

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

OCEAN BIO CHEM INC
Form 10-K
March 31, 2009

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

FORM 10-K

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

For the fiscal year ended December 31, 2008

OR

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

Commission file number 000-11102

OCEAN BIO-CHEM, INC.

(Exact name of Registrant as specified in its charter)

Florida	59-1564329	2842,2899,2891
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)	(Primary Standard Industrial Classification Code Number)

4041 SW 47 Avenue
Fort Lauderdale, FL 33314-4023
(Address of principal executive offices) (Zip Code)

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

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act:
Common stock, \$0.01 par value

Indicate by check mark whether the Registrant is a well seasoned issuer, as defined in Rule 405 of the Securities Act. Yes [] No

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes [] No

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No []

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer [] Accelerated filer []
Non-accelerated filer Smaller Reporting Company

Indicated by check mark whether the Registrant is a shell company (as

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

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

As of March 18, 2009, the number of shares of the registrant's Common Stock outstanding was 7,699,813. The aggregate market value of the Common Stock held by non-affiliates of the registrant as of March 18, 2009 was approximately \$1,505,000 based on a closing sale price of \$.57 for the Common Stock on such date.

For purposes of the foregoing computation, all executive officers, directors and 5 percent beneficial owners of the registrant are deemed to be affiliates.

DOCUMENTS INCORPORATED BY REFERENCE

Part III of this Form 10-K incorporates information from portions of our Definitive Proxy Statement, which will be filed within 120 days of December 31, 2008 covering our Annual Meeting which will be held on or about June 12, 2009.

OCEAN BIO-CHEM, INC. AND SUBSIDIARIES

TABLE OF CONTENTS

	Page
PART I	
Item 1. Business	4
Item 1A. Risk Factors	7
Item 2. Properties	8
Item 3. Legal Proceedings	8
Item 4. Submission of Matters to a Vote of Security Holders	8
PART II	
Item 5. Market for Registrant's Common Equity and Related Stockholder Matters	9
Item 6. Selected Financial Data	10
Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations	10
Item 7A. Quantitative and Qualitative Disclosures about Market Risk	15
Item 8. Financial Statements and Supplementary Data	15
Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	15
Item 9A. Controls and Procedures	15
PART III	
Item 10. Directors, Executive Officers of the Registrant	16
Item 11. Executive Compensation	18
Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	19
Item 13. Certain Relationships and Related Transactions, and Director Independence	20
Item 14. Principal Accounting Fees and Services	21

Forward-looking Statements:

Certain statements contained in this Annual Report on Form 10-K, 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 Litigation 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 "believe", "may", "will", "expect", "anticipate", "intend", "could" including the negative or 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 our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Factors, which may affect these results include, but are not limited to, the highly competitive nature of our industry; reliance on certain key customers; consumer demand for marine recreational vehicle and automotive products; advertising and promotional efforts; and other factors.

Explanatory note - Restatements:

The Company adopted SEC Staff Accounting Bulletin No. 108, "Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements" (SAB No. 108), effective January 1, 2007. In accordance with the requirements of SAB No. 108, the Company has recorded an adjustment in the amount of approximately \$70,000 to the opening retained earnings balance as of January 1, 2007 in the accompanying consolidated financial statements, to correct errors in the accounting of share-based compensation and contingent legal liabilities in 2006.

In 2007, the Company made certain revisions in the valuation of stock option grants that vested in 2006. The revised valuation resulted in an increase in compensation expense of approximately \$40,000 for 2006. Also in 2007, the Company discovered that a liability in the amount of approximately \$30,000 for legal costs incurred in 2006 should have been recorded as of December 31, 2006 under the criteria of Statement of Financial Accounting Standards No. 5. There was no corporate tax effect for the adjustments due to the Company's tax position in 2006.

The above matters are more fully discussed in Note 13 to 2008 Financial Statements - Restatements, to the Consolidated Financial Statements.

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

We have also included the aforementioned restated amounts in Item 7 - "Management's Discussion and Analysis of Financial Condition and Results of Operations". Along with the foregoing, we have updated our Certifications pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 presented as Exhibits 31.1 and 31.2 to conform to the current language requirements.

3

Part I

Item 1. Business

General: We were organized on November 13, 1973 under the laws of the state of Florida. We are principally engaged in the manufacturing, marketing and distribution of a broad line of appearance and maintenance products for boats, recreational vehicles, automobile and aircraft under the "Star brite" and other trademarks within the United States of America and Canada. In addition, we produce private label formulations of many of our products for various customers as well as provide custom blending and packaging services of these and other products.

PRODUCTS: Set forth below is a general description of the products that we manufacture and market:

Marine: Our Marine line consists of polishes, cleaners, protectants and waxes of various formulations under the "Star brite" brand name as well as private label formulations of these and other products. The line also includes motor oils, various vinyl protectants, cleaners, teak cleaners, teak oils, bilge cleaners, hull cleaners, silicone sealants, polyurethane sealants, polysulfide sealants, gasket materials, lubricants, antifouling additives and anti-freeze coolants. In addition, we manufacture a line of brushes, poles and tie-downs and other related marine accessories.

Automotive: We manufacture a line of automotive products under the "Star brite" brand name including StarTron enzyme fuel treatment for both diesel and gas engines, brake and transmission fluids, hydraulic, gear and motor oils, and related items. In addition, anti-freeze and windshield washes are produced in varying formulations both under the "Star brite" brand as well as under private labels for customers. We also produce a line of automotive polishes, cleaners and associated appearance items.

Recreational vehicle/power sports: We also market StarTron to the winter recreational vehicle market, including snow mobiles. With the inclusion of E-10 (ethanol) into the fuel (gasoline) snowmobilers' have found StarTron helpful to displace water in fuel in snow mobiles. Other recreational vehicle products are

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

cleaners, polishes, detergents, fabric cleaners and protectors, silicone sealants, water proofers, gasket materials, degreasers, vinyl cleaners, protectors, toilet treatment fluids and anti-freeze coolants.

Contract filling and blow molded bottles: We blend and package a variety of chemical formulations to our customers' specifications. In addition, we manufacture for sale to various customers assorted styles of both PVC and HDPE blow molded bottles.

Although the above products are utilized for different types of vehicles, boats, aircrafts and household purposes, it is management's view that they all constitute one industry segment.

MANUFACTURING:

We produce the majority of our products at our manufacturing facility in Montgomery, Alabama. In addition, we contract with various unrelated companies located in the northeastern and mid-western areas of the country to package other products, which are manufactured to our specifications, using our provided formulas. Each third party packager enters into a confidentiality agreement with us.

We purchase raw materials from a wide variety of suppliers, none of which is significant to our operations and all raw materials used in manufacturing are readily available. We design our own packaging and supply our outside manufacturers with the appropriate design and packaging. We believe that our internal manufacturing capacity and our arrangements with our current outside manufacturers are adequate for our present needs.

4

In the event that these arrangements are discontinued with any manufacturer, we believe that substitute facilities can be found without substantial adverse effect on our manufacturing and distribution.

Our in-house manufacturing is primarily performed by our wholly owned subsidiary, Kinpak Inc, an Alabama corporation ("Kinpak"). On February 27, 1996, we acquired certain assets of Kinpak, Inc., and assumed two (2) leases of land and facilities leased by Kinpak from the Industrial Development Board of the City of Montgomery, Alabama and the Alabama State Docks Department. On December 20, 1996, we entered into a new agreement with the Industrial Development Board of the City of Montgomery, Alabama to issue Industrial Development Bonds in the amount of \$4,990,000 to repay certain financial costs and to expand the capacity of the Alabama facility. The underlying premises, at that time, consisted of a manufacturing and distribution facility containing approximately 110,000 square feet located on approximately 20 acres of real property and a docking facility located on the Alabama River. In addition, we purchased the machinery, equipment and inventory located on the leased premises. Subsequent to the acquisition, we changed the name of our subsidiary to Kinpak Inc.

During July 2002, we completed an additional \$3.5 million Industrial Development Bond financing through the City of Montgomery, Alabama. Such transaction funded an approximate 70,000 square foot addition to the manufacturing facility as well as the requisite machinery and equipment additions required therein. Such project was substantially completed during the year ended December 31, 2003.

MARKETING:

Our marine and recreational vehicle products are sold through national mass merchandisers such as Wal-mart and Home Depot and through specialized marine

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

retailers such as West Marine and Bass Pro Shops. We also sell to national and regional distributors who in turn sell our products to specialized retail outlets for that specific market. Currently we have one customer (West Marine, Inc., which is an unrelated entity) to whom sales exceeded 37% of consolidated net revenues for the year ended December 31, 2008. Sales to our five largest customers for the year ended December 31, 2008 amounted to approximately 58% of consolidated net revenues and outstanding accounts receivable balances due to us at December 31, 2008 from our five largest customers aggregated approximately 32% of consolidated trade receivables.

We market our products through internal salesmen and approximately 125 sales representatives who work on an independent contractor- commission basis. Our officers also participate in sales presentations and trade shows. In addition, we aid marketing through advertising campaigns in national magazines, TV advertising and product catalogs. Our products are distributed primarily from our manufacturing and distribution facility in Alabama. During 2008 the Company and one of its major customers agreed to a vendor management inventory program.

Backlog, seasonality, and selling terms: We had no significant backlog of orders as of December 31, 2008. We do not give customers the absolute right to return product. The majority of our products is non-seasonal and is sold throughout the year. Normal trade terms offered to credit customers range from 30 to 60 days. However, at times special dating and/or discount arrangements are offered as purchasing incentives to customers. Such programs do not materially distort normal margins.

COMPETITION:

Marine: We have several national and regional competitors in the marine marketplace. The principal elements of competition are brand recognition, price, service and the ability to deliver products on a timely basis. In the opinion of management no one or few competitors holds a dominant market share. We believe that we can increase or maintain our market share through our present methods of advertising and distribution.

5

Automotive: The automotive marketplace into which the Company began selling various products over the past seven years is the largest in which we operate. There are many entities, both national and regional, which represent competition to us. Many are more established and have greater financial resources than we do. However, the market is so large that even a minimal market share could be significant to us. The principal elements of competition are brand recognition, price, service and the ability to deliver products on a timely basis. We believe that we can establish a reasonable market share with unique products and through our present methods of advertising and distribution.

Recreational Vehicle: Our recreational vehicle appearance and maintenance market is parallel to that of the marine marketplace. In this market we compete with national and regional competitors, none of which singly or as a few have a dominant market share. The principal elements of competition are brand recognition, price, service and the ability to deliver products on a timely basis. Management is of the opinion that it can increase or maintain our market share by utilizing similar methods as those employed in the marine market.

TRADEMARKS:

We have obtained registered trademarks for "Star brite" and other trade names used on our products. We view our trademarks as significant assets because

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

they provide product recognition. We believe that our intellectual property is significantly protected, but there are no assurances that these rights can be successfully asserted in the future or will not be invalidated, circumvented or challenged.

PATENTS:

We hold two patents which we believe are valuable in limited product lines, but not material to our success or competitiveness in general.

NEW PRODUCTS DEVELOPMENT:

We continue to develop specialized products for the marine, automotive, and recreational vehicle marketplace. We believe that our current operations and working capital financing arrangement are sufficient to meet development expenditures without securing external funding. The amounts expended toward this effort in any fiscal period have not been significant and are charged to operations in the year incurred.

ENVIRONMENTAL COSTS:

We adhere to a policy of compliance with applicable regulatory mandates on environmental issues. Amounts expended in this regard have not been significant and management is not aware of any instances of material non-compliance.

PERSONNEL:

We employ approximately 22 full time employees at our corporate office in Fort Lauderdale, Florida. These employees are engaged in administration, sales and accounting functions. In addition, we employ manufacturing, fabrication and warehouse personnel in both Florida and Alabama.

The following is a tabulation of the full time number of personnel working for the Company and/or its subsidiaries as of December 31, 2008:

Location	Description	Full-time Employees
Fort Lauderdale, Florida	Administrative	22
Fort Lauderdale, Florida	Manufacturing and distribution	9
Montgomery, Alabama	Manufacturing and distribution	59
		90

6

Item 1A. Risk factors

An investment in our common stock involves risks. If any of the events anticipated by the risks described below occur, our results of operations and financial condition could be adversely affected which could result in a decline in the market price of our common stock.

Customers and market

The recession is expected to increase the Company's risk related to sales and collection of accounts receivable. At the time of this filing one customer

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

has filed for bankruptcy (Boater's World), representing a maximum risk of loss on unrecoverable receivables of approximately \$210 thousand dollars. Their 2008 sales were approximately \$672 thousand dollars. We do not know yet and cannot predict if we will be able to collect accounts receivable with more or less difficulty than in the past in our business. The Company's Management understands that the economic conditions in the industry may result in additional difficulties for our customers, but is unable to qualify this risk at this time.

Financial Risks

Our exposure to market risk for changes in interest rates relates primarily to the interest rates on our bonds and on our line of credit. The interest rates on our bonds are adjusted weekly. During the years ended December 31, 2008, and 2007, interest rates ranged between 1.5% and 8.6%, and 3.6% and 4.3% annually, respectively. The industrial revenue bonds when tendered bear market variable interest rates. Should the interest rates increase significantly the Company's earnings will be negatively impacted by higher interest rates.

Internal controls

Failure to achieve and maintain effective internal controls in accordance with section 404 of the Sarbanes-Oxley act could have a material adverse effect on our business and operating results.

If we fail to comply in a timely manner with the requirements of Section 404 of the Sarbanes-Oxley Act regarding internal control over financial reporting or to remedy any material weaknesses in our internal controls that we may identify, such failure could result in material misstatements in our financial statements, cause investors to lose confidence in our reported financial information and have a negative effect on the trading price of our common stock.

Pursuant to Section 404 of the Sarbanes-Oxley Act and current SEC regulations publicly traded companies are required to assess internal controls over financial reporting and beginning with our annual report on Form 10-K for our fiscal period ending December 31, 2007, prepare a report by our management on our internal control over financial reporting. We have begun the process of documenting and testing our internal control procedures in order to satisfy these requirements, which is likely to result in increased general and administrative expenses and may shift management time and attention from revenue-generating activities to compliance activities.

International

We become exposed to foreign currency transactions as a result of our operations in Canada and we do not hedge such exposure.

7

Common stock trading

Given exceptional market conditions, NASDAQ has determined to suspend enforcement of the bid price and market value of publicly held shares requirements. As extended, the suspension will remain in effect through April 19, 2009. After this date, the Company has to regain compliance with the \$1.00 minimum bid price for continued listing as required in Marketplace Rule 4310 (c)(4). Following the reinstatement of these rules, in accordance with

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

Marketplace Rule 4310(c)(8)(D), the Company will be provided 180 calendar days to regain compliance. If, at any time before October 20, 2009, the bid price of the Company's common stock closes at \$1.00 per share or more for a minimum of 10 consecutive business days, NASDAQ will provide written notification that it complies with the Rule.

If compliance with this Rule cannot be demonstrated by July 20, 2009, Staff will determine whether the Company meets The NASDAQ Capital Market initial listing criteria as set forth in Marketplace Rule 4310(c), except for the bid price requirement. If it meets the initial listing criteria, Staff will notify the Company that it may be granted an additional 180 calendar day compliance period. If the Company is not eligible for an additional compliance period, Staff will provide written notification that the Company's securities will be delisted. At that time, the Company may appeal Staff's determination to delist its securities to a Listing Qualifications Panel (the "Panel").

Item 2. Properties

Our executive offices and warehouse located in Fort Lauderdale, Florida are held under a lease with an entity controlled by our President. The lease covers approximately 12,700 square feet of office and warehouse space. On May 1, 1998, the Company entered into a ten year lease which required a minimum rental of \$94,800 plus applicable taxes for the first year and provided for a maximum 2% increase on the anniversary of the lease throughout the term, which were waived through April 30, 2008. Additionally, the landlord was entitled to its reimbursement of all taxes, assessments, and any other expenses that arise from ownership. On May 1st, 2008 we renewed our lease agreement for a term of ten years, under the same terms. The landlord reserves the right under the agreement to review the terms of the lease at 3, 6 and 9 year intervals in order to make modifications for market conditions. Rent charged to operations during the years ended December 31, 2008, and 2007 amounted to approximately \$100,500 each year.

Our Alabama facility currently contains approximately 180,000 square feet of office, plant and warehouse space located on 20 acres of land (the "Plant") and also includes a leased 1.5 acre docking facility on the Alabama River located approximately eleven miles from the Plant. This plant has undergone two separate expansions of 60,000 and 70,000 square feet in 1998 and 2002, respectively. We financed the facility's enhancements and related equipment needs with Industrial Development Bonds issued through the city of Montgomery, AL. Our manufacturing facility and our manufacturing equipment serves as collateral to a financial institution, which issued letters of credit to secure the bonds.

Item 3. Legal Proceedings

We were not involved in any significant litigation at December 31, 2008.

Item 4. Submission of Matters to a Vote of Security Holders

No matter was submitted for a vote of shareholders during the 4th quarter 2008.

Part II

Item 5. Market for the Registrant's Common Equity and Related Stockholder

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

Matters

Our common stock was sold to the public initially on March 26, 1981. The common stock of the Company is traded on the NASDAQ Capital Market System under the symbol OBCI. A summary of the trading ranges during each quarter of 2008 and 2007 is presented below.

Market Range of Common Stock Bid:		1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.
2008	High	\$ 1.50	\$ 1.50	\$ 1.18	\$ 0.95
	Low	\$ 1.24	\$ 1.09	\$ 0.93	\$ 0.62
2007	High	\$ 5.11	\$ 2.78	\$ 2.55	\$ 1.98
	Low	\$ 1.80	\$ 1.64	\$ 1.73	\$ 1.27

A. The quotations reflect inter-dealer prices without retail mark-up, markdown or commission and may not represent actual transactions.

B. The number of record holders of our Common Stock owners was approximately 175 at December 31, 2008. In addition, we believe that there are approximately 600 beneficial holders based on information obtained from our Transfer Agent and Registrar and indications from broker dealers of shares held by them as nominee for actual shareholders.

C. We have not paid any cash dividends since the Company has been organized. However, during the years ended December 31, 2002 and 2000, the Company declared and distributed a 10% and a 5% stock dividend, respectively. The Company has no other dividend policy except as stated herein.

D. Securities authorized for issuance at December 31, 2008 under equity compensation plans

	Number of securities to be issued upon exercise of outstanding options, warrants & rights	Weighted average exercise price of outstanding options, warrants & rights	Number of securities remaining available for future issuance under equity com- pensation plan
Equity compensation plans approved by security holders:			
Plan stock options granted (1)	1,090,000	\$1.26	519,500
Non plan stock options granted (2)	231,000	0.76	0
Warrants (3)	1,000,000	0.88	0
Total equity compensation plans approved and not approved by security holders			
	2,321,000	\$1.05	519,500

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

(1) Includes 270,000 options granted under the 2002 Qualified Incentive Stock Option Plan, 185,000 options under the 2002 Non-Qualified Stock Option Plan, 154,500 options under the 1994 Qualified Stock Option Plan (this plan has expired and no further awards can be made under its provisions), 321,000 options under the 2007 qualified incentive stock option plan and 159,500 under the 2008 qualified incentive stock option plan.

(2) Includes 231,000 options granted to Messrs. Peter G. Dornau and Jeffrey J. Tieger in conjunction with a loan made to the Company by an entity 50% owned by each of them.

(3) Includes 1,000,000 warrants issued to Peter G. Dornau in connection with a \$ 1.5 million Subordinated Revolving Line of Credit he extended to the Company during 2005. Such warrants are exercisable 500,000 at \$ 1.03 per share and 500,000 exercisable at \$.88 per share. The exercise price is equal to 110% of the fair value of the underlying security at the close of business one day prior to the date of grant.

Item 6. Selected Financial Data

N/A

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with our consolidated financial statements contained herein as Item 15.

The Company adopted SEC Staff Accounting Bulletin No. 108, "Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements" (SAB No. 108), effective January 1, 2007. In accordance with the requirements of SAB No. 108, the Company has recorded an adjustment in the amount of approximately \$70,000 to the opening retained earnings balance as of January 1, 2007 in the accompanying consolidated financial statements, to correct errors in the accounting of share-based compensation and contingent legal liabilities in 2006.

In 2007, the Company made certain revisions in the valuation of stock option grants that vested in 2006. The revised valuation resulted in an increase in compensation expense of approximately \$40,000 for 2006. Also in 2007, the Company discovered that a liability in the amount of approximately \$30,000 for legal costs incurred in 2006 should have been recorded as of December 31, 2006 under the criteria of Statement of Financial Accounting Standards No. 5. There was no corporate tax effect for the adjustments due to the Company's tax position in 2006.

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:

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

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.

10

Collectability of accounts receivable - Included in the consolidated balance sheets as of December 31, 2008 and 2007 are allowances for doubtful accounts aggregating approximately \$117,600 and \$47,000 respectively. Such amounts are based on management's estimates of the creditworthiness of its customers, current economic conditions and other historical information. Consolidated bad debt expense charged against operations for the years ended December 31, 2008 and 2007 aggregated approximately \$83,500 and \$ 24,000 respectively. The foregoing includes as of December 31, 2008 an additional allowance for doubtful accounts aggregating approximately \$69,000 to reflect risks related to bankruptcy filings occurred in 2009 before this filing. With the economic slow down it is expected to increase the Company's risk related to sales and collection of accounts receivable. At the time of this filing we have incurred, in 2009, one customer filing for bankruptcy (Boater's World), representing a maximum risk of loss on unrecoverable receivables of approximately \$210 thousand in total, approximately \$69 thousand related to December 31, 2008 receivables. We do not know yet and cannot predict if we will be able to collect accounts receivable with more or less difficulty than in the past. The Company's Management understands that the economic conditions in the industry may result in additional difficulties for our customers, but is unable to qualify this risk at this time.

Revenue recognition - Revenue from product sales is recognized when persuasive evidence of a contract exists, delivery to customer has occurred, the sales price is fixed and determinable, and collectability of the related receivable is probable.

Inventories - Inventories are primarily composed of raw materials and finished goods and are stated at the lower of cost, or market using the first-in, first-out method,

Prepaid expenses - In any given year we introduce certain new products to our customers. In connection therewith, we produce new collateral materials to be distributed over an introduction period of time. We follow the policy of Statement of Position (SOP) 93-7 amortizing these costs based on actual usage. Advertising expenses are expensed in the period the advertising either is aired on TV or in the month an advertisement appears in a magazine in accordance with SOP 93-7.

Property, plant and equipment - Property, plant and equipment are stated at cost. Depreciation is provided over the estimated useful lives of the related assets using the straight-line method. Stock based compensation - At December 31, 2008, the Company had options outstanding under four stock-based compensation plans and one non-qualified plan, 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. 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

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

presents 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.

Concentration of cash - At various times of the year and at December 31, 2008, we had a concentration of cash in one bank in excess of prevailing insurance offered through the Federal Deposit Insurance Corporation at such institution. Management does not consider the excess deposits to be a significant risk.

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.

11

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 temporary differences included therein are attributable to differing methods of reflecting depreciation and stock based compensation for financial statement and income tax purposes. We adopted the provisions of FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes -- an Interpretation of FASB Statement No. 109" ("FIN 48"), which clarified the accounting for uncertainty in income taxes recognized in accordance with SFAS 109, on January 1, 2007. FIN 48 clarifies the application of SFAS 109 by defining criteria that an individual tax position must meet for any part of the benefit of that position to be recognized in the financial statements.

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 these intangible assets have indefinite lives and therefore we no longer recognize amortization expense. 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.

Performance Comparisons

N/A

Liquidity and Capital Resources:

Cash decreased in the year to approximately \$ 527 thousand dollars from approximately \$751 thousand dollars, a decrease of approximately \$224 thousand dollars. The amount of short-term borrowings outstanding at December 31, 2008 was approximately \$ 2.80 million dollars. This is an increase of \$ 1.05 million

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

dollars from the December 31, 2007, balance of approximately \$ 1.75 million dollars. The decreased cash and increased borrowings are result of increased accounts receivable due from affiliated companies and an increase of inventories.

During the year ended December 31, 2008 the Company continued to focus on programs to effectively manage accounts receivable - trade. In 2008, net sales and accounts receivable remained close to their prior year levels: trade accounts receivable aggregated approximately \$ 2.0 million dollars at both December 31, 2008 and 2007.

In addition, inventory levels increased, from approximately \$6.0 million dollars to \$6.5 million dollars, comparing December 31, 2008 and 2007, an increase of approximately \$500 thousand or 8.3%. The increase was mainly attributable to raw material price increases (petroleum based chemicals) from our vendors on key raw materials in addition to a vendor managed inventory program for one of our customers, increasing inventories approximately \$200 thousand dollars.

Accounts payable at December 31, 2008 decreased to approximately \$0.9 million dollars from \$1.0 million dollars. This decrease was offset by an increase in accrued payables of approximately \$0.9 million.

12

The primary sources of our liquidity are our operations and borrowings from Regions Bank pursuant to a revolving line of credit aggregating \$6 million. In 2007, the line carried interest based on the 30 day LIBOR rate plus 275 basis points (approximately 6.0% at December 31, 2007) payable monthly, and was collateralized by the Company's inventory, trade receivables, and intangible assets. This financing matured on May 31, 2008, and was renewed for three years. Such line matures May 31, 2011, bears interest at the 30 Day LIBOR plus 250 basis points (approximately 3.6% at December 31, 2008) and is secured by our trade receivables, inventory and intangible assets. 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. At December 31, 2008 and 2007 the Company was in compliance with its debt covenants. As of December 31, 2008, and 2007 we were obligated under this arrangement in the amount of \$2.8 million dollars and \$ 1.8 million dollars, respectively.

In connection with the purchase and expansion of the Alabama facility, we closed on Industrial Development Bonds during 1997. 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 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, 2009, renewable annually, 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 year ended December 31, 2008 such bonds carried interest ranging between 1.5% and 8.6% annually. The bonds when tendered by Regions Bank

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

carry an interest rate of prime rate plus 2%. Interest and principal are payable quarterly. We believe current operations are sufficient to meet these obligations. The bonds maturity dates are March 2012 and July 2017 for the 1997 and 2002 series bonds. In September and October 2008 both bond issues were tendered due to the volatility of the credit markets. Both issues were successfully remarketed before year end.

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 December 31, 2008 was approximately \$133,000 and interest rate is LIBOR plus 2.5% per annum (or approximately 3.6% at December 31, 2008).

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.

In the year ended December 31, 2008 the Company recorded a \$71 thousand dollar foreign currency translation adjustment (decreasing shareholders equity by \$71 thousand dollars) as a result of the weakening of the Canadian dollar in relationship to the US dollar, in the conversion of the Company's Canadian subsidiary balance sheet to US dollars.

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.

13

Many of the raw materials that we use in the manufacturing process are petroleum chemical based and commodity chemicals that are subject to fluctuating prices. The cost of petroleum and related products, major components in many of our products, which were already in an increasing cost spiral, became even more unstable in 2008. The practical dynamics of our business do not afford us the same pricing flexibility with our customers, available to our suppliers. We cannot as immediately as our suppliers pass along the price increases to our national retailers and distributors.

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

Results of Operations:

Net sales decreased to \$20.9 million dollars from \$21.3 million dollars, a decrease of \$394 thousand dollars or 1.85%. The 1.85% decrease in net sales was reflective of the overall slowdown of the economy, the tightening of credit markets for the financing of new/used boats and the historically high prices of fuel which directly affects recreational boat usage. Considering these factors the Company has made inroads in 2008 expanding distribution to new customers in both the boating and automotive markets. In 2008 the Company also increased its sales of StarTron(r) to both the automotive as well as the power sports markets.

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

Cost of Sales and Gross Margins - For the year, gross profit decreased approximately \$0.8 million dollars or 12.3%, from approximately \$6.8 million dollars in 2007, to approximately \$6.0 million dollars in 2008. Gross margin percentages also decreased from approximately 32% to 29%, a change of approximately 3%. 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 the Company had a higher sales mix of lower margin antifreeze products in 2008 compared to prior year. In 2009 we will continue management's initiatives to decrease raw material costs.

Operating Expenses - For the year, total operating expenses aggregated approximately \$5.6 million dollars, a decrease of approximately \$359 thousand dollars from 2007. As a percentage of net sales operating expenses decreased from 27.8% to 26.7%.

Advertising & Promotion decreased \$231 thousand dollars. Reduced cost of advertising, and placement in trade magazines reduced controllable advertising expenses. Marketing has pursued' initiatives to promote and advertise StarTron/Starbrite products in both the TV Media as well as target advertising in specific industry magazines.

Selling, general & administrative expenses remained flat between the two years. The Company reduced its non cash compensation expense for stock awards which was offset by higher operating expenses.

Interest expense decreased approximately \$96 thousand dollars to \$257 thousand in 2008, compared to \$355 thousand in 2007. This principally resulted from lower interest rates in 2008.

Operating Profit - Operating profits decreased to approximately \$423 thousand dollars in 2008 from an operating profit of approximately \$907 thousand in 2007, a decrease of \$483 thousand dollars or 53%.

Income Taxes - The Company fully utilized its net operating losses (NOL's) in 2007. As a result the Company had a tax expense of \$291 thousand dollars in 2008.

14

Net Income decreased to approximately \$154 thousand dollars in 2008, from a net income of approximately \$725 thousand in 2007 a decrease of \$571 thousand dollars. The decrease resulted primarily 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 in 2007 and had an income tax provision of \$291 thousand in 2008, compared to \$200 thousand dollar income tax provision in 2007.

Contractual obligations:

The following table reflects our contractual obligations for the years ended December 31,

	Total	2009	2010 - 2013	2014 & thereafter
	-----	-----	-----	-----
Long-term debt obligations	\$ 3,958,348	\$ 559,996	\$ 1,838,352	\$ 1,560,000

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

Line of credit	2,800,000	2,800,000	-	-
Capital leases	60,680	24,541	36,139	-
Other	1,033,324	101,828	428,089	503,407
	-----	-----	-----	-----
	\$ 7,852,352	\$ 3,486,365	\$ 2,302,580	\$ 2,063,407
	=====	=====	=====	=====

Item 7A. Quantitative and Qualitative Disclosure About Market Risk

N/A

Item 8. Financial Statements and Supplementary Data

The audited financial statements of the Company required pursuant to this Item 8 are included in this Annual Report on Form 10-K, as a separate section commencing on page F-1 and are incorporated herein by reference.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

The Management had no disagreements with the neither former nor current Accountants. During the years ended December 31, 2006 and 2007 and through August 20, 2008, there were no disagreements with former Accountants Berenfeld, Spritzer, Shechter & Sheer on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, that if not resolved to the satisfaction of Berenfeld, Spritzer, Shechter & Sheer, would have caused it to make reference to the subject matter of such disagreements in its reports on the Company's financial statements for such periods and no reportable events (as defined in Item 304(a)(I)(v) of Regulation S-K).

Item 9A(T). 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

15

its disclosure controls and procedures. Based on that evaluation, our CEO and CFO have concluded that, as of December 31, 2008, 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 Controls Over Financial Reporting. No change in internal control over financial reporting (as defined in rule 13a-15(f) under the Exchange Act) occurred during the fourth quarter 2008 that has materially affected, or reasonably likely too materially affect, our internal control over financial reporting.

Management's Report on Internal Control Over Financial Reporting. Our management is responsible for establishing and maintaining adequate internal

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

control over financial reporting, as defined in Exchange Act Rule 13a-15(f). The Company's 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, the Company's 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.

Our management conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, our management concluded that our internal control over financial reporting was effective as of December 31, 2008. This Annual Report on Form 10-K does not include an attestation report of our independent registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by our independent registered public accounting firm pursuant to temporary rules of the Securities and Exchange Commission that permit us to provide only management's report in the Annual Report on Form 10-K.

Part III

Item 10. Executive Officers and Directors of the Registrant

The following tables set forth the name and ages of our elected directors and officers, as of December 31, 2008.

All directors will serve until the next annual meeting of directors or until their successors are duly elected and qualified. Each officer serves at the discretion of the board of directors.

There are no arrangements or understandings between any of the officers or directors of our Company and the Company or any other persons pursuant to which any officer or director was or is to be selected as a director or officer.

16

NAME	OFFICER/DIRECTOR	AGE
Peter G. Dornau	President, Chief Executive Officer, and Director since 1973	69
Jeffrey Barocas	Vice President-Finance, Chief Financial Officer and Director since 2007	61
William W. Dudman	Vice President-Operations and Director since 2007	44
Gregor M. Dornau	Executive Vice President-Sales & Marketing and Director since 2007	40
Edward Anchel	Director since 1998	62

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

James M. Kolisch	Director since 1998	58
Laz L. Schneider	Director since 1998	70
John B. Turner	Director since 2000	62
Sonia B. Beard	Director since 2002	38

Peter G. Dornau is our co-founder and has served as our President, CEO, and Chairman of Board of Directors since 1973.

Jeffrey Barocas joined our company in December 2006 and was elected Vice President-Finance and Chief Financial Officer in April 2007. For the five years immediately preceding his employment, he was a Financial Officer of both public and privately owned companies. He was initially elected to serve as a Director of the Company in June 2007.

William W. Dudman joined our company in February 2004 as our Vice President-Operations and Director in 2007. For the five years immediately preceding his employment he had held various management positions within the marine industry, most recently with West Marine, Inc., our largest customer.

Gregor M. Dornau is the son of Peter G. Dornau, our President, and Chief Executive Officer. He has been employed by the Company as a salesman since 1990, in 2005 was elected to serve as Executive Vice President- Sales/Marketing, and as Director in 2007.

Edward Anchel was elected to serve as an outside Director of the Company in May 1998. He joined the Company as Vice President-Finance and Chief Financial Officer in March 1999, which he held until his retirement on April 1, 2007.

James M. Kolisch joined our Board of Directors as an outside director in May 1998. During the past six years, Mr. Kolisch served as an executive of USI Insurance and provides most of our corporate insurance coverage's. Mr. Kolisch serves on the Board of Directors' Audit Committee.

Laz L. Schneider is, and has been for the past six years, an attorney in private practice and was elected to serve as an outside Director of the Company during May 1998. Mr. Schneider is a partner at Berger, Singerman, P.A., a law firm that serves as our lead counsel in various corporate, SEC and litigation matters.

17

John B. Turner joined our Board of Directors in June 2002. During the past six years, Mr. Turner has been retired. Prior to his retirement, he was an insurance executive. In addition to his insurance credentials, Mr. Turner held a Series 7 stock brokerage license. His professional experience in the aforementioned areas spans in excess of twenty-five years. Mr. Turner serves on the Board of Directors' Audit Committee.

Sonia B. Beard is a Florida Certified Public Accountant working for Walt Disney World since 1997. She currently holds the position as the Manager of Concept Development for the Revenue Lines of Business of Walt Disney World. Ms. Beard has in excess of twelve years financial experience. She is an outside director and serves as the Chairperson and Financial Expert of the Board of Directors' Audit Committee.

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

Audit Committee

We have an Audit Committee, which consists of Sonia B. Beard, John B. Turner and James M. Kolisch as of December 31, 2008. The Board has designated Sonia B. Beard as the "audit committee financial expert," as defined by Item 401(h) of Regulation S-K of the Securities Exchange Act of 1934 and serves as its chairperson. The Board has determined that Sonia B. Beard, John B. Turner and James M. Kolisch are "independent directors" within the meaning of the listing standards of the NASDAQ Capital Market.

Nominating Committee

We do not have a standing Nominating Committee of the Board of Directors. During the past six years we have had to conduct only one search for a new director and each member participated in that process. Accordingly, we have reached the decision that, given the size of our Company and Board, all members of the Board will actively participate in prospective searches rather than having this function performed by a few members.

Code of Ethics

We have adopted a Code of Business Conduct and Ethics, which is applicable to all directors, officers and employees of the company, including our principal executive officer, our principal financial officer, our principal accounting officer or controller or other persons performing similar functions. We filed our Code of Ethics as Exhibit 14.1 to our Annual Report on Form 10-K for the year ended December 31, 2004 and it is incorporated herein by reference. The Company will provide a copy of this Code of Ethics to any person on written request to our principal financial officer.

Compliance with Section 16(a) of the Exchange Act

Based solely on reviews of Forms 3 and 4 furnished to us by the aforementioned individuals, it was determined that no reporting person failed to file a timely submission of ownership changes and that we were in compliance with Rule 16(a)3(e) of the Exchange Act during our most recent fiscal year.

Item 11. Executive Compensation

Executive Compensation is disclosed in various filings with the United States Securities and Exchange Commission and is submitted to our shareholders as a component of our annual Proxy materials for 2008. It is incorporated herein by reference.

Compensation Committee

We do not have a standing Compensation Committee of the Board of Directors. Our Company is controlled by one shareholder, our President and CEO, Peter G. Dornau. Mr. Dornau is actively involved in the recurring operations and has relied on setting compensation arrangements in consultation with other key executives of the Company. All decisions reached by this group are disclosed in various filings with the United States Securities and Exchange Commission and are submitted to our shareholders as a component of our annual Proxy materials. Accordingly, we have reached the decision that, given the size of our Company and Board, not to have a standing committee for this purpose

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

Certain additional disclosures required under this section are incorporated by reference to portions of our Definitive Proxy Statement, which will be filed within 120 days of December 31, 2008 covering our Annual Meeting of Shareholders which will be held on or about June 12, 2009.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The following table sets forth information at December 31, 2008 with respect to the beneficial ownership of our common stock by holders of more than 5% of such stock and by all of our directors and officers as a group:

Title of Class	Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Per of
Common	Peter G. Dornau, President, CEO, Chairman Board of Directors Fort Lauderdale, FL 33317	5,608,870 (1)	71
Common	Edward Anchel Director Boynton Beach, FL 33437	348,954 (2)	4
Common	Jeffrey S. Barocas, Chief Financial Officer, Director Weston, Fl 33326	11,000 (3)	
Common	William W. Dudman, V. P.-Operations, Director Fort Lauderdale, Fl 32314	104,350 (4)	1
Common	Gregor M. Dornau, Vice President-Sales, Director Fort Lauderdale, FL 33315	292,360 (5)	3
Common	James M. Kolisch, Director Coral Gables, FL 33114	66,167 (6)	
Common	Laz L. Schneider, Director Fort Lauderdale, FL 33305	50,000 (7)	
Common	John B. Turner, Director Miami, FL 33186	79,463 (8)	1
Common	Sonia B. Beard, Director Merritt Island, FL 32952	20,000 (9)	
Common	All directors and officers as a group 10 individuals	----- 6,581,161 (10) =====	-- 84 ==

(1) Includes 1,176,500 shares that are issuable upon the exercise of stock options and/or warrants within 60 days of December 31, 2008.

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

(2) Includes 65,500 shares that are issuable upon the exercise of stock options within 60 days of December 31, 2008.

(3) Includes 6,000 shares that are issuable upon the exercise of stock options within 60 days of December 31, 2008.

(4) Includes 40,050 shares that are issuable upon the exercise of stock options within 60 days of December 31, 2008.

(5) Includes 63,400 shares that are issuable upon the exercise of stock options within 60 days of December 31, 2008.

(6) Includes 50,000 shares that are issuable upon the exercise of stock options within 60 days of December 31, 2008.

(7) Includes 50,000 shares that are issuable upon the exercise of stock options within 60 days of December 31, 2008.

(8) Includes 50,000 shares that are issuable upon the exercise of stock options within 60 days of December 31, 2008.

(9) Includes 20,000 shares that are issuable upon the exercise of stock options within 60 days of December 31, 2008.

(10) Includes 1,521,450 shares that are issuable upon the exercise of stock options and/or warrants within 60 days of December 31, 2008.

Item 13. Certain Relationships and Related Transactions

Our executive offices and warehouse located in Fort Lauderdale, Florida are held under a lease with an entity owned by our President. The lease covers approximately 12,700 square feet of office and warehouse space. On May 1, 2008, the Company renewed for ten years the existing lease with unchanged conditions. The lease still requires 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. Additionally, the landlord is entitled to reimbursement of all taxes, assessments, and any other expenses that arise from ownership. The landlord reserves the right under the agreement to review the terms of the lease at 3, 6 and 9 year intervals in order to make modifications for market conditions. Total rent charged to operations during the years ended December 31, 2008, and 2007 amounted to approximately \$100,500 each year.

We acquired the rights to the Star brite(r) trademark and related products for the United States and Canada in conjunction with our original public offering during March 1981. Peter G. Dornau, our president is the direct or beneficial owner of three companies that market Star brite(r) products outside the United States and Canada. These companies serve as distributors of our products and the terms of payment are the same as for our other customers. At December 31, 2008 and 2007, we had amounts due from affiliated companies, which are directly or beneficially owned by our president aggregating approximately \$911,000 and \$109,000, respectively. Such amounts result from sales to the affiliates, allocations of management fees incurred by the Company on the affiliates' behalf, and funds advanced to or from the Company.

Sales to such affiliates, which act as foreign distributors, were sold at cost of material and labor plus an amount to cover manufacturing overhead costs and profits. In addition, the affiliates are charged for their allocable share of administrative expenses of the Company. The sales and transfers to affiliates aggregated approximately \$1,208,000 and \$732,000 during the years ended December 31, 2008 and 2007, respectively; allocable administrative fees aggregated

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

\$275,000 and \$333,000, respectively for such periods.

A subsidiary of ours currently uses the services of an entity that is owned by our president to conduct product research and development. Such entity received \$30,000 per year during the year ended December 31, 2008 and 2007 under such relationship.

Mr. Kolisch a Director of the Company sources most of the Company's insurance needs at an arm's length basis.

20

Item 14. Principal Accounting Fees and Services

The information required for this item is incorporated by reference to our Definitive Proxy Statement to be filed in conjunction with our upcoming annual shareholders' meeting which shall be filed with the United States Securities and Exchange Commission and sent out to shareholders prior to 120 days past our year-end of December 31, 2008.

Part IV

Item 15. Exhibits, Financial Statements, Schedules and Reports Filed on Form 8K

(A) Exhibits

Financial Statements F-1 to F-25

3.1 Articles of Incorporation (incorporated by reference to the Company's Registration Statement on Form S-18 filed with the United States Securities and Exchange Commission on March 26, 1981).

3.2 Bylaws (incorporated by reference to the Company's Registration Statement on Form S-18 filed with the United States Securities and Exchange Commission on March 26, 1981).

4.1 Form of Certificate for Series 1997 Bonds*

4.2 Form of Certificate for Series 2002 Bond*

4.3 Trust Indenture dated as of December 1, 1996 between the IDB Board and Regions Bank, as Trustee and Registrar relating to the \$4,000,000 1997 IDB Bonds*

4.4 Supplement to Trust Indenture for 1997 Bonds dated March 1, 1997*.

4.5 Trust Indenture dated as of July 22, 2002 between the IDB Board and Regions Bank, as Trustee and Registrar relating to the \$3,500,000 Taxable IDB Bonds Series 2002*

10.1 Restated Lease Agreement dated as of December 1, 1996 between The Industrial Development Board of the City of Montgomery ("IDB Board") and Kinpak, Inc.*

10.2 First Supplemental Lease dated as of March 1, 1997 between the IDB Board and Kinpak, Inc.*

10.3 Second Supplemental Lease dated as of July 1, 2002 between the IDB Board and Kinpak, Inc.*

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

- 10.4 Credit Agreement dated as of July 1, 2002 by and among the Company, Star-Brite Distributing, Inc., Star Brite-Automotive, Inc., Star-Brite Distributing (Canada), Inc., Kinpak Inc. and Regions Bank*
- 10.5 Amendment to Credit Agreement dated June 1, 2004 by and among the Company, Star-Brite Distributing, Inc., Star-Brite Automotive, Inc., Star Brite Distributing (Canada), Inc., Kinpak, Inc. and Regions Bank*
- 10.6 Mortgage, Assignment of Leases and Security Agreement dated as of July 1, 2002 between Kinpak, Inc. and Regions Bank.*
- 10.7 Security Agreement dated as of July 22, 2002 between Kinpak, Inc. and Regions Bank.*
- 10.8 Irrevocable Letter of Credit dated July 22, 2002 issued by Regions Bank to secure the Series 1991 Bonds*

21

- 10.9 Irrevocable Letter of Credit dated July 22, 2002 issued by Regions Bank to secure the Series 2002 Bonds*
- 10.10 Extension to Credit Agreement dated March 31, 2003 by and among the Company, Star-Brite Distributing, Inc., Star-Brite Automotive, Inc., Star Brite Distributing (Canada), Inc., Kinpak, Inc., and Bank*
- 10.11 Ocean Bio-Chem, Inc. 1992 Incentive Stock Option Plan (incorporated by reference to Form S-8 filed with the United States Securities and Exchange Commission on June 24, 1994).
- 10.12 Ocean Bio-Chem, Inc. 1994 Non-Qualified Stock Option Plan (incorporated by reference to Form S-8 filed with the United States Securities and Exchange Commission on June 24, 1994).
- 10.13 Ocean Bio-Chem, Inc. 2002 Incentive Stock Option Plan (incorporated by reference to an exhibit contained in the Company's proxy statement filed with the United States Securities and Exchange Commission on April 28, 2003).
- 10.14 Ocean Bio-Chem, Inc. 2007 Incentive Stock Option Plan (incorporated by reference to an exhibit contained in the Company's proxy statement filed with the United States Securities and Exchange Commission on June 20, 2007).
- 10.24 Lease dated May 1, 1998 between Star Brite Distributing, Inc. and PEJE, Inc *
- 10.26 Renewal dated May 1, 2008 of Lease dated May 1, 1998 between Star Brite Distributing, Inc. and PEJE, Inc. **
- 14.1 Code of Ethics (incorporated by reference to an exhibit contained in the Company's proxy statement filed with the United States Securities and Exchange Commission on April 13, 2004).
21. List of Subsidiaries **
23. Letter of consent received from our former auditors, Berenfeld Spritzer Shechter & Sheer LLP, Certified Public Accountants **
- 31.1 Certification of Chief Executive Officer pursuant to Section 302 of Sarbanes-Oxley **

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

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

32.1 Certification of Chief Executive Officer pursuant to Section 906 of Sarbanes-Oxley **

32.2 Certification of Chief Financial Officer pursuant to Section 906 of Sarbanes-Oxley **

* Incorporated by reference in our Annual Report on Form 10-K for the year ended December 31, 2008.

** Attached hereto.

22

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, hereunto duly authorized.

OCEAN BIO-CHEM, INC.
Registrant

By: /s/ Peter G. Dornau
Peter G. Dornau
Chairman of the Board of Directors
and Chief Executive Officer
March 30, 2009

By: /s/ Jeffrey S. Barocas
Jeffrey S. Barocas
Chief Financial Officer
March 30, 2009

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signature	Capacity	Date
/s/ Peter G. Dornau Peter G. Dornau	President, Chief Executive Officer and Director	March 30, 2009
/s/Jeffrey S. Barocas Jeffrey S. Barocas	Chief Financial Officer	March 30, 2009
/s/Greg Dornau Greg Dornau	Vice President Sales & Marketing	March 30, 2009
/s/William Dudman William Dudman	Vice President Operations	March 30, 2009

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

/s/ Edward Anchel Edward Anchel	Director	March 30, 2009
/s/ James M. Kolisch James M. Kolisch	Director	March 30, 2009
/s/ Laz L. Schneider Laz Schneider	Director	March 30, 2009
/s/ John B. Turner John B. Turner	Director	March 30, 2009
/s/ Sonia B. Beard Sonia B. Beard	Director	March 30, 2009

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has not sent an annual report or proxy material to security-holders as of this date. Subsequent to this filing the Registrant will produce an annual report and definitive proxy materials for its Annual Meeting of Shareholders. Copies of such shall be filed with the United States Securities and Exchange Commission pursuant to the current requirements.

Exhibit 10-24

OCEAN BIO-CHEM, INC.

RENEWAL OF NET LEASE

This Renewal to Net Lease is made and entered into as of this 1st day of May 2008, by and between PEJE, INC. as Landlord and: TENANT: STAR BRITE DISTRIBUTING, INC. MAILING ADDRESS: 4041 S.W. 47th Avenue Fort Lauderdale, Florida 33314 PHONE: (954) 587-6280

LEASED PREMISES:

BUILDING:	TRACT TWELVE, NEW TOWN COMMERCE CENTER
ADDRESS:	4041 SW. 47th Avenue Fort Lauderdale, Florida 33314
LEASE TERM:	TEN YEARS
ANNUAL MINIMUM RENT:	\$94,800

The net lease dated May 1, 1998 by and between Landlord and Tenant is hereby renewed for a period of ten years, without changes, as per Tenant's notification of its intention to exercise his option to renew this Net Lease in conformity with paragraph 30 of the Net Lease amendment signed on July the 12th, 2006.

The Tenant has not been in default of this lease. The tenant has occupied, and occupies all the premises described in the contract.

The parties agreed to review the terms of this lease at the end of the 3rd,

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

6th and 9th year, at the request of one or the other party.

IN WITNESS WHEREOF, the parties have hereunto set their hands and seals, the day and year first above written to this Net Lease Renewal Agreement.

LANDLORD:
PEJE, INC.
By: /s/ Peter G. Dornau
As: President

TENANT:
STAR BRITE DISTRIBUTING, INC.
By: /S/ Jeffrey S. Barocas
As:CFO

EXHIBIT 21

The following is a list of the Registrant's subsidiaries:

Name:	Ownership %
Star brite Distributing, Inc.	100
Star brite Distributing Canada, Inc.	100
D & S Advertising Services, Inc.	100
Star brite StaPut, Inc.	100
Star brite Service Centers, Inc.	100
Star brite Automotive, Inc.	100
Kinpak Inc.	100

EXHIBIT 23

Letter of Consent from former auditors, Berenfeld, Spritzer, Shechter & Sheer, LLP Certified Public Accountants

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors
Ocean Bio-Chem, Inc.

We consent to the inclusion in Form 10-K of Ocean Bio-Chem, Inc. (the Company) for the year ended December 31, 2008 of our report dated March 31, 2008, relating to the consolidated balance sheet of the Company as of December 31, 2007, and the related consolidated statements of operations, shareholders' equity, and cash flows for the year then ended.

/s/ Berenfeld, Spritzer, Shechter & Sheer LLP
Fort Lauderdale, Florida
March 26, 2009

EXHIBIT 32.1/2

CERTIFICATION

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

Dated: March 30, 2009

/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-K of Ocean Bio-Chem, Inc. as of and for the period ended December 31, 2008;

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

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the

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

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: March 30, 2009

/s/ Peter G. Dornau

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

Exhibit 31.2

CERTIFICATION

I, Jeffrey S. Barocas certify that:

1. I have reviewed this Form 10-K of Ocean Bio-Chem, Inc. as of and for the

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

period ended December 31, 2008;

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

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

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

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

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

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

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

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

a) All significant deficiencies and material weaknesses in the design or 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: March 30, 2009

/s/ Jeffrey S. Barocas

Jeffrey S. Barocas
Chief Financial Officer

OCEAN BIO-CHEM, INC. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008 AND 2007

OCEAN BIO-CHEM, INC. AND SUBSIDIARIES
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008 AND 2007

	Page
Reports of independent registered public accounting firms	F-2
Consolidated balance sheets	F-4
Consolidated statements of operations	F-5
Consolidated statements of shareholders' equity	F-6
Consolidated statements of cash flows	F-7
Notes to consolidated financial statements	F-8-F-24

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

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of
Ocean Bio-Chem, Inc.

We have audited the accompanying consolidated balance sheet of Ocean-Bio-Chem, Inc. and Subsidiaries as of December 31, 2008 and the related consolidated statements of operations, changes in shareholders' equity, and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The financial statements of Ocean-Bio, Inc. and Subsidiaries as of December 31, 2007 were audited by other auditors whose report dated March 31, 2008, expressed an unqualified opinion.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining on a test basis, evidence supporting the amount and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the 2008 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Ocean-Bio-Chem, Inc. and Subsidiaries as of December 31, 2008, and the consolidated results of their operations and their consolidated cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Kramer Weisman and Associates, LLP
Certified Public Accountants

March 25, 2009
Davie, Florida

F2

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of
Ocean Bio-Chem, Inc.

We have audited the accompanying consolidated balance sheet of Ocean Bio-Chem, Inc. and Subsidiaries as of December 31 2007, and the related consolidated statements of operations, shareholders' equity, and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Ocean Bio-Chem, Inc. and Subsidiaries as of December 31, 2007 and the consolidated results of its operations and its consolidated cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Berenfeld Spritzer Shechter & Sheer LLP
Certified Public Accountants

March 31, 2008
Ft. Lauderdale, Florida

F3

OCEAN BIO-CHEM, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2008 AND 2007

	2008	2007
	-----	-----
ASSETS		
Current Assets:		
Cash	\$ 527,056	\$ 750,900
Trade accounts receivable net of allowance for doubtful accounts of approximately \$117,600 and \$47,000 at December 31 , 2008 and 2007 respectively	1,966,223	1,974,650
Inventories, net	6,564,909	5,993,650
Prepaid expenses and other current assets	365,982	285,120
	-----	-----
Total Current Assets	9,424,170	9,004,330
	-----	-----
Property, plant and equipment, net	5,780,395	6,235,810
	-----	-----
Other Assets:		
Trademarks, trade names and patents, net	330,439	330,439
Due from affiliated companies, net	910,553	109,310
Deposits and other assets	184,628	253,710
	-----	-----
Total Other Assets	1,425,620	693,460
	-----	-----
Total Assets	\$16,630,185	\$15,933,610
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable - trade	\$ 894,193	\$ 1,010,260
Notes payable - bank	2,800,000	1,750,000
Current portion of long term debt	584,537	589,900
Accrued expenses payable	883,354	511,750
	-----	-----
Total Current Liabilities	5,162,084	3,861,920
	-----	-----
Long term debt, less current portion	3,434,491	3,988,970
	-----	-----
Commitments and contingencies	-	-
	-----	-----
Shareholders' Equity:		
Common stock - \$.01 par value, 10,000,000 shares authorized;		

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

7,886,816 and 7,871,816 shares issued at December 31, 2008 and 2007, respectively	78,868	78,716
Additional paid in capital	7,928,269	7,780,541
Less cost of common stock in treasury, 351,503 and 7,519 shares at December 31, 2008 and 2007, respectively	(288,013)	(8,191)
Foreign currency translation adjustment	(280,123)	(209,041)
Retained earnings	594,609	440,691
Total Shareholders' Equity	8,033,610	8,082,711
Total Liabilities and Shareholders' Equity	\$16,630,185	\$15,933,611

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

F4

OCEAN BIO-CHEM, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
YEARS ENDED DECEMBER 31, 2008 AND 2007

	2008	2007
	-----	-----
Gross sales	\$ 22,898,989	\$ 23,308,891
Less: discounts, returns, and allowances	1,980,922	1,996,635
Net sales	20,918,067	21,312,256
Cost of goods sold	14,918,333	14,470,397
Gross profit	5,999,734	6,841,859
Operating Expenses:		
Advertising and promotion	1,331,568	1,562,423
Selling and administrative	3,988,028	4,018,150
Interest expense	257,020	354,622
Total operating expenses	5,576,616	5,935,195
Operating income	423,118	906,664
Other income	21,932	18,597
Income before income taxes	445,050	925,261
Provision for income taxes	291,132	200,260

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

Net income	153,918	725,001
Other comprehensive (loss) income, net of tax		
Foreign currency translation adjustment	(71,074)	(32,955)
	-----	-----
Comprehensive income	\$ 82,844	\$ 692,046
	=====	=====
Income per common share - basic	\$ 0.02	\$ 0.09
	=====	=====
Income per common share - diluted	\$ 0.02	\$ 0.08
	=====	=====
Weighted average shares - basic	7,814,466	7,690,191
	=====	=====
Weighted average shares - diluted	7,814,466	8,826,259
	=====	=====

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

F5

OCEAN BIO-CHEM, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2008 AND 2007

	Common stock		Additional	Foreign	Retained	Treasury	
	Shares	Amount	paid-in capital	currency	earnings	stock	
	-----	-----	-----	adjustment	(deficit)	-----	-----
January 1, 2007	7,621,316	\$ 76,213	\$ 7,257,447	(\$176,094)	(\$ 213,838)	(\$ 8,195)	\$6,93
Adjustment for SAB 108 implementation			40,200		(70,472)		(3
Net Income					725,001		72
Bonus shares to employees	105,500	1,055	146,850				14
Exercise of stock options	145,000	1,450	189,066				19
Stock based compensation			146,984				14
Foreign currency translation adjustment				(32,955)			(3
December 31,	-----	-----	-----	-----	-----	-----	-----

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

2007	7,871,816	\$ 78,718	\$ 7,780,547	(\$209,049)	\$ 440,691	(\$ 8,195)	\$8,08
Net Income					153,918		15
Bonus shares to employees	15,000	150	17,250				1
Stock based compensation			130,472				13
Foreign currency translation adjuent				(71,074)			(7
Purchase of 343,984 treasury shares			-		(279,818)		(27
December 31, 2008	7,886,816	\$ 78,868	\$ 7,928,269	(\$280,123)	\$ 594,609	(\$288,013)	\$8,0

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

F6

OCEAN BIO-CHEM, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2008 AND 2007

	2008	2007
	-----	-----
Cash flows from operating activities:		
Net income	\$ 153,918	\$ 725,001
Adjustment to reconcile net income to net cash provided by (used in) operations:		
Depreciation and amortization	787,460	785,064
Other operating non cash items	324,009	124,572
Stock Based Compensation	147,872	294,889
Changes in assets and liabilities:		
Accounts receivable	(75,078)	(60,961)
Inventory	(811,752)	(438,377)
Deposits and other assets	(64,129)	(50,210)
Prepaid expenses	(11,765)	(66,975)
Accounts payable and other accrued liabilities	255,527	148,090
	-----	-----
Net cash provided by (used in) operating activities	706,062	1,461,093

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

Cash flows from investing activities:		
Purchases of property, plant and equipment	(332,043)	(95,665)
Net cash provided by (used in) investing activities	(332,043)	(95,665)
Cash flows from financing activities:		
Borrowings line of credit, net	1,050,000	(400,000)
Amounts due from affiliates	(801,243)	121,890
(Payments of) proceeds from long-term debt	(559,856)	(565,058)
Proceeds from stock options exercises	-	190,516
Purchase of Treasury Stock	(279,818)	-
Net cash provided by (used in) financing activities	(590,917)	(652,652)
Change in cash prior to effect of exchange rate on cash	(216,898)	712,776
Effect of exchange rate on cash	(6,947)	(32,955)
Net (decrease) increase in cash	(223,845)	679,821
Cash at beginning of period	750,901	71,080
Cash at end of period	\$ 527,056	\$ 750,901
Supplemental disclosure of cash transactions:		
Cash paid for interest during period	\$ 257,020	\$ 354,621
Cash paid for income taxes during period	\$ 110,395	\$ 200,000

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

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

F7

OCEAN BIO-CHEM, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED STATEMENTS
YEARS ENDED DECEMBER 31, 2008 AND 2007

Note 1 - Organization and summary of significant accounting policies:

Organization - The Company was incorporated during November, 1973 under the laws of the state of Florida and operates as a manufacturer and distributor of products principally under the Star brite(r) brand to the marine, automotive and recreational vehicle aftermarkets.

Principles of consolidation - The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All significant inter-company accounts and transactions have been eliminated in consolidation.

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

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

Collectability of accounts receivable - Included in the consolidated balance sheets as of December 31, 2008 and 2007 are allowances for doubtful accounts aggregating approximately \$117,600 and \$47,000, respectively. Such amounts are based on management's estimates of the creditworthiness of its customers, current economic conditions and other historical information. Consolidated bad debt expense charged against operations for the years ended December 31, 2008, and 2007 aggregated approximately \$83,500 and \$22,000 respectively.

Severe economic times are expected to increase the Company's risk related to sales and collection of accounts receivable. At the time of this filing we have incurred, in 2009, one customer filing for bankruptcy (Boater's World), representing a maximum risk of loss on unrecoverable receivables of approximately \$210 thousand in total, approximately \$69 thousand related to December 31, 2008 receivables, and 2008 sales of approximately \$672 thousand. We do not know yet and cannot predict if we will be able to collect accounts receivable with more or less difficulty than in the past in our business. The Company's Management understands that the economic conditions in the industry may result in additional difficulties for our customers, but is unable to qualify this risk at this time.

Inventories - Inventories are primarily composed of raw materials and finished goods and are stated at the lower of cost, using the first-in, first-out method, or market.

Shipping and handling costs - All shipping and handling costs incurred by us are included in operating expenses on the statements of income. These costs totaled approximately \$886,200 and \$834,800 for the years ended December 31, 2008 and 2007 respectively.

Prepaid expenses - During the years ended December 31, 2008 and 2007 the Company introduced certain new products to its customers. In connection therewith, the Company produced new product collateral materials to be distributed over a period of time of approximately one year. Accordingly the Company follows the policy of SOP 93-7 (Reporting on Advertising Costs). At December 31, 2008 and 2007 the Company did not have any accumulated cost of collateral materials on hand.

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.

F8

Stock based compensation - 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.

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

Staff Accounting Bulletin No. 108 - In September 2006, the SEC staff issued Staff Accounting Bulletin No. 108, "Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements" ("SAB No. 108"). This SAB provides guidance on the consideration of the effects of prior year misstatements in quantifying current year misstatements for the purpose of a materiality assessment. SAB No. 108 establishes an approach that requires quantification of financial statement errors based on the effects on each of the Company's financial statements and related financial statement disclosures. The SAB permits existing public companies to record the cumulative effect of initially applying this approach in the first year ending after November 15, 2006 by recording the necessary correcting adjustments to the carrying values of assets and liabilities as of the beginning of that year with the offsetting adjustment recorded to the opening balance of retained earnings. Additionally, the use of the cumulative effect transition method requires detailed disclosure of the nature and amount of each individual error being corrected through the cumulative adjustment and how and when it arose. At December 31, 2007, the Company recorded an adjustment under SAB No. 108.

The transition provisions of SAB No. 108 permit the Company to adjust for the cumulative effect on retained earnings of immaterial errors relating to prior years. Such adjustments do not require previously filed reports with the SEC to be amended.

The Company adopted SAB No. 108 effective January 1, 2007. In accordance with the requirements of SAB No. 108, the Company has adjusted the opening retained earnings balance for 2007 in the accompanying consolidated financial statements for adoption of SFAS No. 123-R, in addition to the recording of a contingent legal liability.

At the end of 2007, the Company re-evaluated its Black Scholes model and the adoption of SFAS No. 123 R and recorded an adjustment to the opening retained earnings of approximately \$40,000. In addition under SAB No 108 the Company recorded an adjustment to record a contingent liability of approximately \$30,000 to opening retained earnings. The adjustments had no impact on income tax expense.

The Company considers this adjustment to be immaterial as it did not impact the consolidated statements of operations and the adjustment was not material to the consolidated balance sheets in prior periods.

Use of estimates - The preparation of financial statements in conformity with U.S. 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.

Concentration of credit risk - Financial instruments that potentially subject the Company to concentration of credit risk consist primarily of accounts receivable. The Company's five largest customers represented approximately 58% and 51% of consolidated net revenues for the years ended December 31, 2008 and 2007, and 32% and 44% of consolidated accounts receivable at December 31, 2008 and 2007, respectively. The Company has a longstanding relationship with each of these entities and has always collected open receivable balances. However, the loss of any of these customers could have an adverse impact on the Company's operations (see Note 14).

F9

Concentration of cash - At various times of the year and at December 31, 2008, the Company had a concentration of cash in one bank in excess of

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

prevailing insurance offered through the Federal Deposit Insurance Corporation at such institution. Management does not consider the excess deposits to be a significant risk.

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 the Company could borrow funds with similar remaining maturities, and the carrying amount approximates fair value.

Impairment of long-lived assets - Potential impairments of long-lived assets are reviewed annually or when events and circumstances warrant an earlier review. In accordance with SFAS No. 144, impairment is determined when estimated future undiscounted cash flows associated with an asset are less than the asset's carrying value.

Income Taxes - Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry-forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

In assessing the ability to realize a portion of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities and projected future taxable income in making the assessment.

Effective January 1, 2007, the Company adopted Financial Accounting Standards Board ("FASB") Interpretation No. (FIN) 48, "Accounting for Uncertainty in Income Taxes" and FSP FIN 48-1, which amended certain provisions of FIN 48. FIN 48 clarifies the accounting for uncertainty in income taxes recognized in financial statements in accordance with SFAS No. 109, "Accounting for Income Taxes." FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 requires that the Company determine whether the benefits of the Company's tax positions are more likely than not of being sustained upon audit based on the technical merits of the tax position. The provisions of FIN 48 also provide guidance on de-recognition, classification, interest and penalties, accounting in interim periods and disclosure. The Company did not have any unrecognized tax benefits and there was no effect on the financial condition or results of operations for the twelve months ended December 31, 2007 as a result of implementing FIN 48, or FIN 48-1. In accordance with FIN 48 the Company adopted the policy of recognizing penalties in selling and administrative expenses and interest, if any, related to unrecognized tax positions as income tax expense. The tax years 2005-2008 remain subject to examinations by major tax jurisdictions.

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, the Company has determined that these intangible assets have indefinite lives and therefore we no longer recognize amortization expense. In addition, the Company owns two patents that it believes are valuable in limited product lines, but not material to its

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

success or competitiveness in general. There are no capitalized costs of these two patents.

F10

Translation of Canadian currency - The accounts of the Company's 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.

Earnings Per Share - The Company computes earnings per share in accordance with the provisions of SFAS No. 128, Earnings per share, which establishes standards for computing and presenting basic and diluted earnings per share. Basic earnings per share is computed by dividing net earnings available to common shareholders by the weighted average number of shares outstanding during the period. Diluted earnings per share is computed assuming the exercise of stock options under the treasury stock method and the related income taxes effects, if not anti-dilutive. For loss periods common share equivalents are excluded from the calculation, as their effect would be anti-dilutive. See Note 11 Earnings per share computation of basic and diluted number of shares.

Reclassifications - Certain items in the accompanying consolidated financial statements for the years ended December 31, 2007 have been reclassified to conform to the 2008 presentation.

Note 2 - Inventories:

The composition of inventories at December 31, 2008 and 2007 are as follows:

	2008 ----	2007 ----
Raw materials	\$3,254,212	\$3,247,359
Finished goods	3,541,908	2,821,861
	-----	-----
	6,796,120	6,069,220
Inventory reserves	(231,211)	(75,563)
	-----	-----
Inventory, net	\$6,564,909	\$5,993,657
	=====	=====

At December 31, 2008 and 2007 and for the years then ended, approximately \$231,000 and \$76,000 respectively is reflected in the accompanying consolidated financial statements as a reserve for slow moving inventory.

The Company implemented a program with one of its customers to alter the manner in which it transacts business. The Company manages 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 issued initially to the

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

customer was approximately \$300,000. The inventories managed at this customer's warehouses amounted to approximately \$146,000 at December 31, 2008.

F11

Note 3 - Property, plant and equipment:

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

	Estimated Useful Life Years	2008	2007
	-----	-----	-----
Land		\$ 278,325	\$ 278,325
Building	30 years	4,389,154	4,389,154
Manufacturing and warehouse equipment	6-20 years	6,592,558	6,367,884
Office equipment and furniture	3-5 years	525,734	509,496
Construction in process		71,929	21,079
Leasehold improvement	10-15 years	122,644	122,644
		-----	-----
		11,980,344	11,688,582
Less accumulated depreciation		6,199,949	5,452,770
		-----	-----
Total property, plant and equipment, net		\$5,780,395	\$6,235,812

Depreciation expense for the years ended December 31, 2008 and 2007, which includes amortization of capitalized lease assets, amounted to \$787,460 and \$785,064 respectively.

A substantial amount of the Company's assets are at its Kinpak facilities in Alabama. At December 31, 2008 and 2007 approximately \$5,625,000 and \$6,062,000 respectively of net property, plant, and equipment were at the Kinpak facilities.

During February 1996, the Company purchased the assets of Kinpak, Inc. In order to finance the expansion contemplated by the purchase, the Company entered into an agreement with the City of Montgomery, Alabama, to issue Industrial Development Bonds. The Alabama facility expansion consisted of an additional building, which was completed during October 1997, bringing the facility, at that time, to approximately 110,000 square feet. Such facility serves as the Company's primary manufacturing and distribution center.

During the year ended December 31, 2002, the Company entered into an agreement with the City of Montgomery to issue an additional series Industrial Development Bonds aggregating \$3,500,000 to finance the construction of an additional 70,000 square feet of warehousing and manufacturing space and the related equipment requirements. Such project was substantially completed during 2003.

Management has considered the impact of the loss sustained for the years ended December 31, 2007 and 2008 in Kinpak in order to determine if a permanent impairment of value of these assets has been experienced. The underlying reasons for the loss are not viewed as permanent in nature and management does not believe that a permanent impairment has been realized. Accordingly, no adjustment has been made.

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

Obligations for future payments attributable to these capitalized leases are discussed in Note 5, below.

Note 4 - Note payable, 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. During 2002, the Company secured a revolving line of credit, which provides a maximum of \$6 million financing of working capital from the commercial bank providing the financing for the expansion discussed in Notes 3 and 5. The line carried interest based on the 30 day LIBOR rate plus 275 basis points (approximately 6.0% at December 31, 2007) payable monthly, and was collateralized by the Company's inventory, trade receivables, and intangible assets.

F12

This financing matured on May 31, 2008, and was renewed for three years. Such line matures May 31, 2011, bears interest at the 30 Day LIBOR plus 250 basis points (approximately 3.6% at December 31, 2008) and is secured by our trade receivables, inventory, and intangible assets. The terms, including required financial covenants relating to maintaining minimum working capital levels, maintaining stipulated debt to tangible net worth and adhering to debt coverage ratios, and collaterals were substantially unchanged. 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. At December 31, 2008 and 2007 the Company was in compliance with all financial covenants of the loan agreement.

As of December 31, 2008 and 2007 the Company was obligated to its commercial lender under this arrangement in the amounts of \$2,800,000 and \$1,750,000 respectively. The average outstanding loan balances at the years ended December 31, 2008 and 2007 were approximately \$2,415,000 and \$2,380,000; interest incurred for the years ended December 31, 2008 and 2007 were approximately \$121,000, and \$170,000, respectively.

Note 5 - Long-term debt:

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 December 31, 2008, \$1,105,000 and \$2,720,000 were outstanding attributable to the 1997 and 2002 series, respectively. During the years ended December 31, 2008, and 2007, interest rates ranged between 1.5% and 8.6%, and 3.6% and 4.3% annually, respectively. At December 31, 2007, \$1,445,000 and \$2,840,000 were outstanding attributable to the 1997 and 2002 series, respectively. During the year ended December 31, 2007 interest rates ranged between 3.7% and 4.3%. Interest expense for 2008 and 2007 were approximately \$138,000 and \$184,000, respectively. 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. On September 26th and October 6th, 2008 the Company was notified by its primary commercial 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

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

of the Company that due to the tight credit markets, these bonds were tendered. As a result the Company has been temporarily obligated to its primary commercial bank, for a few weeks during the fourth quarter 2008, until the credit markets improved sufficiently to remarket these bonds. The interest rate on the loans during this period was prime rate plus 2% or 7%.

During 2008 and 2007, 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 \$60,680 and \$60,540 at December 31, 2008, and 2007 respectively, have varying maturities through 2012 and carry interest rates ranging from 7% to 12% for both years.

On April 12, 2005 the Company entered into a financing obligation with Regions Bank whereby the bank advanced the Company \$500,000 to finance equipment acquisitions at the Kinpak facility. Such obligation is due in monthly installments of principal aggregating approximately \$8,300 plus interest. The outstanding balance and interest rate on this obligation at December 31, 2008 and 2007 were approximately \$133,000 and \$233,000 respectively. Interest rate is calculated at LIBOR plus 2.5% per annum, respectively 3.6% at December 31, 2008 and 6.0% at December 31, 2007, through the maturity on April 15, 2010. Interest incurred for 2008 and 2007 was approximately \$10,000 and \$27,000 respectively.

F13

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

	2008 -----	2007 -----	2008 -----	2007 -----
Industrial Development Bonds	\$460,000	\$460,000	\$3,365,000	\$3,825,000
Notes payable	99,996	99,996	33,352	133,348
Capitalized equipment leases	24,541	29,910	36,139	30,630
	-----	-----	-----	-----
	\$584,537	\$589,906	\$3,434,491	\$3,988,978

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

Year ending December 31,

2009	\$ 584,537
2010	508,685
2011	473,857
2012	451,949
2013	440,000
Thereafter	1,560,000

Total	\$4,019,028
	=====

Note 6 - Income taxes:

The Components of the Company's consolidated income tax provision are as follows:

2008	2007
------	------

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

Income tax provision:	-----	-----
Federal - current	\$291,132	\$200,260
- deferred	-	-
State	-	-
	-----	-----
Total	\$291,132	\$200,260
	=====	=====

The reconciliation of income tax provision at the statutory rate to the reported income tax expense is as follows:

	2008		2007	
	-----		-----	
Income Taxes at statutory rate	\$ 151,317	34%	\$ 314,602	34%
Increase (reduction) in Income Taxes resulting from:				
Share based compensation	50,276	11%	100,300	11%
Change in deferred taxes and valuation allowance	118,407	27%	(382,237)	(41%)
Other - permanent adjustments - State Taxes	-		50,892	6%
Other - permanent adjustments	12,051	2%	116,703	13%
Tax credits and prior year taxes	(40,919)	(9%)	-	
	-----	-----	-----	-----
	\$ 291,132	65%	\$ 200,260	22%
	=====	=====	=====	=====

F14

For the year 2007 the Company used available tax loss carryovers available to offset current taxable income aggregating approximately none for federal taxes and approximately \$218,000 for state tax purposes, expiring in various years through 2026.

The Company's deferred tax asset and liability accounts consisted of the following at December 31:

	2008	2007
	-----	-----
Deferred tax assets:		
Depreciation of property and equipment	\$ -	(\$ 9,666)
Reserves for bad debts, inventory and other accruals	(203,710)	(43,891)
Net operating loss carryforwards	-	(11,990)
Deferred tax liabilities:		
Depreciation of property and equipment	199,643	-
	-----	-----
	(4,067)	(65,547)

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

Less Valuation Allowance	4,067	65,547
	-----	-----
Net deferred taxes	\$ -	\$ -
	=====	=====

The Company has provided for a valuation allowance against the deferred tax asset, as there is no assurance that the company will generate future taxable income to derive benefit from all or a part of the deferred tax assets at the time when such tax assets would become current. The change in the valuation allowance was an increase of approximately \$61,500 and a decrease of \$382,200 in 2008 and 2007, respectively.

Note 7 - Related party transactions:

At December 31, 2008 and 2007, 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 \$911,000 and \$109,000, respectively. Such amounts result from sales to the affiliates, allocations of management fees incurred by the Company on the affiliates' behalf, and funds advanced to or from the Company.

Sales to such affiliates were sold at cost of material and labor plus a profit covering manufacturing overhead costs. In addition, the affiliates are charged for their allocable share of administrative expenses of the Company. The sales and transfers to affiliates aggregated approximately \$1,208,000 and \$732,000 during the years ended December 31, 2008, and 2007, respectively; allocable administrative fees aggregated \$275,000 and \$333,000 respectively for such periods.

Such transactions were made in the ordinary course of business but were not made on substantially the same terms and conditions as those prevailing at the same time for comparable transactions with other customers. Management believes that the sales transactions did not involve more than normal credit risk or present other unfavorable features.

F15

A subsidiary of ours currently uses the services of an entity that is owned by our president to conduct product research and development. Such entity received \$30,000 per year during the years ended December 31, 2008 and 2007 under such relationship.

Mr. Kolisch, a Director of the Company, sources most of the Company's insurance needs at an arm's length competitive basis.

Note 8 - Commitments

On May 1, 1998, the Company entered into a ten year lease for approximately 12,700 square feet of office and warehouse facilities in Fort Lauderdale, Florida from an entity owned by certain officers of the Company. The lease 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, 2007. Additionally, the landlord was entitled to its pro-rata share of all taxes, assessments, and any other expenses that arise from ownership.

On May 1, 2008, the Company renewed for ten years the existing lease with unchanged conditions. The lease still requires a minimum rental of \$94,800 plus

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

applicable taxes 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 reimbursement of all taxes, assessments, and any other expenses that arise from ownership. The landlord reserves the right under the agreement to review the terms of the lease at 3, 6 and 9 year intervals in order to make modifications for market conditions. Total rent charged to operations during the years ended December 31, 2008, and 2007 amounted to approximately \$100,500 each year.

The Company had entered into a corporate guaranty of a mortgage note obligation of such affiliate. The obligation aggregated approximately \$274,000 at December 31, 2007, primarily secured by the real estate leased to the Company. 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.

Twelve month period ending December 31,	
2009	\$101,828
2010	103,864
2011	105,942
2012	108,061
2013	110,222
Thereafter	503,407

	\$1,033,324

Note 9 - Stock options:

During 1992, the Company adopted an incentive stock option plan covering 200,000 shares of its common stock.

During 1994, the Company adopted a non-qualified employee stock option plan covering 400,000 shares of its common stock (this plan has expired and no further awards can be made under its provisions).

During 2002, the Company adopted a qualified employee incentive stock option plan and a non-qualified stock option plan covering 400,000 and 200,000 shares of its common stock, respectively.

F16

During 2007, the Company adopted a qualified employee stock option plan covering 400,000 shares of its common stock.

During 2008, the Company adopted a qualified employee incentive stock option plan and a non-qualified stock option plan covering 400,000 and 200,000 shares of its common stock, respectively.

The following schedules reflect the status of outstanding options under the Company's four stock option qualified and non-qualified plans as of December 31, 2008, and 2007.

Year-end December 31, 2008:

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

Plan	Date granted	Options outstanding	Exercisable options	Exercise price	Expiration date	Wt. Av. remaining life
Non Plan	03/25/1999	231,000	231,000	0.76	03/24/2009	-
1994	10/26/2004	154,500	131,325	1.05	10/25/2009	.8
2002	03/02/2004	137,000	130,150	1.62	03/01/2009	.2
2002	11/06/2006	133,000	53,200	0.93	11/08/2011	2.9
2007	05/17/2007	162,500	44,250	1.66	05/16/2012	4.1
2007	10/08/2007	2,000	400	1.87	10/07/2012	3.8
2007	12/17/2007	156,500	30,700	1.32	12/16/2007	4.0
2008	08/25/2008	159,500	-	.97	08/21/2013	4.6
2002NQ	10/22/2002	35,000	35,000	1.26	10/22/2012	3.8
2002NQ	06/20/2003	30,000	30,000	1.03	06/20/2013	4.5
2002NQ	05/25/2004	40,000	40,000	1.46	05/25/2014	5.4
2002NQ	04/03/2006	30,000	30,000	1.08	04/03/2016	7.3
2002NQ	12/17/2007	50,000	50,000	1.32	12/16/2017	9.0
		1,321,000	806,025			2.8

Year-end December 31, 2007:

Plan	Date granted	Options outstanding	Exercisable options	Exercise price	Expiration date	Wt. Av. remaining life
Non Plan	03/25/1999	231,000	231,000	0.76	03/24/2009	1.2
1994	10/26/2004	154,500	92,700	1.05	10/25/2009	1.8
2002	03/02/2004	137,000	82,200	1.62	03/01/2009	1.2
2002	11/06/2006	133,000	26,600	0.93	11/08/2011	3.9
2007	05/17/2007	162,500	-	1.68	05/16/2012	4.4
2007	10/08/2007	2,000	-	1.87	10/07/2012	4.8
2007	12/17/2007	156,500	-	1.32	12/16/2007	5
2002NQ	10/22/2002	35,000	35,000	1.26	10/22/2012	4.8
2002NQ	06/20/2003	30,000	30,000	1.03	06/20/2013	5.5
2002NQ	05/25/2004	40,000	40,000	1.46	05/25/2014	6.4
2002NQ	04/03/2006	30,000	30,000	1.08	04/03/2016	8.3
2002NQ	12/17/2007	50,000	50,000	1.32	12/16/2017	10
		1,161,500	617,500			3.5

F17

In addition to the foregoing, on March 25, 1999, the Company granted two officers a five-year option for 115,500 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.

As of December 31, 2008, the number of options outstanding and the number

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

of shares available for grant under each Stock Options qualified and non-qualified plan options is presented below:

Plan	Options Outstanding	Options Available for Grant
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	None	200,000 shares
Total	1,321,000 shares	519,500 shares

A summary of the Company's stock options as of December 31, 2008, and 2007, and changes during the years ending on these dates, is presented below:

	2008		2007	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Options outstanding beginning of the year	930,500	\$1.31	714,500	\$1.22
Options granted	159,500	0.97	373,000	0.97
Options exercised	-	-	-145,000	-
Options forfeited or expired	-	-	-12,000	-
Options outstanding at end of the year	1,090,000	1.26	930,500	1.31
Non Plan Options	231,000	0.76	231,000	0.76
Totals	1,321,000	\$1.17	1,161,500	\$1.05

Stock options are granted annually to selective executives, key employees, directors and others pursuant to the terms of the Company's various plans. Such grants are made at the discretion of the Board of Directors. Qualified options typically have a five-year life with vesting occurring at 20% per year on a cumulative basis with forfeiture at the end of the option, if not exercised. Non qualified options granted to outside Directors have a 10 year life and are immediately exercisable. Compensation cost recognized during the year ended December 31, 2008 and 2007 attributable to stock options amounted to approximately \$130,500 and \$147,000, respectively.

F18

The fair value of each option grant was estimated using the Black-Scholes option pricing model with the following assumptions for the years 2008 and 2007;

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

risk free rate ranging from 3.57% to 4.88%, no dividend yield for all years, expected life from three years to five years and volatility of approximately 100.0% to 108.0%.

As of December 31, 2008, and 2007 there was approximately \$389,732 and \$241,672 of unrecognized compensation cost related to unvested share based compensation arrangements. That cost will be charged against operations as the respective options vest through December, 2013.

Note 10 - Major customers

The Company has one major customer, West Marine, Inc., with sales in excess of 10% of consolidated net revenue for the years ended December 31, 2008 and 2007. Sales to this customer represented approximately 38%, and 43% of consolidated net revenues for such periods, respectively.

The Company's top five customers represented approximately 58% and 51%, of consolidated net revenues for the years ended December 31, 2008 and 2007 and 32% and 44% of consolidated trade receivables for the years ended December 31, 2008 and 2007 at the balance sheet date for the years then ended, respectively. The Company enjoys good relations with these customers. However, the loss of any of these customers could have an adverse impact on the Company's operations (see note 14). The Company has included in the consolidated balance sheet as of December 31, 2008 an additional allowance for doubtful accounts aggregating approximately \$69,000 to reflect risks related to bankruptcy filings occurred in 2009 before this filing. The recession is expected to increase the Company's risk related to sales and collection of accounts receivable. At the time of this filing we have incurred in 2009 one customer filing for bankruptcy (Boater's World), representing a maximum risk of loss on unrecoverable receivables of approximately \$210 thousand in total, approximately \$69 thousand related to December 31, 2008 receivables, and 2008 sales of approximately \$672 thousand.

Note 11 - Earnings per share:

Earnings per share are reported pursuant to the provisions of Statement of Financial Standards No. 128. Accordingly, basic earnings per share reflects the weighted average number of shares outstanding during the year, and diluted shares adjusts that figure by the additional hypothetical shares that would be outstanding if all exercisable outstanding common stock equivalents with an exercise price below the current market value of the underlying stock were exercised. Common stock equivalents consist of stock options and warrants. The following tabulation reflects the number of shares utilized to determine basic and diluted earnings per share for the years ended December 31, 2008 and 2007:

	2008	2007
	-----	-----
Basic weighted-average common shares outstanding	7,814,466	7,690,191
Dilutive effect of stock plans, other options & conversion rights	-	1,136,068
	-----	-----
Dilutive weighted-average shares outstanding	7,814,466	8,826,259
	=====	=====

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

Note 12 - Shareholders' equity:

During the years ended December 31, 2008 and 2007 the Company granted 15,000 and 105,500 shares of restricted common stock, respectively to certain executives, key employees and others as a component of annual compensation. Charges to operations attributable to such awards aggregated approximately \$17,400 and \$148,000 for each period, respectively.

During October 2007 certain employees of the Company exercised stock options scheduled to expire during the respective current year covering 145,000 shares of its common stock respectively. The aggregate exercise price of such transactions amounted to approximately \$191,000 and is reflected in the accompanying financial statements as common stock and additional paid-in capital.

Compensation costs recognized during the years ended December 31, 2008 and 2007 attributable to stock options amounted to \$130,472 and \$146,984, respectively and is reflected in the accompanying financial statements as increase in additional paid-in capital.

In 2007, the Company made certain revisions in the valuation of stock option grants that vested in 2006. The revised valuation resulted in an increase in compensation expense of \$40,200, reflected in the accompanying financial statements as 2007 increase in additional paid-in capital.

In accordance with the requirements of SAB No. 108, the Company has recorded an adjustment in the amount of \$70,200 decreasing opening retained earnings balance as of January 1, 2007 in the accompanying consolidated financial statements, to correct errors in the accounting of share-based compensation and contingent legal liabilities in 2006.

Note 13 - Restatements to the Consolidated Financial Statements

Year ended December 31, 2007: the Company adopted SEC Staff Accounting Bulletin No. 108, "Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements" (SAB No. 108), effective January 1, 2007. In accordance with the requirements of SAB No. 108, the Company has recorded an adjustment in the amount of \$70,200 to the opening retained earnings balance as of January 1, 2007 in the accompanying consolidated financial statements, to correct errors in the accounting of share-based compensation and contingent legal liabilities in 2006.

In 2007, the Company made certain revisions in the valuation of stock option grants that vested in 2006. The revised valuation resulted in an increase in compensation expense of \$40,200 for 2006. Also in 2007, the Company discovered that a liability in the amount of \$30,000 for legal costs incurred in 2006 should have been recorded as of December 31, 2006 under the criteria of Statement of Financial Accounting Standards No. 5. There was no corporate tax effect for the adjustments due to the Company's tax position in 2006.

The cumulative effect of the adjustment above on the opening balances of the balance sheet is as follows, as of January 1, 2007:

	Assets	Liabilities and Shareholders' Equity
	-----	-----
Balance Sheet accounts, as adjusted Increase (Decrease)	\$ -	\$ -
Retained earnings -		70,472

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

Additional Paid in Capital	(40,200)
Accrued Liabilities	(30,272)
	-----	-----
Total	\$ -	\$ -
	=====	=====

F20

Note 14 - Subsequent Events

The Company has included in the consolidated balance sheet as of December 31, 2008 an additional allowance for doubtful accounts aggregating approximately \$69,000 to reflect risks related to bankruptcy filings occurred in 2009 before this filing. The slow down of the economy is expected to increase the Company's risk related to sales and collection of accounts receivable. At the time of this filing we have incurred in 2009 one customer filing for bankruptcy (Boater's World), representing a maximum risk of loss on unrecoverable receivables of approximately \$210 thousand in total, approximately \$69 thousand related to December 31, 2008 receivables of a total 2008 sales of approximately \$672 thousand. We do not know yet and cannot predict if we will be able to collect accounts receivable with more or less difficulty than in the past in our business. The Company's Management understands that the economic conditions in the industry may result in additional difficulties for our customers, but is unable to qualify this risk at this time. It is too early to determine how the economic conditions affecting the marine and recreational vehicle industry in 2009 may or may not affect the Company in the future. The estimates of the creditworthiness of Company's customers may differ in 2009 from the historical information.

On January 12, 2009, the Board of Directors resolved to grant 50,000 options to acquire shares of this Corporation's Common Stock pursuant to this Corporation's 2008 Non-Qualified Stock Option Plan to Directors, to be priced at the closing price (\$0.69) of OBCI Common Stock on January 09, 2009 and conditions and subject to the provisions of the 2008 Non-Qualified Stock Option Plan. Such options are exercisable from January 12, 2009 through January 11, 2019.

On February 10, 2009 the Company received notification that its City of Montgomery, AL Series 1997 and Series 2002 Industrial Revenue Bonds with an approximate balance of \$2,720,000 and \$1,105,000, respectively, were tendered by various bondholders. The Company has filed an 8-K, disclosing such information.

Note -15 - 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.

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

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.

F21

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. We continued to use the simplified method during 2008, in accordance with SAB No. 110.

Note -16 - Recent Accounting Pronouncements

The Financial Accounting Standards Board ("FASB") has recently issued several new accounting pronouncements which may apply to the company.

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 the fiscal year 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's consolidation procedures for consistency with the requirements of FASB No. 141 (R). This Statement is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008 (that is, January 1, 2009, for entities with calendar year-ends). Earlier adoption is prohibited. The effective date of this Statement is the same as that of the

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

related Statement 141(R). FASB No. 160 will be effective for the Company's fiscal 2010. This Statement shall be applied prospectively as of the beginning of the fiscal year in which this Statement is initially applied, except for the presentation and disclosure requirements. The presentation and disclosure requirements shall be applied retrospectively for all periods presented.

In 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.

F22

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 FSP 142-3 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 in conformity 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.

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

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

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 to 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.

In October 2008, the FASB issued FSP FAS No. 157-3, "Determining the Fair Value of a Financial Asset When the Market for That Asset is Not Active." This FSP clarifies the application of SFAS No. 157, "Fair Value Measurements," in a market that is not active. The FSP also provides examples for determining the fair value of a financial asset when the market for that financial asset is not active. FSP FAS No. 157-3 was effective upon issuance, including prior periods for which financial statements have not been issued. The impact of adoption was not material to the Company's consolidated financial condition or results of operations.

F23

In September 2008, the FASB issued EITF Issue No. 08-5 ("EITF No. 08-5"), "Issuer's Accounting for Liabilities Measured at Fair Value with a Third-Party Credit Enhancement." This FSP determines an issuer's unit of accounting for a liability issued with an inseparable third-party credit enhancement when it is measured or disclosed at fair value on a recurring basis. FSP EITF No. 08-5 is effective on a prospective basis in the first reporting period beginning on or after December 15, 2008. The Company is currently assessing the impact of FSP EITF No. 08-5 on its consolidated financial position and results of operations.

In September 2008, the FASB issued FSP FAS No. 133-1, "Disclosures about Credit Derivatives and Certain Guarantees: An Amendment of FASB Statement No. 133 and FASB Interpretation No. 45; and Clarification of the Effective Date of FASB Statement No. 161." This FSP amends FASB Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities," to require disclosures by sellers of credit derivatives, including credit derivatives embedded in a hybrid instrument. The FSP also amends FASB Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others," to require and additional disclosure about the current status of the payment/performance risk of a guarantee. Finally, this FSP clarifies the Board's intent about the effective date of FASB Statement No. 161, "Disclosures about Derivative Instruments and Hedging Activities." FSP FAS No. 133-1 is effective for fiscal years ending after November 15, 2008. The Company is currently assessing the impact of FSP FAS No. 133-1 on its consolidated financial position and results of operations.

The Company has reviewed all recently issued, but not yet effective, accounting pronouncements and does not believe the future adoption of any such pronouncements will cause a material impact on its financial condition or the results of its operations.

F24