Company, all reports under Section 16(a) required to be filed by its officers and directors and greater than ten percent beneficial owners were not timely filed as of the date of this filing.

Item 10. Executive Compensation.**Compensation of Executive Officers**

The following summary compensation table sets forth in U.S. dollars all compensation awarded to, earned by, or paid to the named executive officers paid by us during the fiscal years ended December 31, 2006 and 2005 in all capacities for the accounts of our executives, including the Chief Executive Officer (CEO) and Chief Financial Officer (CFO):

SUMMARY COMPENSATION TABLE

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Stock Awards (\$)	Option Awards (\$)	Non-Equity Incentive Plan Compensation (\$)	Non-Qualified Deferred Compensation Earnings (\$)	All Other Compensation (\$)	Totals (\$)
Dr. David Dalton, ^{(1) (5)}	2006	39,930 ⁽⁴⁾	0	93,143	0	0	0	0	133,073
Chief Executive Officer, President	2005	435,600	0	84,881	0	0	0	0	520,481
Raphael Langford, ⁽²⁾	2006	13,333 ⁽⁴⁾	0	0	0	0	0	0	13,333
Chief Operating Officer, Executive Vice President	2005	160,000	0	0	0	0	0	0	160,000
Michael Lesisko, ⁽³⁾	2006	12,500 ⁽⁴⁾	0	0	0	0	0	0	12,500
Treasurer, Chief Financial	2005	150,000	0	6,303	0	0	0	0	156,303

Officer

-
- (1) All of Dr. Dalton's salary for 2006 and 2005 has been deferred and unpaid until the Company becomes profitable. For each year of employment, pursuant to an employment agreement, Dr. Dalton's employment contract also received provides for benefits of life, health and disability insurance, as well as an automobile lease and insurance allowance equal to \$24,000 per year.
 - (2) All of Mr. Langford's salary for 2006 and 2005 has been deferred and unpaid until the Company becomes profitable. For 2004, the Company paid to Mr. Langford a portion of his salary, \$82,675, and deferred the balance of \$57,325, which will not be paid until the Company becomes profitable.
 - (3) All of Mr. Lesisko's salary for 2006 and 2005 has been deferred and unpaid until the Company becomes profitable. For 2004, the Company paid to Mr. Lesisko a portion of his salary, \$65,650, and deferred the balance of \$84,350, which will not be paid until the Company becomes profitable.
 - (4) The Company stopped accruing and deferring salaries as of February 1, 2006. As a result, this compensation reflects accrued and deferred salary for January 1, 2006 through January 31, 2006 for each officer based on the following annual salaries had they accrued for the year: \$479,160 for Dr. Dalton, \$160,000 for Mr. Langford, and \$150,000 for Mr. Lesisko.
 - (5) The total number of our common shares issued to Dr. Dalton for 2005 and 2006 was 8,605,097. These shares were issued as payment in lieu of accrued but unpaid benefits (life, health and disability insurance, as well as an automobile lease and insurance allowance equal to \$24,000 per year) under Dr. Dalton's employment contract.
 - (6) The total number of our common shares issued to Mr. Lesisko for 2005 630,303. These shares were issued as payment in lieu of accrued but unpaid benefits.

Outstanding Equity Awards at Fiscal Year-End Table. There were no individual grants of stock options to purchase our common stock made to the named executive officers in the Summary Compensation Table during the fiscal year ended December 31, 2006, and the subsequent period up to the date of the filing of this prospectus.

Employment Agreements

We have an employment agreement with our President and Chief Executive Officer. Dr. David Dalton provides the amount of time necessary to perform his corporate duties. Dr Dalton's base salary was \$435,600 for 2005, 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.

Compensation of Directors

For the fiscal year ended December 31, 2006, we did not compensate our directors for their services.

Termination of Employment and Change of Control Arrangement

The Company does not have compensatory plans or arrangements, including payments to be received from the Company, with respect to any persons which would in any way result in payments to any person because of his/her resignation, retirement, or other termination of such person's employment by the Company, or any change in our control, or a change in the person's responsibilities following a changing in the Company's control.

Item 11. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The following table sets forth certain information regarding the ownership of our capital stock, as of May 31, 2007, for: (i) each director; (ii) each person who is known to us to be the beneficial owner of more than 5% of our outstanding common stock; (iii) each of our executive officers named in the Summary Compensation Table; and (iv) all of our current executive officers and directors of as a group. Except as otherwise indicated in the footnotes, all information with respect to share ownership and voting and investment power has been furnished to us by the persons listed. Except as otherwise indicated in the footnotes, each person listed has sole voting power with respect to the shares shown as beneficially owned.

Title of Class	Name and Address of Beneficial Owner	Amount and Nature of Beneficial Owner	Percent of Class(2)
Common Stock	Dr. David Dalton ⁽¹⁾	33,251,310 ⁽⁴⁾	49.82% ⁽⁵⁾
Common Stock	Raphael Langford ⁽¹⁾	3,316,667 ⁽⁶⁾	5.05% ⁽⁷⁾
Common Stock	Michael Lesisko ⁽¹⁾	2,640,668 ⁽⁸⁾	4.10% ⁽⁹⁾
Common Stock	S. Robert Grass ⁽¹⁾	1,190,951 ⁽¹⁰⁾	1.83% ⁽¹¹⁾
Common Stock	William Wooldridge ⁽¹⁾	375,000 ⁽¹²⁾	0.50% ⁽¹³⁾
Common Stock	Emerald Capital Partners LP ⁽³⁾ 425 Broadhollow Road Melville, NY 11747	6,000,000	9.48%
Common Stock	All officers and directors as a group (5 in number)	40,699,596(14)	58.08%⁽¹⁵⁾

⁽¹⁾ The address for each beneficial owner is 822 Guilford Avenue, Suite 208, Baltimore, Maryland 21202.

⁽²⁾ Unless otherwise indicated in the footnotes to this table and subject to community property laws where applicable, we believe that each of the stockholders named in this table has sole voting and investment power with respect to the shares indicated as beneficially owned. Applicable percentages are based on 63,288,804 common shares outstanding as of May 31, 2007, adjusted as required by rules promulgated by the Commission.

⁽³⁾ Michael Xirinachs is the Managing Partner of Emerald Capital Partners LP and has sole voting and investment control over these shares.

⁽⁴⁾ Includes 3,458,345 shares issuable upon exercise of presently exercisable options. Includes 2,333,333 (3.69% of the issued and outstanding common stock) shares held by Pharmacy Services, Inc. for which Dr. Dalton is the President of and has sole voting and investment power in regards to those shares.

⁽⁵⁾ Calculated on the basis of 66,747,149 shares of Common Stock issued and outstanding on a fully diluted basis including the 3,458,345 shares issuable upon the exercise of presently exercisable options.

⁽⁶⁾ Includes 1,133,333 shares issuable upon exercise of presently exercisable options.

- (7) Calculated on the basis of 65,711,026 shares of Common Stock issued and outstanding on a fully diluted basis including the 1,133,333 shares issuable upon the exercise of presently exercisable options.
- (8) Includes 1,166,667 shares issuable upon exercise of presently exercisable options.
- (9) Calculated on the basis of 64,455,471 shares of Common Stock issued and outstanding on a fully diluted basis including the 1,166,667 shares issuable upon the exercise of presently exercisable options.
- (10) Includes 312,501 shares issuable upon conversion of Series D Convertible Preferred Stock and 250,000 issuable upon exercise of presently exercisable options.
- (11) Calculated on the basis of 65,197,812 shares of Common Stock issued and outstanding on a fully diluted basis including the 312,501 shares issuable upon conversion of Series D Convertible Preferred Stock and 250,000 shares issuable upon the exercise of presently exercisable options.

(12) Includes 375,000 shares issuable upon exercise of presently exercisable options.

(13) Calculated on the basis of 63,663,804 shares of Common Stock issued and outstanding on a fully diluted basis including the 375,000 shares issuable upon the exercise of presently exercisable options.

(14) Includes 6,570,846 shares issuable upon exercise of presently exercisable options and upon conversion of Series D Convertible Preferred Stock.

(15) Calculated on the basis of 69,984,650 shares of Common Stock issued and outstanding on a fully diluted basis including the 6,695,846 shares issuable upon the exercise of presently exercisable options and upon conversion of Series D Convertible Preferred Stock.

Changes in control

No arrangements exist which may result in a change in control of us.

Item 12. Certain Relationships and Related Transactions.

Except as indicated below, and for the periods indicated, there were no material transactions, or series of similar transactions, since the beginning of the Company's last fiscal year, or any currently proposed transactions, or series of similar transactions, to which we were or are a party, in which the amount involved exceeds \$60,000, and in which any director or executive officer, or any security holder who is known by us to own of record or beneficially more than 5% of any class of our common stock, or any member of the immediate family of any of the foregoing persons, has an interest.

For the year ended December 31, 2006, our largest customer, Pharmacy Services, Inc., a company owned and operated by Dr. David Dalton, our President and Chief Executive Officer, purchased goods and generated significant revenues from PPSI's GPO. We intend to reduce our reliance on this customer through expanding sales to other parties.

During the years ended December 31, 2006 and 2005, Univec repaid an aggregate of \$813,918 and borrowed an aggregate of \$306,710, respectively from Pharmacy Services, Inc., Health Resources, Inc. and other companies all owned by Dr. Dalton. These loans are repayable on demand at 10%, per annum. At December 31, 2006 and 2005, the aggregate balance outstanding due to affiliated companies was \$16,408 and \$815,510, respectively.

Since 2004, PPSI shared office space and other administrative expenses with affiliated companies owned by Dr. Dalton. These expenses have not been allocated between the companies, but PPSI's portion is insignificant.

During 2003, Univec received a line of credit from Dr. David Dalton, our President and Chief Executive Officer, and S. Robert Grass, our Chairman of the Board of prime plus 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, 2006, the outstanding balance of this loan was \$200,000.

At December 31, 2006, the following Deferred Payroll was payable to executive officers and other employees:

David Dalton, Chief Executive Officer and President	\$ 1,327,900
Raphael Langford, Chief Operating Officer	216,184
Michael Lesisko, Secretary - Treasurer	187,927

	1,732,011
Other employees	205,080
	\$ 1,937,091

At December 31, 2006, notes payable to David Dalton, President amounted to \$100,000 and notes payable to S. Robert Grass, Chairman of the Board of Directors amounted to \$145,412. 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 June 30, 2005, the Company's Chief Executive Officer exchanged \$42,441 of employment Contract benefits for 1,286,082 common shares. On October 12, 2004, the Chief Executive Officer exchanged an additional \$12,868 of employment contract benefits for 1,169,850 common shares. These exchanges were authorized by the Company's Board of Directors on August 5, 2003

On January 20, 2005, the Series E preferred stockholder exchanged 30 preferred shares plus \$2,187 accrued dividends for 804,688 shares of Common Stock at \$0.040 per share On April 6, 2005 this Series E preferred stockholder exchanged 70 preferred shares plus \$5,843 accrued dividends for 1,386,527 shares of Common Stock at \$0.0547 per share

On January 7, 2005, two executive officers exchanged a combined \$52,879 of accrued payroll for 698,893 common shares at \$0.075 per share. On March 13, 2006 an executive officer exchanged \$29,892 of accrued payroll for 250,000 common shares at \$0.120 per share These exchanges were authorized by the Company's Board of Directors on August 5, 2003.

Item 13. Exhibits.

Exhibit No.	Title of Document	Location
2.1	Stock Purchase Agreement and Plan of Reorganization made and entered into as of December 31, 2001, by and among Physician and Pharmaceutical Services, Inc., the stockholder of PPSI and UNVC	Incorporated by reference to Form 8-K filed January 4, 2002
2.2	Agreement and Plan of Merger dated as of October 7, 1996 between the Registrant and UNIVEC, Inc., a New York corporation	Incorporated by reference as Exhibit 4.1 to Form SB-2 filed April 21, 1997
3.1.1	Restated Certificate of Incorporation of the Registrant, as amended	Incorporated by reference as Exhibit 3 to Form 10-QSB filed on November 13, 2000
3.1.2	Certificate of Amendment to the Restated Certificate of Incorporation as filed with the Delaware Secretary of State on or about August 29, 2000	Incorporated by reference as Exhibit 3 to Form 10-QSB filed on November 13, 2000
3.1.3	Certificate of Designation of Series D Convertible Preferred Stock	Incorporated by reference as Exhibit 3(i) to Form 10-QSB filed on May 14, 2002
3.1.4		

	Certificate of Designation of Series E Convertible Preferred Stock	Incorporated by reference as Exhibit 3.1 to Form 10-QSB filed on January 5, 2004
3.1.5	Amended Restated By-laws	Incorporated by reference as Exhibit 3(ii) to Form 10-QSB filed on May 14, 2002
4.1	Securities Purchase Agreement dated July 31, 2006, by and among the Company and New Millennium Capital Partners II, LLC, AJW Qualified Partners, LLC, AJW Offshore, Ltd. and AJW Partners, LLC	Incorporated by reference as Exhibit 4.1 to Form 8-K filed on August 7, 2006
4.2	Form of Callable Convertible Secured Note by and among New Millennium Capital Partners II, LLC, AJW Qualified Partners, LLC, AJW Offshore, Ltd. and AJW Partners, LLC	Incorporated by reference as Exhibit 4.2 to Form 8-K filed on August 7, 2006

4.3	Form of Stock Purchase Warrant issued to New Millennium Capital Partners II, LLC, AJW Qualified Partners, LLC, AJW Offshore, Ltd. and AJW Partners, LLC	Incorporated by reference as Exhibit 4.3 to Form 8-K filed on August 7, 2006
4.4	Registration Rights Agreement dated July 31, 2006 by and among New Millennium Capital Partners II, LLC, AJW Qualified Partners, LLC, AJW Offshore, Ltd. and AJW Partners, LLC	Incorporated by reference as Exhibit 4.4 to Form 8-K filed on August 7, 2006
4.5	Security Agreement dated July 31, 2006 by and among the Company and New Millennium Capital Partners II, LLC, AJW Qualified Partners, LLC, AJW Offshore, Ltd. and AJW Partners, LLC	Incorporated by reference as Exhibit 4.5 to Form 8-K filed on August 7, 2006
4.6	Intellectual Property Security Agreement dated July 31, 2006 by and among the Company and New Millennium Capital Partners II, LLC, AJW Qualified Partners, LLC, AJW Offshore, Ltd. and AJW Partners, LLC	Incorporated by reference as Exhibit 4.6 to Form 8-K filed on August 7, 2006
10.1	Employment Agreement dated as of January 1, 2002, between the Registrant and David L. Dalton	Incorporated by reference as Exhibit 10.10 to Form 10-KSB filed on April 1, 2002
10.2	Patent License Agreement dated August 16, 2000, by and between the Company and Terumo Europe N.V.	Incorporated by reference as Exhibit 10.5 to Form 10-QSB filed on April 2, 2001
10.3	Manufacturing Agreement dated August 16, 2000, by and between the Company and Terumo Europe N.V.	Incorporated by reference as Exhibit 10.6 to Form 10-QSB filed on April 2, 2001
10.4	Equipment Purchase Agreement dated August 16, 2000, by and between the Company and Terumo Europe N.V.	Incorporated by reference as Exhibit 10.7 to Form 10-QSB filed on April 2, 2001
21.1	Subsidiaries	Filed herewith
31.1	Certification of Chief Executive Officer Pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Filed herewith
31.2		Filed herewith

Certification of Chief Financial Officer Pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

- | | | |
|------|---|----------------|
| 32.1 | Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 | Filed herewith |
| 32.1 | Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 | Filed herewith |

Item 14. Principal Accounting Fees and Services.**Audit, Tax and All Other Fees**

The following table presents the cost of Univec's principal accountants' fees and services for the years ended December 31, 2006 and 2005, respectively:

	2006	2005
Audit fees	\$ 107,069	\$ 153,240
Audit related fees	-	-
Tax fees	-	-
All other fees	-	-
Total	\$ 107,069	\$ 153,240

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

SIGNATURES

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

UNIVEC, INC.

By: */s/ Dr. David Dalton*
 DR. DAVID
 DALTON
 President, Chief
 Executive Officer,
 Chief Financial
 Officer

Date: June 1, 2007

By: */s/ Michael Lesisko*
 MICHAEL LESISKO
 Chief Financial
 Officer,

Date: June 1, 2007

In accordance with the Exchange Act, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

SIGNATURE	TITLE	DATE
<i>/s/ Dr. David Dalton</i> Dr. David Dalton	Chief Executive Officer and President	June 1, 2007
<i>/s/ Michael Lesisko</i> Michael Lesisko	Treasurer, Secretary and Chief Financial Officer	June 1, 2007
<i>/s/ Raphael Langford</i> Raphael Langford	Chief Operating Officer and Executive Vice President	June 1, 2007
<i>/s/ S. Robert Grass</i> S. Robert Grass	Chairman	June 1, 2007
<i>/s/ William Wooldridge</i>	Director	June 1, 2007

William Wooldridge

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**UNIVEC, INC. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND FOR THE TWO YEARS THEN ENDED**

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Report of Independent Registered Public Accounting Firm

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

We have audited the accompanying consolidated statement of financial position of Univec, Inc. and subsidiaries as of December 31, 2006 and the related consolidated statements of operations, stockholders' equity and cash flows for each of the years in the two-year period ended December 31, 2006. 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 the standards of the Public Company Accounting Oversight Board (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. The company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control over financial reporting. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, 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 audits provide 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, 2006 and the consolidated results of their operations and their consolidated cash flows for each of the years in the two-year period ended December 31, 2006 in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the consolidated financial statements, the Company has suffered from recurring losses from operations, has a negative working capital, a total stockholders' deficit and is in default on certain debt, all of which raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also discussed in Note 2. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Baltimore, Maryland
May 11, 2007

/s/ Abrams, Foster, Nole & Williams, P.A
Abrams, Foster, Nole & Williams, P.A.

As Revised May 29, 2007

UNIVEC, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2006

<u>ASSETS</u>	2006	2005
Cash	\$ 315	\$ 991
Accounts receivable	12,197	23,664
Inventory	44,700	193,325
Other amounts receivable	1,200	1,200
Total current assets	58,412	219,180
Fixed assets	1,053,774	1,114,284
Accumulated depreciation	(647,230)	(594,192)
Net fixed assets	406,544	520,092
Other assets	41,409	64,638
Total assets	\$ 506,365	\$ 803,910
<u>LIABILITIES AND STOCKHOLDERS' DEFICIT</u>		
Accounts payable and accrued expenses	\$ 1,758,610	1,598,524
Accrued payroll	1,937,091	1,878,483
Notes and loans payable - current	890,438	890,438
Due to affiliated companies	123,283	815,510
Loans payable - officers/directors - current	244,412	258,300
Total current liabilities	4,953,834	5,441,255
Notes and loans payable - long-term	1,597,983	318,183
Loans payable - officers/directors - long term	50,000	50,000
Total liabilities	\$ 6,601,817	\$ 5,809,438
Commitments and contingencies (Notes 3, 4, 12 and 13)		

UNIV EC, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2006

STOCKHOLDERS' DEFICIT	2006	2005
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: \$571,736)	\$ 208	\$ 208
Series E cumulative convertible preferred stock, \$.001 par value; authorized: 2,000 shares; issued and outstanding: 312 shares (aggregate liquidation value: \$366,135)	1	1
Common stock \$.001 par value; authorized: 75,000,000 shares; issued 63,288,804 and outstanding: 63,692,958 shares	63,289	57,634
Additional paid-in capital	11,601,878	11,514,390
Due from Stockholder	(150,000)	(150,000)
Treasury stock, 404,154 shares - at cost	(28,291)	(28,291)
Accumulated deficit	(17,582,537)	(16,399,470)
Total stockholders' deficit	(6,095,452),	(5,005,528)
Total liabilities and stockholders' deficit	\$ 506,365	\$ 803,910

Univec, Inc. and Subsidiaries
Consolidated Statement of Operations
Years ended December 31, 2006 and 2005

	2006	2005
Revenues (Note 4)	\$ 21,457	\$ 81,398
Cost of revenues	(32,344)	3,164-
Gross Margin	(10,887)	84,562
Operating Expenses		
Marketing and selling	90,315	233,990
Product development)	3,802
General and administrative	943,610	1,535,840
	1,033,925	1,773,632
Loss from Operations	(1,044,812)	(1,689,070)
Other Income (Expense)		
Interest expense, net	(138,255)	(200,019)
Total other expenses	(138,255)	(200,019)
Net loss	(1,183,067)	(1,889,089)
Dividends attributable to preferred stock	32,852	34,844
Loss attributable to common stockholders	\$ (1,215,919)	\$ (1,923,933)
Share information		
Basic net loss per common share	\$ (0.02)	\$ (0.04)
Basic weighted average number of common shares outstanding	59,831,084	52,729,533

See notes to consolidated financial statements.

Univec, Inc. and Subsidiaries
Consolidated Statement of Stockholders' Equity
Years ended December 31, 2006 and 2005

	Series D Preferred		Series E Preferred		Common Stock		Additional	Treasury	Stock	Due from Stockholder and Prepaid	Accumulated
	Shares	Amount	Shares	Amount	Shares	Amount	Paid-in Capital	Shares	Amount	Consulting Services	Deficit
Balance, January 1, 2005	125,000	125	412	1	45,463,296	45,464	10,977,782	404,154	(28,291)	(210,000)	(14,502,350)
Sale of Series D	83,333	83					199,917				
Common stock issued for:											
Cash					350,000	350	34,650				
Consulting fees					1,500,000	1,500	43,500				
Deferred payroll and accrued expenses											
- officers					5,640,882	5,641	185,189				
Due from Stockholders										(150,000)	
Loans payable - affiliates					2,333,333	2,333	67,667				
Convert Series E and dividends			(100)		2,191,215	2,191	5,840				(8,031)
Amortization										210,000	
Net loss											(1,889,089)
Balance, December 31, 2005	208,333	208	312	1	57,478,726	57,479	11,514,545	404,154	(28,291)	(150,000)	(16,399,470)

Common
stock issued
for:

Deferred
payroll and
accrued

expenses -
officers

5,810,078 5,810 87,333

Net loss

(1,183,067)

Balance,
December

31, 2006

208,333 \$ 208 312 \$ 1 63,288,804 \$ 63,289 \$ 11,601,878 \$ 404,154 (\$28,291)\$ \$ (150,000) (\$17,582,537)

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Univec, Inc. and Subsidiaries
Consolidated Statement of Cash Flows
Years ended December 31, 2006 and 2005

	2006	2005
Cash flows from operating activities		
Net loss	\$ (1,183,067)	\$ (1,889,089)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation and amortization	89,637	342,122
Gain on receipt of marketable securities		36,349
Fixed assets abandoned - net	23,911	0
Changes in assets and liabilities, net of		
Accounts receivable	11,467	3,098,629
Inventories	148,625	(13,447)
Other current assets and other assets	23,229	45,431
Accounts payable and accrued expenses	160,086	(2,629,243)
Accrued payroll	58,608	689,766
Net cash used in operating activities	(667,504)	(319,482)
Cash flows from investing activities		
Purchases of fixed assets	0	(13,500)
(Increase) decrease in restricted cash	0	340,407
Net cash used in investing activities	0	326,907
Cash flows from financing activities		
Proceeds from notes and loans payable,	1,279,800	0
Increase (decrease) in due from affiliated companies	(692,227)	306,710
Increase in loans payable - officers/directors	(13,888)	55,000
Increase in additional paid in capital	87,333	0
Proceeds from sale of common stock	5,810	35,000
Proceeds from sale of preferred stock	0	50,000
Payments on notes and loans payable	0	(482,587)
Net cash provided by financing activities	666,828	(35,877)
Net decrease in cash	(676)	(28,452)
Cash, beginning of period	991	29,443
Cash, end of period	\$ 315	\$ 991

Supplemental disclosure of cash flow information			
Cash paid for interest	\$	39,132	\$ 88,255
Supplemental disclosures of noncash activity			
Common stock and options issued in payment of deferred payroll and accrued expenses		\$ 0	262,837
Conversions of Series E to common stock, including dividends	\$	0	\$ 8,031
See notes to consolidated financial statements.			

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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 until its sale, marketed a medical waste disposal unit. RX Ultra Corporation, a medical products provider, remains inactive for the previous five years.

2. Going Concern

The accompanying financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. As of December 31, 2006, the Company had negative working capital of \$4,895,422 and stockholders' deficit of \$6,095,452 and had incurred net losses of \$(1,183,067) and \$(1,889,089) for the years ended December 31, 2006 and 2005, respectively. These factors, among others, indicate that the Company's continuation as a going concern is dependent upon its ability to obtain adequate financing and/or achieve profitable operations. The financial statements do not include any adjustments related to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

Management is currently seeking additional investment capital to support its entrance into new business ventures and provide the capital needed to operate.

3. Significant Accounting Policies

Basis of Presentation

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

Accounts Receivable

Accounts receivable consisted of receivables from trade 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, 2006, no allowance was necessary.

Inventories

Inventory is valued at the lower of cost or market and is determined by the first-in first-out method.

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 seven years. 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.

Shipping Income and Expense

Shipping income is included in product sales. Shipping expenses are included in marketing and selling. Shipping expense was \$553 and \$2,396 for the years ended December 31 2006 and 2005, respectively. The Company has included these immaterial shipping expenses in marketing and selling expenses on the consolidated statement of operations. This method is in accordance⁴ with Emerging Issues Task Force (EITF) Issue No. 00-10, paragraph 6.

Product Development

Research and development costs have been expensed as incurred.

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 anti-dilutive.

Revenue Recognition

Product sales are recognized when products are shipped. Although the Company warrants its products, it is unable to estimate the future costs relating to warranty expense and, as such, recognizes warranty expenses as incurred. Revenues for PPSI's group purchasing (GPO) service are recognized when the products are shipped.

The Company utilizes the net sales method of recognizing the amount of revenue from GPO product sales. This method is influenced by several factors as defined by EITF 99-19, which the Company's market agreement has indicated to be in accordance with the net sales method. The suppliers maintain the general inventory risk until the point when the pharmaceutical drug is dispensed to the patient in compliance with the "just in time" inventory method.

As a result of the different circumstances related to the Company's manufacture, procurement, distribution and physician sampling programs diverse financial accounting methods are utilized to recognize revenues from its various revenue sources. The Company's manufacturing and specialty pharmaceutical drug distribution programs employ the "gross" method of recognizing revenue. However, because of the distinctive type of services provided to the customers, GPO and physician sampling programs utilize the "net" method of revenue recognition.

Distributor Arrangements

The Company markets its syringe products exclusively through distributors and various government agencies. Accounts receivable balances are payable within thirty days of shipment. Univec provides a product quality warranty on its products. The Company has never had any of its products returned due to product deficiencies. The products are priced under competitive arrangements with each customer. The product revenue recognition is based upon the prices charged to each customer. The Company has no price concessions which allow payments below the agreed prices.

Product Warranties

The Company provides a product warranty for the products sold. However, the Company has never had a product returned due to defective quality. Further, there are no warranty costs recognized in the years ended December 31, 2006 and 2005. Because no warranty costs were incurred during any of the periods mentioned, there is no need to disclose any additional warranty cost policy or amounts.

Stock Based Compensation

Compensation cost for common stock, stock options, warrants, etc., issued to employees and non-employees is based on the fair value method. The corporate stock is publicly traded. In accordance with Statement of Financial Accounting Standards Board Statement Number 123, paragraph 47(d), the cost of such transactions are measured at the closing trade price of the common stock at the date of issue of the stock and stock options.

During the year ended December 31, 2006, 5,810,078 common shares valued at \$93,143 were exchanged for employee benefit costs. During the year ended December 31, 2005, 5,640,882 common shares valued at \$190,830 were exchanged for \$82,771 of payroll expenses plus \$108,059 of employee benefit costs.

Income Taxes

Deferred income taxes have been provided for temporary differences between financial statement and income tax reporting under the liability method, using expected tax rates and laws that are expected to be in effect when the differences are expected to reverse. A valuation allowance is provided when it is more likely than not, that the deferred tax assets will not be realized.

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

Financial Accounting Standards Board (FASB) Statement # 123R, Stock Based Compensation, is effective for the year ended December 31, 2006. The interpretive response states that a registrant should evaluate each new accounting standard to SEC Staff Accounting Bulletin Topic 11:M - Question 2, which directs the registrant to determine the appropriate disclosure in the given circumstances. Univec, Inc. intends to adopt Statement # 123R, Stock Based Compensation, for the year ended December 31, 2006. This response also applies to the unaudited interim financial statements for the six months ended June 30, 2006.

Management does not believe that any other recently issued accounting pronouncements have a material effect on the accompanying financial statements.

4. Concentrations

Cash

The Company maintains cash balances at various times during the year 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.

Purchases

During both 2006 and 2005, the Company purchased 99% of its pharmaceutical drugs for its group purchasing service (GPO) from one non-related vendor. The arrangement requires the Company to pay for the drugs within forty five days after the respective period month-end. As of December 31, 2006, accounts payable to that one vendor were less than 2% of total accounts payable.

5. Marketable Securities

As of December 31, 2006, the Company owned no marketable securities.

6. Inventory

Inventory consisted of the following:

	2006	2005
Raw materials	\$ 0	\$ 158,499
Work-in-process	0	89,641
Finished goods	44,700	70,185
	44,700	318,325
Less: allowance for valuation	0	(125,000)
	44,700	\$ 193,325

7. Other Amounts Receivable

Other amounts receivable consisted of the following:

	2006	2005
Advance to employee	\$ 1,200	\$ 1,200
	\$ 1,200	\$ 1,200

8. Fixed Assets

Fixed assets consisted of the following:

	2006	2005
Equipment	\$ 1,053,774	\$ 1,114,284
Less: accumulated depreciation	647,230	594,192
	\$ 406,544	\$ 520,092

Depreciation expense was \$ 89,638 and \$116,093 in 2006 and 2005, respectively. For the year ended December 31, 2006, fully depreciated assets were approximately \$ 36,599

9. Other Assets

The balance represents the unamortized legal and origination fees for loans from the Shaar Fund, the City of Baltimore Development Corporation and the Maryland Department of Business and Economic Development. The unamortized balance was \$ 41,409 and \$ 64,638 at 2006 and 2005 respectively.

10. Notes and Loans Payable

As of December 31, 2006, notes and loans payable consisted of:

Loan due to an investment group in accordance with a 6% Stock Purchase Agreement	\$ 1,279,800
Loan due to a shareholder through July, 2009, with interest at prime plus 2% (1)	500,000
Loans payable to agencies for economic development payable at \$4,615 per month until July 2009, with interest at 4% per annum (1)	97,321
Loan payable to a vendor without specific payment terms or interest (2)	211,852
Loan payable to a vendor without, specific interest	135,000
Loan payable to a vendor due April 30, 2007 with interest at prime plus 2% per annum	78,151
Notes payable with interest at 8%	85,000
Notes payable with interest at 12%, per annum	55,000
Notes payable to a shareholder's trusts, with interest at 12%, per annum (2)	27,000
Other	19,297
	2,488,421
Less: Current portion of notes and loans payable	890,438
Long-term portion of notes and loans payable	\$ 1,597,983

(1) On July 23, 2004, the Company borrowed an aggregate of \$500,000 from the City of Baltimore Development Corporation and the Maryland Department of Business and Economic Development payable in aggregate remaining equal monthly installments of \$4,615 over five years, with interest at 4%, per annum. Proceeds were used to purchase equipment of \$450,000, which together with certain other equipment of the Company, collateralize the borrowings. Loans from certain officers and directors of approximately \$180,000 have been subordinated.

As required under the borrowings, the Company has obtained a revolving line of credit of \$500,000 from a stockholder of the Company under which the Company may borrow for working capital through July 22, 2009. Loans under the line bear interest at the prime rate, plus 2%, per annum, and may be converted into common stock at \$.065, per share, as defined. The Maryland Department of Business and Economic Development have guaranteed 80% of the loan and interest thereon. In July 2004, the Company borrowed \$500,000 under the line of credit. As of December 31, 2005, the interest rate was 9%, per annum, over the term of the borrowings.

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

Future minimum repayments required for existing loans with initial terms of one year or more are as follows:

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Year	Amount	
2007	\$	890,438
2008		374,031
2009		305,300
2010		300,000
2011		300,000
Thereafter		318,652
Total minimum payments	\$	2,488,421

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11. Due to Affiliated Companies

As of December 31, 2006 and 2005, the Company owed \$123,283 and \$815,510 respectively to affiliated companies, owned by the chief executive officer of the Company due on demand, with interest at 10%, per annum. The affiliated companies, by definition, qualify as related parties of Univec, Inc.

12. Loans Payable - Officer/Directors

Loans payable to officers/directors consisted of the following:

	2006	2005
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)	\$ 200,000	\$ 200,000
Notes payable to a director	94,412	108,300
	\$ 294,412	\$ 308,300

(1) The loan is collateralized by certain equipment of the Company.

The officers/directors, by definition, qualify as related parties of Univec, Inc.

13. Income Taxes

The Company files consolidated income tax returns with its subsidiaries. Prior to its acquisition, PPSI was a Subchapter S Corporation.

As of December 31, 2006, the Company had net operating loss carry forwards of approximately \$16,700,000 available to reduce future taxable income expiring through 2025, which may be limited due to ownership changes.

For the years ended December 31, 2006 and 2005, the Company's deferred tax benefits (expenses) were as follows:

	2006	2005
Net operating loss carry forwards	\$ 856,000	\$ 632,000
Depreciation	-	7,000
Goodwill	-	(45,000)
Compensation	24,000	230,000
Valuation allowance	(880,000)	(824,000)
	0	0

As of December 31, 2006, the tax effects of the components of deferred tax assets and liabilities were as follows:

Deferred tax assets	
Net operating loss carry forwards	\$ 5,514,000
Compensation	736,000
Net deferred tax asset	6,250,000
Valuation allowance	(6,250,000)
	0

As of December 31, 2006, realization of the Company's net deferred tax asset of approximately \$6,250,000 was not considered more likely than not to be realized. Therefore, a valuation allowance of \$6,250,000 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.

	2006	2005
Expected income tax benefit	\$ (490,000)	\$ (632,000)
Change in valuation allowance arising in current year	880,000	1,233,000
State income tax benefit, net of federal income tax effect	(120,000)	(120,000)
Other	(270,000)	(481,000)
	0	0

14. Commitments and Contingency

Lease

The Company was committed under a non-cancelable lease for production, storage and office space through February 6, 2006. The lease provided 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 eight one year renewals at the Company's option.

For 2006 and 2005, total rent expense was \$72,000 and \$57,600, respectively.

Employment Agreement

The Company is committed under an employment agreement to 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 years ended December 31, 2006 and 2005, the compensation was \$36,300 and \$435,600, respectively, which have been fully deferred by the chief executive officer. The chief executive officer has agreed to temporarily forego all payroll earned after January 31, 2006. The employment agreement also provides for bonuses, as determined by the officer and the Company, an automobile allowance (of \$24,000, per annum, for 2006) and life, disability and health insurance. 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.

15. Litigation Reserve

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 not be determined, no value was assigned to them.

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 had 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.

16. Stockholders' Equity

Common Stock

During the year ended December 31, 2006, the Company issued an aggregate of 5,810,078 shares of common stock to a stockholder in exchange for benefits not taken of \$93,143.

On April 6, 2005, the Company issued 1,386,527 common shares to a preferred stockholder in exchange for 70 shares of Series E preferred stock and unpaid dividends worth an aggregate of \$5,840.

On June 28, 2005, the Company issued 1,896,970 shares of common stock to two officers in exchange for operating expenses incurred by them but not previously paid.

On June 29, 2005, the Company issued 1,500,000 shares of common stock to an independent marketing consultant in exchange for fees not paid of \$45,000.

On June 30, 2005, the Company issued 1,286,082 shares of common stock to an officer/director of the Company in exchange for benefits not taken of \$42,441.

On June 30, 2005, the Company converted \$70,000 of notes payable to an affiliate owned by an executive officer in exchange for 2,333,333 shares of common stock.

On October 10, 2005, the Company issued 1,169,850 shares of common stock to an officer/director of the Company in exchange for benefits not taken of \$12,868.

Preferred Stock

Series D

The Company has designated 1,250,000 shares of 5% cumulative convertible preferred stock (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, in cash at \$2.40, per share. In addition, Series D stockholders are entitled to a liquidation preference of \$2.40, per share, plus unpaid dividends. Each share of Series D is initially convertible into three shares of common stock.

During December 2004 and again during March, 2005 the Company sold 20,833 shares of Series D preferred stock to a customer for \$50,000 for each respective group of 20,833 shares. At December 31, 2005, another \$150,000 is receivable from the shareholder for Series D stock purchase commitments due under this agreement.

Series E

In August 2003, the Company designated 2000 shares of 5% cumulative convertible preferred stock (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 dividends. In addition, Series E stockholders are entitled to a liquidation preference of \$1,000, per share, plus all unpaid 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. The Company may redeem the Series E in cash at \$1,350, per share, plus all 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 2005 and 2004, 100 and 80 shares, respectively of Series E were converted into 2,191,215 and 1,790,431 shares of common stock at prices ranging from \$.03 to \$.06, per share.

Holders of preferred shares have no voting rights.

As of December 31, 2006, cumulative dividends in arrears on preferred stock were:

Series D	\$	71,736
Series E		54,135
	\$	125,871

Non Plan Options

During the year ended December 31, 2004, the Company issued options to purchase an aggregate of 1,050,000 shares of common stock of the Company to two officers and an employee. The options are exercisable at \$.04, per share, through December 2009 and were valued at \$4,000.

During the years ended December 31, 2006 and 2005, the Company issued no options to purchase common stock of the Company

During 2006 and 2005, options to purchase 510,000 and 802,236 shares, respectively, of common stock expired or were cancelled without being exercised.

Reserved Shares

As of December 31, 2006, the Company has reserved shares of common stock as follows:

Non-plan options and warrants	13,008,345
Options under the Plans	375,000
Series D conversions	375,000
Series E conversions(a)	27,700,000
	41,458,345

(a) assumes conversions as of December 31, 2006 at \$.02, per share.

17. Stock Option Plans

The 1996 Stock Option Plan (96 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 NQSO's. 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 96 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 additional 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 2006 and 2005.

	2006		2005	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Options outstanding, beginning of year	685,000	\$ 0.70	1,335,000	\$ 0.70
Granted	None	-	None	-
Canceled, exercised, expired or exchanged	(250,000)	\$ (0.48)	(650,000)	0.675
Options outstanding, end of year	435,000	\$ 1.18	685,000	\$ 0.72
Options exercisable, end of year	435,000	\$ 1.18	685,000	\$ 0.72
Options available for grant, end of year	1,050,000		1,050,000	
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, 2006:

Range of Exercise Prices	Outstanding Options	Weighted Average Remaining Contractual Life (Years)	Exercisable Options	Weighted Average Exercisable Price
\$3.50	65,000	1.50	65,000	\$3.50
\$2.00	70,000	2.00	70,000	\$2.00
\$0.50	100,000	5.25	100,000	\$0.50
\$0.24	35,000	7.00	35,000	\$0.24
\$0.20	60,000	0.75	60,000	\$0.20
\$0.15	105,000	4.50	105,000	\$0.15
\$0.15 to \$3.50	435,000	2.70	435,000	\$0.72

18. 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. In December 2003, the Company sold this license and assigned certain patents to a creditor in payment of \$99,433 and also assigned certain 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.

19. Discontinued Operations

On August 16, 2004, in settlement of litigation, the Company sold TWT, a wholly-owned subsidiary, to an officer of the Company and his related parties, all former owners of TWT, in exchange for 404,154 shares of common stock of the Company, cancellation of deferred compensation to the officer of \$221,042 and cancellation of the officer's employment agreement. In addition, the officer received options to purchase 97,710 shares of common stock of the Company, exercisable at \$.01, per share, for 10 years and the other purchasers received option to purchase 296,444 shares of common stock of the Company, exercisable at \$.07, per share, for 10 years. The officer also will receive \$100,000 in cash, payable in monthly installments of \$10,000, commencing August 2004 and medical insurance payments of \$3,600.

Expenses in connection with the sale were \$87,307.

20. Financing Agreements

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 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 Notes and Warrants were issued in reliance upon exemptions from regulation pursuant to section 4(2) of the Securities Act of 1933 and Regulation 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.

The initial closing was for financing of the principal amount of \$700,000 for which callable secured convertible notes were issued. Under the securities purchase agreement, the principal amount of \$600,000 is to be received when the Form SB-2 registration statement is filed with the SEC. The final amount of \$700,000 is to be received when the registration statement is declared effective. At both times, callable secured convertible notes will be issued for such amounts. The note is convertible into the Company's common shares at the lowest three intra-day trading prices during the twenty trading days immediately prior to the conversion date as discounted by 40%. The investors in the financing shall not be entitled to convert the promissory note if such conversion would result in any investor solely owning more than 4.99% of the outstanding common shares of the Company

The Notes carry an interest rate of 6% per annum and a maturity date of July 31, 2009. The notes are convertible into our common shares at the Applicable Percentage of the average of the lowest three (3) trading prices for our shares of common stock during the twenty (20) trading day period prior to conversion. The "Applicable Percentage" means 50%; provided, however, that the Applicable Percentage shall be increased to (i) 55% in the event that a Registration Statement is filed within thirty days of the closing and (ii) 60% in the event that the Registration Statement becomes effective within one hundred and twenty days from the Closing.

At the Company's option, it may prepay the Notes in the event that no event of default exists, there are a sufficient number of shares available for conversion of the Notes and the market price is at or below \$.25 per share. In addition, in the event that the average daily price of the common stock, as reported by the reporting service, for each day of the month ending on any determination date is below \$.25, we may prepay a portion of the outstanding principal amount of the Notes equal to 101% of the principal amount hereof divided by thirty-six (36) plus one month's interest. Exercise of this option will stay all conversions for the following month. The full principal amount of the Notes is due upon default under the terms of Notes. In addition, the Company has granted the investors a security interest in substantially all of its assets and intellectual property as well as registration rights.

The Investors have contractually agreed to restrict their ability to convert the Notes and exercise the Warrants and receive shares of the Company's common stock such that the number of shares of the Company's common stock held by them and their affiliates after such conversion or exercise does not exceed 4.99% of the then issued and outstanding shares of the Company's common stock.

Based on this recent financing, the Company has also issued 10,000,000 warrants convertible into shares of the Company's common stock. Each warrant entitles the holder to one share of common stock. The exercise price is \$0.02 per share and is exercisable for seven years from the date of issuance. The warrants have a cashless exercise feature. For the 10,000,000 warrants issued on July 31, 2006, the expiration date is July 31, 2013.

The convertible notes and warrants (the "Securities") were issued in reliance on the exemption from registration provided by Section 4(2) of the Securities Act. No commission was paid for the issuance of such Securities. The above issuance of Securities qualified for exemption under Section 4(2) of the Securities Act since the issuance of such shares by the Company did not involve a public offering. The holders of these Securities were each accredited.

None of the Securities have been converted to common stock as yet. The Securities have been recorded as convertible debt payable by the Company.

As defined by EITF 00-19, paragraph 12 to 32, because the Contracts include a provision that could require net-cash settlement then the contracts cannot be accounted for as equity of the Company (that is liability classification is required for such contracts). Further, the Company has concluded that this obligation qualifies as conventional convertible debt.

As provided by SFAS No. 133 and EITF Issue 11-19, because the warrants are not a hedging instrument, the gain or loss resulting from changes in the fair value of the instrument are to be recognized in earnings of the period of the change in value.