OCEAN BIO CHEM INC
Form 10-Q
November 10, 2008

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

FORM 10-Q

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

For the quarterly period ended September 30, 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	59-1564329
(State or other jurisdiction of incorporation or organization)	(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 [X] 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	|X|.

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

As of November 6, 2008, there were 7,886,816 shares of Common Stock, $.01 par value of the registrant outstanding

OCEAN BIO-CHEM, INC. AND SUBSIDIARIES
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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

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

	SEPTEMBER 30, 2008 (UNAUDITED)	DE
ASSETS		
Current Assets:		
Cash	$ 535,123	$
Trade accounts receivable net of allowance for doubtful accounts of approximately $42,042 and $46,996 at September 30 , 2008 and December 31, 2007 respectively	3,683,825	
Inventories, net	6,827,140	
Prepaid expenses and other current assets	407,775	
Total Current Assets	11,453,863	
Property, plant and equipment, net	5,875,302	
Other Assets:		
Trademarks, trade names and patents, net	330,439	
Due from affiliated companies, net	330,031	
Deposits and other assets	143,763	
Total Other Assets	804,233	
Total Assets	$ 18,133,398	$
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable - trade	$ 1,661,941	$
Notes payable - bank	2,650,000	
Current portion of long term debt	588,934	
Accrued expenses payable	1,170,859	
Total Current Liabilities	6,071,734	
Long term debt, less current portion	3,560,614	
Shareholders' Equity:		
Common stock - $.01 par value, 10,000,000 shares authorized; 7,886,816 and 7,871,816 shares issued and outstanding at September 30, 2008 and December 31, 2007, respectively	78,868	
Additional paid in capital	7,887,535	
Less cost of common stock in treasury, 7,519 shares	(8,195)	(
Foreign currency translation adjustment	(275,204)	(
Retained earnings	818,046	
Total Shareholders' Equity	8,501,050	
Total Liabilities and Shareholders' Equity	$ 18,133,398	$

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The accompanying notes are an integral part of these unaudited condensed consolidated financia

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

	FOR THE THREE MONTHS ENDED SEPTEMBER 30,		FOR THE NINE ENDED SEPTEM
	2008	2007	2008
Gross Sales	$ 8,911,090	$ 7,517,154	$ 18,096,830
Allowances	690,082	566,210	1,139,896
Net sales	8,221,008	6,950,944	16,956,934
Cost of goods sold	5,905,666	4,722,777	12,065,447
Gross profit	2,315,342	2,228,167	4,891,487
Expenses:			
Advertising and promotion	409,366	571,524	1,079,435
Selling and administrative	877,023	965,655	2,953,747
Interest expense	72,386	44,891	231,882
Total expenses	1,358,775	1,582,070	4,265,064
Operating income	956,567	646,097	626,423
Other income	11,285	18,597	21,932
Income before income taxes	967,852	664,694	648,355
Income taxes	366,493	-	271,000
Net Income	601,359	664,694	377,355
Other comprehensive (loss) income, net of tax			
Foreign currency translation adjustment	(2,365)	(66,611)	(66,155)
Comprehensive income	$ 598,994	$ 598,083	$ 311,200

Income per common share - basic	$ 0.08	$ 0.09	$ 0.05	
Income per common share - diluted	$ 0.07	$ 0.08	$ 0.05	
Weighted average shares - basic	7,886,816	7,723,316	7,876,816	
Weighted average shares - diluted	8,051,744	8,759,009	8,177,452	

The accompanying notes are an integral part of these unaudited condensed consolidated financia

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OCEAN BIO-CHEM, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2008 AND 2007
(UNAUDITED)

	2008	
Cash flows from operating activities:		
Net income	$ 377,355	$
Adjustment to reconcile net income (loss) to net cash provided by (used in) operations:		
Depreciation and amortization	590,954	
Compensation cost associated with stock options and stock awards	107,138	
Change in allowance for doubtful accounts	3,926	
Changes in assets and liabilities:		
Accounts receivable	(1,779,654)	(2
Inventory	(833,483)	(
Prepaid expenses	(12,694)	(
Accounts payable and other accrued liabilities	1,310,780	
Net cash provided by (used in) operating activities	(235,678)	(
Cash flows from investing activities:		
Purchases of property, plant and equipment	(230,444)	(
Net cash used in investing activities	(230,444)	(
Cash flows from financing activities:		
Borrowings line of credit, net	900,000	1
Amounts due from affiliates	(220,721)	

Short term borrowings, net	(972)	
Principal payments - Long-term debt	(428,364)	(
Net cash provided by financing activities	249,943	1
Cash prior to effect of exchange rate on cash	(216,179)	
Effect of exchange rate on cash	401	(
Net (decrease) increase in cash	(215,778)	
Cash at beginning of period	750,901	
Cash at end of period	$ 535,123	$
Supplemental disclosure of cash transactions:		
Cash paid for interest during period	$ 231,882	$
Cash paid/(received) for income taxes during period	($ 40,919)	$

The company had no cash equivalents at September 30, 2008 and 2007

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

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 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 September 30, 2008 are not necessarily indicative of the results that may be expected for 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. For customers for whom the Company manages the inventory, at their location, revenue is recognized when the products are sold to a third party. 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 - receipt 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 both raw and finished 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 raw materials, work-in process and finished goods and stated at the lower of cost or market. Cost is determined by the first-in, first-out method.

Stock Based Compensation

At September 30, 2008, 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.

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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, 2008, 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 Gran	
NON-PLAN:	231,000	shares	N/A	
1994 PLAN	154,500	shares	None	
2002 PLAN	270,000	shares	None	
2007 PLAN	321,000	shares	79,000	shares
2008 PLAN	159,500	shares	240,500	shares
2002 PLAN NQ	185,000	shares	None	
2008 PLAN NQ	0	shares	200,000	shares
Total	1,321,000	shares	519,500	shares

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

	Shares	Weighted Average Exercise Price
Options outstanding January 1, 2008	930,500	$ 1.31
Options granted	159,500	0.97
Options exercised	-	-
Options forfeited	-	-
Options outstanding at September 30, 2008	1,090,000	1.26
Non Plan Options	231,000	0.76
Totals	1,321,000	$ 1.17

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For the nine-month period ended September 30, 2008, the Company recognized $94,386 in stock-based compensation costs, which is reflected in operating expenses. No tax benefits were attributed to the stock-based compensation 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, 2008, the Company had $403,606 of unrecognized compensation costs related to non-vested stock option awards that is expected to be recognized over a weighted average period of 4.75 years.

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The following information applies to options outstanding and exercisable as of September 30, 2008:

OPTIONS	OPTIONS OUTSTANDING	EXERCISABLE 9/30/08	P
NON-PLAN	231,000	231,000	
1994 PLAN	154,500	92,700	
2002 PLAN	137,000	109,600	
2002 PLAN	133,000	26,600	
2007 PLAN	162,500	29,500	
2007 PLAN	2,000	400	
2007 PLAN	156,500	-	
2008 PLAN	159,500	-	
2002 PLAN NQ	35,000	35,000	
2002 PLAN NQ	30,000	30,000	
2002 PLAN NQ	40,000	40,000	
2002 PLAN NQ	30,000	30,000	
2002 PLAN NQ	50,000	50,000	
	1,321,000	674,800	

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 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING CHANGES:

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 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 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. 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 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. During 2008, we continue to use the simplified method in accordance with SAB No. 110.

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3. RECENT ACCOUNTING PRONOUNCEMENTS:

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.

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'sconsolidation 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 Statement141(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 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 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.

In April 2008, the FASB issued FSP 142-3, "Determination of the Useful Life of Intangible Assets", (FSP 142-3). FSP 142-3 amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under SFAS No. 142, "Goodwill and Other Intangible Assets". FSP 142-3 is effective for fiscal years beginning after December 15, 2008. The Company is currently assessing the impact of FSP142-3 on its consolidated financial position and results of operations.

In May 2008, the FASB issued SFAS No. 162, "The Hierarchy of Generally Accepted Accounting Principles." SFAS No. 162 identifies the sources of accounting principles and provides entities with a framework for selecting the principles used in preparation of financial statements that are presented inconformity with GAAP. The current GAAP hierarchy has been criticized because it is directed to the auditor rather than the entity, it is complex, and it ranks FASB Statements of Financial Accounting Concepts, which are subject to the same level of due process as FASB Statements of Financial Accounting Standards, below industry practices that are widely recognized as generally accepted but that are not subject to due process. The Board believes the GAAP hierarchy should be directed to entities because it is the entity (not its auditors) that is responsible for selecting accounting principles for financial statements that are presented in conformity with GAAP. The adoption of FASB 162 is not expected to have a material impact on the Company's consolidated financial position and results of operations.

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In May, 2008 the FASB issued FASB Staff Position (FSP) APB 14-1, "Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement)." APB 14-1 requires the issuer to separately account for the liability and equity components of convertible debt instruments in a manner that reflects the issuer's nonconvertible debt borrowing rate. The guidance will result in companies recognizing higher interest expense

in the statement of operations due to amortization of the discount that results from separating the liability and equity components. APB 14-1 will be effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years. The Company is currently evaluating the impact of adopting APB 14-1 on its consolidated financial statements.

In June 2008, the FASB issued FSP No. EITF 03-6-1, "Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities". This FASB Staff Position (FSP) addresses whether instruments granted in share-based payment transactions are participating securities prior to vesting and, therefore, need to be included in the earnings allocation in computing earnings per share (EPS) under the two-class method described in paragraphs 60 and 61 of FASB Statement No. 128, Earnings per Share. This FSP provides that unvested share-based payment awards that contain non forfeitable rights to dividends or dividend equivalents (whether paid or unpaid) are participating securities and shall be included in the computation of EPS pursuant to the two-class method. The provisions of FSP No. 03-6-1 shall be effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those years. All prior-period EPS data presented shall be adjusted retrospectively (including interim financial statements, summaries of earnings, and selected financial data) to conform with the provisions of this FSP. Early application is not permitted. The provisions of FSP No. 03-6-1 are effective for the Company retroactively in the first quarter ended March 31, 2009. The Company is currently assessing the impact of FSP No. EITF 03-6-1 on the calculation and presentation of earnings per share in its consolidated financial statements.

4. INVENTORIES

Inventories are comprised of raw materials and 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, 2008 and December 31, 2007 are as follows:

	2008	2007
Raw materials	$3,650,688	$3,247,359
Finished goods	3,317,520	2,821,861
Less Inventory Reserve	(141,068)	(75,563)
Inventory - net	$6,827,140	$5,993,657

At September 30, 2008 and December 31, 2007, approximately $141,000 and $76,000 respectively is reflected in the accompanying consolidated financial statements as a reserve for excess, obsolete, slow moving and shrinkage inventory adjustments.

5. PROPERTY, PLANT & EQUIPMENT

The Company's property, plant and equipment consisted of the following at September 30, 2008 and December 31, 2007:

	Estimated Useful Life - Years	2008	2

Land	N/A	$ 278,325	$ 278
Building	30	4,389,154	4,389
Manufacturing and warehouse equipment	6-20	6,512,495	6,367
Office equipment and furniture	3-5	557,042	509
Leasehold improvement	10-15	122,644	122
Construction in process	N/A	59,366	21
		11,919,026	11,688
Less accumulated depreciation		(6,043,724)	(5,452
Total property, plant and equipment, net		$5,875,302	$6,235

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6. NOTES PAYABLE TO BANK

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, 2011, bears interest at the 30 Day LIBOR plus 250 basis points (approximately 6.2% at September 30, 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 September 30, 2008, we were obligated under this arrangement in the amount of $2,650,000.

7. LONG-TERM DEBT

Long-term debt at September 30, 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. Repayment of the bonds was guaranteed by a Letter of Credit issued by the Company's primary commercial bank, Regions Bank. Security for the Letter of Credit is a priority first mortgage on the Kinpak facility and manufacturing equipment. On September 26th and October 6th, 2008 the Company was notified by Regions Bank, that both the 1997 and 2002 series bonds were being tendered. There has been no default on these bonds by the Company. It is the understanding of the Company that due to the tight credit markets, these bonds were tendered. As a result the Company is now obligated to Regions Bank until which time the credit markets improve to remarket these bonds. The interest rate on the loans is prime rate plus 2% or 7%, at September 30, 2008. At September 30, 2008, $1,190,000 and $2,750,000 were outstanding attributable to the 1997 and 2002 series, respectively. During the nine months ended September 30, 2008 interest rates ranged between 1.5% and 8.6%.

The Company, through its subsidiary, Kinpak Inc., is obligated pursuant to various capital lease agreements covering equipment utilized in the Company's Alabama plant. Such obligations, aggregating approximately $51,000 at September 30, 2008, have varying maturities through 2012 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, 2008

were approximately $158,300 and 5% per annum, respectively) through maturity on April 15, 2010.

The composition of these obligations at September 30, 2008 and December 31, 2007 were as follows:

	Current Portion		Lo
	2008	2007	2008
Industrial Development Bonds/Term Loans	$460,000	$460,000	$3,480,0
Notes payable	99,996	99,996	58,3
Capitalized equipment leases	28,938	29,910	22,2
	$588,934	$589,906	$3,560,6

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

12 month period ending September 30:	
2009	$ 588,934
2010	528,399
2011	466,433
2012	455,782
2013	440,000
Thereafter	1,670,000
Total	$4,149,548

8. RELATED PARTY TRANSACTIONS

At September 30, 2008 and December 31, 2007, the Company had amounts receivable from and payable to affiliated companies, which are directly or beneficially owned by the Company's president, aggregating a net receivable of approximately $350,000 and receivable of $119,000 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 $680,000 and $622,000 during the nine months ended September 30, 2008 and 2007, and $202,000 and $185,000 for the three months ended September 30, 2008 and 2007, respectively.

Commitments:

On May 1, 2008, the Company renewed for ten years the existing lease for approximately 12,700 square feet of office and warehouse facilities in Fort Lauderdale, Florida from an entity owned by a certain officer of the Company. The lease required a minimum rental of $94,800 plus applicable taxes 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, 2008. 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 $80,400 and $81,400. during the nine months

ended September 30, 2008 and 2007, and $25,100 for the three months ended September 30, 2008 and 2007.

The Company had entered into a corporate guaranty of a mortgage note obligation of such affiliate. The obligation aggregating approximately $274,000 at December 31, 2007. The property was refinanced in the 2nd quarter 2008, without a corporate guaranty.

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

12 month period ending September 30,	
2009	$ 101,325
2010	103,352
2011	105,419
2012	107,527
2013	109,678
Thereafter	531,144
	$1,058,445

9. EARNINGS PER SHARE

	Three months ended September 30, 2008	Three months ended September 30, 2007	Nine ended S 2008
Weighted-average common shares outstanding	7,886,816	7,723,316	7,876,816
Dilutive effect of stock plans, other options & conversion rights	164,928	1,035,693	300,636
Diluted weighted-average shares outstanding	8,051,744	8,759,009	8,177,452

10. SUBSEQUENT EVENTS

The Company implemented a program with one of its customers to alter the manner in which it transacts business. The Company will manage the inventory levels at this customer's warehouses and will be paid as the products are sold by such customer. This program was initiated in the 3rd quarter 2008 and was fully implemented in November 2008. The total sales credit to the customer was approximately $300,000.

On September 26th and October 6th, 2008 the Company was notified by Regions Bank that both the 1997 and 2002 series bonds were being tendered. There has been no default on these bonds by the Company. It is the understanding of the Company that due to the tight credit markets, these bonds were tendered. As a result the Company will be obligated to Regions Bank (as these bonds were backed by a letter of credit by Regions Bank) until which time the credit markets improve, to remarket these bonds. The interest rate on the loans is prime rate plus 2% or 7%, at September 30, 2008. At September 30, 2008, $1,190,000 and $2,750,000 were outstanding attributable to the 1997 and 2002 series, respectively.

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", "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, 2011, bears interest at the 30 Day LIBOR plus 250 basis points (approximately 6.2% at September 30, 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 September 30, 2008, we were obligated under this arrangement in the amount of $2,650,000.

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 an irrevocable letter of credit for the 2002 issue. Under such letters of credit agreements, maturing on July 31, 2009, 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 instruments. During the nine months ended September 30, 2008 such bonds carried interest ranging between 1.5% and 8.6%. Interest and principal are payable quarterly. We believe current operations are sufficient to meet these obligations.

On September 26th and October 6th, 2008 the Company was notified by Regions Bank that both the 1997 and 2002 series bonds respectively were being tendered. There has been no default on these bonds by the Company. It is the understanding of the Company that due to the tight credit markets, these bonds were tendered. As a result the Company will be obligated to Regions Bank (as these bonds were backed by a letter of credit by Regions Bank) until which time the credit markets improve to remarket these bonds. The interest rate on the term loans is prime rate plus 2% or 7% at September 30, 2008.

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 on this obligation at September 30, 2008 were approximately $158,300. The maturity on this obligation is April 15, 2010.

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.

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, 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:

For the Three Months Ended September 30, 2008 compared to the Three Months

ended September 30, 2007

Net sales were approximately $8,221,000 for the three months ended September 30, 2008 compared to $6,951,000 for the comparative quarter 2007, an increase of $1,270,000 or 18%. The Company had higher shipments of its winterizing products including antifreeze comparing the quarters. The Company had increased sales of other marine products including the Company's fuel treatment products - StarTron, in addition to other boat maintenance products.

Cost of goods sold as a percentage of sales increased to 71.8% of sales compared to 67.9% for the comparative 2007 quarter. This increase in the cost of goods sold percentage of 3.9 % was a result of the unprecedented increase in oil prices and the resulting increase in the company's raw material costs that could not be fully passed on to our customers. In addition the Company had a higher sales mix of lower margin antifreeze products in the quarter compared to comparative prior year.

Advertising and promotion expenses were approximately $409,000 compared to $572,000 for the comparative third quarters. Management has taken initiatives to reduce spending for advertising and promotions for the balance of 2008. Selling and administrative expenses decreased approximately $89,000 to $877,000 when comparing the quarters ended September 30, 2008 compared to $966,000 for comparative 2007quarter. Management continues to monitor all expenses to reduce spending. Cost savings were realized in the quarter for non cash compensation expense and computer consulting services.

Interest expense increased by approximately $28,000 for the quarter ended September 30, 2008 compared to the corresponding quarter in 2007. The higher interest expense in 2008 is associated with the financing of higher levels of working capital items in connection with our seasonal ant-freeze business in 2008 compared to 2007.

Operating income increased to approximately $968,000 from $665,000 an increase of $303,000 or 45.6%. This is a result of higher sales volume in the quarter in addition to lower operating expenses.

Net profit for the quarter ended September 30, 2008 was approximately $601,000 compared to $665,000 for the comparable period in 2007. The Company had a tax expense for the quarter of $367,000, as a result of the Company being in a tax paying position, as compared to the comparative quarter 2007 in which the Company was utilizing a loss tax carry-forward.

For the Nine Months Ended September 30, 2008 compared to the Nine Months Ended September 30, 2007

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Net sales were approximately $16,957,000 for the nine month period ending September 30, 2008 compared to $16,407,000 for the 2007 comparative period, an increase of $550,000 or 3%. The increase in sales for the nine month period as discussed above in the current quarter MD&A narrative is primarily higher sales of our winterizing products, antifreeze being the largest product in this group. In addition the Company is increasing its sales of the fuel additive StarTron that helps eliminate the E- 10 (ethanol) gasoline problems. The Company also increased the sales of other marine products.

Cost of goods sold as a percentage of sales increased to 71.1% of sales compared to 66.1 % for the comparative 2007 nine month period. The cost of goods sold percentage increased 5.0 %. This was a result of the unprecedented increase in oil prices and the resulting increase in the company's raw material costs that could not be fully passed on to our customers. In addition, due to the higher sales mix of antifreeze which is at lower gross margin, it increased the

overall cost of goods percentage of sales.

Advertising and promotion expenses were approximately $1,079,000 for the nine month period compared to $1,246,000 for the comparative nine month period of 2007. Management has reduced the placement of ads in trade magazines to partially offset the increase in cost of goods sold.

Selling and administrative expenses decreased to approximately $2,954,000 for the nine months ended September 30, 2008 compared to $3,191,000 for the nine months ended September 30, 2007, a decrease of $237,000 or 7%. The significant decrease was reduced general and administrative, non cash compensation expenses and computer service expenses.

Interest expense for the 2008 period decreased approximately $16,000 when compared to the same nine month period of 2007. This principally resulted from reduced average borrowings on the Company's credit facility and lower interest rates than for the comparative nine month period.

The net income was approximately $377,000 for the nine months ended September 30, 2008 compared to a net income of approximately $896,000 for the nine months ended September 30, 2007 a decrease of $519,000. The decrease resulted from a combination of higher costs of goods as a result of the impact of higher material cost due to higher oil prices. In addition the Company had fully utilized its tax carry forward and had an income tax provision of $271,000 in 2008, compared to no income tax provision in 2007.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Not Applicable

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 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

Item 2. - Unregistered Sales of Equity Securities and Use of Proceeds:

On July 1, 2008, 15,000 shares of the Registrant's common stock were issued pursuant to the employee bonus program.

Item 3. - Defaults Upon Senior Securities:

Not Applicable

Item 4 - Submission of Matters to Vote of 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

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 10, 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

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, 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 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 10, 2008

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

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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, 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 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 10, 2008

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

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, 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: November 10, 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