

Edgar Filing: OCEAN BIO CHEM INC - Form 10-Q

OCEAN BIO CHEM INC
Form 10-Q
May 12, 2008

U.S. SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2008

OR

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

For the transition period from _____ to _____

Commission file number 0-11102

OCEAN BIO-CHEM, INC.

(Exact name of registrant as specified in its charter)

Florida
(State or other jurisdiction
of incorporation or organization)

59-1564329
(I.R.S. Employer
Identification Number)

4041 SW 47 Avenue, Ft. Lauderdale, Florida 33314-4023
(Address of principal executive offices)

954-587-6280
(Registrant's telephone number, including area code)

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 is a large accelerated filer, an accelerated filer, or a non-accelerated file. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer
Non-accelerated filer Smaller reporting company .

Indicate by check mark whether the registrant is a shell company (as

Edgar Filing: OCEAN BIO CHEM INC - Form 10-Q

defined in Rule 12b-2 of the Exchange Act). Yes No

As of May 6, 2008, there were 7,871,816 shares of Common Stock, \$.01 par value of the registrant outstanding

OCEAN BIO-CHEM, INC. AND SUBSIDIARIES

INDEX

Description	Page
Part I - Financial Information:	
Item 1. - Financial Statements:	
Condensed consolidated balance sheets as of March 31, 2008 and December 31, 2007	3
Condensed consolidated statements of operations for the three months ended March 31, 2008 and 2007	4
Condensed consolidated statements of cash flows for the three months ended March 31, 2008 and 2007	5
Notes to condensed consolidated financial statements	6-10
Item 2. - Management's Discussion and Analysis of Financial Condition and Results of Operations	10-11
Item 3 - Quantitative and Qualitative Disclosures about Market Risk	11
Item 4 - Controls and Procedures	11-12
Part II - Other Information:	12
Item 1. - Legal Proceedings	12
Item 1A - Risk Factors	12
Item 2. - Unregistered Sales of Equity Securities and Use of Proceeds	12
Item 3. - Defaults upon Senior Securities	12
Item 4. - Submission of Matters to a Vote by Security Holders	12
Item 5. - Other Matters	12
Item 6. - Exhibits	12
Signatures	12
Certifications	13-15

PART I - Financial Information

Edgar Filing: OCEAN BIO CHEM INC - Form 10-Q

1. Financial Statements

OCEAN BIO-CHEM, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

	MARCH 31, 2008	DECEMBER 31, 2007
	(UNAUDITED)	
ASSETS		
Current Assets:		
Cash	\$ 653,357	\$ 7,000,000
Trade accounts receivable net of allowance for doubtful accounts of approximately \$42,042 and \$46,996 at March 31, 2008 and December 31, 2007 respectively	1,840,692	1,900,000
Income taxes receivable	152,000	152,000
Inventories, net	7,058,042	5,900,000
Prepaid expenses and other current assets	158,434	200,000
	9,862,525	9,000,000
Property, plant and equipment, net	6,170,245	6,200,000
Other assets:		
Trademarks, trade names and patents, net of accumulated amortization	330,439	300,000
Due from affiliated companies, net	352,244	1,000,000
Deposits and other assets	152,164	200,000
	834,847	6,200,000
Total Other Assets	834,847	6,200,000
Total Assets	\$ 16,867,617	\$ 15,900,000
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable - trade	\$ 1,293,363	\$ 1,000,000
Note payable - bank	2,700,000	1,700,000
Current portion of long term debt	589,314	500,000
Accrued expenses payable	526,825	500,000
	5,109,502	3,700,000
Total Current Liabilities	5,109,502	3,800,000
Long term debt, less current portion	3,853,200	3,900,000
Shareholders' Equity:		
Common stock - \$.01 par value, 10,000,000 shares authorized; 7,871,816 shares issued and outstanding at March 31, 2008 and December 31, 2007, respectively	78,718	78,718

Edgar Filing: OCEAN BIO CHEM INC - Form 10-Q

Additional paid in capital	7,810,350	7,7
Foreign currency translation adjustment	(210,359)	(2
Retained earnings	234,401	4
	-----	-----
	7,913,110	8,0
Less cost of common stock in treasury, 7,519 shares	(8,195)	
	-----	-----
Total Shareholders' Equity	7,904,915	8,0
	-----	-----
Total Liabilities and Shareholders' Equity	\$ 16,867,617	\$ 15,9
	=====	=====

>

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

3

OCEAN BIO-CHEM, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	FOR THE THREE MONTHS ENDED MARCH 31,	
	2008	2007
	-----	-----
Gross sales	\$3,980,519	\$4,338,994
Sales allowances	235,559	316,586
	-----	-----
Net sales	3,744,960	4,022,408
Cost of goods sold	2,873,824	2,847,509
	-----	-----
Gross profit	871,136	1,174,899
	-----	-----
Expenses:		
Advertising and promotion	202,346	206,652
Selling and administrative	927,247	1,034,142
Interest expense	64,687	97,238
	-----	-----
Total expenses	1,194,280	1,338,032
	-----	-----

Edgar Filing: OCEAN BIO CHEM INC - Form 10-Q

Operating loss	(323,144)	(163,133)
Other income	11,908	-
	-----	-----
Loss before income taxes	(311,236)	(163,133)
Income tax benefit	104,946	-
	-----	-----
Net loss	(206,290)	(163,133)
Other comprehensive income (loss) , net of tax Foreign currency translation adjustment	(1,310)	796
	-----	-----
Comprehensive loss	(\$ 207,600)	(\$ 162,337)
	=====	=====
Loss per common share - basic	\$ (0.03)	\$ (0.02)
	-----	-----
Loss per common share - diluted	\$ (0.03)	\$ (0.02)
	-----	-----
Weighted average shares - basic	7,822,066	7,621,316
	-----	-----
Weighted average shares - diluted	7,822,066	7,621,316
	-----	-----

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

4

OCEAN BIO-CHEM, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2008 AND 2007
(UNAUDITED)

	2008	2007
Cash flows from operating activities:	-----	-----
Net (loss)	(\$206,290)	(\$163,133)
Adjustment to reconcile net loss to net cash used in operations:		
Depreciation and amortization	196,988	193,237
Compensation cost associated with stock		

Edgar Filing: OCEAN BIO CHEM INC - Form 10-Q

options and stock awards	29,803	11,386
Change in allowance for doubtful accounts	223	(156,000)
Changes in assets and liabilities:		
Accounts receivable	133,739	77,262
Income taxes Receivable	152,000	-
Inventory	(1,064,385)	(787,740)
Prepaid expenses and deposits	228,247	(19,459)
Accounts payable and accrued taxes and other	(5,833)	627,675
	-----	-----
Net cash used in operating activities	(535,508)	(216,772)
	-----	-----
Cash flows from investing activities:		
Purchases of property, plant and equipment	(131,421)	(40,000)
	-----	-----
Net cash used in investing activities	(131,421)	(40,000)
	-----	-----
Cash flows from financing activities:		
Borrowings line of credit	950,000	899,996
Amounts due from affiliates	(242,935)	2,149
Principal payments - long-term debt	(136,370)	(246,329)
	-----	-----
Net cash provided by financing activities	570,695	655,816
Cash prior to effect of exchange rate on cash	(96,234)	399,044
Effect of foreign exchange rate on cash	(1,310)	796
	-----	-----
Net (decrease) increase in cash	(97,544)	399,840
Cash at beginning of period	750,901	71,080
	-----	-----
Cash at end of period	\$ 653,357	\$ 470,920
	=====	=====
Supplemental disclosure of cash transactions:		
Cash paid for interest during period	\$ 64,687	\$ 97,238
	-----	-----
Cash paid for income taxes during period	\$ -	\$ -
	-----	-----

Edgar Filing: OCEAN BIO CHEM INC - Form 10-Q

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

The company had no cash equivalents at March 31, 2008 and 2007.

5

OCEAN BIO-CHEM, INC. AND SUBSIDIARIES NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF ACCOUNTING POLICIES

Interim Reporting

The accompanying unaudited consolidated financial statements include the accounts of Ocean Bio-Chem, Inc. and its subsidiaries ("the Company"). All significant inter-company transactions and balances have been eliminated. The unaudited consolidated financial statements have been prepared in conformity with Article 8 of Regulation S-X of the Securities and Exchange Commission and, therefore, do not include information or footnotes necessary for a complete presentation of financial position, results of operations and cash flows in conformity with accounting principles generally accepted in the United States of America. However, all adjustments (consisting of normal recurring accruals) that, in the opinion of management, are necessary for a fair presentation of the financial statements have been included. Operating results for the period ended March 31, 2008 are not necessarily indicative of the results that may be expected for the future fiscal quarters in 2008 or the full year ending December 31, 2008 due to seasonal fluctuations in the Company's business, changes in economic conditions and other factors. For further information, please refer to the Consolidated Financial Statements and Notes thereto contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2007.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates that affect the reported amount of assets, liabilities, revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue recognition

Revenue from product sales is recognized when persuasive evidence of an arrangement exists, delivery to customer has occurred, the sales price is fixed and determinable, and collectibility of the related receivable is probable. Reported net sales are net of customer prompt pay discounts, contractual allowances, authorized customer returns, consumer rebates and other allowable deductions from our invoices. Cooperative advertising deductions, based on our customers' promotion of our products is recognized as an advertising cost and charged against operations as an operating expense. The Company follows the policy of reporting sales taxes as a net amount - receipts and payments recorded in a liability account.

Cost of goods sold/Selling, general and administrative expenses

Cost of goods sold includes all of the direct and indirect costs of manufacturing our products. Included therein specifically are warehousing costs of raw materials, in-bound freight, out-bound freight (in those instances that we absorb such costs), purchasing, receiving, and inspection costs. Other costs of the distribution network are reflected in Selling, general and administrative expenses. Also included therein are managerial and clerical wages and related

Edgar Filing: OCEAN BIO CHEM INC - Form 10-Q

expenses, office and administrative occupancy costs, taxes, professional fees, insurance coverage's and other related expenses.

Inventories

Inventories are comprised of finished goods and stated at the lower of cost or market. Cost is determined by the first-in first-out method. The composition of inventories at March 31, 2008 and December 31, 2007 are as follows:

	2008	2007
	-----	-----
Raw Materials	\$ 3,689,686	\$ 3,247,359
Finished Goods	3,478,920	2,821,861
Less: Inventory Reserve	(110,564)	(75,563)
	-----	-----
Inventory - Net	\$ 7,058,042	\$ 5,993,657
	=====	=====

At March 31, 2008 and December 31, 2007, approximately \$111,000 and \$76,000 respectively is reflected in the accompanying consolidated financial statements as a reserve for excess, obsolete, slow moving and shrinkage inventory adjustments.

6

2. PROPERTY, PLANT & EQUIPMENT

The Company's property, plant and equipment consisted of the following at March 31, 2008 and December 31, 2007:

	Estimated Useful Life - Years	2008	2007
	-----	-----	-----
Land	N/A	\$ 278,325	\$ 278,325
Building	30	4,389,155	4,389,155
Manufacturing and warehouse equipment	6-20	6,458,954	6,367,883
Office equipment and furniture	3-5	549,813	509,496
Leasehold Improvements	10-15	122,644	122,644
Construction in process	N/A	21,112	21,079
		-----	-----
		11,820,003	11,688,582
		-----	-----
Less Accumulated depreciation		5,649,758	5,452,770
		-----	-----
Total property, plant and equipment - net		\$ 6,170,245	\$ 6,235,812
		=====	=====

Depreciation expense for the three month period ending March 31, 2008 and 2007 was \$196,988 and \$193,237 respectively.

3. LONG-TERM DEBT

Edgar Filing: OCEAN BIO CHEM INC - Form 10-Q

Long-term debt at March 31, 2008 consisted of the following:

The Company is obligated pursuant to capital leases financed through Industrial Development Bonds. Such obligations were incurred during 1997 and 2002 in connection with building and equipment expansion at the Company's Alabama manufacturing and distribution facility. Both bear interest at tax-free rates that adjust weekly. At March 31, 2008, \$1,360,000 and \$2,810,000 were outstanding attributable to the 1997 and 2002 series, respectively. During the three months ended March 31, 2008 interest rates ranged between 1.51% and 3.72%. Principal and accrued interest retiring the underlying bonds are payable quarterly through March 2012 and July 2017 for the 1997 and 2002 series, respectively. Repayment of the bonds is guaranteed by a Letter of Credit issued by the Company's primary commercial bank. Security for the Letter of Credit is a priority first mortgage on the Kinpak facility and manufacturing equipment.

The Company, through its subsidiaries, Kinpak Inc., and Starbrite Distributing, Inc. are obligated pursuant to various capital lease agreements covering manufacturing and office equipment utilized in the Company's facilities. Such obligations, aggregating approximately \$64,200 at March 31, 2008, have varying maturities through 2010 and carry interest rates ranging from 7% to 12%.

During April 2005 we entered into a financing obligation with Regions Bank whereby they advanced the Company \$500,000 to finance equipment acquisitions at our Kinpak facility. Such obligation is due in monthly installments of principal aggregating approximately \$8,300 plus interest at prevailing rates (the outstanding balance and interest rate on this obligation at March 31, 2008 were \$208,345 and 5.62% per annum) through maturity on April 15, 2010.

The composition of these obligations at March 31, 2008 and December 31, 2007 were as follows:

	Current Portion		Long Term Portion	
	2008	2007	2009	2008
Industrial Development Bonds	\$ 460,000	\$ 460,000	\$3,710,000	\$3,825,000
Notes Payable	99,996	99,996	108,349	133,348
Capitalized equipment leases	29,318	29,910	34,851	30,630
	-----	-----	-----	-----
	\$ 589,314	\$ 589,906	\$3,853,200	\$3,988,978
	=====	=====	=====	=====

7

Required principal payment obligations attributable to the foregoing are tabulated below:

Twelve month period ending March 31, :	
2009	\$ 589,314
2010	580,432
2011	504,607

Edgar Filing: OCEAN BIO CHEM INC - Form 10-Q

2012	463,161
2013	415,000
Thereafter	1,890,000

Total	\$ 4,442,514
-------	--------------

=====

4. RELATED PARTY TRANSACTIONS

At March 31, 2008 and December 31, 2007, the Company had amounts receivable from affiliated companies, which are directly or beneficially owned by the Company's president, aggregating to \$ 352,244 and \$109,310 respectively. Such amounts result from sales to the affiliates, allocations of expenses incurred by the Company on the affiliates' behalf and funds advanced to or from the Company.

Sales to such affiliates aggregated approximately \$ 195,400 and \$ 196,600 during the three months ended March 31, 2008 and 2007, respectively.

Commitments:

On July 12, 2006 we entered into a ten-year lease for approximately 12,700 square feet of office and warehouse facilities in Fort Lauderdale, Florida from an entity fifty percent owned each by Messrs. Peter G. Dornau and Jeffrey J. Tieger, our President and former Vice President-Advertising, respectively. On July 12, 2006 we renewed our lease agreement for a term of ten years. The lease required a minimum rental of \$100,500 the first year and provides for a maximum 2% increase on the anniversary of the lease throughout the term, which has been waived thru December 31, 2008. Additionally, the landlord is entitled to collect from us its pro-rata share of all taxes, assessments, insurance premiums, operating charges, maintenance charges and any other expenses, which normally arise from ownership. We believe that the terms of this lease are comparable to those of similar properties in the same geographic area of the Company available from unrelated third parties. Rent charged to operations during the three month period ended March 31, 2008 and 2007 amounted to approximately \$23,700 each quarter respectively.

The Company has entered into a corporate guaranty of a mortgage note obligation of such affiliate. The obligation aggregating approximately \$255,000 and \$274,000 at March 31, 2008 and December 31, 2007, respectively is primarily secured by the real estate leased to the Company.

The following is a schedule of minimum future rentals on the non-cancelable operating leases.

Twelve month period ending March 31, :	
2009	104,560
2010	106,640
2011	108,773
Thereafter	517,427

Total	\$ 837,400
=====	

[

5. EARNINGS (LOSS) PER SHARE

Three months ended March 31,

Edgar Filing: OCEAN BIO CHEM INC - Form 10-Q

	2008 -----	2007 -----
Weighted-average common shares outstanding	7,822,066	7,621,316
Dilutive effect of stock plans, other options & conversion rights	-	-
	-----	-----
Dilutive weighted-average shares outstanding	7,822,066 =====	7,621,316 =====

8

6. RECENT ACCOUNTING PRONOUNCEMENTS:

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements". This statement clarifies the definition of fair value of assets and liabilities, establishes a framework for measuring fair value of assets and liabilities and expands the disclosures on fair value measurements. SFAS No. 157 is effective for fiscal years beginning after November 15, 2007. However, the FASB deferred the effective date of SFAS No. 157 until the fiscal years beginning after November 15, 2008 as it relates to the fair value measurement requirements for nonfinancial assets and liabilities that are initially measured at fair value, but not measured at fair value in subsequent periods. These nonfinancial assets include trademarks and other intangible assets which are included within other assets. In accordance with SFAS No. 157, the Company has adopted the provisions of SFAS No. 157 with respect to financial assets and liabilities effective as of January 1, 2008 and its adoption did not have a material impact on its results of operations or financial condition. The Company is assessing the impact of SFAS No. 157 for nonfinancial assets and liabilities and expects that this adoption will not have a material impact on its results of operations or financial condition.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities - including an amendment of FASB Statement No. 115." SFAS No. 159 permits entities to choose to measure many financial instruments and certain other items at fair value. Unrealized gains and losses on items for which the fair value option has been elected will be recognized in earnings at each subsequent reporting date. SFAS No. 159 is effective for us on January 1, 2008. We are evaluating the impact that the adoption of SFAS No. 159 will have on our future results of operations and financial position. The adoption of this standard has not had a material effect on the consolidated results of operations and financial position of the Company for the reporting period.

In December 2007, the FASB issued SFAS No. 141 (revised 2007) "Business Combinations" ("FASB No. 141(R)"). FASB No. 141(R) retains the fundamental requirements of the original pronouncement requiring that the purchase method be used for all business combinations. FASB No. 141(R) defines the acquirer as the entity that obtains control of one or more businesses in the business combination, establishes the acquisition date as the date that the acquirer achieves control and requires the acquirer to recognize the assets acquired, liabilities assumed and any non-controlling interest at their fair values as of the acquisition date. FASB No. 141(R) also requires that acquisition-related costs be recognized separately from the acquisition. FASB No. 141(R) is effective for the Company for fiscal 2010. The Company is currently assessing the impact of FASB No. 141(R) on its consolidated financial position and results of operations.

Edgar Filing: OCEAN BIO CHEM INC - Form 10-Q

In December 2007, the FASB issued Statement No. 160, "Noncontrolling Interests in Consolidated Financial Statements—an amendment of ARB No. 51 ("FASB No. 160")." The objective of FASB No. 160 is to improve the relevance, comparability, and transparency of the financial information that a reporting entity provides in its consolidated financial statements by establishing accounting and reporting standards for the Noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. This Statement applies to all entities that prepare consolidated financial statements, except not-for-profit organizations. FASB No. 160 amends ARB 51 to establish accounting and reporting standards for the Noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. It also amends certain of ARB 51's consolidation procedures for consistency with the requirements of FASB No. 141 (R). This Statement is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008 (that is, January 1, 2009, for entities with calendar year-ends). Earlier adoption is prohibited. The effective date of this Statement is the same as that of the related Statement 141(R). FASB No. 160 will be effective for the Company's fiscal 2010. This Statement shall be applied prospectively as of the beginning of the fiscal year in which this Statement is initially applied, except for the presentation and disclosure requirements. The presentation and disclosure requirements shall be applied retrospectively for all periods presented.

In December 2007, the Securities and Exchange Commission (SEC) issued Staff Accounting Bulletin (SAB) No.110. This guidance allows companies, in certain circumstances, to utilize a simplified method in determining the expected term of stock option grants when calculating the compensation expense to be recorded under Statement of Financial Accounting Standards (SFAS) No. 123(R), Share-Based Payment . The simplified method can be used after December 31, 2007 only if a company's stock option exercise experience does not provide a reasonable basis upon which to estimate the expected option term. Through 2007, we utilized the simplified method to determine the expected option term, based upon the vesting and original contractual terms of the option. On January 1, 2008, we began calculating the expected option term based on our historical option exercise data. This change did not have a significant impact on the compensation expense recognized for stock options granted in 2008.

In March 2008, the FASB issued SFAS No. 161, "Disclosures about Derivative Instruments and Hedging Activities" ("SFAS No. 161"). SFAS No. 161 amends and expands the disclosure requirement for FASB Statement No. 133, "Derivative Instruments and Hedging Activities" ("SFAS No. 133"). It requires enhanced disclosure about (i) how and why an entity uses derivative instruments, (ii) how derivative instruments and related hedged items are accounted for under SFAS No. 133 and its related interpretations, and (iii) how derivative instruments

9

and related hedged items affect an entity's financial position, financial performance, and cash flows. SFAS No. 161 is effective for the Company as of January 1, 2009.

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

Forward-looking Statements:

Certain statements contained herein, including without limitation expectations as to future sales and operating results, constitute forward-looking statements pursuant to the safe harbor provisions of the Private Securities Litigations Reform Act of 1995. For this purpose, any statements contained in this report that are not statements of historical fact may be deemed forward-looking statements. Without limiting the generality of the foregoing, words such as "may", "will", "expect", "anticipate", "intend",

Edgar Filing: OCEAN BIO CHEM INC - Form 10-Q

"could" or the negative other variations thereof or comparable terminology are intended to identify forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Factors that may affect the Company's results include, but are not limited to, the highly competitive nature of the Company's industry; reliance on certain key customers; consumer demand for marine recreational vehicle and automotive products; advertising and promotional efforts, and other factors. The Company will not undertake and specifically declines any obligation to update or correct any forward-looking statements to reflect events or circumstances after the date of such statements or to reflect the occurrence of anticipated or unanticipated events.

Overview:

We are a leading manufacturer and distributor of chemical formulations serving the appearance and functional categories of the marine, automotive, recreational vehicle and home care markets. We were founded in 1973 and have conducted operations within the aforementioned categories since then. During 1984, we changed our corporate name to Ocean Bio-Chem., Inc. (the parent company) from our former name, Star Brite Corporation. Our operations were conducted as a privately owned company through March, 1981 when we completed our initial public offering of common stock.

Critical accounting policies and estimates:

See Note 1 "Summary of Accounting Policies" in the Notes to the Unaudited Condensed Consolidated Financial Statements for a discussion of recent accounting pronouncements and their effect, if any, on the Company.

Liquidity and Capital Resources:

The primary sources of our liquidity are our operations and short-term borrowings from Regions Bank pursuant to a revolving line of credit aggregating \$6 million. Such line matures May 31, 2008, bears interest at the 30 Day LIBOR plus 275 basis points (approximately 5.87% at March 31, 2008) and is secured by our trade receivables, inventory and intangible assets. As of each year-end, December 31, we are required to maintain a minimum working capital of \$1.5 million and meet certain other financial covenants during the term of the agreement. As of March 31, 2008, we were obligated under this arrangement in the amount of \$ 2,700,000.

In connection with the purchase and expansion of the Alabama facility, we closed on Industrial Development Bonds during 1997 aggregating approximately \$5 million. The proceeds were utilized for both the repayment of certain advances used to purchase the Alabama facility and to expand such facility. During July 2002, we completed a second Industrial Development Bond financing aggregating \$3.5 million through the City of Montgomery, Alabama. Such transaction funded an approximate 70,000 square foot addition to the manufacturing facility as well as the remaining machinery and equipment additions required therein. This project was substantially completed during 2003.

In order to market the Industrial Development Bonds at favorable rates, we obtained a substitute irrevocable letter of credit for the 1997 issue and a new irrevocable letter of credit for the 2002 issue. Under such letters of credit agreements, maturing on July 31, 2008, we are required to maintain a stipulated level of working capital, a designated maximum debt to tangible ratio, and a required debt service coverage ratio. Such letters of credit are secured by a first priority mortgage on the underlying Alabama facility and equipment.

The bonds are marketed weekly at the prevailing rates for such tax-exempt

Edgar Filing: OCEAN BIO CHEM INC - Form 10-Q

instruments. During the three months ended March 31, 2008 such bonds carried interest ranging between 1.5% and 3.7% annually. Interest and principal are payable quarterly. We believe current operations are sufficient to meet these obligations.

On April 12, 2005 we entered into a financing obligation with Regions Bank whereby they advanced us \$500,000 to finance equipment acquisitions at our Alabama facility. Such obligation is due in monthly installments of principal aggregating approximately \$8,300 plus interest at prevailing rates. The outstanding balance and interest rate on this obligation at March 31, 2008 were approximately \$208,345 and 5.62%. The maturity on this obligation is April 15, 2010.

10

We are involved in making sales in the Canadian market and must deal with the currency fluctuations of the Canadian currency.

We do not engage in currency hedging and deal with such currency risk as a pricing issue.

During the past few years, we have introduced various new products to our customers. At times this has required us to carry greater amounts of overall inventory and has resulted in lower inventory turnover rates. The effects of such inventory turnover have not been material to our overall operations. We believe that all required capital to maintain such increases can continue to be provided by operations and current financing arrangements. As of March 31, 2008, the inventory value was \$7,058,042 a increase of \$1,064,000. The inventory increase is a seasonal increase, in anticipation of the warmer weather in the northern parts of the US and the start of the boating season. In addition, there was strategic purchasing of inventory in anticipation of higher raw material prices.

Many of the raw materials that we use in the manufacturing process are commodities that are subject to fluctuating prices. We react to long-term increases by passing along all or a portion of such increases to our customers.

As of March 31, 2008 and through the date hereof, we did not and do not have any material commitments for capital expenditures, nor do we have any other present commitment that is likely to result in our liquidity increasing or decreasing in any material way. In addition, except for our need for additional capital to finance inventory purchases, we know of no trend, additional demand, event or uncertainty that will result in, or that is reasonably likely to result in, our liquidity increasing or decreasing in any material way.

Results of Operations:

Three Months Ended March 31, 2008 compared to the Three Months ended March 31, 2007

Net sales decreased approximately \$ 278,000 or 6.9% for the quarter ended March 31, 2008, compared to the same quarter of the preceding year. The consolidated net sales were approximately \$ 3,745,000 and \$ 4,022,000 respectively. The primary reason for the decreased sales was the unseasonably cold weather in the northern parts of the United States, which delayed the start of the boating season and the use of our products.

Cost of goods sold amounted to approximately \$ 2,874,000 or 76.7 % of net sales, a increase of 1% from the three months ended March 31, 2007, of \$ 2,848,000 or 70.8% of net sales. The cost of sales percentage increased due to several factors including the increase of the Company's raw material costs that could not fully be passed on to our customers, in addition to increased outbound freight costs as a result of higher fuel costs that also could not be passed on

Edgar Filing: OCEAN BIO CHEM INC - Form 10-Q

to customers.

Selling and administrative expenses decreased by approximately \$ 107,000 to \$ 927,000 or 24.7% of sales for the quarters ended March 31, 2008, compared to \$1,034,000 or 25.7% of sales for the comparative 2007 period. The reduction in costs were primarily due to a reduction in outsourced computer services and a allocation of insurance costs to cost of goods sold.

Advertising and promotion expenses were approximately the same level as 2007 spending. Expenses for 2008 were approximately \$202,000 compared to approximately \$ 207,000 in 2007. The Company continued in the first quarter to run print and TV media advertising for its products in boating and auto magazines.

Interest expense for the three month period ending March 31, 2008 was approximately \$65,000, compared to \$97,000 in the corresponding period of 2007, a decreased of \$ 32,000. This is a result of two factors, decreased interest rates and decreased borrowings.

The net loss for the quarter ended March 31, 2008 amounted to approximately \$ 206,000 compared to a net loss of \$ 163,000 for the comparable period in 2007.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

N/A

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

The Company has carried out an evaluation under the supervision of management, including the President and Chief Executive Officer ("CEO") and the Vice President - Finance and Chief Financial Officer ("CFO"), of the effectiveness of the design and operation of its disclosure controls and procedures. Based on that evaluation, our CEO and CFO have concluded that, as of December 31, 2007, our disclosure controls and procedures were effective to ensure that information required to be disclosed by the Company in the reports filed or submitted by it under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods

11

specified in the rules and forms of the SEC, and include controls and procedures designed to ensure that information required to be disclosed by us in such reports is accumulated and communicated to management, including the CEO and CFO, as appropriate to allow timely decisions regarding required disclosures.

Changes in Internal Control Over Financial Reporting

No change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) occurred during the most recent fiscal quarter that has materially affected, or reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. - Legal Proceedings:

We are not a party to any material litigation presently pending nor, to the best knowledge of the Company, have any such proceedings been threatened.

Item 1A. - Risk Factors - Not Applicable

Edgar Filing: OCEAN BIO CHEM INC - Form 10-Q

Item 2. - Unregistered Sales of Equity Securities and Use of Proceeds - Not Applicable

Item 3. - Defaults Upon Senior Securities: Not applicable

Item 4 - Submission of Matters to a Vote by Security Holders -Not applicable

Item 5 - Other Information - Not applicable

Item 6. - Exhibits:

31.1 Certification of Chief Executive Officer pursuant to Section 302 of Sarbanes-Oxley

31.2 Certification of Chief Financial Officer pursuant to Section 302 of Sarbanes-Oxley

32.1.1 Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of Sarbanes-Oxley

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on behalf by the Undersigned there unto duly authorized.

OCEAN BIO-CHEM, INC.

Date: May 12, 2008

/s/ Peter G. Dornau

Peter G. Dornau Chairman of the
Board of Directors and Chief Executive Officer

/s/ Jeffrey S. Barocas

Jeffrey S. Barocas
Chief Financial Officer

12

Exhibit 31.1

CERTIFICATION

I, Peter G. Dornau certify that:

1. I have reviewed this Form 10-Q of Ocean Bio-Chem, Inc. as of and for the period ended March 31, 2008;

2. Based on my knowledge, this report does not contain any untrue statement

Edgar Filing: OCEAN BIO CHEM INC - Form 10-Q

of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: May 12, 2008

/s/ Peter G. Dornau

Peter G. Dornau
Chairman of the Board of Directors
and Chief Executive Officer

CERTIFICATION

I, Jeffrey S. Barocas certify that:

1. I have reviewed this Form 10-Q of Ocean Bio-Chem, Inc. as of and for the period ended March 31, 2008;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

a) All significant deficiencies and material weaknesses in the design or

Edgar Filing: OCEAN BIO CHEM INC - Form 10-Q

operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: May 12, 2008

/s/ Jeffrey S. Barocas

Jeffrey S. Barocas
Chief Financial Officer

14

Exhibit 32.1

CERTIFICATION

Pursuant to 18U.S.C. Section 1350, the undersigned officers of Ocean Bio-Chem, Inc. (the "Company"), hereby certify that the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2008 (the "Report") fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operation of the Company.

Dated: May 12, 2008

/s/ Peter G. Dornau

Peter G. Dornau
Chairman of the Board of Directors
and Chief Executive Officer

/s/ Jeffrey S. Barocas

Jeffrey S. Barocas
Chief Financial Officer

