

Pharma-Bio Serv, Inc.
Form 10-K/A
February 28, 2019

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

FORM 10-K/A
(Amendment No. 1)
(Mark One)

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

For the fiscal year ended October 31, 2018

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

For the transition period from _____ to _____

Commission File No. 000-50956

PHARMA-BIO SERV, INC.
(Exact Name of Registrant as Specified in Its Charter)

Delaware 20-0653570
(State or Other Jurisdiction of Incorporation or Organization) (IRS Employer Identification No.)

Pharma-Bio Serv Building,
#6 Road 696 00646
Dorado, Puerto Rico
(Address Of Principal Executive Offices) (Zip Code)

787-278-2709
(Registrant's Telephone Number, Including Area Code)

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act: Common Stock, par value \$0.0001 per share

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes No

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Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically, every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or emerging growth company. See the definitions of "large accelerated filer," "accelerated filer", "smaller reporting company", and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	Accelerated filer
Non-accelerated filer	Smaller reporting company
	Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

The aggregate market value of common stock held by non-affiliates of the registrant, based on the closing price for the registrant's common stock on April 30, 2018 (the last business day of the second quarter of the registrant's current fiscal year), was \$8,003,365.

The number of shares of the registrant's common stock outstanding as of January 25, 2019 was 22,997,883.

EXPLANATORY NOTE

This Annual Report on Form 10-K/A is being filed by Pharma-Bio Serv, Inc. (the "Company") to amend the Annual Report on Form 10-K for the year ended October 31, 2018 filed by the Company with the Securities and Exchange Commission (the "SEC") on January 29, 2019 to include the information required to be disclosed by Part III, Items 10-14 of Form 10-K.

PHARMA-BIO SERV, INC.
ANNUAL REPORT ON FORM 10-K/A
FOR THE YEAR ENDED OCTOBER 31, 2018

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PART III

ITEM 10.

DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

(a)

Identification of Directors

Name	Age	Positions with the Company	Director Since
Elizabeth Plaza(3)	55	Chairman of the Board	2006
Kirk Michel(1),(2)	63	Director	2006
Dov Perlysky(2),(3)	56	Director	2004
Howard Spindel(1)	73	Director	2006
Irving Wiesen(1),(2),(3)	64	Director	2006

(1)

Member of the Audit Committee and Compensation Committee.

(2)

Member of the Mergers and Acquisition Committee.

(3)

Member of the Nominating Committee.

Elizabeth Plaza has served as the Chairman of the Board since January 2006. Also, Ms. Plaza assumed the role of Senior Strategic Consultant of the Company on January 1, 2013. Ms. Plaza served as our president and chief executive officer from January 2006 to December 2012, and as our principal executive officer from January 1, 2014 to December 31, 2014. Ms. Plaza founded Pharma-Bio Serv PR, Inc., a division of Pharma-Bio Serv, Inc., on February 1993. Prior to founding her own company, she worked for Warner Lambert, Inc, and McNeil Pharmaceutical, a Johnson & Johnson company, as a Pharmaceutical Scientist. Ms. Plaza graduated from the University of Puerto Rico, Magna Cum Laude with a degree in Pharmaceutical Sciences. Also, Ms. Plaza has attended the Executive Development program of the Massachusetts Institute of Technology (MIT) and the Kellogg Management Development Program for Minority CEO's at Northwestern University in Illinois.

Ms. Plaza is and has been a member of numerous professional organizations. She served as a member of the US Department of Commerce, MBDA, and Washington DC National Advisory Council on Minority Business Enterprise from 2010-2013; she is a director of the Board of Directors of the Puerto Rico Manufacturers Association ("PRMA") and the President of the Industrial Women Chapter under PRMA; and she served on the Export Commerce Advisory Council for Puerto Rico Government from 2009-2012. On her philanthropic activities, she is founder and President of the Board of Directors of nonprofit 501c3 foundation Ángeles Vivientes, which provides programs and education on children mistreatment prevention. In addition, she is an active member of professional organizations including the Parenteral Drug Association (PDA), where she was one of the authors of the Technical Report on the new FDA Process Validation Guidance. She is a member of the Delaware Valley International Society of Pharmaceutical Engineers (ISPE), the American Society for Quality Control (ASQC) and the American Association of Pharmaceutical Scientists (AAPS).

Ms. Plaza brings extensive leadership and business experience, as well as an in-depth understanding of the Company's history and tremendous knowledge of our business and the pharmaceutical industry, to the Board. Her experience as an entrepreneur serving the pharmaceutical industry has given her broad understanding and expertise, along with a strong network of industry professionals and executives in the industry in Puerto Rico and abroad.

Kirk Michel, a director since January 2006, is the founder and a managing director of KEMA Advisors, Inc. (KEMA). Founded in 2000, KEMA is a boutique investment banking firm located in Hillsborough, North Carolina. KEMA provides corporate finance advisory services to middle market companies and governmental agencies. Prior to KEMA, from 1995 to 2000, Mr. Michel was the co-founder and a managing director of Bahia Group Holdings, LLC, which provided corporate finance, public finance and merger and acquisition services to middle market companies and governmental agencies. Mr. Michel holds a M.B.A. degree in Finance and Accounting from the Columbia University Graduate School of Business and a B.A. in Economics from Northwestern University.

Mr. Michel brings extensive leadership, business, and finance experience to the Board. His experience as an investment banker has given him broad understanding and expertise, particularly relating to business and finance matters.

Dov Perlysky, a director since 2004, has been the managing member of Neshet, LLC, a private investment firm since 2000. From 1998 until 2002, Mr. Perlysky was a vice president in the private client group of Laidlaw Global Securities, a registered broker-dealer. He received his B.S. in Mathematics and Computer Science from the University of Illinois in 1985 and a Masters in Management from the J.L. Kellogg Graduate School of Northwestern University in 1991. Mr. Perlysky is currently a director of Enzo Biochem, Inc., a growth-oriented life sciences and clinical laboratory company listed on the New York Stock Exchange, Engex, Inc., a closed-end mutual fund, and Highlands Bancorp, Inc., a New Jersey community bank.

Mr. Perlysky brings extensive leadership and business experience, as well as an in-depth understanding of the Company's history and tremendous knowledge of our business and the pharmaceutical industry, to the Board. His experience as the former president of the Company has given him broad understanding and expertise, particularly relating to the Company's business and industry.

Howard Spindel, a director since January 2006, has been a consultant with Integrated Management Solutions, a securities industry consulting and recruitment firm which he founded, since 1985. In this capacity, he has also acted as a financial and operations principal, general securities principal, registered representative and options principal for several broker-dealers during this period. He is also a director of Engex, Inc., a closed-end investment company, and Oak Tree Educational Partners, Inc., a training company. Mr. Spindel received a B.S (Accounting) degree from Hunter College and is a Certified Public Accountant.

Mr. Spindel brings extensive leadership, business, and accounting experience to the Board. His experience as a consultant, certified public accountant and board member to other companies has given him broad understanding and expertise, particularly relating to business, accounting and finance matters.

Irving Wiesen, a director since January 2006, has practiced as an attorney specializing in food and drug law and regulation in the pharmaceutical and medical device industries for over thirty years. For more than the past ten years he has been of counsel to the New York law firms, Ullman, Shapiro and Ullman, LLP and Cohen, Tauber, Spievack & Wagner. Prior to that, Mr. Wiesen was a partner in the New York food and drug law firm, Bass & Ullman, and also served as division counsel of Boehringer Ingelheim Pharmaceuticals, Inc. Mr. Wiesen represents pharmaceutical, medical device and biotechnology companies in all aspects of FDA regulation, corporate practice and compliance, litigation and allied commercial transactions. Mr. Wiesen received his J.D. degree from the New York University School of Law and holds an M.A. in English Literature from Columbia University and a B.A., cum laude, from Yeshiva University.

Mr. Wiesen brings extensive leadership, business, and legal experience to the Board. He has practiced as an attorney specializing in food and drug law and regulation in the pharmaceutical and medical device industries for over thirty years. His experience as a practicing lawyer in the pharmaceutical and medical device industries has given him broad understanding and expertise, particularly relating to legal and industry matters impacting the Company.

(b)

Identification of Executive Officers

Name	Age	Position
Victor Sanchez	48	Chief Executive Officer, President and President of European Operations
Pedro J. Lasanta	59	Chief Financial Officer, Vice President - Finance and Administration and Secretary

Victor Sanchez has served as our Chief Executive Officer and President since January 1, 2015 and as the President of the European Operations of the Company since January 2011. Prior to joining the Company, he served as Operations Manager in the LOCM and OSD divisions of Merck Sharp & Dohme ("MSD"), a pharmaceutical company, in Madrid, Spain from April 2010 to January 2011 and as Operations Manager of the LOCM division of Schering-Plough S.A., a pharmaceutical company, in Madrid, Spain, from September 2004 to April 2010. He served as Quality Control Validations Manager for Schering-Plough Products, LLC, a pharmaceutical company ("Schering-Plough"), in Puerto Rico from December 2000 to August 2004 and as Quality Control Laboratory Supervisor of Schering-Plough from April 1996 to December 2000. Mr. Sanchez holds a Bachelor of Science in Chemistry, summa cum laude, and a M.B.A. in Industrial Management, cum laude, from the Interamerican University of Puerto Rico. He holds a Post Graduate Diploma in Pharmaceutical Validation Technology from the Dublin Institute of Technology, Ireland. Mr. Sanchez is a chemist licensed by the Puerto Rico State Department and a member of the American Chemical Society,

the Parenteral Drug Association, the Regulatory Affairs Professional Society, and the International Society for Pharmaceutical Engineers.

Pedro J. Lasanta has served as our Chief Financial Officer and Vice President - Finance and Administration since November 2007, and our Secretary since December 1, 2014. From 2006 until October 2007, Mr. Lasanta was in private practice as an accountant, tax and business counselor. From 1999 until 2006, Mr. Lasanta was the Chief Financial Officer for Pearle Vision Center PR, Inc. In the past, Mr. Lasanta was also an audit manager for Ernst & Young, formerly Arthur Young & Company. He is a cum laude graduate in business administration (accounting) from the University of Puerto Rico. Mr. Lasanta is a Certified Public Accountant. In 2012, he was awarded the Puerto Rico Manufacturers Association (North Region) Service Manager of the Year. Mr. Lasanta has served as a Member of the Puerto Rico District Export Council for the U.S. Department of Commerce since January 2014.

(c)
Identification of Certain Significant Employees

Not applicable.

(d)
Family Relationships

There are no family relationships among our executive officers and directors.

(e)
Business Experience

The business experience of each of our current directors and executive officers is set forth in Part III, Item 10(a), "Identification of Directors" and Part III, Item 10(b), "Identification of Executive Officers," respectively, of this Annual Report on Form 10-K/A.

The directorships currently held, and held during the past five years, by each of our directors in any company with a class of securities registered pursuant to Section 12 of the Securities Exchange Act of 1934, as amended, or subject to Section 15 of such Act or any company registered as an investment company under the Investment Company Act of 1940, as amended, are set forth in Part III, Item 10(a), "Identification of Directors" of this Annual Report on Form 10-K/A.

(f)
Involvement in Certain Legal Proceedings

To the best of our knowledge, none of our directors or executive officers that served during the year ended October 31, 2018 ("Fiscal 2018") or currently has been involved during the past ten years in any legal proceedings required to be disclosed pursuant to Item 401(f) of Regulation S-K.

(g)
Promoters and Control Persons

Not applicable.

(h) and (i) Audit Committee and Audit Committee Financial Expert

The members of the standing Audit Committee are Howard Spindel, Chairman, Kirk Michel and Irving Wiesen, all of whom are independent directors as determined by the Nasdaq Rules. The responsibilities and duties of the Audit Committee consist of but are not limited to: (1) overseeing the financial reporting process; (2) meeting with our external auditors regarding audit results; (3) engaging and ensuring independence of our outside audit firm and (4) reviewing the effectiveness of the Company's internal controls.

Our Board has determined that Mr. Spindel qualifies as an "Audit Committee financial expert" within the meaning of applicable regulations of the Securities and Exchange Commission, promulgated pursuant to the Sarbanes-Oxley Act of 2002. Our board of directors has adopted a written charter for the Audit Committee which the Audit Committee reviews and reassesses for adequacy on an annual basis. A copy of the Audit Committee's charter is located on our website at www.pharmabioserv.com ..

(j)

Procedures for Stockholder Nominations to the Board of Directors

No material changes to the procedures for nominating directors by our stockholders were made during Fiscal 2018.

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Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act requires our executive officers and directors, and persons who own more than 10% of our common stock, to file reports regarding ownership of, and transactions in, our securities with the Securities and Exchange Commission and to provide us with copies of those filings. To the Company's knowledge, based solely on a review of the copies of such reports furnished to the Company and written representations that no other reports were required, during the year ended October 31, 2018, all such filing requirements applicable to the Company's directors, executive officers and greater than 10% beneficial owners were complied with.

Code of Conduct and Ethics

We have adopted a Code of Ethics that applies to all our senior management, including our principal executive officer, principal financial officer and principal accounting officer, and directors. A copy of our Code of Ethics is located on our website at www.pharmabioserv.com. We intend to post amendments to or waivers from our Code of Ethics (to the extent applicable to our Principal Executive Officer, Principal Financial Officer, Principal Accounting Officer or controller, or persons performing similar functions) on our website at www.pharmabioserv.com. Our website is not part of this report.

ITEM 11.

EXECUTIVE COMPENSATION

Summary Compensation Table

The following table provides the compensation paid to our principal executive officer and other executive officers whose total compensation exceeded \$100,000 for the fiscal years ended October 31, 2017 and 2016 (the "Named Executive Officers").

Name and Principal Position	Fiscal Year	Salary	Bonus	Stock Awards (\$)(1)	Option Awards (\$)(1)	All Other Compensation	Total
Victor Sanchez	2018	\$220,600	\$-	\$-	\$13,192	\$14,950	(2) \$248,742
President and Chief Executive Officer	2017	\$220,600	\$20,000	(3) \$4,167	\$9,894	\$14,950	(2) \$269,611
Pedro Lasanta, Chief Financial Officer, Vice President -Finance and Administration and Secretary	2018	\$160,600	\$75,000	(4) \$-	\$13,192	\$-	\$248,792
	2017	\$160,600	\$-	\$-	\$9,894	\$-	\$170,494

(1)

Amounts shown do not reflect compensation received by the executive officers. Instead, the amounts shown are the compensation costs recognized by us in fiscal year 2018 and 2017 for option grants and restricted units awards, as applicable, that were made to officers as determined pursuant to FASB ASC Topic 718. The assumptions used to

calculate the value of option and restricted stock units awards are set forth under Note K - Stock Options, Restricted Stock Units and Stock Based Compensation in our audited financial statements for the fiscal year ended October 31, 2018 included in our Annual Report on Form 10-K for the fiscal year ended October 31, 2018.

(2)
Represents health insurance plan expenses incurred pursuant to Mr. Sanchez's employment agreement.

(3)
Represents bonus for services in fiscal 2017, which were paid in February 2018.

(4)
Represents bonus for services in fiscal 2018, which were paid in November 2018.

Outstanding Equity Awards at Fiscal Year-End Table

The following table summarizes information regarding equity-based awards held by our Named Executive Officers as of October 31, 2018.