

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

OCEAN BIO CHEM INC  
Form 10-Q  
November 13, 2007

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 September 30, 2007

or

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

Commission File No. 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 No.)

4041 SW 47 Avenue, Fort Lauderdale, Florida 33314-4023

954-587-6280

(Address and telephone number, including area code of  
Registrant's Principal Executive Offices)

Securities registered pursuant to Section 12(b) of the Act:

Common stock, par value \$.01 per share

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark whether the Registrant (1) has filed all reports  
required to be filed by Sections 12, 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 (1) is a Shell Company (As  
Defined In rule 12b-2 of the Exchange Act).

Yes  No

Indicate by check mark whether the Registrant is a large accelerated filer,  
an accelerated filer (as defined by Rule 12b-2 of the Securities Exchange Act of  
1934), or a non-accelerated filer

Large Accelerated Filer  Accelerated Filer  Non-Accelerated Filer

Indicate the number of shares outstanding of each class of the Issuer's

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

common stock, as of the latest practicable date:

\$ .01 par value common stock, 10,000,000 shares authorized,  
7,723,316 shares issued and outstanding at November 1, 2007

### OCEAN BIO-CHEM, INC. AND SUBSIDIARIES

#### INDEX

Description	Page
Part I - Financial Information:	
Item 1. - Financial Statements:	
Consolidated balance sheets as of September 30, 2007 and December 31, 2006	3
Consolidated statements of operations for the three months and nine months ended September 30, 2007 and 2006	4
Consolidated statements of changes in shareholders' equity for the nine months ended September 30, 2007 and 2006	5
Consolidated statements of cash flows for the nine months ended September 30, 2007 and 2006	6
Notes to consolidated financial statements	7-12
Item 2. - Management's Discussion and Analysis of Financial Condition and Results of Operations	12-16
Item 3 - Quantitative and Qualitative Disclosures about Market Risk	16-17
Item 4 - Controls and Procedure	17
Part II - Other Information	18
Item 1. - Legal Proceeding	18
Item 2. - Unregistered Sales of Equity Securities and Use of Proceeds	18
Item 3. - Defaults upon Senior Securities	18
Item 4. - Submission of Matters to a Vote by Security Holders	18
Item 5. - Other Matters	18
Item 6. - Exhibits	18
Signatures	18
Certifications	19-21

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

## PART I - Financial Information

### Item 1. Financial Statements

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

	September 30, 2007 ----- (UNAUDITED)
ASSETS	
Current Assets:	
Cash	\$ 754,251
Trade accounts receivable net of allowance for doubtful accounts of approximately \$88,337 and \$192,700 at September 30, 2007 and December 31, 2006 respectively	4,282,133
Inventories (net)	6,254,877
Prepaid expenses and other current assets	391,675 -----
Total current assets	11,682,936 -----
Property, plant and equipment, net	6,389,393
Other assets:	
Trademarks, trade names and patents, net of accumulated amortization	331,695
Due from affiliated companies, net	48,712
Deposits and other assets	158,962 -----
Total Other Assets	539,369
Total Assets	\$18,611,698 =====
LIABILITIES AND SHAREHOLDERS' EQUITY	
Current liabilities:	
Accounts payable - trade	\$ 1,266,181
Note payable - bank	3,750,000
Current portion of long term debt	591,926
Accrued expenses payable	953,462 -----
Total Current Liabilities	6,561,569 -----
Long term debt, less current portion	4,140,819 -----
Shareholders' equity:	
Common stock - \$.01 par value, 10,000,000 shares authorized; 7,723,316 and 7,621,316 shares issued and outstanding at September 30, 2007 and December 31, 2006, respectively	77,233
Additional paid in capital	7,434,506
Foreign currency translation adjustment	(276,550)
Retained earnings (deficit)	682,316 -----

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

	7,917,505
Less cost of common stock in treasury, 7,519 shares at September 30, 2007 and December 31, 2006	( 8,195)
	----- 7,909,310
Total Shareholders' equity	-----
Total Liabilities and Shareholders' equity	\$18,611,698 =====

3

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

	FOR THE THREE MONTHS ENDED SEPTEMBER 30,		
	2007	2006	2005
	-----	-----	-----
Gross Sales	\$ 7,517,154	\$ 8,491,859	\$ 17,900,000
Allowances	566,210	766,770	1,490,000
	-----	-----	-----
Net sales	6,950,944	7,725,089	16,410,000
Cost of goods sold	4,722,777	5,606,551	10,840,000
	-----	-----	-----
Gross profit	2,228,167	2,118,538	5,570,000
Expenses:			
Advertising and promotion	571,524	428,254	1,240,000
Selling and administrative	965,655	889,005	3,190,000
Interest expense	44,891	141,914	240,000
	-----	-----	-----
Total expenses	1,582,070	1,459,173	4,670,000
	-----	-----	-----
Operating Income	646,097	659,365	870,000
Other income	18,597	11,316	100,000
	-----	-----	-----
Income before income taxes	664,694	670,681	890,000
Income taxes (benefit)	-	-	-
	-----	-----	-----
Net Income	664,694	670,681	890,000
Other comprehensive (loss) income, net of tax			

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

Foreign currency translation adjustment	( 66,611)	1,042	( 10
Comprehensive income	\$ 598,083	\$ 671,723	\$ 79
Income per common share - basic	\$ 0.09	\$ 0.11	\$
Income per common share - diluted	\$ 0.08	\$ 0.11	\$
Weighted average shares - basic	7,723,316	5,978,316	7,67
Weighted average shares - diluted	8,759,009	6,369,933	8,88

The Company has adopted Statement of Financial Account requires items of comprehensive income to be stated as part of the basic financial statements. The only item of comprehensive income that the Registrant has is its foreign currency translation adjustment.

4

OCEAN BIO-CHEM, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY  
FOR THE NINE MONTHS ENDED  
SEPTEMBER 30, 2007 AND 2006  
(UNAUDITED)

	Common stock Shares	Amount	Additional paid-in capital	Foreign currency adjustment	Retained earnings (deficit)	Tr
	-----	-----	-----	-----	-----	
January 1, 2007	7,621,316	\$76,213	\$7,257,447	( \$176,094)	(\$ 213,838)	
Net Income					896,154	
Common stock, issuances	102,000	1,020	142,902			
Stock based compensation			34,157			
Foreign currency translation adjustment				( 100,456)		
September 30, 2007	<u>7,723,316</u>	<u>\$77,233</u>	<u>\$7,434,506</u>	<u>\$( 276,550)</u>	<u>\$ 682,316</u>	
January 1, 2006 as restated	5,849,316	58,493	5,397,845	( 179,653)	( 605,895)	

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

Net Income					650,285
Debt forgiveness - affiliate			295,752		
Common stock, issuances	129,000	1,290	118,132		
Stock based compensation			58,468		
Foreign currency translation adjustment				14,774	
	-----	-----	-----	-----	-----
September 30, 2006	5,978,316	\$59,783	\$5,870,197	\$ ( 164,879)	\$ 44,390
	=====	=====	=====	=====	=====

5

OCEAN BIO-CHEM, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2007 AND 2006  
(UNAUDITED)

	2007
	-----
Cash flows from operating activities:	
Net income	\$ 896,154
Adjustment to reconcile net income to net cash provided used by operations:	
Depreciation and amortization	588,965
Amortization of imputed interest	-
Compensation cost associated with stock options and stock awards	171,025
Accounts Receivable - allowance for doubtful accounts	180,499
Changes in assets and liabilities:	
Accounts Receivable	(2,435,763)
Inventory	(606,944)
Prepaid Expenses	(130,232)
Accounts Payable and accrued taxes and other	947,415
	-----
Net cash used in operating activities	(388,881)
	-----
Cash flows from investing activities:	
Purchases of property, plant and equipment	(181,870)
	-----
Net cash used in investing activities	(181,870)

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

-----	
Cash flows from financing activities:	
Borrowings line of credit	4,550,000
Principal payments - line of credit	(2,950,000)
Amounts due from affiliates	189,814
Principal payments - Long-term debt	(435,436)
-----	
Net cash provided by financing activities	1,354,378
-----	
Cash prior to effect of exchange rate on cash	783,627
Effect of exchange rate on cash	(100,456)
-----	
Net cash effected by exchange rate	683,171
Cash at beginning of period	71,080
-----	
Cash at end of period	\$ 754,251
=====	
Supplemental disclosure of cash transactions:	
Cash paid for interest during period	\$ 270,154
-----	
Cash paid for income taxes during period	\$ -
-----	
Supplemental disclosure of non-cash transactions:	
Forgiveness of indebtedness to an affiliate	\$ -
-----	

The company had no cash equivalents at September 30, 2007 and 2006

6

OCEAN BIO-CHEM, INC. AND SUBSIDIARIES  
NOTES TO THE 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 Rule 10-01 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 September 30, 2007 are not necessarily indicative of the results that may be expected for the future fiscal quarters in 2007 or the full year ending

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

December 31, 2007 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, 2006.

### 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.

### 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 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 September 30, 2007 and December 31, 2006 are as follows:

	2007	2006
	-----	-----
Raw Materials	\$ 2,535,460	\$ 3,423,030
Finished Goods	3,784,417	2,244,903
Less Inventory Reserve	(65,000)	(20,000)
	-----	-----
Inventory - Net	\$ 6,254,877	\$ 5,647,933
	=====	=====

### Income Taxes

Effective January 1, 2007, the Company adopted Financial Accounting Standards Board ("FASB) Interpretation No. (FIN) 48, "Accounting for Uncertainty in Income Taxes" and FSP FIN 48-1, which amended certain provisions of FIN 48. FFN 48 clarifies the accounting for uncertainty in income taxes recognized in financial statements in accordance with SFAS No. 109, "Accounting for Income Taxes." FIN 48 prescribes a recognition threshold and measurement attribute for



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

the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 requires that the Company determine whether the benefits of the Company's tax positions are more likely than not of being sustained upon audit based on the technical merits of the tax position. The provisions of FIN 48 also provide guidance on de-recognition, classification, interest and penalties, accounting in interim periods and disclosure. The Company did not have any unrecognized tax benefits and there was no effect on the financial condition or results of operations for the three and nine months ended September 30, 2007 as a result of implementing FIN 48, or FIN 48-1.

### Stock Based Compensation

At September 30, 2007, the Company had options outstanding under four stock-based compensation plans, which are described below. On January 1, 2006, The Company adopted Statement of Financial Accounting Standards No. 123R (revised 2004), "Share Based Payment" ("SFAS No. 123R"), which requires the measurement and recognition of compensation cost for all share-based payment awards made to employees and directors based on estimated fair values.

The Company has elected to use the modified prospective transition method for adopting SFAS No. 123R, which requires the recognition of stock-based compensation cost on a prospective basis; therefore, prior period financial statements have not been restated. Under this method, the provisions of SFAS No. 123R are applied to all awards granted after the adoption date and to awards not yet vested with unrecognized expense at the adoption date based on the estimated fair value at grant date as determined under the original provisions of SFAS No. 123. The impact of forfeitures that may occur prior to vesting is also estimated and considered in the amount recognized.

Under various plans, The Company may grant incentive or non-qualified stock options to employees and directors. The terms of stock options granted under the plans are determined by the Directors at the time of grant, including the exercise price, term and any restrictions on the exercisability of such option. The exercise price of all options granted under the plans equals the market price at the date of grant, except for options granted to Mr. Dornau, our President and CEO, which are generally granted at a premium of 10% above the market price of the underlying common stock, and no option is exercisable after the expiration of five or ten years from the date of grant, depending on the Plan under which it was awarded. The stock options outstanding under our qualified or incentive plans were generally granted for terms of five years and vest on a straight line basis over such period. The stock options outstanding under our 2002 non qualified plan were generally granted for terms of ten years and vested immediately. No employee compensation expense was recognized in the financial statements upon either the grant or exercise of these stock options. Prior to January 1, 2006 we followed the provisions of APB Opinion No. 25, Accounting for Stock Issued to Employees, to record compensation costs.

As of September 30, 2007, the number of options outstanding and the number of shares available for grant under each Stock Option Plan and non-plan options is presented below:

	Plan Options Outstanding	Options available for grant
	-----	-----
1994 Plan	159,500 shares	None
2002 Plan	400,000 shares	None
2007 Plan	164,500 shares	235,500 shares
2002 Non-qualified plan	155,000 shares	45,000 shares
Non-plan options	231,000 shares	N/A
	-----	
Total	1,110,000 shares	
	=====	

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

Information with respect to our Stock Option Plan activity is as follows:

	Shares -----	Weighted average exercise price -----
Options outstanding at January 1, 2007	945,600	\$ 1.21
Options granted	164,500	1.68
Options exercised	-	-
Options forfeited	-	-
	-----	-----
Options outstanding at September 30, 2007	1,110,000	\$ 1.28
	=====	=====

For the nine-month period ended September 30, 2007, The Company recognized \$34,157 in stock-based compensation costs, which is reflected in operating expenses. No tax benefits were attributed to the stock-based compensation

8

expense because a valuation allowance was maintained for substantially all net deferred tax assets. The Company elected to adopt the alternative method of calculating the historical pool of windfall tax benefits as permitted by FASB Staff Position (FSP) No. SFAS 123R-c, "Transition Election Related to Accounting for the Tax Effects of Share-Based Payment Awards." This is a simplified method to determine the pool of windfall tax benefits that is used in determining the tax effects of stock compensation in the results of operations and cash flow reporting for awards that were outstanding as of the adoption of SFAS No. 123R. As of September 30, 2007, The Company had \$168,425 of unrecognized compensation costs related to non-vested stock option awards that is expected to be recognized over a weighted average period of 2.9 years.

The following information applies to options outstanding and exercisable as of September 30, 2007:

OPTIONS:	OPTIONS OUTSTANDING -----	EXERCISABLE 09/30/07 -----	EXERCISE PRICE -----	WEIGHT YEARS -----
NON PLAN OPTIONS	231,000	231,000	\$ 0.760	1.5
1994 PLAN	159,500	63,800	1.050	2.1
2002 PLAN	125,000	100,000	1.260	-
2002 PLAN	140,000	84,000	1.680	1.4
2002 PLAN	135,000	-	0.930	4.1
2007 PLAN	164,500	-	1.660	4.6
2002 PLAN (NQ)	35,000	35,000	1.260	5.1
2002 PLAN (NQ)	40,000	40,000	1.030	5.7
2002 PLAN (NQ)	40,000	40,000	1.460	6.7
2002 PLAN (NQ)	40,000	40,000	1.090	8.5
	-----	-----		-----
	1,110,000	633,800		3.2
	=====	=====		=====

The Company utilizes a Black-Scholes option-pricing model to determine the fair value of stock options on the date of grant. This model derives the fair value of stock options based on certain assumptions related to expected stock price volatility, expected option life, risk-free interest rate and dividend yield. The Company's expected volatility is based on the historical volatility of The Company's stock price over the most recent period commensurate with the expected term of the stock option award. The estimated expected option life is

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

based primarily on historical employee exercise patterns and considers whether and the extent to which the options are in-the-money. The risk-free interest rate assumption is based upon the U.S. Treasury yield curve appropriate for the term of The Company's stock options awards and the selected dividend yield assumption was determined in view of The Company's historical and estimated dividend payout. The Company has no reason to believe that the expected volatility of its stock price or its option exercise patterns will differ significantly from historical volatility or option exercises.

### Restricted Stock Awards as Compensation

During May 2007 we issued 102,000 shares of our common stock bearing a restricted legend to certain officers and other key employees as a component of their compensation. At the date of award the shares had a market value of \$1.68 each.

Shares were awarded as follows:

Officers:		
Peter G. Dornau, President and CEO	15,000	shares
Jeffrey Barocas, Vice President and CFO	5,000	shares
William Dudman, Vice President, Operations	15,000	shares
Gregor M. Dornau, Vice President, Marketing and Sales	15,000	shares
	-----	
	50,000	shares
Other employees, as a group (16 individuals)	52,000	shares
	-----	
Total restricted shares awarded	102,000	shares
	=====	

These restricted stock awards were approved by our shareholders at our Annual Meeting of Shareholders held on August 3, 2007. The Company recorded approximately \$144,000 of compensation expense in the second quarter 2007. In the second quarter ended June 30, 2006 the Company issued 129,000 shares of restricted stock at market value of \$1.08 per share, bearing a restricted legend to certain officers and other key employees as a component of their compensation. 105,000 shares were issued to officers and 24,000 shares were issued to other employees. Approximately \$118,400 of compensation expense was recorded in the comparable period of 2006.

9

### 2. PROPERTY, PLANT & EQUIPMENT

The Company's property, plant and equipment consisted of the following at September 30, 2007 and December 31, 2006:

	Estimated Useful Life-Years	
	-----	-----
Land	N/A	\$ 278
Building	30	4,389
Manufacturing and warehouse equipment	6-20	6,611
Office equipment and furniture	3-5	743
Construction in process	N/A	40
Leasehold improvements	10-15	178
		-----

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

Less Accumulated depreciation	12,240 5,851
Total property, plant and equipment - net	----- \$ 6,389 =====

3. LONG-TERM DEBT

Long-term debt at September 30, 2007 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 September 30, 2007, \$1,530,000 and \$2,870,000 were outstanding attributable to the 1997 and 2002 series, respectively. During the nine months ended September 30, 2007 interest rates ranged between 3.3% and 4.1%. 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 \$74,400 at September 30, 2007, 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 September 30, 2007 were approximately \$258,350 and 7.8% per annum, respectively) through maturity on April 15, 2010.

During the quarter ended December 31, 2005, we finalized a \$1.5 million revolving credit facility with our president and CEO, Peter G. Dornau. At September 30, 2006 the gross obligation aggregating \$1,150,000 was outstanding pursuant to this obligation, which was due in October 2010 along with accrued interest at the rate of prime plus 2%. In connection with his offering this financing arrangement to the Company, we issued warrants to Mr. Dornau to purchase a maximum of 1 million shares of our common stock. Such warrants are exercisable 500,000 shares at \$1.13 and 500,000 shares at \$.863 with an expiration date of March 25, 2009. The exercise prices were determined by the closing bid of our stock plus ten (10) percent on each date of grant. In addition, he has the right, at his sole discretion, to convert such debt into a maximum of 1.5 million shares of our common stock at the rate of \$1.00 per share. The gross obligation was reduced by an allocation of imputed interest associated with the warrants issued to Mr. Dornau.

The initial amount of such allocation was \$310,898 which will be amortized and charged against operations as additional interest expense over the sixty (60) month term of this financing. During the nine months ended September 30, 2006, amortization of \$46,600 was charged against operations. This obligation was subordinate to all borrowings from Regions Bank. As of December 4, 2006 all loans have been converted into equity.

On November 10, 2006, our President and CEO, Peter G. Dornau indicated that

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

he was exercising his right to convert our indebtedness to him into common stock pursuant to the terms of the Subordinated Revolving Line of Credit he entered into with the Company. Our total long-term debt was reduced and shareholders' equity was increased by approximately \$1,241,000, respectively.

10

The composition of these obligations at September 30, 2007 and December 31, 2006 were as follows:

	Current Portion		Long Term Portion	
	2007	2006	2007	2006
Industrial Development Bonds	\$ 460,000	\$ 460,000	\$ 3,940,000	\$ 4,283,107
Notes Payable	99,996	99,996	158,347	233,344
Capitalized equipment leases	31,930	26,064	42,472	33,739
	\$ 591,926	\$ 586,060	\$ 4,140,819	\$ 4,550,190
	=====	=====	=====	=====

Required principal payment obligations attributable tabulated below:

Year Ending December 31,

2007	\$ 591,926
2008	579,490
2009	572,051
2010	495,540
2011	460,000
Thereafter	2,033,738
	-----
Total	\$4,732,745
	=====

#### 4. RELATED PARTY TRANSACTIONS

At September 30, 2007 and December 31, 2006, the Company had amounts receivable from affiliated companies, which are directly or beneficially owned by the Company's president, aggregating \$ 48,712 and of \$231,200 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 \$ 39,700, \$ 46,700 during the three months ended September 30, 2007 and 2006, and \$ 310,600, \$ 290,700 for the nine months ended September 30, 2007 and 2006, respectively.

During March 2006, an affiliate offered to forgive the Company's indebtedness to such entity in the approximate amount of \$295,000. Accordingly, during the first quarter of 2006, such amount was credited to Additional paid-in capital and increased the net amount due from affiliates.

Commitments:

On May 1, 1998, the Company entered into a ten year lease for approximately 12,700 square feet of office and warehouse facilities in Fort Lauderdale, Florida from an entity owned by certain officers of the Company. The lease

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

required a minimum rental of \$94,800 for the first year and provides for a maximum 2% increase on the anniversary of the lease throughout the term, which has been waived through December 31, 2007. The lease has been renewed for an additional ten year period expiring May 1, 2018 with the same terms as contained in the original lease. Additionally, the landlord is entitled to its pro-rata share of all taxes, assessments and any other expenses that arise from ownership. Rent charged to operations aggregated approximately \$ 27,800, \$ 25,100, during the three months ended September 30, 2007 and 2006 and \$ 81,400, and \$ 75,400, for the nine months ended September 30, 2007 and 2006, respectively. The Company has entered into a corporate guaranty of a mortgage note obligation of such affiliate. The obligation aggregating approximately \$ 282,300 and \$ 307,000 at September 30, 2007 and December 31, 2006, respectively is primarily secured by the real estate leased to the Company.

11

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

Year Ending December 31,	
2007	\$ 26,649
2008	94,800
2009	94,800
2010	94,800
2011	94,800
Thereafter	600,400
	-----
Total	\$1,006,249
	=====

### 5. EARNINGS (LOSS) PER SHARE

	Three months ended September 30,		Nine months ended September 30,	
	2007	2006	2007	2006
	-----	-----	-----	-----
Weighted-average common shares				
outstanding	7,723,316	5,978,316	7,677,983	5,935,316
Dilutive effect of stock plans, other options & conversion rights	1,035,693	391,617	1,208,273	170,898
	-----	-----	-----	-----
Dilutive weighted-average shares outstanding	8,759,009	6,369,933	8,886,256	6,106,214
	=====	=====	=====	=====

### 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", "could" or the negative other variations thereof or comparable terminology are

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

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.

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

#### 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.

12

#### Critical accounting policies and estimates:

Principles of consolidation - Our consolidated financial statements include the accounts of the parent company and its wholly owned subsidiaries. All significant inter-company accounts and transactions are eliminated in consolidation.

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.

Prepaid advertising and promotion - In any given year we introduce certain new products to our customers. We produce new promotional items to be distributed over a period of time. We follow the policy of amortizing these costs as a promotional expense as they are consumed. Advertising is expensed in the period the advertisement is run.

Property, plant and equipment - Property, plant and equipment are stated at cost. Depreciation is provided over the estimated useful lives of the related assets using the straight-line method.

Stock based compensation - The Company follows the provisions of Statement of Financial Accounting Standards No. 123R to record such compensation costs.

Concentration of credit risk - Financial instruments that potentially subject the Company to concentration of credit risk consist primarily of accounts receivable. The Company's five largest customers represented approximately 51%, and 52% of consolidated gross revenues for the nine months ended September 30, 2007, and 2006; and 55% and 62% of consolidated accounts receivable at September 30, 2007 and 2006, respectively. The Company has a longstanding relationship with each of these entities and has always collected open receivable balances. However, the loss of any of these customers could have an adverse impact on the Company's operations.

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

Fair value of financial instruments - The carrying amount of cash approximates its fair value. The fair value of long-term debt is based on current rates at which we could borrow funds with similar remaining maturities, and the carrying amount approximates fair value.

Income taxes - We file consolidated federal and state income tax returns. We have adopted Statement of Financial Accounting Standards No. 109 and FIN 48 in the accompanying consolidated financial statements. The only temporary differences included therein are attributable to differing methods of reflecting depreciation for financial statement and income tax purposes.

Trademarks, trade names and patents - The Star Brite trade name and trademark were purchased in 1980 for \$880,000. The cost of such intangible assets was amortized on a straight-line basis over an estimated useful life of 40 years through December 31, 2001. Effective January 1, 2002 and pursuant to Statement of Financial Accounting Standards No. 142, we have determined that the carrying value of such intangible assets relating to its Star Brite brand does not require further amortization. In addition, we own two patents that we believe are valuable in limited product lines, but not material to our success or competitiveness in general. There are no capitalized costs of these two patents.

Translation of Canadian currency - The accounts of our Canadian subsidiary are translated in accordance with Statement of Financial Accounting Standards No. 52, which requires that foreign currency assets and liabilities be translated using the exchange rates in effect at the balance sheet date. Results of operations are translated using the average exchange rate prevailing throughout the period. The effects of unrealized exchange rate fluctuations on translating foreign currency assets and liabilities into U.S. dollars are accumulated as the translation adjustment in shareholders' equity. Realized gains and losses from foreign currency transactions, if any, are included in net earnings of the period.

13

### 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 8.3% at September 30, 2007) 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 September 30, 2007, we were obligated under this arrangement in the amount of \$ 3,750, 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



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

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 instruments. During the nine months ended September 30, 2007 such bonds carried interest ranging between 3.3% and 4.1% 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 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 September 30, 2007 were approximately \$258,350. The maturity on this obligation is April 15, 2010.

During the quarter ended December 31, 2005, we finalized a \$ 1.5 million revolving credit facility with our president and CEO, Peter G. Dornau. At September 30, 2006, the gross obligation aggregating was \$ 1,275,000 outstanding pursuant to this obligation which is due in October 2010 along with accrued interest at the rate of prime plus 2%. In connection with his offering this financing arrangement to the Company, we issued warrants to Mr. Dornau to purchase a maximum of 1 million shares of our common stock. Such warrants are exercisable 500,000 shares at \$1.13 and 500,000 shares at \$.863.

The exercise prices were determined by the closing bid of our stock plus ten (10) percent on each date of grant. In addition, he has the right, at his sole discretion, to convert such debt into a maximum of 1.5 million shares of our common stock at the rate of \$1.00 per share. The gross obligation was reduced by an allocation of imputed interest associated with the warrants issued to Mr. Dornau. The initial amount of such allocation was \$ 310,898 which will be amortized and charged against operations as additional interest expense over the sixty (60) month term of this financing. During the nine months ended September 30, 2006, amortization of \$ 46,600 was charged against operations. This obligation is subordinate to all borrowings from Regions Bank.

On November 10, 2006, our President and CEO, Peter G. Dornau indicated that he was exercising his right to convert our indebtedness to him into common stock pursuant to the terms of the Subordinated Revolving Line of Credit he entered into with the Company. Our total long-term debt was reduced and shareholders' equity was increased by approximately \$ 1,241,000, respectively.

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

14

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.

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 September 30, 2007 and through the date hereof, we did not and do not have any material commitments for capital expenditures, nor do we have any other

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

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.

On March 25, 1999, the Company entered into a loan arrangement with an entity owned 50% each by our President and former Vice President - Advertising, Messrs. Peter G. Dornau and Jeffrey J. Tieger, respectively whereby we borrowed \$ 400,000.00 to be repaid in monthly installments of \$3,356.79 plus prevailing interest at prime plus 1%. On March 9, 2006 we received notification from the shareholders of said entity that they were forgiving this obligation and, accordingly, the Company has no further obligation associated with this debt. At that date the principal balance outstanding amounted to \$ 295,752 and such amount is reflected on the accompanying consolidated statement of shareholders' equity as additional paid-in capital.

### Results of Operations:

For The Three Months Ended September 30, 2007 compared to the Three Months ended September 30, 2006

The consolidated net sales aggregated approximately \$6,951,000 and \$7,725,000, respectively. Net sales decreased approximately \$ 774,000 or 10.0% for the quarter ended September 30, 2007, compared to the same quarter of the preceding year. The consolidated net sales aggregated approximately \$ 6,951,000, and \$ 7,725,000 respectively. The primary reason for the decreased sales, was on a comparative basis the 3rd quarter of 2006, was a strong quarter for our winterizing products (antifreeze). We are cautiously optimistic, that as the weather turns colder, in the northern parts of the United States, the Company will increase sales in these products in the 4th quarter 2007.

Cost of goods sold amounted to approximately \$ 4,722,800 or 67.9 % of net sales for the three months ended September 30, 2007, compared to \$ 5,543,700 or 71.8% of net sales for the quarter ended September 30, 2006. The cost of sales percent improvement was a result of several factors including improved sales mix with higher sales of the Company's higher margin products. The Company also had lower operating expenses, in our Kinpak manufacturing facilities, in addition to lower material cost as a percentage of sales.

Selling and administrative expenses increased approximately \$ 77,000 to \$ 966,000 or 17.9% of sales for the quarters ended September 30, 2007, compared to \$889,000 for comparative 2006. The significant increases were an increase in sales expenses relating to the addition of a new VP of sales. In addition the Company increased administrative personnel costs and outsourced computer services.

Advertising and promotion expenses increased to approximately \$572,000, an increase of \$143,000 or approximately 33.5% from approximately \$ 428,000 in 2006. The Company continued, in the 3rd quarter to run print and TV media advertising for its products, in boating, auto and industrial farming magazines.

Interest expense decreased by approximately \$159,900, comparing the quarter ended September 30, 2007 to the corresponding quarter of 2006. This principally resulted from conversion of a loan to equity in the 4th quarter 2006, to the Company by our president and CEO, Peter G. Dornau, reducing debt by \$1,241,000 and associated interest expense.

Our net income for the quarter ended September 30, 2007 amounted to \$ 665,000 compared to \$ 671,000 for the comparable period in 2006. There was no

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

provision or benefit for income taxes in the current quarter.

For the Nine Months Ended September 30, 2007 Compared To The Nine Months Ended September 30, 2006

Net sales were approximately \$16,407,000 for the nine months ended September 30, 2007 compared to approximately \$16,466,000 for the nine months ended September 30, 2006. For the nine months ended September 30, 2007 higher sales of marine chemical and auto products were offset by lower sales of antifreeze products.

Cost of goods sold decreased to 66.1% of net sales for the nine months ended September 30, 2007, compared to 71.8% of net sales for the nine months ended September 30, 2006. This change resulted was attributed improved sales mix, with higher sales of the Company's higher margin products. In addition to lower operating expenses in our manufacturing facilities, and lower material cost as a percentage of sales.

Advertising and promotion expenses increased to approximately \$1,245,600 or 7.6% of sales for the 2007, compared to \$900,600 or 5.5% of net sales for the previous year. The Company placed increased levels of TV media and print advertising during the nine month period of 2007, as discussed above.

Selling and administrative expenses increased to approximately \$ 3,190,700 for the nine months ended September 30, 2007, compared to \$2,629,800 for the nine months ended September 30, 2006, an increase of \$560,900 or 21.3%. The expenses were in higher relating to the addition to a new VP of sales in addition to increased administrative expenses relating to increased personnel expenses and computer services.

Interest expense for 2007 decreased \$ 292,000 to \$ 248,000 from \$540,000 for the same nine month period of 2006. This principally resulted the conversion of a loan to equity by our president and CEO, Peter G. Dornau in December 2006 in addition to improved cash flow and less need for borrowings..

The net income was approximately \$ 896,000 for the nine months ended September 30, 2007 compared to a net income of approximately \$ 650,000 for the nine months ended September 30, 2006.

### Item 3. Quantitative and Qualitative Disclosures about Market Risk

Market risk represents the risk of loss that may impact our financial position, results of operations or cash flows due to adverse changes in financial and commodity, principally petroleum based raw materials, market prices and interest rates. We are exposed to market risk in the areas of changes in borrowing rates in the United States and changes in foreign currency exchange rates. Historically, and as of September 30, 2007, we have not used derivative instruments or engaged in hedging activities to minimize market risk.

#### Interest rate risk

As of September 30, 2007, we had floating interest rates on our industrial development revenue bonds and our working capital line of credit facility. As of September 30, 2007 the interest rate on our approximate \$ 4,400,000 outstanding balance of industrial revenue bonds was approximately 3.7% per annum and the interest rate on our line of credit facility was based on the 30 day LIBOR rate plus 275 basis points (the effective interest rate at September 30, 2007 was 4.1%). We do not expect any changes in interest rates to have a material impact on our operations during the year ending December 31, 2007.

#### Concentration of credit risk

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

Financial instruments that potentially subject the Company to concentration of credit risk consist primarily of accounts receivable. The Company's five largest customers represented approximately 51%, and 52% of consolidated gross revenues for the nine months ended September 30, 2007, and 2006; and 55% and 62% of consolidated accounts receivable at September 30, 2007 and 2006, respectively. The Company has a longstanding relationship with each of these entities and has always collected open receivable balances. However, the loss of any of these customers could have an adverse impact on the Company's operations.

16

### Foreign currency risk

We sell products in Canada, based on the Canadian dollar. Thereby, we have exposure to changes in exchange rates. Changes in the Canadian dollar / U.S. dollar exchange rates may positively or negatively affect our gross margins, operating income and retained earnings. We do not believe that near-term changes in the exchange rates, if any, will result in a material effect on our future earnings, fair values or cash flows, and therefore, we have chosen not to enter into foreign currency hedging transactions. We cannot assure you that this approach will be successful, especially in the event of a significant and sudden change in the value of the Canadian dollar.

### Concentration and credit risk

We maintain cash balances at several financial institutions, which are insured by the Federal Deposit Insurance Corporation up to \$100,000. At times, our cash balances may exceed federally insured limits. We have not experienced any losses in such accounts and we believe the risk related to these deposits is minimal.

### Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures. We have carried out an evaluation under the supervision of management, including the President and Chief Executive Officer ("CEO") and the Chief Operating Officer and Chief Financial Officer ("CFO"), of the effectiveness of the design and operation of our disclosure controls and procedures. Based on that evaluation, our CEO and CFO have concluded that, as of September 30, 2007, our disclosure controls and procedures were effective to ensure that information required to be disclosed by us in the reports filed or submitted by us under the Securities Exchange Act of 1934, as amended, was recorded, processed, summarized and reported within the time periods specified in the rules and regulations of the SEC, and include controls and procedures designed to ensure that information required to be disclosed by us in such reports was accumulated and communicated to management, including the CEO and CFO, as appropriate to allow timely decisions regarding required disclosures.

Since the evaluation date by management of our internal controls over financial reporting, there have not been any changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect our internal control over financial reporting.

Limitations on the Effectiveness of Controls. Our management, including the CEO and CFO, does not expect that our disclosure or internal controls will prevent all errors or fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected. Despite these limitations, our CEO and CFO have concluded that our disclosure controls and procedures (1) are

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

designed to provide reasonable assurance of achieving their objectives and (2) do provide reasonable assurance of achieving their objectives.

### Recent Accounting Pronouncements.

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 159), which is effective for fiscal years beginning after November 15, 2007. SFAS 159 permits an entity to choose to measure many financial instruments and certain other items at fair value at specified election dates. Subsequent unrealized gains and losses on items for which the fair value option has been elected will be reported in earnings. The Company is currently evaluating the potential impact, if any, that SFAS 159 will have on the consolidated financial statements.

In September 2006, the FASB issued Statement 157 ("SFAS 157"), Fair Value Measurements. This Statement establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. While SFAS 157 does not require any new fair value measurements, it may change the application of fair value measurements embodied in other accounting standards. SFAS 157 will be effective at the beginning of the Company's 2008 fiscal year. The Company is currently assessing the effect of this pronouncement on the consolidated financial statements.

17

## 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

Set forth any material changes from Risk Factors as previously reported in the Registrant's Form 10-K in response to Item 1A. in Part 1 of Form 10-K.

There have been no material changes

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

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

### 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: November 09, 2007

/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

18

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 September 30, 2007;

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

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

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: November 09, 2007 /s/ Peter G. Dornau  
Peter G. Dornau  
Chairman of the Board and  
Chief Executive Officer

19

Exhibit 31.2

### 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 September 30, 2007;

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,

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

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: November 09, 2007

/s/ Jeffrey S. Barocas  
Jeffrey S. Barocas  
Chief Financial Officer

20

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 September 30, 2007 (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: November 09, 2007

/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