

Pharma-Bio Serv, Inc.
Form 10-K/A
February 28, 2013

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

FORM 10-K/A

(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, 2012

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 Dorado, Puerto Rico	00646
(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

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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

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post 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, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input type="radio"/>	Accelerated filer	<input type="radio"/>
Non-accelerated filer	<input type="radio"/>	Smaller reporting company	<input checked="" type="checkbox"/>

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

The approximate 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, 2012 (the last business day of the second quarter of the registrant's current fiscal year), was \$7,991,615.

The number of shares of the registrant's common stock outstanding as of January 28, 2013 was 20,758,695.

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, 2012 filed by the Registrant with the Securities and Exchange Commission (the "SEC") on January 29, 2013 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, 2012

TABLE OF CONTENTS

PART III

	Page
<u>ITEM</u> <u>10.</u> <u>DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE</u>	4
<u>ITEM</u> <u>11.</u> <u>EXECUTIVE COMPENSATION</u>	6
<u>ITEM</u> <u>12.</u> <u>SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS</u>	10
<u>ITEM</u> <u>13.</u> <u>CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE</u>	11
<u>ITEM</u> <u>14.</u> <u>PRINCIPAL ACCOUNTING FEES AND SERVICES</u>	11

PART IV

<u>ITEM</u> <u>15.</u> <u>EXHIBITS, FINANCIAL STATEMENT SCHEDULES</u>	12
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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)	49	Chairman of the Board	2006
Kirk Michel(1),(2)	57	Director	2006
Dov Perlysky(2),(3)	50	Director	2004
Howard Spindel(1)	67	Director	2006
Irving Wiesen(1),(2),(3)	58	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. Ms. E. Plaza served as our president and chief executive officer from January 2006 to December 2012. Ms. E. Plaza holds a B.S. in Pharmaceutical Sciences, magna cum laude, from the School of Pharmacy of the University of Puerto Rico. She was a 40 under 40 Caribbean Business Award recipient in 2002, the 2003 recipient of Ernst & Young's Entrepreneur of the Year Award in Health Science, one of the 2003 recipients of the Puerto Rico Powerful Business Women Award, elected as Puerto Rico Manufacturers Association 2004 (Metropolitan-West Region) Executive of the Year, and Puerto Rico 2008 Executive of the Year. She is member of the US Department of Commerce National Advisory Council on Minority Business Enterprise and is also member of the Board for the Puerto Rico Commerce & Export Company.

Ms. E. 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 in the pharmaceutical industry has given her broad understanding and expertise, particularly relating to business and industry matters.

Kirk Michel, a director since January 25, 2006, has been a managing director of KEMA Advisors, Inc., a boutique investment banking firm located in Hillsborough, North Carolina since 2000. KEMA Advisors provides corporate finance advisory services to middle market companies and governmental agencies. 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 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 a managing director of an investment banking firm 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 Neshor, LLC a private investment firm since 2000. On January 25, 2006, in connection with the reverse acquisition, Mr. Perlysky resigned as president and became a consultant to us. 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 JL Kellogg Graduate School of Northwestern University in 1991. Mr. Perlysky is a director of Enzo Biochem, Inc., a growth-oriented life sciences and biotechnology company listed on the New York Stock Exchange, Engex, Inc., a closed-end mutual fund, and Highlands Bancorp, Inc.

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 25, 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 25, 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 five 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
Nélida Plaza	45	Acting President and Chief Executive Officer, and President of Puerto Rico Operations, and Secretary
Pedro J. Lasanta	53	Chief Financial Officer and Vice President - Finance and Administration

Nélida Plaza has been our Acting President and Chief Executive Officer since January 2013, Vice President of Operations of Pharma-Bio Serv PR, Inc. ("Pharma-PR") since January 2004, the Company's Secretary since January 25, 2006, and the Company's President of Puerto Rico Operations since December 31, 2009, in charge of Scienza Labs, Pharma Academy and Pharma-PR. She served as the Company's Vice President from January 25, 2006 to December 31, 2009. In July 2000, she joined Pharma-PR as a project management consultant. In the past, she was a unit operations leader and safety manager at E.I. DuPont De Nemours where she was in charge of the full operations of a manufacturing plant and also managed the development, support and audit of environmental, safety and occupational health programs. She holds a M.S. in Environmental Management from the University of Houston in Clear Lake and a B.S. in Chemical Engineering from the University of Puerto Rico. She was recognized by Casiano Communications as one of the 40 under 40 distinguished executives in Puerto Rico. Nélida Plaza and Elizabeth Plaza, the Chair of the Board, are sisters.

Pedro J. Lasanta has been our chief financial officer and vice president - finance and administration since November 2007. 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.

(c) Identification of Certain Significant Employees

Not applicable.

(d) Family Relationships

Elizabeth Plaza and Nélica Plaza are sisters. There is no other family relationship among our 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, 2012 ("Fiscal 2012") 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 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 2012.

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, 2012, 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.

ITEM 11. EXECUTIVE COMPENSATION

Summary Compensation Table

The following table provides the compensation paid to our Chief Executive Officer and other executive officers whose total compensation exceeded \$100,000 for the fiscal years ended October 31, 2012 and 2011 (the "Named Executive Officers").

Name and Principal Position	Fiscal Year	Salary	Bonus	Option Awards (\$)(3)	All Other Compensation(4)	Total
Elizabeth Plaza, Former President and Chief Executive Officer(1)	2012	\$ 290,023	\$ 150,000(5)	\$ -	\$ 16,380	\$ 456,403
	2011	250,600	175,000(6)	2,044	16,380	444,024
Nélida Plaza, Acting President and Chief	2012	\$ 175,600	\$ 40,000(5)	\$ 5,459	\$ 15,612	\$ 236,671
	2011	175,600	25,000(6)	1,226	15,612	217,438

Executive Officer,
President of Puerto Rico
Operations and
Secretary(2)

Pedro Lasanta, Chief Financial Officer and Vice President –Finance and Administration	2012	\$ 122,428	\$ 40,000(5)	\$ 5,898	-	\$ 168,326
	2011	110,600	25,000(6)	3,362	-	138,962

- (1) Effective December 31, 2012, Elizabeth Plaza stepped down as the Company's President and Chief Executive Officer. Ms. E. Plaza continues to serve as Chairman of the Board.
- (2) Effective January 1, 2013, Nérida Plaza was appointed Acting President and Chief Executive Officer.
- (3) Amounts shown do not reflect compensation received by the officers. Instead, the amounts shown are the compensation costs recognized by us in fiscal year 2012 and 2011 for option grants that were made to officers as determined pursuant to FASB ASC Topic 718. The assumptions used to calculate the value of option awards are set forth under Note H – Stock Options and Stock Based Compensation in our audited financial statements for the fiscal year ended October 31, 2012, included in our Annual Report on Form 10-K for the fiscal year ended October 31, 2012.
- (4) All other compensation for Elizabeth Plaza and Nérida Plaza correspond to company lease payments for vehicles under their use.
- (5) Represents bonus for services in fiscal 2012, which were paid in January 2013.
- (6) Represents bonus for services in fiscal 2011, which were paid in January 2012.

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, 2012.

Name	Number of Securities Underlying Unexercised Options Exercisable	Number of Securities Underlying Unexercised Options Unexercisable	Option Exercise Price	Option Expiration Date
Elizabeth Plaza(1)	125,000	-	\$ 0.6500	Dec. 20, 2012
	-	250,000	\$ 0.7920	Jan. 23, 2017
Nélida Plaza(2)	75,000	-	\$ 0.6500	Dec. 20, 2012
	-	200,000	\$ 0.7200	Jan. 30, 2017
Pedro Lasanta(3)	30,000	-	\$ 0.5000	Dec. 18, 2013
	-	200,000	\$ 0.7200	Jan. 30, 2017

- (1) Options to purchase 125,000 and 250,000 shares of common stock were granted on December 20, 2007 and January 23, 2012, respectively. Effective December 31, 2012, Elizabeth Plaza stepped down as the Company's President and Chief Executive Officer, and, as a result, all of her options were forfeited.
- (2) Options to purchase 75,000 and 200,000 shares of common stock were granted on December 20, 2007 and January 30, 2012, respectively. These options vest in three equal annual installments beginning on December 20, 2008 and January 30, 2013, respectively.
- (3) Options to purchase 30,000 and 200,000 shares of common stock were granted on December 18, 2008 and January 30, 2012, respectively. These options vest in three equal annual installments beginning on December 18, 2009 and January 30, 2013, respectively.

Employment Agreements

Elizabeth Plaza – Employment Agreement

On January 25, 2008, we entered into an employment agreement with Elizabeth Plaza. Our agreement with Ms. E. Plaza provides that Ms. E. Plaza will serve as our president and chief executive officer for which she will receive a salary at the annual rate of \$250,000. The Company will also provide Ms. E. Plaza with an automobile allowance at the annual rate of \$24,828, discretionary bonuses and stock options or other equity-based incentives as shall be determined by our Compensation Committee, except that her bonus shall not be less than 4% or more than 50% of her salary. If we terminate Ms. E. Plaza's employment other than for cause or as a result of her death or disability, we are required to pay Ms. E. Plaza the balance of her compensation for her employment terms and her consulting term and other benefits, including a pro rata portion of the bonus that would have been paid to her, and her obligations under her non-competition provision terminate. Since the bonus is discretionary, with a minimum bonus of 4% of Ms. E. Plaza's salary, unless the Compensation Committee shall have provided for a greater bonus prior to the termination of Ms. E. Plaza's employment without cause, Ms. E. Plaza would not be entitled to a bonus greater than \$10,000, which is 4% of \$250,000, the amount of the bonus to be based on the remaining employment term.

On June 9, 2008, we amended the Employment Agreement with Ms. E. Plaza to extend Ms. E. Plaza's term of employment through December 31, 2009.

On March 11, 2009, upon the request of Ms. E. Plaza and upon the approval of the Company's Compensation Committee, the Company entered into a Second Amendment to Employment Agreement to reduce Ms. E. Plaza's current annual base salary from \$250,000 to \$200,000 for the period of January 1, 2009 to February 23, 2009 and to reduce Ms. E. Plaza's monthly automobile allowance from \$2,069 to \$1,400.

On March 11, 2009, upon the request of Ms. E. Plaza, and upon the approval of the Company's Compensation Committee, the Company entered into a Third Amendment to Employment Agreement with Ms. E. Plaza, pursuant to which Ms. E. Plaza will no longer receive an annual base salary effective February 23, 2009.