

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

OCEAN BIO CHEM INC
Form 10-Q
August 14, 2006

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 June 30, 2006

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

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

Large Accelerated Filer [] Accelerated Filer [] Non- Accelerated Filer [x]

Indicate the number of shares outstanding of each class of the Issuer's common stock, as of the latest practicable date:

\$.01 par value common stock, 10,000,000 shares authorized,
5,978,316 shares issued and outstanding at August 9, 2006

OCEAN BIO-CHEM, INC. AND SUBSIDIARIES

INDEX

Description	Page

Part I - Financial Information:	
Item 1. - Financial Statements:	
Consolidated balance sheets as of June 30, 2006 and December 31, 2005	3
Consolidated statements of operations for the three months ended June 30, 2006 and 2005	4
Consolidated statements of changes in shareholders' equity for the three months ended June 30, 2006 and 2005	5
Consolidated statements of cash flows for the three months ended June 30, 2006 and 2005	6
Notes to consolidated financial statements	7-13
Item 2. - Management's Discussion and Analysis of Financial Condition and Results of Operations	13-17
Item 3 - Quantitative and Qualitative Disclosures about Market Risk	17
Item 4 - Controls and Procedures	17-18
Part II - Other Information:	
Item 1. - Legal Proceedings	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	19
Signatures	19
Certifications	

PART I - Financial Information

Item 1. Financial Statements:

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

ASSETS	JUNE 30, 2006 ----- (UNAUDITED)	DECEMBER 31, 2005 -----
Current assets:		
Cash	\$ 147,634	\$
Trade accounts receivable net of allowance for doubtful accounts of approximately \$177,600 and \$131,000 at June 30, 2006 and December 31, 2005, respectively	2,046,073	2,046,073
Inventories	7,103,684	6,849,316
Prepaid expenses and other current assets	411,307	411,307
	-----	-----
Total current assets	9,708,698	9,708,698
	-----	-----
Property, plant and equipment, net	7,141,944	7,141,944
	-----	-----
Other assets:		
Trademarks, trade names and patents, net of accumulated amortization	330,439	330,439
Due from affiliated companies, net	244,683	244,683
Deposits and other assets	216,040	216,040
	-----	-----
Total other assets	791,162	791,162
	-----	-----
Total assets	\$ 17,641,804 =====	\$ 16,849,316 =====
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable - trade	\$ 1,465,790	\$ 1,465,790
Note payable - bank	4,200,000	4,200,000
Current portion of long term debt	585,937	585,937
Accrued expenses payable	518,057	518,057
	-----	-----
Total Current Liabilities	6,769,784	6,769,784
	-----	-----
Long term debt, less current portion	5,838,658	5,838,658
	-----	-----
Shareholders' equity:		
Common stock - \$.01 par value, 10,000,000 shares authorized; 5,978,316 and 5,849,316 shares issued and outstanding at		

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

June 30, 2006 and December 31, 2005, respectively	59,783	
Additional paid-in capital	5,834,986	4
Foreign currency translation adjustment	(165,921)	(
Retained earnings (deficit)	(687,291)	(
	-----	-----
	5,041,557	4
Less cost of common stock in treasury, 7,519 shares at June 30, 2006 and December 31, 2005	(8,195)	(
	-----	-----
	5,033,362	4
	-----	-----
Total liabilities and shareholders' equity	\$ 17,641,804	\$ 16
	=====	=====

3

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

	FOR THE THREE MONTHS ENDED JUNE 30,		FOR THE ENDED
	2006	2005	2006
	-----	-----	-----
Gross sales	\$4,658,995	\$5,148,807	\$9,447,817
Allowances	327,486	561,692	706,716
Net sales	4,331,509	4,587,115	8,741,101
Cost of goods sold	3,154,032	3,264,677	6,214,554
Gross profit	1,177,477	1,322,438	2,526,547
	-----	-----	-----
Costs and expenses:			
Advertising and promotion	285,437	564,997	472,357
Selling and administrative	912,685	955,570	1,740,771
Interest expense	192,591	107,539	335,102
	-----	-----	-----
Total cost and expenses	1,390,713	1,628,106	2,548,230
Operating income (loss)	(213,236)	(305,668)	(21,683)
Other income	-	8,941	1,287
	-----	-----	-----
(Loss) before income taxes	(213,236)	(296,727)	(20,396)
Income taxes (benefit)	-	19,500	-

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

Net (loss)	(213,236)	(316,227)	(20,397)
Other comprehensive income (loss), net of tax			
Foreign currency translation adjustment	8,233	(2,362)	13,732
Comprehensive income (loss)	(\$ 205,003)	(\$ 318,589)	(\$ 6,664)
Loss per common share - basic	(\$.03)	(\$.06)	(\$ -)
Loss per common share - diluted	(\$.03)	(\$.06)	(\$ -)

The Company has adopted Statement of Financial Accounting Standards No. 130 that 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 SIX MONTHS ENDED
JUNE 30, 2006 AND 2005
(UNAUDITED)

	Common stock Shares	Common stock Amount	Additional paid-in capital	Foreign currency adjustment	Retained earnings (deficit)	Tr
	-----	-----	-----	-----	-----	
January 1, 2006, as previously reported	5,849,316	\$58,493	\$4,908,615	(\$179,653)	(\$ 488,563)	
Compensation cost associated with the modification of stock options			178,332		(178,332)	
Compensation cost associated with stock warrants			310,898			
January 1, 2006, as restated	5,849,316	58,493	5,397,845	(179,653)	(666,895)	
Net loss					(20,396)	
Debt forgiveness - affiliate			295,752			
Common stock and warrant issuances	129,000	1,290	118,132			
Stock based compensation			23,257			

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

Foreign currency translation adjustment				13,732	
June 30, 2006	5,978,316	\$59,783	\$5,834,986	(\$ 165,921)	(\$ 687,291)
January 1, 2005	5,417,813	\$54,178	\$4,722,746	(\$ 204,864)	\$1,324,630
Net (loss)					(887,442)
Common stock issuance	272,003	2,720	94,545		
Foreign currency translation adjustment				4,121	
June 30, 2005	5,689,816	\$56,898	\$4,817,291	(\$ 200,743)	\$ 437,188

5

OCEAN BIO-CHEM, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED
JUNE 30, 2006 AND 2005
(UNAUDITED)

	2006	2005
	-----	-----
Cash flow provided (used) by operating activities:		
Net (loss)	(\$ 20,396)	(\$ 20,396)
Adjustments to reconcile net (loss) to net cash provided (used) by operations:		
Depreciation and amortization	388,174	388,174
Stock based compensation expense	23,257	23,257
Amortization of imputed interest	31,090	31,090
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(18,911)	(18,911)
(Increase) in inventories	(842,872)	(842,872)
Decrease (increase) in prepaid expenses and other current assets	98,768	98,768
Increase (decrease) in accounts payable, accrued expenses and other	228,519	228,519
Net cash used by operating activities	(112,371)	(112,371)
Cash provided (used) by financing activities:		
Net increase (decrease) under line of credit	200,000	200,000
(Increases) in advances to affiliates, net	(215,661)	(215,661)
Reductions in advances to affiliates, net	295,752	295,752
Increases in long term borrowings	125,000	125,000
Payments on long term debt, net	(263,305)	(263,305)

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

Common stock transactions	119,422	

Net cash provided by financing activities	261,208	

Cash provided (used) by investing activities:		
Purchase property, plant, equipment, net	(219,478)	(

Net cash provided (used) by investing activities	(219,478)	(

Increase (decrease) in cash prior to effect of foreign currency translation on cash	(70,641)	(

Effect of foreign currency translation on cash	13,732	

Increase (decrease) in cash	(56,909)	(
Cash at beginning of period	204,543	

Cash at end of period	\$ 147,634	\$
	=====	=====
Supplemental Information:		
Cash used for interest during period	\$ 304,012	\$
	=====	=====
Cash used for income taxes during period	\$ -	\$
	=====	=====
Non-cash investing and financing activities:		
Debt forgiven by affiliated entity	\$ 295,752	\$
	=====	=====

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 June 30, 2006 are not necessarily indicative of the results that may be expected for the future fiscal quarters in 2006 or the full year ending December 31, 2006 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, 2005.

During August 2006, we will be filing an amendment to our Form 10-K for the period ended December 31, 2005. We are in the process of finalizing such filing. The substantive changes to be reflected in such amendment will be (1) the

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

recognition of compensation cost associated with stock options of which certain terms were modified and (2) the reclassification between debt and Additional Paid-Capital of certain of the proceeds from the Revolving Subordinated Obligation to our president and CEO, Peter G. Dornau. The effect of the foregoing on our consolidated balance sheet and consolidated statement of operations as of December 31, 2005 and for the year then ended is as follows:

Consolidated Balance Sheet:

	Long- term debt	Shareholders' equity
	-----	-----
As originally reported	\$ 6,261,856	\$ 4,290,697
Reclassification of imputed interest associated with warrants issued pursuant to Subordinated Revolving Note Payable	(310,898)	310,898
Recognition of compensation cost associated with stock options granted to Messrs. Dornau and Tieger of which certain terms were modified	-	-
	-----	-----
As restated	\$ 5,950,958	\$ 4,601,595
	=====	=====

Consolidated Statement of Operations:

Net loss, as originally reported	(\$1,813,193)
Recognition of compensation cost associated with stock options granted to Messrs. Dornau and Tieger which certain terms were modified	178,332

Net loss, as restated	(\$1,991,525)
	=====

Certain financial statement items for the six months and quarter ended June 30, 2005 have been reclassified to conform to the 2006 presentation.

7

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 include all of the direct and indirect costs of

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

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 coverages 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 June 30, 2006 and December 31, 2005 were as follows:

	2006	2005
Raw materials	\$3,760,633	\$3,235,086
Finished goods	3,343,051	3,025,727
	-----	-----
	\$7,103,684	\$6,260,813
	=====	=====

Stock Based Compensation

At June 30, 2006, 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. 123 (revised 2004), "Shared 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. Prior to the adoption of SFAS No. 123R, The Company accounted for its stock-based employee compensation related to stock options under the intrinsic value recognition and measurement principles of Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25") and the disclosure alternative prescribed by SFAS No. 123, "Accounting for Stock-Based Compensation," as amended by SFAS No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure." Accordingly, The Company presented pro forma information for the periods prior to the adoption of SFAS No. 123R and no employee compensation cost was recognized for the stock-based compensation plans other than the grant date intrinsic value, if any, for the options granted prior to January 1, 2006.

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. In addition, the realization of tax benefits in excess of amounts recognized for financial reporting purposes will be recognized as a financing activity rather than an operating activity as in the past. Pursuant to the requirements of SFAS No. 123R, The Company will continue to present the pro forma information for periods prior to the adoption date.

Stock Compensation Plans

Under various plans, The Company may grant incentive or non-qualified stock

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

options to employees and directors. The terms of stock options granted under the plans are determined by the Compensation Committee of the Board of Directors at

8

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.

As of June 30, 2006, 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
1992 Plan	143,000 shares	None - terminated 2002
1994 Plan	159,500 shares	None - terminated 2004
2002 Qualified Plan	265,000 shares	135,000 shares
2002 Non-qualified Plan	155,000 shares	45,000 shares
Non-plan options	231,000 shares	N/A

Information with respect to our stock option activity is as follows:

	Shares	Weighted average exercise price
Outstanding at December 31, 2005	964,500	\$1.12
Granted	40,000	\$1.08
Exercised	-	
Forfeited	51,000	\$1.25
Outstanding at June 30, 2006	953,500	\$1.11

For the six month period ended June 30, 2006, The Company recognized \$23,257 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

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

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 June 30, 2006, The Company had \$117,714 of unrecognized compensation costs related to non-vested stock option awards that is expected to be recognized over a weighted average period of 2.67 years.

The following information applies to options outstanding and exercisable as of June 30, 2006:

	Options outstanding			Options exercisable	
	Shares	Weighted average remaining life	Weighted average exercise price	Shares	Weighted average exercise price
Non-Plan options	231,000	2.75	\$.758	231,000	\$.758
1992 Plan	143,000	.50	1.009	123,200	1.009
1994 Plan	159,500	3.33	1.050	31,900	1.050
2002 Plan - qualified	125,000	1.33	1.260	81,000	1.260
2002 Plan - qualified	140,000	2.75	1.520	56,000	1.620
2002 Plan - non-qualified	35,000	3.33	1.260	35,000	1.260
2002 Plan - non-qualified	40,000	8.00	1.030	40,000	1.030
2002 Plan - non-qualified	40,000	8.90	1.460	40,000	1.460
2002 Plan - non-qualified	40,000	9.80	1.080	40,000	1.050
	953,500		\$1.110	678,100	\$1.045
	953,500		\$1.110	678,100	\$1.045

9

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.

For the three month and six month periods ended June 30, 2006 and 2005, the fair value of each option grant was estimated on the date of grant using the following weighted-average assumptions:

	For the three months ended		For the six mo
	June 30, 2006	June 30, 2005	June 30, 2006
Expected dividend yield	00.0%	00.0%	00.0%

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

Expected price volatility	33.5%	33.5%	33.5%
Risk-free interest rate	4.5%	4.0%	4.5%
Expected life of options in years	5-10	5-10	5-10

The following table illustrates the effect on net loss and basic and diluted loss per share if we had applied the fair value recognition provisions of SFAS No.123 to options granted under our stock option plans for the three month and six month period ended June 30, 2005:

	For the three months ended June 30, 2005 -----	For the six months ended June 30, 2005 -----
Net loss, as reported	(\$316,227)	(\$887,442)
Add: Stock-based employee compensation expense included in net loss	-	-
Deduct: Total stock-based employee compensation expense determined under fair value based method, net of income taxes	9,651	19,302
	-----	-----
Pro forma net loss	(\$325,878)	(\$906,744)
	=====	=====
Loss per share:		
Basic and diluted - as reported	(\$0.06)	(\$0.16)
Basic and diluted - pro forma	(\$0.06)	(\$0.16)

On March 25, 1999, the Company granted two officers a five-year option for 115,000 shares each, as adjusted for the Company's stock dividend distributions of 2000 and 2002, at an exercise price of \$.758 representing the market price at the time of grant. Such grants were awarded in consideration of a loan to the Company in the amount of \$400,000 from an affiliated company in which they are each 50% co-shareholders. During 2004, the underlying loan was modified to extend the maturity date and, accordingly, the options were extended for an additional five years expiring March 25, 2009. The intrinsic value of these options at the date of term modification aggregated \$178,332. Such amount was not recorded as a charge against operations in our originally issued financial statements as contained in our Form 10-K as of December 31, 2005 and the year then ended. Accordingly, our Consolidated Statement of Operations will be restated for 2005 to reflect such costs along with the corresponding increase to Additional paid-in capital on our Consolidated Balance Sheet and Consolidated Statement of Shareholders' Equity. It is contemplated that such amended filing will be made during August 2006.

2. PROPERTY, PLANT & EQUIPMENT

The Company's property, plant and equipment consisted of the following at

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

June 30, 2006 and December 31, 2005:

	Estimated useful Life- Years	2006	2005
Land	N/A	\$ 278,325	\$ 278,325
Building	30	4,390,894	4,390,894
Manufacturing and warehouse equipment	6-10	4,682,551	4,384,268
Manufacturing and warehouse equipment	11-20	1,659,870	1,659,870
Office equipment and furniture	3-5	661,591	652,940
Construction in process	N/A	190,783	278,239
Leasehold improvement	10-15	145,505	145,505
		-----	-----
		12,009,519	11,790,041
Less accumulated depreciation		4,867,575	4,479,401
		-----	-----
Total property, plant and equipment, net		\$7,141,944	\$7,310,640
		=====	=====

3. LONG-TERM DEBT

Long-term debt at June 30, 2006 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 June 30, 2006, \$1,953,100 and \$3,020,000 were outstanding attributable to the 1997 and 2002 series, respectively. During the six months ended June 30, 2006 interest rates ranged between 3.3% and 3.7%. 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.

During 2005 and 2004, the Company, through its subsidiary, Kinpak Inc., was obligated pursuant to various capital lease agreements covering equipment utilized in the Company's Alabama plant. Such obligations, aggregating approximately \$73,000 at June 30, 2006, have varying maturities through 2009 and carry interest rates ranging from 7% to 12%.

During April 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 June 30, 2006 were approximately \$383,300 and 7.6% 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 June 30, 2006 and December 31, 2005, the gross obligation aggregating \$1,275,000 and \$1,150,000, respectively was 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

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

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 six months ended June 30, 2006, amortization of \$31,090 was charged against operations. This obligation is subordinate to all borrowings from Regions Bank.

11

The composition of these obligations at June 30, 2006 and December 31, 2005 were as follows:

	Current portion		Long-term portion	
	2006	2005	2006	2005
Industrial Development Bonds	\$460,000	\$460,000	\$4,513,108	\$4,745,000
Notes payable	99,996	99,996	283,342	331,400
Capitalized equipment leases	25,941	20,856	47,016	35,400
Subordinated note payable-P. Dornau	-	-	1,275,000	1,150,000
	-----	-----	-----	-----
	585,937	580,852	6,118,466	6,261,800
Less imputed interest - Subordinated note payable-P. Dornau	-	-	(279,808)	(310,800)
	-----	-----	-----	-----
	\$585,937	\$580,852	\$5,838,658	\$5,950,900
	=====	=====	=====	=====

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

Year ending December 31,	
2006	\$ 580,852
2007	579,279
2008	571,757
2009	564,360
2010	1,643,352
Thereafter	2,903,108

Total	\$6,842,708
	=====

4. RELATED PARTY TRANSACTIONS

At June 30, 2006 and December 31, 2005, the Company had amounts receivable from and payable to affiliated companies, which are directly or beneficially owned by the Company's president, aggregating on a net basis to a receivable of approximately \$ 244,683 and \$29,022, 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 \$404,109, \$540,727, \$110,109, and \$147,732 during the six months ended June 30, 2006 and 2005, and the three months ended June 30, 2006 and 2005, respectively.

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

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.

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 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. 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 \$50,200, \$46,700, \$25,100, and \$25,100 during the six months ended June 30, 2006 and 2005, and the three months ended June 30, 2006 and 2005, respectively.

The Company has entered into a corporate guaranty of a mortgage note obligation of such affiliate. The obligation aggregating approximately \$321,800 and \$336,900 at June 30, 2006 and December 31, 2005, respectively is primarily secured by the real estate leased to the Company.

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

Year ending December 31,	
2006	\$104,507
2007	106,597
2008	108,729
2009	-
2010	-
Thereafter	-

Total	\$319,833
	=====

12

5. EARNINGS (LOSS) PER SHARE

	Six months ended June 30,		Three months ended June 30,	
	2006	2005	2006	2005
Weighted-average common shares outstanding	5,913,816	5,578,815	5,978,316	5,689,816
Dilutive effect of stock plans, other options & conversion rights	956,710	169,609	523,476	19,410
Diluted weighted-average shares outstanding	6,870,526	5,748,424	6,501,792	5,709,226

Forward-looking Statements:

Certain statements contained herein, including without limitation expectations as to future sales and operating results, constitute

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

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 which 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.

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. In connection therewith, we produce new promotional items to be distributed over a period of time. We follow the policy of amortizing these costs over a one-year basis.

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.

13

Stock based compensation - Prior to January 1, 2006 we followed the provisions of APB Opinion No. 25, Accounting for Stock Issued to Employees, to record compensation costs. Opinion No. 25 requires that compensation cost be based on the difference, if any, between the quoted market price of the stock and the price the employee must pay to acquire the stock depending on the terms of the award. Effective January 1, 2006 we adopted the provisions Statement of Financial Accounting Standards No. 123R to record such compensation costs.

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

However, the impact of this pronouncement to our first quarter's operations was deemed to be not material. Prior thereto, such matters were disclosed in the notes to our consolidated financial statements.

Concentration of credit risk - Financial instruments that potentially subject the Company to concentration of credit risk consist primarily of accounts receivable. Over the past three years, our five largest customers historically represented a range of approximately 45% to 55% of consolidated gross revenues and 25% to 77% of consolidated accounts receivable, respectively. We have experienced a longstanding relationship with each of these entities and have always collected open receivable balances in a timely manner. However, the loss of any of these customers could have an adverse impact on our operations.

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 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.

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, 2007, bears interest at the 30 Day LIBOR plus 275 basis points (approximately 7.9% at June 30, 2006) 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 June 30, 2006, we were obligated under this arrangement in the amount of \$4,200,000.

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 for our future

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

needs. 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, 2007, 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.

14

The bonds are marketed weekly at the prevailing rates for such tax-exempt instruments. During the six months ended June 30, 2006 such bonds carried interest ranging between 3.3% and 3.7% annually. Interest and principal are payable quarterly. We believe current operations are sufficient to meet these obligations.

On April 12, 2005 we entered into a financing obligation with Regions Bank whereby they advanced us \$500,000 to finance equipment acquisitions at our 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 June 30, 2006 were approximately \$408,300 and 7.13% per annum, respectively). 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 June 30, 2006 and December 31, 2005, the gross obligation aggregating \$1,275,000 and \$1,150,000, respectively was 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 six months ended June 30, 2006, amortization of \$31,090 was charged against operations. This obligation is subordinate to all borrowings from Regions Bank.

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.

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

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 June 30, 2006 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.

As disclosed in our Form 10-Q for the quarter ended March 31, 2005, our largest customer, West Marine, publicly announced their adoption of a policy to reduce their overall inventory levels. This resulted in an approximate \$4,294,000 decrease in sales to them for the year ended December 31, 2005 compared to 2004. Our products have historically sold well at their retail stores and they have indicated to us that such was the case during 2005. Accordingly, it appears that they are approaching their inventory goals as they relate to our products and the increase in our consolidated gross sales for the six months ended June 30, 2006 compared to 2005's figures were favorably impacted by our current period's sales to West Marine; an increase of approximately \$1.4 million for the six months ended June 30, 2006 over the comparable period in 2005.

Corporate management has enhanced its analysis, supervision and overall involvement with our manufacturing facility. We have identified several areas that require improvement and through increased on-site management presence, major personnel changes, adoption of certain strategic enhancements to our manufacturing process, and a renewed commitment from our team in Alabama to strive for improved efficiency and cost savings, we believe that we will achieve a material reduction in manufacturing cost thereby improving product margins and operating results at Kinpak during 2006.

15

On March 25, 1999, the Company entered into a loan arrangement with an entity owned 50% each by our President and 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 accompany consolidated statement of shareholders' equity as additional paid-in capital.

Results of Operations:

For The Three Months Ended June 30, 2006 compared to the Three Months ended June 30, 2005

Net sales decreased approximately \$255,600 or 5.6 % for the quarter ended June 30, 2006 compared to the same quarter of the preceding year. The consolidated net sales aggregated approximately \$4,331,500 and \$4,587,100, respectively.

Cost of goods sold amounted to approximately \$3,154,000 or 72.8 % of net sales compared to \$3,264,700 or 71.2 % of net sales for the quarters ended June 30, 2006 and 2005, respectively. These results were favorably effected by a sales price increase passed along to substantially all customers effective

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

January, 2006, modifications initiated in certain manufacturing processes however, unfavorably impacted as the result of spreading our fixed element of manufacturing overhead over the reduced sales levels experienced during the current quarter.

Selling and administrative expenses decreased approximately \$42,900 or 4.5% when comparing the quarters ended June 30, 2006 and 2005. Certain expenses which are components of this grouping increased and others decreased. However, the significant changes were reduced personnel costs, principally at Kinpak, and lower consulting fees, outside services, other professional fees and outsourced data processing services.

Advertising and promotion decreased approximately \$279,600 or approximately 49.5 % comparing the three months ended June 30, 2006 and 2005. This was the result of contractual co-operative advertising programs related to the decreased sales experienced during the current period. In addition, we placed decreased levels of media and print advertising during the current three month period.

Interest expense increased by approximately \$85,100 comparing the quarter ended June 30, 2006 to the corresponding quarter in 2005. This principally resulted from increasing interest rates, the accrual of interest on the revolving line loaned to the Company by our president and CEO, Peter G. Dornau, and the amortization of imputed interest associated with the foregoing obligation.

Our net loss for the quarter ended June 30, 2006 amounted to \$213,200 compared to a loss of \$305,700 for the comparable period in 2005. There was no provision or benefit for income taxes in the current quarter.

For the Six Months Ended June 30, 2006 Compared To The Six Months Ended June 30, 2005

Net sales increased 13.8% to approximately \$8,741,100 for the six months ended June 30, 2006 compared to approximately \$7,682,900 for the six months ended June 30, 2005. Management attributes such increase significantly to our largest customer resuming their purchasing after apparently reaching their inventory goals pursuant to their publicly announced inventory reduction of 2005.

Cost of goods sold decreased to 71.1% of net sales for the six months ended June 30, 2006 compared to 78.2% of net sales for the six months ended June 30, 2005. This change resulted was attributed sales price increases passed along to our customers, certain initiatives adopted in our manufacturing processes, and the result of spreading our fixed element of manufacturing overhead over the higher sales levels experienced during the six month period.

Advertising and promotion expenses decreased approximately \$197,000 or 29.7% for the 2006 period when compared to comparable expenses in the same time period in the previous year. This resulted primarily from planned decreases in media and co-op advertising programs for the current year.

Selling and administrative expenses decreased by approximately \$225,800 or 11.5 % for the six months ended June 30, 2006 compared to the six months ended June 30, 2005. Certain expenses which are components of this grouping increased and others decreased. However, the significant changes were reduced personnel costs, principally at Kinpak, and lower consulting fees, outside services, other professional fees and outsourced data processing services.

Interest expense for the 2006 period increased approximately \$123,600 when

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

compared to the same six month period of 2005. This principally resulted from increasing interest rates, the accrual of interest on the revolving line loaned to the Company by our president and CEO, Peter G. Dornau, and the amortization of imputed interest associated with the foregoing obligation.

Our net loss was approximately \$20,400 for the six months ended June 30, 2006 compared to a net loss of approximately \$1,162,900 for the six months ended June 30, 2005.

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 June 30, 2006, we have not used derivative instruments or engaged in hedging activities to minimize market risk.

Interest rate risk

As of June 30, 2006, we had floating interest rates on our industrial development revenue bonds and our working capital line of credit facility. As of June 30, 2006 the interest rate on our approximate \$4,973,100 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 June 30, 2006 was 7.9%). We do not expect any changes in interest rates to have a material impact on our operations during the year ending December 31, 2006.

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 June 30, 2006, 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

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

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.

17

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

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:

During April 2006 we issued 129,000 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 grant the shares had a market value of \$1.08 each.

Item 3. - Defaults Upon Senior Securities: Not applicable

Item 4 - Submission of Matters to Vote of Security Holders:

On June 15, 2006, at our annual meeting of shareholders, seven directors; Peter G. Dornau, Edward Anchel, Jeffrey J. Tieger, Laz L. Schneider, James M. Kolisch, John B. Turner, and Sonia B. Beard were elected, shareholders ratified issuances of restricted common stock to certain employees, shareholders ratified the \$1.5 million Subordinated Note financing offered to the Company by Mr. Peter

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

G. Dornau and certain of his affiliated entities, and approved Levi, Cahlin & Company, Certified Public Accountants, as independent auditors for the year ending December 31, 2006.

The tabulation of voting for the foregoing was as follows:

	For	Against/abstain
Election of directors	5,449,474	80,870
Ratification of issuances of restricted common stock	5,441,645	88,699
Ratification of Subordinated Revolving Line of Credit - Peter G. Dornau & affiliates	5,447,811	82,533
Levi, Cahlin and Company, CPA's	5,467,080	63,264

Item 5. - Other Information: Not applicable

18

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: August 14, 2006

/s/ Peter G. Dornau

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

/s/ Edward Anchel
Edward Anchel
Chief Financial Officer

19

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 June 30, 2006;

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;

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

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: August 14, 2006

/s/ Peter G. Dornau

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

Exhibit 31.2

CERTIFICATION

I, Edward Anchel certify that:

1. I have reviewed this Form 10-Q of Ocean Bio-Chem, Inc. as of and for the period ended June 30, 2006;

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

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

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: August 14, 2006

/s/ Edward Anchel

Edward Anchel
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 March 31, 2006 (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

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

of operation of the Company.

Dated: August 14, 2006

/s/ Peter G. Dornau

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

/s/ Edward Anchel

Edward Anchel
Chief Financial Officer