

**obci**  
Ocean Bio-Chem, Inc.

# CLEAN + PROTECT

SINCE 1973



## 2019 ANNUAL REPORT





Main manufacturing & distribution facility, **Kinpak Inc.**, located in Montgomery, Alabama



**Star brite Inc.**, located in Fort Lauderdale, FL

# OCEAN BIO-CHEM, INC.

Ocean Bio-Chem, Inc., the parent company of both Star brite, Inc. and Kinpak, Inc is a manufacturer and global distributor of products for the marine, RV, automotive, powersports, health and homecare markets. Founded in 1973, Star brite began as a provider of car polishes, before diversifying into other markets. Headquartered in Fort Lauderdale, Florida, the Company trades on the NASDAQ exchange as OBCI.

The Company's main manufacturing and distribution facility, Kinpak Inc, is located on a 20-acre site in Montgomery, Alabama. The facility's 300,000 sq. ft. manufacturing, blending, packing, and distribution center features a 500,000-gallon tank farm as well as a fully-equipped R&D laboratory and a quality control center that performs quality audits for each phase of the production process.

The plant is equipped with multiple blow-molding machines to produce custom PVC and HDPE bottles in various colors and shapes. There are 12 fully-automated high-speed liquid filling lines, pail lines, drum filling line, bulk load filling lines, plus grease filling lines capable of filling containers from 1 ounce to 55 gallons in size at speeds up to 120 gallons per minute. Finished goods are secured by automatic case packers, case sealers and palletizers. In addition to 18 truck loading docks, the facility has a rail spur capable of handling 20 railcars.

Kinpak also manufactures and distributes numerous private label products.

The Company recently founded Odor Science, LLC, a manufacturer and supplier of EPA-registered disinfectants sold into the health, pet, and agricultural markets under the Performacide® brand name.

Star brite® products are available at Marine, RV, Automotive, Powersports, Farm & Fleet, Hardware, Sporting Goods, and Pet stores worldwide.

- [www.OceanBioChem.com](http://www.OceanBioChem.com)
- [www.STARBRITE.com](http://www.STARBRITE.com) • [www.STARTRON.com](http://www.STARTRON.com)
- [www.PERFORMACIDE.com](http://www.PERFORMACIDE.com) • [www.AutoOdorEliminator.com](http://www.AutoOdorEliminator.com)



**BLOWMOLDING**



**BLENDING**



**FILLING**



**DISTRIBUTION**



## Fellow Shareholders:

As we prepare this year's annual letter to shareholders, our nation and our world is confronting one of the greatest threats of a generation, affecting not only our health, but global economies as well. We honor those lost during this time and respect the brave people continuing to work through the COVID-19 crisis, including first responders, healthcare workers, and of course our own Star brite / Kinpak family of employees. As an "essential business," our Company is finding new purpose through these uncertain times, with the spirit of Innovation, Experience, and Leadership blazing the trail.

For generations, Star brite products have elped the world to clean and protect their boats, RVs, homes, and more. And in the past two years, we've brought the theme and tagline of Clean + Protect to the foreground, featuring it in our marketing and trade show displays. Now, more than ever, we realize how important those words really are. In a time when cleaning and protection has now become a standard of survival, we at Star brite are honored to fulfill our mission, helping to keep America healthy through what we do best.

### STAR BRITE. CLEAN + PROTECT.

#### 2019 IN REVIEW

Though current headlines dominate our thoughts, we would like to look back briefly on our last year of decisions and celebrate the milestones that have afforded us the opportunity to keep our employees successful and moving forward during these challenging times. It was these series of decisions and investments that are now proving "essential."

The year 2019 presented its own challenges: a late spring delayed the beginning of boating season, and a very active hurricane season dampened many holidays and high-spending events, including Labor Day. Despite these weather-related setbacks, the Company reports record net sales for the seventh continuous year.

In 2019, we saw the first full year of service of the expansion at our manufacturing facility—Kinpak. Increased capacity in the warehouse as well as additional filling capabilities grew overall output

and strengthened operational efficiencies. With the entire facility maximized to over 300,000 square feet, the additional warehouse space and loading docks allow greater storage as well as improved traffic in and out of the facility.

A new filling line completed last year not only increases production capabilities, but under current circumstances, it also affords our employees additional space as social distancing protocols are in place, while still maintaining adequate production.

#### ACQUISITIONS

On December 27, 2019, the Company acquired certain tangible and intangible assets of Check Corporation, a manufacturer and distributor of mildew and humidity control products under the name of Damp Check™. This new addition to the Company's established portfolio of brands is an ideal fit and supports our current efforts in expanding the air care and desiccants market.

The previous acquisition of Snappy Marine, Inc. in 2018 proved profitable in 2019 as the teak and fine wood restoration market finds a larger following in the American marketplace. Snappy Teak products are a popular choice for professional yards and the yachting market, due to their quick-acting chemistry. An additional teak oil product was also introduced to complete the Snappy Teak line, further enhancing the line's market appeal.

#### PRODUCTS AND MARKETING

In addition to the marine teak market, the Company launched a new line of teak products geared toward home use under the brand Star brite Home. Consisting of two products, this initial offering launched in a major, big-box retailer nationwide, and has seen positive sales. Store counts and availability are trending higher for 2020.

Star brite Auto Odor Eliminator, which found placement in a national automotive retailer in 2018, added another major automotive retailer—thus doubling its availability. Advertising and marketing featuring professional bass angler Scott Martin (from *The Scott Martin Challenge*) continues to air omajor networks, including

Discovery, as well as local markets and online. Building on the success of Auto Odor Eliminator, a similar product for the RV category launched in 2019: RV Odor Eliminator (RVOE). Recreational vehicles and campers pose unique challenges for air care products for many reasons: differences in size (as compared to cars and trucks) as well as features common to RVs—such as kitchens, bathrooms, and living spaces—all which can produce odors. RV Odor Eliminator is a larger, stronger product (as compared to Auto Odor Eliminator) suited for the larger sizes and stronger odors of the RV market.

Along with RVOE, the RV market continues to grow year over year, and we are now in year three of seeing this increase. Star brite product offerings are growing each year as well, now including products for holding tank treatments, freshwater treatments, natural air care, exterior and interior cleaning, and specialty products.

Star Tron—our premier ethanol fuel treatment—also saw growth yet again. A major national product data firm collected POS data and recognized Star Tron as the number one ethanol fuel treatment in the nation. Not only is it number one, but by a large margin. We are attributing the growth to enhanced placement in distribution and national retailers.

## REVENUES

The year 2019 marked the seventh consecutive year in which the Company achieved record annual net sales. Once again, our Star brite® branded and private label marine products led the way. We experienced increased sales of our marine products throughout our distribution channels, including marine specialty retailers, mass merchandisers and online retailers.

The Company's 2019 record net income was approximately \$3.5 million, compared to 2018 net income of \$2.8 million, an increase of approximately \$700,000 or 25%. Earnings per share for 2019 were \$0.37 compared to \$0.30 for 2018, an increase of 23%.

The Company also reported record net sales in 2019 of approximately \$42.3 million, compared to approximately \$41.8 million for 2018, an increase of approximately \$500,000.

## 2020 OUTLOOK

The last few years have laid the groundwork for Ocean Bio-Chem, Inc. to successfully navigate our company through these uncertain times. Our decisions and planning—expanding our manufacturing plant, increasing our advertising in our home care and disinfecting products, hiring more employees and extending our sales network—have prepared us for the journey ahead in this year and beyond. Currently, we are seeing record sales of Performacide, and the Company is cautiously optimistic that these patterns in sales will secure our disinfectant as a mainstay in the category, as well as opening the door to new markets.

We're not sure when business will be back to normal. And normal will never be "normal" again. However, as state's open up and Americans (and the world) resume social activities, we think there may be a renewed passion for outdoor activities in particular. Low fuel costs, favorable weather, and a high demand to be outside are all factors that benefit our markets, including boating, powersports, and RVing. When it comes to the outlook for 2020, no one can know how far-reaching or long-lasting the ramifications of COVID-19 will be, however, as a company, we are investing in inventory and producing product. Therefore, when outdoor activities are resumed, our products will be available and waiting.

We are optimistic that these investments will return yet another successful year. So far, OBCI has not had to take steps to furlough or lay off employees, and we are extraordinarily grateful to the many men and women in our Ocean Bio-Chem family for ensuring our continued operations despite the many challenges the world has faced in such a short time.

I thank all of our employees for your dedication, ambition, and vision.  
Stay healthy and safe.



Peter G. Dornau  
President and Chief Executive Officer  
April 2020

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, 2019

or

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 000-11102

OCEAN BIO-CHEM, INC.

(Exact name of registrant as specified in its charter)

Florida

(State or other jurisdiction of  
incorporation or organization)

59-1564329

(I.R.S. Employer  
Identification No.)

4041 SW 47 AVENUE  
FORT LAUDERDALE, FLORIDA 33314  
(Address of principal executive offices)

954-587-6280

(Registrant's telephone number, including area code)

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

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock, \$0.01 par value	OBCI	The NASDAQ Stock Market

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

None

Indicate by check mark if the registrant is a well-known 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 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 whether registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

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

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

The aggregate market value of the registrant's common stock held by non-affiliates of the registrant as of June 28, 2019 was \$10,088,084, based upon the closing price of the registrant's common stock on such date as reported by the NASDAQ Capital Market. For purposes of making this computation only, all executive officers, directors and beneficial owners of more than five percent of the registrant's common stock are deemed to be affiliates.

At March 26, 2020, 9,448,105 shares of the registrant's common stock were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive proxy statement, which will be filed not later than April 29, 2020, are incorporated by reference in Part III of this report.

## OCEAN BIO-CHEM, INC.

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**Forward-looking Statements:**

Certain statements contained in this Annual Report on Form 10-K, including without limitation, estimated costs of expansion of facilities operated by our wholly-owned subsidiary, KINPAK Inc. (“Kinpak”), our ability to locate substitute third party manufacturing facilities without a substantial adverse effect on our manufacturing and distribution, the effect of price increases in raw materials that are petroleum or chemical based or commodity chemicals on our margins, the sufficiency of funds provided through operations and existing sources of financing to satisfy our cash requirements and our expectation that we will be able to maintain borrowings, if any, under our current revolving line of credit facility until the end of its stated term constitute forward-looking statements. For this purpose, any statements contained in this report that are not statements of historical fact may be deemed to be forward-looking statements. Without limiting the generality of the foregoing, words such as “believe,” “may,” “will,” “expect,” “anticipate,” “intend,” or “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 that may cause actual results to be materially different from those expressed or implied by such forward-looking statements. Factors that may affect these results include, but are not limited to, the highly competitive nature of our industry; reliance on certain key customers; changes in consumer demand for marine, recreational vehicle and automotive products; expenditures on, and the effectiveness of, our advertising and promotional efforts; unanticipated litigation developments; exposure to market risks relating to changes in interest rates, foreign currency exchange rates and prices for raw materials that are petroleum or chemical based; and other factors discussed below under Item 1A, “Risk Factors.”

## PART I

**Item 1. Business****General:**

We are principally engaged in the manufacture, marketing, and distribution of a broad line of appearance, performance and maintenance products for the marine, automotive, power sports, recreational vehicle, home care and outdoor power equipment markets, under the Star brite® and Star Tron® brand names. We sell these products within the United States of America and Canada. In addition, we produce private label formulations of many of our products for various customers and provide custom blending and packaging services for these and other products. We also manufacture, market and distribute chlorine dioxide-based deodorizing disinfectant, and sanitizing products under the Star brite® and Performacide® brand names, utilizing a patented delivery system for use with products containing chlorine dioxide. Unless the context indicates otherwise, we sometimes refer to Ocean Bio-Chem, Inc. and its consolidated subsidiaries as "the Company," "we" or "our."

Ocean Bio-Chem, Inc. was incorporated in 1973 under the laws of the state of Florida. In 1981, we purchased, from Peter G. Dornau and Arthur Spector, the co-founders of the Company, rights to the Star brite® trademark and related products for the United States and Canada. Mr. Dornau, our Chairman, President and Chief Executive Officer, has retained rights to these assets with respect to all other geographic areas. Accordingly, products we manufacture that are sold outside of the United States and Canada are purchased from us and distributed by two companies owned by Mr. Dornau. Net sales to the two companies in 2019 and 2018 totaled approximately \$1,788,000 and \$2,190,000, representing 4.2% and 5.2% of our net sales, respectively. See Note 10 to the consolidated financial statements included in this report for additional information.

Because our operations involve, in all material respects, substantially similar manufacturing and distribution processes, our operations constitute one reportable segment for financial reporting purposes.

**Recent Developments:**

The Company's wholly-owned subsidiary, KINPAK Inc. ("Kinpak") has been engaged since 2017 in a project involving the expansion of its manufacturing, warehouse and distribution facilities in Montgomery, Alabama, as well as the purchase and installation of associated machinery and equipment (the "Expansion Project"). Kinpak has completed the construction of, and placed into service, an approximately 85,000 square foot addition to the facilities and an expansion of a tank farm to accommodate an additional 500,000 gallons of tank capacity. The final phase of the Expansion Project entails the evaluation, purchase and installation of additional equipment. At December 31, 2019, Kinpak had spent an aggregate of approximately \$6.1 million on the Expansion Project. Of that amount, approximately \$2,654,000 was provided through a \$4,500,000 industrial development bond financing, which is described in Note 8.

On December 9, 2019, there was a chemical incident at Kinpak. As a precautionary measure several employees were sent to the hospital. We believe that no one suffered any serious injuries, and that we do not have any liability relating to personal injuries.

The chemical incident damaged some of Kinpak's manufacturing equipment. At December 31, 2019, it was determined that manufacturing equipment with a book value of \$50,520 was no longer useable. The Company recorded a loss for the \$50,520 and an offsetting gain and receivable of \$50,520 in 2019 from insurance policies. No net gain or net loss from the chemical incident was recognized in 2019. Any gain or loss from the chemical incident will be recognized in a future period.

The Company is still assessing the total property damage from the chemical incident and does not expect the loss to be in excess of the insurance proceeds.

**Products:**

The products that we manufacture and market include the following:

**Marine:** Our marine line consists of polishes, cleaners, protectants and waxes under the Star brite® brand name, enzyme fuel treatment under the Star Tron® brand name, and private label products sold by some of our customers. The marine line also includes motor oils, boat washes, vinyl cleaners, protectants, 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, brush handles, tie-downs and other related marine accessories.

**Automotive:** We manufacture a line of automotive products under the Star brite® and Star Tron® brand names. The automotive line includes fuel treatments for both gas and diesel engines, motor oils, greases and related items. Our Star Tron® enzyme fuel treatment is designed to eliminate and prevent engine problems associated with fuel containing 10% ethanol (E-10 fuel) including, among other things, fuel degradation, debris in fuel (gum and varnish formation) and ethanol's propensity to attract water (which can adversely affect octane). Star Tron® fuel treatment also increases fuel economy by cleaning the fuel delivery system and facilitating more complete and uniform combustion. In addition, we produce anti-freeze and windshield washes under the Star brite® brand and under private labels for customers. We also produce automotive polishes, cleaners and other appearance items.

**Recreational Vehicle/Power Sports:** We market Star Tron<sup>®</sup> fuel treatment and other specialty products to the recreational-vehicle market, including snow mobiles, all-terrain vehicles and motorcycles. For power sports enthusiasts, Star Tron<sup>®</sup> provides a viable solution to a number of problems associated with E-10 fuel. Other specialty recreational vehicle/power sports products include cleaners, polishes, detergents, fabric cleaners and protectants, silicone sealants, waterproofer, gasket materials, degreasers, vinyl cleaners and protectants, toilet treatment fluids and anti-freeze/coolant.

**Outdoor Power Equipment/ Lawn & Garden:** We market Star Tron<sup>®</sup> as a solution to help rectify a number of operating engine problems associated with E-10 fuel in commercial lawn equipment and other home and garden power equipment.

**Disinfectant Group:** Our disinfectant group includes chlorine dioxide based deodorizers, disinfectants and sanitizers, which we sell under the Star Brite<sup>®</sup> and Performacide<sup>®</sup> brand names, and which our customers sell using private label brands. Star Brite<sup>®</sup> products include NosGUARD mildew odor control bags and boat odor sanitizers. Performacide<sup>®</sup> products include disinfectants for hard, non-porous surfaces, air care products for deodorizing and products to eliminate mold and mildew. These products are sold in both a gas and liquid form. The U.S. Environmental Protection Agency has accepted labeling for Performacide<sup>®</sup> used in hard surface applications that claims, among other things, effectiveness as a virucide against a variety of viruses, including HIV-1, Influenza-A, Herpes Simplex-2, Poliovirus-1, norovirus and rotavirus; as a disinfectant against a number of different types of bacteria; and as a sanitizer against certain types of bacteria that cause food borne illnesses. We are directing distribution efforts with respect to our disinfectant group principally towards the marine, automotive, home restoration, pet care and agriculture markets, and to institutions such as schools.

**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.

**Manufacturing:** We produce most of our products at Kinpak's manufacturing facilities in Montgomery, Alabama. In addition, we contract with various third-party manufacturers to manufacture some of our products, which are manufactured to our specifications using our provided formulas. Each third-party manufacturer enters into a confidentiality agreement with us.

We purchase raw materials from a variety of suppliers; all raw materials used in manufacturing are readily available from alternative sources. We design our own packaging and supply our outside manufacturers with the appropriate design or packaging. We believe that our internal manufacturing capacity and our arrangements with our current outside manufacturers are adequate for our present needs.

In the event that arrangements with any third-party manufacturer are discontinued, we believe that we will be able to locate substitute manufacturing facilities without a substantial adverse effect on our manufacturing and distribution.

**Marketing and Significant Customers:** Our branded and private label products are sold through national retailers such as Wal-Mart, Tractor Supply, West Marine and Bass Pro Shops. Additionally, we market our products via online retailers. We also sell to national and regional distributors that resell our products to specialized retail outlets. In the case of Performacide<sup>®</sup> disinfectant/sanitizing products, we sell to both retailers as well as distributors that resell our products, in some cases under private labels, to end users principally in the marine, automotive, home restoration, law enforcement and agriculture markets.

Net sales to each of three customers exceeded 10% of our consolidated net sales, and in the aggregate constituted approximately 43.2% of our consolidated net sales, for the year ended December 31, 2019. Net sales to each of two customers exceeded 10% of our consolidated net sales, and in the aggregate constituted approximately 33.1% of our consolidated net sales, for the year ended December 31, 2018. Net sales to our four largest unaffiliated customers for the years ended December 31, 2019 and 2018 amounted to approximately 52.0% and 48.8% of our consolidated net sales, respectively, and at December 31, 2019 and 2018, outstanding accounts receivable balances from our four largest unaffiliated customers aggregated approximately 64.9% and 57.2% of our consolidated accounts receivable, respectively.

We market our products through both internal salesmen and external sales representatives who work on an independent contractor commission basis. Our personnel also participate in sales presentations and trade shows. In addition, we market our brands and products through advertising campaigns in national magazines, on television, on the internet, in newspapers and through product catalogs. Our products are distributed primarily from Kinpak's manufacturing and distribution facility in Montgomery, Alabama. Since 2008, we have participated in a vendor managed inventory program with one major customer. See Note 2 to the consolidated financial statements included in this report for additional information.

**Backlog, seasonality, and selling terms:** We had no significant backlog of orders at December 31, 2019. We generally do not give customers the right to return products. The majority of our products are non-seasonal and are sold throughout the year. Normal trade terms offered to customers range from 30 to 180 days. However, at times we offer extended payment terms or discount arrangements as purchasing incentives to customers. Historically, these initiatives have not materially affected our overall profit margins.



**Competition:**

Competition with respect to our principal product lines is described below. The principal elements of competition affecting all of our product lines are brand recognition, price, service and the ability to deliver products on a timely basis.

**Marine:** We have several national and regional competitors in the marine marketplace. We do not believe that any competitor or small group of competitors hold a dominant market share. We believe that we can increase or maintain our market share through expenditures directed to our present advertising and distribution channels.

**Automotive:** There are a large number of companies, both national and regional, that compete with us. Many are more established and have greater financial resources than we do. While our market share is small, the total market size is substantial. We seek to maintain and possibly increase our market share through our present advertising and distribution channels.

**Recreational Vehicle/Power Sports:** We compete with national and regional competitors. We do not believe that any competitor or small group of competitors hold a dominant market share. We believe that we can increase or maintain our market share by utilizing advertising and distribution channels similar to those we use in the marine market.

**Outdoor Power Equipment/Lawn & Garden:** We compete with several established national and regional competitors. We do not believe that any competitor or small group of competitors hold a dominant market share. We have attempted to make inroads in this market by emphasizing Star Tron®’s unique formulation and by increasing our advertising and attendance at trade shows.

**Disinfectant Group:** There are a large number of companies that compete with us, many of which are much larger, and have much greater financial resources than we do. We emphasize the effectiveness of chlorine dioxide, coupled with the convenience in application of our products.

**Trademarks:** We have obtained registered trademarks for Star brite®, Star Tron®, Performacide® and other trade names used on our products. We view our trademarks as significant assets because they provide product recognition. We believe that our trademarks provide protection in the geographic markets we serve, but we cannot assure that our intellectual property rights can be successfully asserted in the future or will not be invalidated, circumvented or challenged.

**Patents:** We own several patents, the most significant of which relate to a delivery system for use with products containing chlorine dioxide (the “ClO<sub>2</sub> Patents”). The ClO<sub>2</sub> patents expire in 2022. We have encountered difficulty in protecting the ClO<sub>2</sub> patents through litigation. See “Risk Factors - If we do not utilize or successfully assert intellectual property rights, our competitiveness could be materially adversely affected,” in Item 1A of this report for additional information. A 2014 adverse judgment in patent litigation that was upheld on appeal in 2015 has limited the scope of protection provided by the patent. To date, we do not believe the judgment has materially impaired our ability to effectively market and distribute our Performacide® products. However, we are unable to predict the long-term competitive effect of the judgment on these products.

**New Product Development:** We continue to develop specialized products for the marine, automotive, recreational vehicle/power sports and outdoor power equipment/lawn and garden markets. Expenditures for new product development have not been significant and are charged to operations in the year incurred.

**Personnel:** At December 31, 2019, we had 149 full-time employees and five part-time employees. The following table provides information regarding personnel working for the Company and its subsidiaries at December 31, 2019:

Location	Description	Number of Employees
Fort Lauderdale, Florida	Administrative, sales, and marketing	45 <sup>1</sup>
Fort Lauderdale, Florida	Manufacturing and distribution	6
Montgomery, Alabama	Manufacturing and distribution	103 <sup>2</sup>
		<u>154</u>

1 Includes one part-time employee.  
2 Includes four part-time employees.

**Item 1A. Risk Factors****If we do not compete effectively, our business will suffer.**

We confront aggressive competition in the sale of our products. In each of the markets in which we sell our products, we compete with a number of national and regional competitors. Competition in the automotive market is particularly intense, with many national and regional companies marketing competitive products. Many of our competitors in the automotive market are more established and have greater financial resources than we do. Moreover, we confront intense competition with respect to our Performacide® disinfectant, sanitizing and deodorizing products from a large number of competitors, many of which are well established and have substantially greater financial resources than we do. Our inability to successfully compete in our principal markets would have a material adverse effect on our financial condition, results of operations and cash flows.

**Our business is, to a significant extent, dependent on a small number of major customers, and the loss of any of these customers could adversely affect our financial condition, results of operations and cash flows.**

Net sales to our four largest unaffiliated customers accounted for 52.0% of our consolidated net sales in 2019; our largest unaffiliated customer accounted for 21.7% of our consolidated net sales in 2019. The loss of any of these customers would have a material adverse effect on our financial condition, results of operations and cash flows.

**Our Chairman, President and Chief Executive Officer is a majority shareholder who controls us, and his interests may conflict with or differ from the Company's interests.**

Peter G. Dornau, our Chairman, President and Chief Executive Officer, together with a family entity he controls, owns approximately 50.7% of our common stock. As a result, Mr. Dornau has the power to elect all of our directors and effectively has the ability to prevent any transaction that requires the approval of our Board of Directors and our shareholders. Products that we manufacture and that are sold outside of the United States and Canada are purchased from us and distributed by two companies owned by Mr. Dornau, which we refer to as the "affiliated companies." The affiliated companies also collectively own the rights to the Star brite® and Star Tron® trademarks and related products outside of the United States and Canada. Sales to the affiliated companies aggregated approximately \$1,788,000 and \$2,190,000 during the years ended December 31, 2019 and 2018, respectively. In addition, we provided administrative services and advances for business related expenditures to the affiliated companies. During the years ended December 31, 2019 and 2018, fees for administrative services aggregated approximately \$779,000 and \$760,000, respectively, and amounts billed to the affiliated companies to reimburse the Company for business related expenditures made on behalf of the affiliated companies aggregated approximately \$113,000 and \$151,000, respectively. Receivables due from the affiliated companies in connection with product sales, administrative services, and advances for business related expenditures totaled approximately \$962,000 and \$1,046,000 at December 31, 2019 and 2018, respectively. The accounts receivable turnover ratio for the year ended December 31, 2019 with respect to sales to the affiliated companies was approximately 3.4 and with respect to administrative services and advances for business related expenditures was approximately 1.9. Management believes that the sales and provision of administrative services to the affiliated companies do not involve more than normal credit risk.

We have entered into other transactions with entities owned by Mr. Dornau. See Notes 4 and 10 to the consolidated financial statements included in this report for additional information.

**Economic conditions can adversely affect our business.**

We are subject to risks arising from adverse changes in general domestic and global economic conditions, including recession or economic slowdown and disruption of credit markets, which may impair the ability of our customers to satisfy obligations due to us. In addition, we believe that adverse economic conditions in recent years adversely constrained discretionary spending, which we believe has, at times, adversely affected our sales, particularly with respect to products directed to the marine and recreational vehicle markets. While published reports indicate that economic conditions, particularly in the United States, generally have improved over the past several years, a future decline in economic conditions could have a material adverse effect on our financial condition, results of operations and cash flows.

**If we do not effectively utilize or successfully assert intellectual property rights, our competitiveness could be materially adversely affected.**

We rely on trademarks and trade names in connection with our products, the most significant of which are Star brite® and Star Tron®. In addition, we own patents we have viewed as providing some degree of competitive support for our Performacide® products. We rely on trademark, trade secret, patent and copyright laws to protect our intellectual property rights. We cannot assure that these intellectual property rights will be effectively utilized or, if necessary, successfully asserted. There is a risk that we will not be able to obtain and perfect our own intellectual property rights, or, where appropriate, license from others intellectual property rights necessary to support new product introductions. Our intellectual property rights, and any additional rights we may obtain in the future, may be invalidated, circumvented or challenged, and the legal costs necessary to protect our intellectual property rights could be significant. Our failure to perfect or successfully assert intellectual property rights could harm our competitive position and could have a material adverse effect on our financial condition, results of operations and cash flows.

**Our business involves the use of chemicals.**

At our Kinpak facility we blend various chemicals that can cause explosions or harmful gas to be released. Mishandling of chemicals can potentially result in people being hurt or killed, property damaged, and business interruption. On December 9, 2019, there was a chemical reaction incident at the Kinpak facility that resulted in three employees suffering injuries, which we do not believe to be serious. The chemical incident damaged various manufacturing equipment with a net book value of \$50,520. The Company recorded a loss for the \$50,520 and an offsetting insurance claim receivable of \$50,520 in 2019.

**Environmental matters may cause potential liability risks.**

We must comply with various environmental laws and regulations in connection with our operations, including those relating to the handling and disposal of hazardous wastes and the remediation of contamination associated with the use and disposal of hazardous substances. A release of such substances due to accident or intentional act could result in substantial liability to governmental authorities or to third parties. In addition, we are subject to reporting requirements with respect to certain materials we use in our manufacturing operations. It is possible that we could become subject to environmental liabilities in the future that could have a material adverse effect on our business, financial condition, results of operations and cash flows.



**Our financial condition, results of operations and cash flows may be adversely affected by public health epidemics, including the coronavirus reported to have originated in Wuhan, China.**

In December 2019, a novel strain of coronavirus disease (“COVID-19”) was first reported in Wuhan, China. Less than four months later, on March 11, 2020, the World Health Organization declared COVID-19 a pandemic—the first pandemic caused by a coronavirus. The outbreak has reached more than 160 countries, resulting in the implementation of significant governmental measures, including lockdowns, closures, quarantines and travel bans, intended to control the spread of the virus.

The COVID-19 outbreak has already caused severe global disruptions. In response to the virus, various countries have implemented lockdown measures, and other countries and local governments may also do so. The United States and various states and municipalities have limited activities. Companies are also taking precautions, such as requiring employees to work remotely, imposing travel restrictions and temporarily closing businesses.

A public health pandemic, such as that relating to COVID-19, poses the risk that we or our suppliers, customers and other business partners may be prevented from conducting business activities for an indefinite period of time, including due to shutdowns that may be requested or mandated by governmental authorities. In addition, our financial condition, results of operations and cash flows could be adversely affected to the extent an epidemic harms the global economy in general.

The extent of COVID-19’s effect on our operational and financial performance will depend on future developments, including the duration, spread and intensity of the outbreak, all of which are uncertain and difficult to predict considering the rapidly evolving landscape. As a result, it is not currently possible to ascertain the overall impact of COVID-19 on our business. However, if the pandemic continues to evolve into a severe worldwide health crisis, the disease could have a material adverse effect on our business, results of operations, financial condition and cash flows and adversely impact the trading price of our common stock.

**Our variable rate indebtedness exposes us to risks related to interest rate fluctuation and matures in August 2021.**

We have a revolving line of credit with a variable interest rate. Interest on the revolving line of credit is payable at the one month LIBOR rate plus 1.35% per annum, computed on a 365/360 basis. At December 31, 2019, we did not have any borrowings outstanding under the revolving line of credit. However, if we borrow amounts under the revolving line of credit in the future, and if interest rates were to increase significantly, our financial condition, results of operations and cash flows could be materially adversely affected. Moreover, we believe, but cannot assure, that we could obtain a renewal of the revolving line of credit or a suitable replacement facility when the current facility terminates in August 2021. Our failure to renew or obtain a replacement for our current facility may impair our financial flexibility and have a material adverse effect on our business.

**Weather conditions can adversely affect our sales.**

Our sales can be adversely affected by prolonged cold winters which curtail boating activity and by natural disasters such as hurricanes, floods and tornados. During 2019 both the second and third quarters were adversely affected by weather conditions.

**Trading in our common stock has been limited, and our stock price could potentially be subject to substantial fluctuations.**

Our common stock is listed on the NASDAQ Capital Market, but trading in our stock has been limited. Our stock price could be affected substantially by a relatively modest volume of transactions.

**Item 1B. Unresolved Staff Comments**

Not applicable.

**Item 2. Properties**

Our executive offices and one of our manufacturing facilities are located in Fort Lauderdale, Florida and are leased from an entity controlled by our Chairman, President and Chief Executive Officer. The lease covers approximately 12,700 square feet of office, manufacturing, and warehouse space. The lease expires in December 2023. See Note 4 to the consolidated financial statements included in this report for additional information.

Kinpak leases its Alabama manufacturing facilities from The Industrial Development Board of the City of Montgomery, Alabama (the “IDB”). Kinpak entered into the lease in its current form in connection with an industrial development bond financing related to the Expansion Project; Kinpak’s lease payments are used to fund repayment of the IDB’s obligations under the bond it issued in connection with the industrial development bond financing. See Note 8 to the consolidated financial statements included in this report for additional information. Kinpak inherited the lease structure when it first acquired its facilities from its predecessor-in-interest in 1996. The lease provides that prior to the maturity date of the bond, Kinpak may repurchase the facilities for \$1,000 if the bond has been redeemed or fully paid. As a result of the Expansion Project, the facilities contain approximately 272,000 square feet of office, plant and warehouse space on 20 acres of land.

**Item 3. Legal Proceedings**

Not applicable

**Item 4. Mine Safety Disclosures**

Not applicable.

**PART II****Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities**

Our common stock is traded on the NASDAQ Capital Market under the symbol OBCI.

On December 31, 2019, there were 100 holders of record. We believe that a substantially greater number of holders of our common stock are beneficial owners whose shares are held by brokers and other institutions for the account of the beneficial owners.

While we have provided a special cash dividend to our shareholders in every year since 2016, payment of dividends in the future will be subject to the discretion of the Board of Directors in light of numerous factors, including our business performance and operating plans, capital commitments, liquidity and other factors.

**Item 6. Selected Financial Data**

Not applicable.

**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 which are contained in a separate section of this report, beginning on page F-1.

**Overview:**

We are engaged in the manufacture, marketing and distribution of a broad line of appearance, performance, and maintenance products for the marine, automotive, power sports, recreational vehicle and outdoor power equipment markets, under the Star brite<sup>®</sup> and other trademarks within the United States and Canada. In addition, we produce private label formulations of many of our products for various customers and provide custom blending and packaging services for these and other products. We also manufacture, market and distribute a line of products including disinfectants, sanitizers and deodorizers. We sell our products through national retailers and to national and regional distributors. In addition, we sell products to two companies affiliated with Peter G. Dornau, our Chairman, President and Chief Executive Officer; these companies distribute the products outside of the United States and Canada. Transactions with the affiliated companies were made in the ordinary course of business, and management believes that sales to the affiliated companies do not involve more than normal credit risk.

The Company's wholly owned subsidiary, KINPAK Inc. ("Kinpak") has been engaged since 2017 in a project involving the expansion of its manufacturing, warehouse and distribution facilities in Montgomery, Alabama, as well as the purchase and installation of associated machinery and equipment (the "Expansion Project"). Kinpak has completed the construction of, and placed into service, an approximately 85,000 square foot addition to the facilities and an expansion of a tank farm to accommodate an additional 500,000 gallons of tank capacity. The final phase of the Expansion Project entails the evaluation, purchase and installation of additional equipment. At December 31, 2019, Kinpak had spent an aggregate of approximately \$6,117,000 on the Expansion Project. Of that amount, approximately \$2,654,000 was provided through a \$4,500,000 industrial development bond financing, which is described in Note 8, of the consolidated financial statements.

On December 9, 2019, there was a chemical incident at our Kinpak facility. As a precautionary measure several employees were sent to the hospital. We believe that no one suffered any serious injuries, and that we do not have any liability relating to personal injuries.

The chemical incident damaged some of Kinpak's manufacturing equipment. At December 31, 2019, it was determined that manufacturing equipment with a book value of \$50,520 was no longer useable. The Company recorded a loss for the \$50,520 and an offsetting gain and receivable of \$50,520 in 2019. The Company is still assessing the total property damage from the chemical incident.

On January 1, 2019, the Company adopted Accounting Standards Update ("ASU") 2016-02, "Leases" (Topic 842). The Company adopted the new guidance using the modified retrospective method, under which the Company recorded an immaterial cumulative adjustment to retained earnings rather than retrospectively adjusting prior periods. As a result, the Company's balance sheet presentation at December 31, 2019 is not comparable to the presentation at December 31, 2018. The adoption of ASU 2016-02 resulted in the recognition of approximately \$432,000 as an operating lease right to use asset and a corresponding operating lease liability, and the reclassification of office equipment with a net book value of approximately \$27,000 to a finance lease – right to use asset within property, plant and equipment.



**Critical accounting estimates:**

The preparation of consolidated financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and assumptions.

We have identified the following as critical accounting estimates, which are defined as those that are reflective of significant judgments and uncertainties, are the most pervasive and important to the presentation of our financial condition and results of operations and, if subject to different assumptions and conditions, could lead to materially different results.

**Collectability of trade accounts receivable**

In the ordinary course of business, we grant non-interest-bearing trade credit to our unaffiliated customers on terms that range from 30 to 180 days. In an effort to reduce our credit risk, we perform ongoing credit evaluations of our customers and adjust credit limits based upon payment history and aging of receivables, as well as our assessment of our customers' creditworthiness, as determined by our review of credit information relating to the customers. We generally do not require collateral on trade accounts receivable. We maintain an allowance for doubtful accounts based on expected collectability of the trade accounts receivable, after considering our historical collection experience, the length of time an account is outstanding, the financial position of the customer if known and information provided by credit rating services. The adequacy of this allowance is reviewed each reporting period and adjusted as necessary. Our allowance for doubtful accounts was approximately \$162,000 and \$171,000 at December 31, 2019 and 2018, respectively, which was approximately 2.2% and 2.9% of gross accounts receivable at December 31, 2019 and 2018, respectively. If the financial condition of our customers were to deteriorate, resulting in increased uncertainty as to their ability to make payments, or if unexpected events or significant future changes in trends were to occur, we may be required to increase the allowance or incur a bad debt expense. In this regard, we incurred bad debt expense of approximately \$6,000 and \$35,000 in 2019 and 2018, respectively.

**Inventories**

Our inventories primarily are composed of raw materials and finished goods and are stated at the lower of cost or net realizable value, using the first-in, first-out method. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation. We maintain a reserve for slow moving and obsolete inventory to reflect the diminution in value resulting from product obsolescence, damage or other issues affecting marketability in an amount equal to the difference between the cost of the inventory and its estimated net realizable value. The adequacy of this reserve is reviewed each reporting period and adjusted as necessary. We regularly compare inventory quantities on hand against historical usage or forecasts related to specific items in order to evaluate obsolescence and excessive quantities. In assessing historical usage, we also qualitatively assess business trends to evaluate the reasonableness of using historical information as an estimate of future usage.

Our slow moving and obsolete inventory reserve was \$244,206 and \$284,109 at December 31, 2019 and 2018, respectively.

**Income taxes**

We account for income taxes under the asset and liability method. Under this method, deferred tax assets and liabilities are recognized to reflect the future tax consequences attributable to the differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured and recorded using currently enacted tax rates, which we expect will apply to taxable income in the years in which the differences between the financial statement carrying amounts of existing assets and liabilities and their tax bases are recovered or settled. The differences are attributable to differing methods of financial statement and income tax treatment with respect to depreciation and reserves for trade accounts receivable and inventories. The likelihood of a material change in our expected realization of deferred tax assets is dependent on, among other factors, changes in tax law, future taxable income and settlements with tax authorities.

In assessing the realizability of our deferred tax assets, we evaluate positive and negative evidence and use judgments regarding past and future events, including operating results and available tax planning strategies that could be implemented to realize the deferred tax assets. We record a valuation allowance when necessary to reduce our deferred tax assets to the net amount that we believe is more likely than not to be realized. We consider available evidence, both positive and negative, and use judgments regarding past and future events, including operating results and available tax planning strategies, in assessing the need for a valuation allowance.

Significant judgment is required in determining income tax provisions and in evaluating tax positions. We establish additional provisions for income taxes when, despite the belief that tax positions are fully supportable, there remain certain positions that do not meet the minimum probability threshold, which is a tax position that is more likely than not to be sustained upon examination by the applicable taxing authority. In the normal course of business, we and our subsidiaries are examined by various federal and state tax authorities. We regularly assess the potential outcomes of these examinations and any future examinations for the current or prior years in determining the adequacy of our provision for income taxes. We adjust the income tax provision, the current tax liability and deferred taxes in any period in which we become aware of facts that necessitate such an adjustment. The ultimate outcomes of the examinations of our income tax returns could result in increases or decreases to our recorded tax liabilities, which would affect our financial results.

Intangible Assets

Intangible assets are acquired assets that lack physical substance and that meet specified criteria for recognition apart from goodwill. We own several trademarks and trade names, including Star brite® and Performacide®. We have determined that these intangible assets have indefinite lives and, therefore, are not amortized. In addition, we own other intangible assets including patents, royalty rights, other trademarks and trade names, customer lists, and product formulas that have finite lives. As these intangible assets have finite lives, their carrying value is amortized over their remaining useful lives. See Note 5 to the consolidated financial statements included in this report for additional information regarding our intangible assets.

We evaluate our indefinite-lived intangible assets for impairment annually and at other times if events or changes in circumstances indicate that an impairment may have occurred. In evaluating our indefinite-lived intangible assets for impairment, we assess qualitative factors to determine whether it is more likely than not that the fair value of an indefinite-lived intangible asset is less than its carrying value. If, after completing the qualitative assessment, we determine it is more likely than not that the fair value of the indefinite-lived intangible asset is greater than its carrying amount, the asset is not impaired. If we conclude it is more likely than not that the fair value of the indefinite-lived intangible assets is less than the carrying value, we would then proceed to a quantitative impairment test, which consists of a comparison of the fair value of the intangible assets to their carrying amounts. In 2019, we performed a qualitative assessment on all of our indefinite lived assets and determined, based on the assessment, that their fair values were more likely than not higher than their carrying values.

We assess the remaining useful life and recoverability of intangible assets having finite lives whenever events or changes in circumstances indicate the carrying value of an asset may not be recoverable. Such events or circumstances may include, for example, the occurrence of an adverse change with respect to a product line that utilizes the intangible assets. Significant judgments in this area involve determining whether such an event or circumstance has occurred. Any impairment loss, if indicated, equals the amount by which the carrying amount of the asset exceeds the estimated fair value of the asset.

Results of Operations:

The following table provides a summary of our financial results for the years ended December 31, 2019 and 2018:

	For The Years Ended December 31,					
			Percent	Percentage of Net Sales		
	2019	2018	Change	2019	2018	
Net sales	\$ 42,259,487	\$ 41,799,545	1.1%	100.0%	100.0%	
Cost of goods sold	26,659,427	27,402,356	(2.7)%	63.1%	65.6%	
Gross profit	15,600,060	14,397,189	8.4%	36.9%	34.4%	
Advertising and promotion	3,147,289	3,050,858	3.2%	7.4%	7.3%	
Selling and administrative	7,839,411	7,638,158	2.6%	18.6%	18.3%	
Operating income	4,613,360	3,708,173	24.4%	10.9%	8.9%	
Interest expense, net	(118,642)	(121,894)	(2.7)%	0.3%	0.3%	
Provision for income taxes	(996,004)	(791,030)	25.9%	2.4%	1.9%	
Net income	\$ 3,498,714	\$ 2,795,249	25.2%	8.3%	6.7%	

**Net sales** increased by approximately \$460,000, or 1.1%, during 2019 as compared to 2018.

**Cost of goods sold** decreased by approximately \$743,000 or 2.7% in 2019, as compared to 2018. The decrease in cost of goods sold was primarily a result of a more favorable sales mix, in which sales of higher margin branded marine products increased as a percentage of overall sales, and lower margin private label marine products and winterizing products decreased as a percentage of overall sales.

**Gross profit** increased by approximately \$1,203,000, or 8.4%, in 2019 as compared to 2018. As a percentage of net sales, gross profit increased primarily because of a more favorable sales mix to 36.9% in 2019 from 34.4% in 2018. The higher gross profit percentage along with increased net sales led to the increase in gross profit in 2019, as compared to 2018.

**Advertising and promotion expense** increased by approximately \$96,000, or 3.2%, during 2019 as compared to 2018. As a percentage of net sales, advertising and promotion expense increased to 7.4% in 2019 from 7.3% in 2018. The increase in advertising and promotion expense was principally a result of increases in sponsorship of a NASCAR driver, product samples used to promote sales and advertising in customer catalogs.

**Selling and administrative expenses** increased by approximately \$201,000, or 2.6%, during 2019 as compared to 2018. The increase in selling and administrative expenses was principally a result of higher employee payroll and benefits, an increase in amortization expense related to intangible assets we acquired from Snappy Marine in July 2018, and administrative expenses at our manufacturing plant, partially offset by a decrease in our provision for bad debts, and depreciation. As a percentage of net sales, selling and administrative expenses increased to 18.6% in 2019 from 18.3% in 2018.



**Interest expense, net** during 2019 decreased by approximately \$3,000, or 2.7%, as compared to 2018.

**Provision for income taxes** increased by approximately \$205,000 or 25.9% in 2019, as compared to 2018. The increase was principally a result of higher net income. As a percentage of income before taxes our provision for income taxes increased to 22.2% in 2019 from 22.1% in 2018.

**Liquidity and Capital Resources:**

Our cash balance was approximately \$6,125,000 at December 31, 2019 compared to approximately \$1,401,000 at December 31, 2018. In addition, we had restricted cash of approximately \$1,885,000 and \$2,333,000 at December 31, 2019 and 2018, respectively. The restricted cash constitutes amounts held in a custodial account that are to be used from time to time to fund additional capital expenditures in connection with the Expansion Project. See Note 8 to the consolidated financial statements included in this report for additional information.

The following table summarizes our cash flows for the years ended December 31, 2019 and 2018:

	<b>Years Ended December 31,</b>	
	<b>2019</b>	<b>2018</b>
Net cash provided by operating activities	\$ 5,991,728	\$ 1,218,079
Net cash used in investing activities	(793,474)	(1,735,498)
Net cash used in financing activities	(923,898)	(913,254)
Effect of exchange rate fluctuations on cash	2,140	(1,247)
Net increase (decrease) in cash	<u>\$ 4,276,496</u>	<u>\$ (1,431,920)</u>

Net cash provided by operating activities during 2019 increased by approximately \$4,774,000 or 391.9%, as compared to 2018. The increase was principally a result of the Company decreasing its gross inventories during 2019 by approximately \$2,571,000 as compared to the Company increasing its gross inventories by approximately \$3,021,000 in 2018. Other changes in working capital used approximately \$1,412,000 more in cash during 2019 than 2018. Net income combined with noncash expenses increased by approximately \$594,000 during 2019 as compared to 2018.

Inventories, net were approximately \$9,555,000 and \$12,085,000 at December 31, 2019 and 2018, respectively, representing a decrease of approximately \$2,530,000 or 20.9% in 2019. We believe the lower levels of inventories are sufficient to meet the Company's short-term needs.

Net trade accounts receivable at December 31, 2019 aggregated approximately \$7,132,000, an increase of approximately \$1,473,000, or 26.0%, compared to approximately \$5,659,000 in net trade accounts receivable outstanding at December 31, 2018. The increase principally was due to an increase in net sales during the month ended December 31, 2019, as compared to the month ended December 31, 2018. Receivables due from affiliated companies aggregated approximately \$962,000 at December 31, 2019, a decrease of approximately \$84,000, or 8.0%, from receivables due from affiliated companies of approximately \$1,046,000 at December 31, 2018.

Net cash used in investing activities during 2019 decreased by approximately \$942,000, or 54.3%, as compared to 2018. The decrease was a result of the Company decreasing its cash used for purchases of property, plant and equipment and intangible assets. Cash used for purchases of plant, property and equipment decreased by approximately \$640,000, primarily because the Expansion Project is mostly completed. See "Overview" above for additional information. Cash used for purchases of intangible assets decreased by approximately \$302,000. In 2019, the Company used \$75,000 to acquire intangible assets from Check Corporation, and in 2018, the Company used \$376,722 to acquire intangible assets from Snappy Marine. See Note 5 to the consolidated financial statements included in this report for additional information.

Net cash used in financing activities during 2019 increased by approximately \$11,000 or 1.2%, as compared to 2018. In both years, the Company's primary use of cash in financing activities was to pay dividends to common shareholders and to make payments on long-term debt.

See Notes 6 and 8 to the consolidated financial statements included in this report for information concerning our principal credit facilities, consisting of Kinpak's obligations relating to an industrial development bond financing with respect to the Expansion Project, the payment of which we have guaranteed and a revolving line of credit. At December 31, 2019 and 2018, we had outstanding balances of approximately \$3,974,000 and \$4,222,000, under Kinpak's obligations relating to the industrial development bond financing respectively, and no borrowings under our revolving credit facility.

The loan agreement pertaining to our revolving credit facility, as amended, has a stated term that expires on August 31, 2021, although as was the case with earlier revolving lines of credit provided to us in recent years, amounts outstanding are payable on demand. Nevertheless, the loan agreement pertaining to our revolving line of credit, as amended, contains various covenants, including financial covenants that are described in Note 6 to the consolidated financial statements included in this report. At December 31, 2019, we were in compliance with these financial covenants. The revolving credit facility is subject to several events of default, including a decline of the majority shareholder's ownership below 50% of our outstanding shares.

Our guarantee of Kinpak's obligations related to the industrial development bond financing are subject to various covenants, including financial covenants that are described in Note 8 to the consolidated financial statements included in this report. As of December 31, 2019, we were in compliance with these financial covenants.

In connection with our 2018 acquisition of assets of Snappy Marine, we issued a promissory note in the amount of \$1,000,000, including interest (of the \$1,000,000 amount of the promissory note, \$930,528 was recorded as principal, and the remaining \$69,472, representing an imputed interest rate of 2.87% per annum, is being recorded as interest expense over the term of the note). At December 31, 2019, we had an outstanding balance of \$716,666 under the promissory note (including \$680,274 recorded as principal and \$36,392 to be recorded as interest expense over the remaining term of the note). We also obtained financing through leases for office equipment, totaling approximately \$26,000 and \$31,000 at December 31, 2019 and December 31, 2018, respectively.

Some of our assets and liabilities are denominated in Canadian dollars and are subject to currency exchange rate fluctuations. We do not engage in currency hedging and address currency risk as a pricing issue. In 2019, we recorded \$1,243 in foreign currency translation adjustments, which resulted in a corresponding increase in shareholders' equity. In 2018, we recorded \$7,683 in foreign currency translation adjustments, which resulted in a corresponding decrease in shareholders' equity.

Many of the raw materials that we use in the manufacturing process are petroleum or chemical based and commodity chemicals that are subject to fluctuating prices. The nature of our business does not enable us to pass through the price increases to our national retailer customers and to our distributors as promptly as we experience increases in raw material costs. This may, at times, adversely affect our margins.

During the past few years, we have introduced a number of new products. At times, new product introductions have required us to increase our overall inventory and have resulted in lower inventory turnover rates. The effects of reduced inventory turnover have not been material to our overall operations.

We believe that funds provided through operations, our revolving line of credit, and other sources of financing will be sufficient to satisfy our cash requirements over at least the next twelve months. Although amounts outstanding under our revolving line of credit facility are payable on demand, based on our experience with respect to previous revolving line of credit facilities with the same bank that is providing our current revolving line of credit facility, we anticipate that we will be able to maintain borrowings, if any, under the current revolving line of credit facility until the end of its stated term.

#### **Item 7A. Quantitative and Qualitative Disclosure about Market Risk**

Not applicable.

#### **Item 8. Financial Statements and Supplementary Data**

The audited consolidated financial statements of the Company required pursuant to this Item 8 are included in 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**

Not applicable.

#### **Item 9A. Controls and Procedures:**

**Evaluation of Disclosure Controls and Procedures.** The Company's management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) at the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that as of the end of the period covered by this report, the Company's disclosure controls and procedures are effective to provide reasonable assurance that information we are required to disclose in reports that we file or submit under the Exchange Act are (i) recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and (ii) accumulated and communicated to the Company's management, including the Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

**Change 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 Company's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.



**Management's Annual Report on Internal Control over Financial Reporting**

Management of Ocean Bio-Chem, Inc. is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management evaluated the Company's internal control over financial reporting as of December 31, 2019. In making this assessment, management used the framework established in *Internal Control-Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). As a result of this assessment and based on the criteria in the COSO framework, management has concluded that, as of December 31, 2019, the Company's internal control over financial reporting was effective.

**Item 9B. Other Information**

Not applicable.

**PART III**

**Item 10. Directors, Executive Officers and Corporate Governance**

Information required by this item is incorporated by reference to the Company's definitive proxy statement, which will be filed with the Commission no later than 120 days after the close of the fiscal year covered by this report.

**Item 11. Executive Compensation**

Information required by this item is incorporated by reference to the Company's definitive proxy statement, which will be filed with the Commission no later than 120 days after the close of the fiscal year covered by this report.

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

Information required by this item is incorporated by reference to the Company's definitive proxy statement, which will be filed with the Commission no later than 120 days after the close of the fiscal year covered by this report.

**Item 13. Certain Relationships and Related Transactions, and Director Independence**

Information required by this item is incorporated by reference to the Company's definitive proxy statement, which will be filed with the Commission no later than 120 days after the close of the fiscal year covered by this report.

**Item 14. Principal Accounting Fees and Services**

Information required by this item is incorporated by reference to the Company's definitive proxy statement, which will be filed with the Commission no later than 120 days after the close of the fiscal year covered by this report.

PART IV

**Item 15. Exhibits, Financial Statement Schedules**

- (a) Financial Statements – See the Index to Consolidated Financial Statements on page F-1.
- (b) Exhibits:

Unless otherwise noted, the file number of each referenced filing is 0-11102.

**Exhibit No.**

3.1.1	<a href="#">Articles of Incorporation and amendments through May 20, 1994 (incorporated by reference to Exhibit 3.1 to the Company’s Annual Report on Form 10-K for the year ended December 31, 2010).</a>
3.1.2	<a href="#">Articles of Amendment to the Articles of Incorporation, as filed on June 13, 2012 (incorporated by reference to Exhibit 3.1.2 to the Company’s Annual Report on Form 10-K for the year ended December 31, 2012).</a>
3.2	<a href="#">Amended and Restated Bylaws (incorporated by reference to Exhibit 3.1 to the Company’s Current Report on Form 8-K, filed with the Securities and Exchange Commission on December 5, 2011).</a>
*4	<a href="#">Description of Common Stock</a>
10.1.1	<a href="#">Business Loan Agreement, dated August 31, 2018, between the Company and Regions Bank (the “Business Loan Agreement”) (incorporated by reference to Exhibit 10.1.1 to the Company’s Quarterly Report on Form 10-Q for the quarter ended September 30, 2018).</a>
10.1.2	<a href="#">Promissory Note, dated August 31, 2018, issued by the Company to Regions Bank in connection with the revolving line of credit under the Business Loan Agreement (the “Promissory Note”) (incorporated by reference to Exhibit 10.1.2 to the Company’s Quarterly Report on Form 10-Q for the quarter ended September 30, 2018).</a>
10.1.3	<a href="#">Letter, dated August 31, 2018, from Regions Bank to the Company, regarding certain terms under the Business Loan Agreement and the Promissory Note (incorporated by reference to Exhibit 10.1.3 to the Company’s Quarterly Report on Form 10-Q for the quarter ended September 30, 2018).</a>
†10.2	<a href="#">Ocean Bio-Chem, Inc. 2015 Equity Compensation Plan, as amended (incorporated by reference to Exhibit 10.1 to the Company’s Quarterly Report on Form 10-Q, filed with the Securities and Exchange Commission on August 12, 2016).</a>
10.3.1	<a href="#">Form of Industrial Development Revenue Bond (Kinpak Inc. Project) Series 2017 (incorporated by reference to Exhibit 99.1 to the Company’s Current Report on Form 8-K, filed with the Securities and Exchange Commission on October 2, 2017).</a>
10.3.2	<a href="#">Second Restated Lease Agreement, dated as of September 1, 2017, between The Industrial Development Board of the City of Montgomery and KINPAK, Inc. (incorporated by reference to Exhibit 99.2 to the Company’s Current Report on Form 8-K, filed with the Securities and Exchange Commission on October 2, 2017).</a>
10.3.3	<a href="#">Mortgage, Security Agreement and Assignment of Rents and Leases, dated as of September 1, 2017, provided by The Industrial Development Board of the City of Montgomery and KINPAK, Inc. (incorporated by reference to Exhibit 99.3 to the Company’s Current Report on Form 8-K, filed with the Securities and Exchange Commission on October 2, 2017).</a>
10.3.4	<a href="#">Guaranty Agreement, dated as of September 1, 2017, provided by Ocean Bio-Chem, Inc. and its consolidated subsidiaries party thereto (incorporated by reference to Exhibit 99.4 to the Company’s Current Report on Form 8-K, filed with the Securities and Exchange Commission on October 2, 2017).</a>
†10.4	<a href="#">Ocean Bio-Chem, Inc. 2008 Non-Qualified Stock Option Plan, as amended (incorporated by reference to Exhibit 99.5 to the Company’s Registration Statement on Form S-8 (File No. 333-176268), filed with the Securities and Exchange Commission on August 12, 2011).</a>
10.5.1	<a href="#">Net Lease, dated May 1, 1998, between Star Brite Distributing, Inc. and PEJE, Inc (incorporated by reference to Exhibit 10.14 to the Company’s Annual Report on Form 10-K for the year ended December 31, 2004).</a>
10.5.2	<a href="#">Renewal of Lease, dated May 1, 2008, between Star Brite Distributing, Inc. and PEJE, Inc. (incorporated by reference to Exhibit 10.24 to the Company’s Annual Report on Form 10-K for the year ended December 31, 2008).</a>
10.5.3	<a href="#">Amendment Number Two to Net Lease, dated May 16, 2013, between Star Brite Distributing, Inc. and PEJE, Inc. (incorporated by reference to Exhibit 10.13 to the Company’s Annual Report on Form 10-K for the year ended December 31, 2013).</a>
*21	<a href="#">List of Subsidiaries</a>
*31.1	<a href="#">Certification of Chief Executive Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act.</a>
*31.2	<a href="#">Certification of Chief Financial Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act.</a>
*32.1	<a href="#">Certification of Chief Executive Officer pursuant to Rule 13a-14(b) under the Securities Exchange Act and 18 U.S.C. Section 1350.</a>
*32.2	<a href="#">Certification of Chief Financial Officer pursuant to Rule 13a-14(b) under the Securities Exchange Act and 18 U.S.C. Section 1350.</a>
101	The following materials from Ocean Bio-Chem Inc.’s Annual Report on Form 10-K for the year ended December 31, 2019, formatted in XBRL (eXtensible Business Reporting Language): (i) Consolidated Balance Sheets at December 31, 2019 and December 31, 2018; (ii) Consolidated Statements of Operations for the years ended December 31, 2019 and 2018; (iii) Consolidated Statements of Comprehensive Income for the years ended December 31, 2019 and 2018; (iv) Consolidated Statements of Changes in Shareholders Equity for the years ended December 31, 2019 and 2018, (v) Consolidated Statements of Cash Flows for the years ended December 31, 2019 and 2018 and (vi) Notes to Consolidated Financial Statements.

\* Filed herewith.

† Constitutes management contract or compensatory plan or arrangement required to be filed as in exhibit to this report.

**Item 16. Form 10-K Summary**

Registrants may voluntarily include a summary of information required by Form 10-K under this Item 16. The Company has elected not to include a summary.



**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, thereunto duly authorized.

**OCEAN BIO-CHEM, INC.**

Date: March 27, 2020

By: /s/ Peter G. Dornau  
 PETER G. DORNAU  
 Chairman of the Board, President and  
 Chief Executive Officer

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.

<b>Signature</b>	<b>Capacity</b>	<b>Date</b>
<u>/s/ Peter G. Dornau</u> Peter G. Dornau	Chairman of the Board, President and Chief Executive Officer (Principal Executive Officer)	March 27, 2020
<u>/s/ Jeffrey S. Barocas</u> Jeffrey S. Barocas	Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	March 27, 2020
<u>/s/ Diana M. Conard</u> Diana M. Conard	Director	March 27, 2020
<u>/s/ Gregor M. Dornau</u> Gregor M. Dornau	Director	March 27, 2020
<u>/s/ William W. Dudman</u> William W. Dudman	Director	March 27, 2020
<u>/s/ James M. Kolisch</u> James M. Kolisch	Director	March 27, 2020
<u>/s/ Kimberly A. Krause</u> Kimberly A. Krause	Director	March 27, 2020
<u>/s/ John B. Turner</u> John B. Turner	Director	March 27, 2020

**OCEAN BIO-CHEM, INC. AND SUBSIDIARIES**  
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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

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

**Opinion on the Financial Statements**

We have audited the accompanying consolidated balance sheets of Ocean Bio-Chem, Inc. (the Company) as of December 31, 2019 and 2018, and the related consolidated statements of operations, comprehensive income, shareholders' equity, and cash flows for the years then ended, and the related notes and schedules (collectively referred to as the financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and the results of its operations and its cash flow for each of the years then ended, in conformity with accounting principles generally accepted in the United States of America.

**Basis for Opinion**

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit, we are required to obtain an understanding of internal control over financial reporting, 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.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

/s/ Accell Audit & Compliance, P.A.

We have served as the Company's auditor since 2018.

Tampa, Florida  
March 27, 2020

4806 West Gandy Boulevard • Tampa, Florida 33611 • 813.440.6380



OCEAN BIO-CHEM, INC. AND SUBSIDIARIES  
 CONSOLIDATED BALANCE SHEETS  
 DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
<b>ASSETS</b>		
Current Assets:		
Cash	\$ 6,125,322	\$ 1,401,047
Trade accounts receivable less allowances of approximately \$162,000 and \$171,000, respectively	7,132,256	5,658,686
Receivables due from affiliated companies	962,154	1,045,990
Insurance claim receivable	50,520	-
Restricted cash	1,885,098	2,332,877
Inventories, net	9,555,071	12,085,813
Prepaid expenses and other current assets	935,022	1,010,641
<b>Total Current Assets</b>	<b><u>26,645,443</u></b>	<b><u>23,535,054</u></b>
Property, plant and equipment, net	9,338,227	9,649,237
Operating lease – right to use	352,190	-
Intangible assets, net	1,949,947	2,050,212
<b>Total Assets</b>	<b><u>\$ 38,285,807</u></b>	<b><u>\$ 35,234,503</u></b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current Liabilities:		
Current portion of long-term debt, net	\$ 483,477	\$ 425,663
Current portion of operating lease liability	83,270	-
Accounts payable - trade	1,047,385	1,472,230
Accrued expenses payable	1,214,938	1,108,905
<b>Total Current Liabilities</b>	<b><u>2,829,070</u></b>	<b><u>3,006,798</u></b>
Deferred tax liability	311,374	280,349
Operating lease liability, less current portion	268,920	-
Long-term debt, less current portion and debt issuance costs	4,142,179	4,514,105
<b>Total Liabilities</b>	<b><u>7,551,543</u></b>	<b><u>7,801,252</u></b>
COMMITMENTS AND CONTINGENCIES		
Shareholders' Equity:		
Common stock - \$.01 par value, 12,000,000 shares authorized; 9,442,809 shares and 9,338,191 shares issued and outstanding, respectively	94,428	93,382
Additional paid in capital	10,503,171	10,235,827
Accumulated other comprehensive loss	(294,491)	(295,734)
Retained earnings	20,431,156	17,399,776
<b>Total Shareholders' Equity</b>	<b><u>30,734,264</u></b>	<b><u>27,433,251</u></b>
<b>Total Liabilities and Shareholders' Equity</b>	<b><u>\$ 38,285,807</u></b>	<b><u>\$ 35,234,503</u></b>

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

**OCEAN BIO-CHEM, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
**YEARS ENDED DECEMBER 31, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
<b>Net sales</b>	\$ 42,259,487	\$ 41,799,545
Cost of goods sold	<u>26,659,427</u>	<u>27,402,356</u>
<b>Gross profit</b>	<b>15,600,060</b>	<b>14,397,189</b>
Operating Expenses:		
Advertising and promotion	3,147,289	3,050,858
Selling and administrative	<u>7,839,411</u>	<u>7,638,158</u>
Total operating expenses	10,986,700	10,689,016
<b>Operating income</b>	<b>4,613,360</b>	<b>3,708,173</b>
<b>Other expense</b>		
Interest expense, net	<u>(118,642)</u>	<u>(121,894)</u>
<b>Income before income taxes</b>	<b>4,494,718</b>	<b>3,586,279</b>
Provision for income taxes	<u>(996,004)</u>	<u>(791,030)</u>
<b>Net income</b>	<b>\$ 3,498,714</b>	<b>\$ 2,795,249</b>
Earnings per common share – basic and diluted	<u>\$ 0.37</u>	<u>\$ 0.30</u>
Dividends declared per common share	<u>\$ 0.05</u>	<u>\$ 0.06</u>

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

OCEAN BIO-CHEM, INC. AND SUBSIDIARIES  
 CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
 YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Net income	\$ 3,498,714	\$ 2,795,249
Foreign currency translation adjustment	<u>1,243</u>	<u>(7,683)</u>
Comprehensive income	<u>\$ 3,499,957</u>	<u>\$ 2,787,566</u>

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



**OCEAN BIO-CHEM, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY**  
**YEARS ENDED DECEMBER 31, 2019 AND 2018**

	Common Stock		Additional Paid In Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Total
	Shares	Amount				
<b>January 1, 2018</b>	<b>9,254,580</b>	<b>\$ 92,546</b>	<b>\$ 9,931,634</b>	<b>\$ (288,051)</b>	<b>\$ 15,159,802</b>	<b>\$ 24,895,931</b>
Net income	-	-	-	-	2,795,249	2,795,249
Dividends, common stock	-	-	-	-	(555,275)	(555,275)
Options exercised	8,510	85	(85)	-	-	-
Stock based compensation	81,400	814	330,009	-	-	330,823
Shares withheld in consideration of employee tax obligations related to stock-based compensation	(6,299)	(63)	(25,731)	-	-	(25,794)
Foreign currency translation adjustment	-	-	-	(7,683)	-	(7,683)
<b>December 31, 2018</b>	<b>9,338,191</b>	<b>93,382</b>	<b>10,235,827</b>	<b>(295,734)</b>	<b>17,399,776</b>	<b>27,433,251</b>
Net income	-	-	-	-	3,498,714	3,498,714
Dividends, common stock	-	-	-	-	(468,306)	(468,306)
Options exercised	27,928	279	13,520	-	-	13,799
Stock based compensation	83,000	830	274,710	-	-	275,540
Shares withheld in consideration of employee tax obligations related to stock-based compensation	(6,310)	(63)	(20,886)	-	-	(20,949)
Cumulative effect adjustment on adoption of ASU 2016-02 Leases (Topic 842)	-	-	-	-	972	972
Foreign currency translation adjustment	-	-	-	1,243	-	1,243
<b>December 31, 2019</b>	<b>9,442,809</b>	<b>\$ 94,428</b>	<b>\$ 10,503,171</b>	<b>\$ (294,491)</b>	<b>\$ 20,431,156</b>	<b>\$ 30,734,264</b>

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

**OCEAN BIO-CHEM, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
<b>Cash flows from operating activities:</b>		
<b>Net income</b>	<b>\$ 3,498,714</b>	<b>\$ 2,795,249</b>
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,289,531	1,175,267
Deferred income taxes	31,025	126,454
Stock based compensation	275,540	330,823
Provision for bad debts	6,134	35,145
Provision for slow moving and obsolete inventory	(39,903)	9,814
Other operating non-cash items	(897)	(6,436)
Changes in assets and liabilities:		
Trade accounts receivable	(1,479,704)	(729,936)
Receivables due from affiliated companies	83,836	538,375
Inventories	2,570,645	(3,021,201)
Prepaid expenses and other current assets	75,619	2,572
Accounts payable – trade	(424,845)	(334,890)
Accrued expenses payable	106,033	296,843
<b>Net cash provided by operating activities</b>	<b><u>5,991,728</u></b>	<b><u>1,218,079</u></b>
<b>Cash flows from investing activities:</b>		
Purchases of property, plant and equipment	(718,474)	(1,358,776)
Purchase of intangible assets	(75,000)	(376,722)
<b>Net cash used in investing activities</b>	<b><u>(793,474)</u></b>	<b><u>(1,735,498)</u></b>
<b>Cash flows from financing activities:</b>		
Payments on long-term debt	(448,442)	(332,185)
Borrowings on revolving line of credit	1,000,000	2,750,000
Repayments on revolving line of credit	(1,000,000)	(2,750,000)
Payments for taxes related to net share settlements of stock awards	(20,949)	(25,794)
Dividends paid to common shareholders	(468,306)	(555,275)
Proceeds from exercise of stock options	13,799	-
<b>Net cash used in financing activities</b>	<b><u>(923,898)</u></b>	<b><u>(913,254)</u></b>
Effect of exchange rate on cash	2,140	(1,247)
<b>Net increase (decrease) in cash and restricted cash</b>	<b>4,276,496</b>	<b>(1,431,920)</b>
Cash and restricted cash at beginning of period	3,733,924	5,165,844
Cash and restricted cash at end of period	<b><u>\$ 8,010,420</u></b>	<b><u>\$ 3,733,924</u></b>
<b>Supplemental disclosure of cash flow information:</b>		
Cash paid for interest during period	<u>\$ 156,623</u>	<u>\$ 136,031</u>
Cash paid for income taxes during period	<u>\$ 778,009</u>	<u>\$ 660,000</u>
Operating lease right to use asset exchanged for operating lease liability	<u>\$ 432,466</u>	<u>\$ -</u>
Finance lease right to use assets exchanged for finance lease liabilities	<u>\$ 44,979</u>	<u>\$ -</u>
Cash paid under operating lease	<u>\$ 94,800</u>	<u>\$ 94,800</u>
Cash	\$ 6,125,322	\$ 1,401,047
Restricted cash	1,885,098	2,332,877
Total cash and restricted cash	<b><u>\$ 8,010,420</u></b>	<b><u>\$ 3,733,924</u></b>
<b>Noncash investing and financing activities:</b>		
Issuance of note payable for asset acquisition	\$ 100,000	\$ 1,000,000
Imputed interest	(2,988)	(69,472)
Principal portion of note payable issued for asset acquisition	<u>\$ 97,012</u>	<u>\$ 930,528</u>

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

**OCEAN BIO-CHEM, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2019 AND 2018**

**Note 1 – Organization and Summary of Significant Accounting Policies:**

**Organization** – The Company was incorporated in November 1973 under the laws of the state of Florida and manufactures, markets and distributes products, principally under the Star brite® and Star Tron® brand names, for the marine, automotive, power sports, recreational vehicle and outdoor power equipment markets in the United States and Canada. In addition, the Company produces private label formulations of many of its products for various customers and provides custom blending and packaging services for these and other products. The Company also manufactures disinfectants, sanitizers and deodorizers under the Performacide® and Star brite® brand names.

**Basis of presentation and consolidation** – The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”). 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. Certain prior period data have been reclassified to conform to the current period presentation.

**Revenue recognition** – On January 1, 2018, the Company adopted Accounting Standards Update (“ASU”) 2014-09, “*Revenue from Contracts with Customers*” (Topic 606). Under ASU 2014-09, revenue from a performance obligation satisfied at a point in time is recognized at the point in time that the Company determines that the customer obtains control over the promised good or service. The amount of revenue recognized reflects the consideration to which the Company expects to be entitled to in exchange for the promised goods or services. Under ASU 2014-09, the Company’s performance obligation to its customers under agreements currently in force is satisfied when the goods are shipped or picked up by the customer and title of the goods is transferred (generally upon such shipment or pick up); with regard to a customer for which the Company’s inventory is held at the customer’s warehouses, the Company’s performance obligation is deemed satisfied when the Company is notified of sales by the customer. Sales allowances provided by the Company to customers are recorded as a reduction of net sales.

**Leases** - On January 1, 2019, the Company adopted ASU 2016-02, “*Leases*” (Topic 842). Under this new guidance, lessees (including lessees under leases classified as finance leases, which are to be classified based on criteria similar to that applicable to capital leases under the previous guidance, and leases classified as operating leases) recognize a right-to-use asset and a lease liability on the balance sheet, initially measured as the present value of lease payments under the lease. Under previous guidance, operating leases were not recognized on the balance sheet. The Company adopted ASU 2016-02 utilizing a modified retrospective method, under which the Company recorded an immaterial cumulative adjustment to retained earnings rather than retrospectively adjusting prior periods. As a result, the Company’s balance sheet presentation at December 31, 2019 is not comparable to the presentation at December 31, 2018. The adoption of ASU 2016-02 resulted in the recognition of approximately \$432,000 as an operating lease right to use asset and a corresponding operating lease liability, and the reclassification of office equipment with a net book value of approximately \$27,000 to a finance lease – right to use asset within property, plant and equipment.

As permitted under the new guidance, the Company has made an accounting policy election not to apply the recognition provisions of the new guidance to short term leases (leases with a lease term of 12 months or less that do not include an option to purchase the underlying asset that the lessee is reasonably certain to exercise); instead, the Company will recognize the lease payments for short term leases on a straight-line basis over the lease term. The Company did not have any short- term leases at December 31, 2019.

**Collectability of accounts receivable** – Trade accounts receivable at December 31, 2019 and 2018 are net of allowances for doubtful accounts aggregating approximately \$162,000 and \$171,000, respectively. Such amounts are based on expected collectability of the trade accounts receivable, after considering the Company’s historical collection experience, the length of time an account is outstanding, the financial position of the customer, if known, and information provided by credit rating services. During the years ended December 31, 2019 and 2018, the Company recorded bad debt expense of approximately \$6,000 and \$35,000, respectively.

**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 net realizable value.

**Shipping and handling costs** – All shipping and handling costs incurred by the Company are included in cost of goods sold in the consolidated statements of operations. Shipping and handling costs totaled approximately \$1,148,000 and \$1,273,000 for the years ended December 31, 2019 and 2018, respectively.

**Advertising and promotion expense** – Advertising and promotion expense consists of advertising costs and marketing expenses, including catalog costs and expenses relating to participation at trade shows. Advertising costs are expensed in the period in which the advertising occurs and totaled approximately \$3,147,000 and \$3,051,000 in 2019 and 2018, respectively.

**Property, plant and equipment** – Property, plant and equipment is stated at cost, net of depreciation. Depreciation is provided over the estimated useful lives of the related assets using the straight-line method. Depreciation expense totaled \$1,015,998 (of which \$909,411 is included in cost of goods sold and \$106,587 is included in selling and administrative expenses) and \$1,001,206 (of which \$837,478 is included in cost of goods sold and \$163,728 is included in selling and administrative expenses) for the years ended December 31, 2019 and 2018, respectively.



Research and development costs – Research and development costs are expensed as incurred and recorded in selling and administrative expenses in the consolidated statements of operations. The Company incurred approximately \$59,000 and \$49,000 of research and development costs for the years ended December 31, 2019 and 2018, respectively.

Stock based compensation – The Company records stock-based compensation in accordance with the provisions of Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic 718, “*Accounting for Stock Compensation*,” which establishes accounting standards for transactions in which an entity exchanges its equity instruments for goods or services. In accordance with guidance provided under ASC Topic 718, the Company recognizes an expense for the fair value of its stock awards at the time of grant and the fair value of its outstanding stock options as they vest, whether held by employees or others. As of December 31, 2019, all outstanding stock options were vested.

Use of estimates – The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Concentration of cash – During the years ended and at December 31, 2019 and 2018, the Company 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 – ASC Topic 820, “*Fair Value Measurements and Disclosures*” defines “fair value” as the price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

ASC Topic 820 also sets forth a valuation hierarchy of the inputs (assumptions that market participants would use in pricing an asset or liability) used to measure fair value. The hierarchy prioritizes the three levels of inputs as follows:

Level 1: Observable inputs that reflect unadjusted quoted prices for identical assets or liabilities traded in active markets.

Level 2: Inputs that include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; inputs other than quoted prices that are observable for the asset or liability; and inputs that are derived principally from or corroborated by observable market data through correlation or other means.

Level 3: Inputs that are generally unobservable. These inputs may be used with internally developed data in connection with fair value measurements.

The carrying amounts of the Company’s short-term financial instruments, including cash, accounts receivable, accounts payable, certain accrued expenses and revolving line of credit, approximate their fair value due to the relatively short period to maturity for these instruments. The fair value of long-term debt is based on current rates at which the Company could borrow funds with similar remaining maturities; the carrying amount of the long-term debt approximates fair value.

Impairment of long-lived assets – Potential impairments of long-lived assets are reviewed when events or changes in circumstances indicate a potential impairment may exist. In accordance with ASC Subtopic 360-10, “*Property, Plant and Equipment – Overall*,” impairment is determined when estimated future undiscounted cash flows associated with an asset are less than the asset’s carrying value.

Income taxes – The Company records income taxes under the asset and liability method. Under this method, the Company recognizes deferred income tax assets and liabilities for the expected future consequences attributable to temporary differences between the financial reporting and tax bases of assets and liabilities. These differences are measured using tax rates that are expected to apply to taxable income in the years in which those temporary differences are recovered or settled. The Company recognizes in the consolidated statements of operations the effect on deferred income taxes of a change in tax rates in the period in which the change is enacted.

The Company records a valuation allowance when necessary to reduce its deferred tax assets to the net amount that the Company believes is more likely than not to be realized. The Company considers available evidence, both positive and negative, and use judgments regarding past and future events, including operating results and available tax planning strategies, in assessing the need for a valuation allowance.

The Company recognizes tax benefits from uncertain tax positions only if the Company believes that it is more likely than not that the tax positions will be sustained on examination by the taxing authorities based on the technical merits of the positions; otherwise, the Company establishes reserves for uncertain tax positions. The Company adjusts reserves with respect to uncertain tax positions to address developments related to these positions, such as the closing of a tax audit, the expiration of a statute of limitations or the refinement of an estimate. The provision for income taxes includes any reserves with respect to uncertain tax positions that are considered appropriate, as well as the related net interest and penalties. The Company has no uncertain tax positions as of December 31, 2019.

The Company is no longer subject to income tax examinations for years before 2016.

**Intangible assets** – The Company’s intangible assets consist of trademarks, trade names, customer lists, product formulas, patents and royalty rights. At December 31, 2019, The Company had intangible assets with a cost of approximately \$3,375,000, of which approximately \$2,793,000 have finite lives and approximately \$582,000 have indefinite lives. The Company amortizes intangible assets with finite lives over the shorter of their estimated useful or legal life. The useful life is reevaluated for each reporting period. The Company evaluates intangible assets with finite and indefinite lives for impairment at least annually or when events or changes in circumstances indicate that an impairment may exist. The Company determined that none of its intangible assets were impaired in 2019 or 2018.

**Foreign currency translation** – Assets and liabilities of the Company’s Canadian subsidiary are translated from Canadian dollars to United States dollars at exchange rates in effect at the balance sheet date. Income and expenses are translated at average exchange rates during the year. The translation adjustments for the reporting period are included in the Company’s consolidated statements of comprehensive income, and the cumulative effect of these adjustments are reported in the Company’s consolidated balance sheets as accumulated other comprehensive loss within Shareholders’ Equity.

**Earnings per share** – Basic earnings per share are computed by dividing net earnings available to common shareholders by the weighted average number of common shares outstanding during the period. Diluted earnings per share are computed assuming the exercise of dilutive stock options under the treasury stock method. See Note 13.

#### **Note 2 – Inventories:**

The composition of the Company’s inventories at December 31, 2019 and 2018 are as follows:

	<b>2019</b>	<b>2018</b>
Raw materials	\$ 3,872,752	\$ 4,320,131
Finished goods	5,926,525	8,049,791
Inventories, gross	9,799,277	12,369,922
Inventory reserves	(244,206)	(284,109)
Inventories, net	<u>\$ 9,555,071</u>	<u>\$ 12,085,813</u>

The inventory reserves shown in the table above reflect slow moving and obsolete inventory.

The Company operates a vendor managed inventory program with one of its customers to improve the promotion of the Company’s products. The Company manages the inventory levels at this customer’s warehouses and recognizes revenue as the products are sold by the customer. The inventories managed at the customer’s warehouses, which are included in inventories, net, amounted to approximately \$562,000 and \$495,000 at December 31, 2019 and 2018, respectively.

#### **Note 3 – Property, Plant and Equipment:**

The Company’s property, plant and equipment at December 31, 2019 and 2018 consisted of the following:

	<b>Estimated Useful Life</b>	<b>2019</b>	<b>2018</b>
Land		\$ 278,325	\$ 278,325
Building and Improvements	30 years	9,563,406	9,548,922
Manufacturing and warehouse equipment	6-20 years	10,699,461	10,736,161
Office equipment and furniture	3-5 years	1,778,781	1,838,360
Leasehold improvements	10-15 years	577,068	577,068
Finance leases – right to use	5 years	45,951	-
Vehicles	3 years	10,020	10,020
Construction in process		142,612	80,682
Property, plant and equipment, gross		23,095,624	23,069,538
Less accumulated depreciation		(13,757,397)	(13,420,301)
Property, plant and equipment, net		<u>\$ 9,338,227</u>	<u>\$ 9,649,237</u>

The Company’s wholly-owned subsidiary, KINPAK Inc. (“Kinpak”), has been engaged since 2017 in a project involving the expansion of its manufacturing, warehouse and distribution facilities in Montgomery, Alabama, as well as the purchase and installation of associated machinery and equipment (the “Expansion Project”). Kinpak has completed the construction of, and placed into service, an approximately 85,000 square foot addition to the facilities and an expansion of a tank farm to accommodate an additional 500,000 gallons of tank capacity. The final phase of the Expansion Project entails the evaluation, purchase and installation of additional equipment. At December 31, 2019, Kinpak has spent an aggregate of approximately \$6,117,000 on the Expansion Project. Of that amount, approximately \$2,654,000 was provided through a \$4,500,000 industrial development bond financing, which is described in Note 8.

On December 9, 2019, there was a chemical incident at our Kinpak facility.

The chemical incident damaged some of Kinpak's manufacturing equipment. At December 31, 2019, it was determined that manufacturing equipment with a book value of \$50,520 was no longer useable. The Company recorded a loss for the \$50,520 and an offsetting gain and receivable of \$50,520 in 2019. The Company is still assessing the total property damage from the chemical incident. At the time of this report the Company is unable to make an estimate of the total loss; however the Company expects to recover any losses through property insurance, which covers replacement cost.

**Note 4 – Leases:**

The Company has one operating lease and two finance leases.

Under the operating lease, the Company leases its executive offices and warehouse facilities in Fort Lauderdale, Florida from an entity controlled by Peter G. Dornau, the Company's Chairman, President and Chief Executive Officer. The lease, as extended, expires on December 31, 2023. The lease requires an annual minimum base rent of \$94,800 and provides for a maximum annual 2% increase in subsequent years, although the entity has not raised the minimum base rent since the Company entered into a previous lease agreement in 1998. Additionally, the leasing entity is entitled to reimbursement of all taxes, assessments, and any other expenses that arise from ownership. Each of the parties to the lease has agreed to review the terms of the lease every three years at the request of the other party. Operating lease expense in 2019 was approximately \$100,000, compared to rent expense of approximately \$97,000 in 2018. At December 31, 2019, the Company has a right to use asset and a corresponding liability of \$352,190 related to the operating lease. Set forth below is a schedule of future minimum rent payments under the operating lease.

Years ending December 31,	
2020	\$ 94,800
2021	94,800
2022	94,800
2023	94,800
Total future minimum lease payments	<u>379,200</u>
Less imputed interest	<u>(27,010)</u>
Total operating lease liability	<u>\$ 352,190</u>

The Company's two finance leases relate to office equipment. See Note 3 for information regarding the Company's finance lease right to use assets and Note 8 for information regarding the finance lease payment schedule.

Costs incurred with respect to the Company's leases during 2019 are set forth below.

	<b>Year Ended December 31, 2019</b>
Operating lease expense	\$ 100,000
Finance lease amortization	22,756
Finance lease interest	945
Total lease expense	<u>\$ 123,701</u>

The remaining lease term with respect to the operating lease, weighted average remaining lease term with respect to the finance leases and discount rate with respect to the operating lease and finance leases at December 31, 2019 are set forth below:

	<b>December 31, 2019</b>
Remaining lease term – operating lease	4.0 years
Weighted average remaining lease term – finance leases	2.6 years
Discount rate – operating lease	3.7%
Weighted average discount rate – finance leases	3.0%

**Note 5 – Intangible Assets:**

The Company's intangible assets at December 31, 2019 and 2018 consisted of the following:

December 31, 2019

<b>Intangible Assets</b>	<b>Cost</b>	<b>Accumulated Amortization</b>	<b>Net</b>
Patents	\$ 622,733	\$ 492,308	\$ 130,425
Trade names and trademarks	1,715,325	587,387	1,127,938
Customer list	584,468	153,319	431,149
Product formulas	292,234	76,659	215,575
Royalty rights	160,000	115,140	44,860
Total intangible assets	<u>\$ 3,374,760</u>	<u>\$ 1,424,813</u>	<u>\$ 1,949,947</u>

December 31, 2018

<b>Intangible Assets</b>	<b>Cost</b>	<b>Accumulated Amortization</b>	<b>Net</b>
Patents	\$ 622,733	\$ 439,972	\$ 182,761
Trade names and trademarks	1,649,880	561,449	1,088,431
Customer list	525,663	48,186	477,477
Product formulas	262,832	24,093	238,739
Royalty rights	160,000	97,196	62,804
Total intangible assets	<u>\$ 3,221,108</u>	<u>\$ 1,170,896</u>	<u>\$ 2,050,212</u>

On December 27, 2019, the Company acquired intangible assets of Check Corporation, a manufacturer and distributor of mildew and humidity control products.

The allocated cost of the intangible assets acquired from Check Corporation and their respective useful lives are set forth in the table below:

<b>Intangible Assets</b>	<b>Amount</b>	<b>Life</b>
Trademarks and trade names	\$ 65,445	5 years
Customer list	58,805	5 years
Product formulas	29,402	5 years
Total intangible assets acquired from Check Corporation	<u>\$ 153,652</u>	

On July 13, 2018, the Company acquired assets of Snappy Marine, a corporation that marketed and distributed Snappy Teak – NU<sup>®</sup>, a cleaning product for teak surfaces on boats principally consisting of intangible assets.

The allocated cost of the intangible assets acquired from Snappy Marine and their respective useful lives are set forth in the table below:

<b>Intangible Assets</b>	<b>Amount</b>	<b>Life</b>
Trademarks and trade names	\$ 518,755	20 years
Customer list	525,663	5 years
Product formulas	262,832	5 years
Total intangible assets acquired from Snappy Marine	<u>\$ 1,307,250</u>	

Amortization expense related to intangible assets aggregated \$253,917 and \$154,446 for the years ended December 31, 2019 and 2018, respectively.



**Note 6 – Revolving Line of Credit:**

On August 31, 2018, the Company and Regions Bank entered into a Business Loan Agreement (the “Business Loan Agreement”), under which the Company was provided a revolving line of credit. Under the revolving line of credit, the Company may borrow up to the lesser of (i) \$6,000,000 or (ii) a borrowing base equal to 85% of Eligible Accounts (as defined in the Business Loan Agreement) plus 50% of Eligible Inventory (as defined in the Business Loan Agreement). Interest on amounts borrowed under the revolving line of credit is payable monthly at the one-month LIBOR rate plus 1.35% per annum, computed on a 365/360 basis. Eligible Accounts do not include, among other things, accounts receivable from affiliated entities.

Outstanding amounts under the revolving line of credit are payable on demand. If no demand is made, the Company may repay and reborrow funds from time to time until expiration of the revolving line of credit on August 31, 2021, at which time all outstanding principal and interest will be due and payable. The Company’s obligations under the revolving line of credit are principally secured by the Company’s accounts receivable and inventory. The Business Loan Agreement includes financial covenants requiring that the Company maintain a minimum fixed charge coverage ratio (generally, the ratio of (A) EBITDA for the most recently completed four fiscal quarters minus the sum of the Company’s distributions to its shareholders, taxes paid and unfunded capital expenditures during such period to (B) prior year current maturities of Company long term debt plus interest expense incurred over the most recently completed four fiscal quarters) of 1.20 to 1, tested quarterly, and a maximum “debt to cap” ratio (generally, funded debt divided by the sum of net worth and funded debt) of 0.75 to 1, as of the end of each fiscal quarter. For purposes of computing the fixed charge coverage ratio, “EBITDA” generally is defined as net income before taxes and depreciation expense plus amortization expense, plus interest expense, plus non-recurring and/or non-cash losses and expenses, minus non-recurring and/or non-cash gains and income; “unfunded capital expenditures” generally is defined as capital expenditures made from Company funds other than funds borrowed through term debt incurred to finance such capital expenditures; “long term debt” generally is defined as “debt instruments with a maturity principal due date of one year or more in length,” including, among other listed contractual debt instruments, “revolving lines of credit” and “capital leases obligations” and “prior year current maturities of long term debt” generally is defined as the principal portions of long-term debt maturing within one year as listed at the last quarter end of the prior completed four fiscal quarters. At December 31, 2019, the Company was in compliance with these financial covenants. The revolving line of credit is subject to several events of default, including a decline in the majority shareholder’s ownership below 50% of all outstanding shares.

At December 31, 2019 and 2018, the Company had no borrowings under the revolving line of credit provided by the Business Loan Agreement.

**Note 7 – Accrued Expenses Payable:**

Accrued expenses payable at December 31, 2019 and 2018 consisted of the following:

	<u>2019</u>	<u>2018</u>
Accrued customer promotions	\$ 530,957	\$ 485,472
Accrued payroll, commissions, and benefits	417,629	373,895
Other	<u>266,352</u>	<u>249,538</u>
<b>Total accrued expenses payable</b>	<b><u>\$ 1,214,938</u></b>	<b><u>\$ 1,108,905</u></b>

**Note 8 – Long Term Debt:**

*Industrial Development Bond Financing*

On September 26, 2017, Kinpak indirectly obtained a \$4,500,000 loan from Regions Capital Advantage, Inc. (the “Lender”). The proceeds of the loan are being used principally to pay or reimburse costs relating to the Expansion Project.

The loan was funded by the Lender’s purchase of a \$4,500,000 industrial development bond (the “Bond”) issued by The Industrial Development Board of the City of Montgomery, Alabama (the “IDB”). The Bond is a limited obligation of the IDB and is payable solely out of revenues and receipts derived from the leasing or sale of Kinpak’s facilities. In this regard, Kinpak is obligated to fund the IDB’s payment obligations by providing rental payments under a lease between the IDB and Kinpak (the “Lease”), under which Kinpak leases its facilities from the IDB. Kinpak inherited the lease structure when it first acquired its facilities from its predecessor-in-interest in 1996. The Lease provides that prior to the maturity date of the Bond, Kinpak may repurchase the facilities for \$1,000 if the Bond has been redeemed or fully paid.

The Bond bears interest at the rate of 3.07% per annum, calculated on the basis of a 360-day year and the actual number of days elapsed (subject to increase to 6.07% per annum upon the occurrence of an event of default), and is payable in 118 monthly installments of \$31,324 beginning on November 1, 2017 and ending on August 1, 2027, with a final principal and interest payment to be made on September 1, 2027 in the amount of \$1,799,201. The Bond provides that the interest rate will be subject to adjustment if it is determined by the United States Treasury Department, the Internal Revenue Service, or a similar government entity that the interest on the Bond is includable in the gross income of the Lender for federal income tax purposes.

Under the Lease, Kinpak is required to make rental payments for the account of the IDB to the Lender in such amounts and at such times as are necessary to enable the payment of all principal and interest due on the Bond and other charges, if any, payable in respect of the Bond. The Lease also provides that Kinpak may redeem the Bond, in whole or in part, by prepaying its rental payment obligations in an amount sufficient to effect the redemption. In addition, the Lease contains provisions relating to the Expansion Project, including limitations on utilization of Bond proceeds, deposit of unused proceeds into a custodial account (as described below) and investment of monies held in the custodial account.

Payment of amounts due and payable under the Bond and other related agreements are guaranteed by the Company and its other consolidated subsidiaries. In connection with a guarantee agreement under which the Company provided its guarantee, the Company is subject to certain covenants, including financial covenants requiring that the Company maintain (i) a minimum fixed charge ratio (generally, the ratio of (A) EBITDA minus the sum of Company's distributions to its shareholders, taxes paid and unfunded capital expenditures to (B) current maturities of Company long-term debt plus interest expense) of 1.2 to 1, tested quarterly, and (ii) a ratio of funded debt (as defined in the guaranty agreement) divided by the sum of net worth and funded debt of 0.75 to 1, tested quarterly. For purposes of computing the fixed charge coverage ratio, "EBITDA" generally is defined as net income before taxes and depreciation expense plus amortization expense, plus interest expense, plus non-recurring and/or non-cash losses and expenses, minus non-recurring and/or non-cash gains and income; "unfunded capital expenditures" generally is defined as capital expenditures made from Company funds other than funds borrowed through term debt incurred to finance such capital expenditures. At December 31, 2019, the Company was in compliance with these financial covenants.

Through December 31, 2019, of the \$4,500,000 proceeds of the Bond sale, approximately \$2,654,000 has been applied to reimburse Kinpak for Expansion Project expenditures and approximately \$54,000 was paid directly to other parties for certain transaction costs. The remaining amount is held in a custodial account and may be drawn by Kinpak from time to time to fund additional expenditures related to the Expansion Project. Because the Lease contains limitations on the manner in which Kinpak may utilize funds held in the custodial account, such funds are classified as restricted cash on the Company's balance sheets.

The Company incurred debt financing costs of \$196,095 in connection with the financing. These costs are shown as a reduction of the debt balance and are being amortized under the effective interest method.

#### *Other Long-Term Obligations*

In connection with the Company's agreement to purchase assets of Snappy Marine, the Company provided to Snappy Marine a promissory note in the amount of \$1,000,000, including interest (of the \$1,000,000 amount of the promissory note, \$930,528 was recorded as principal, and the remaining \$69,472, representing an imputed interest rate of 2.87% per annum, is being recorded as interest expense over the term of the note). The note is payable in equal installments of \$16,667 over a 60-month period that commenced on August 1, 2018, with a final payment due and payable on July 1, 2023. If the note is prepaid in full, the entire outstanding balance of the note (including all unpaid amounts allocated to interest over the remaining term of the note) must be paid.

In connection with the Company's agreement to purchase assets of Check Corporation, the Company agreed to pay Check Corporation \$100,000 in equal installments of approximately \$4,348 over a 23-month period that commenced on January 15, 2020 with a final payment due and payable on November 15, 2021. The Company recorded \$97,012 as principal, and the remaining \$2,988, representing an imputed interest rate of 3.15% per annum, will be recorded as interest expense over the 23 months).

At December 31, 2019 and December 31, 2018, the Company was obligated under lease agreements covering equipment utilized in the Company's operations. The equipment leases, aggregating approximately \$26,000 and \$31,000 at December 31, 2019 and December 31, 2018, respectively, have maturities through 2024 and carry interest rates ranging from 2% to 4% per annum. The equipment leases are classified as finance leases. During 2019 and 2018, the Company paid approximately \$23,701 (\$22,756 principal and \$945 interest) and \$20,000 (\$19,237 principal and \$763 interest), respectively, under the lease agreements.

The following table provides information regarding the Company's long-term debt at December 31, 2019 and 2018:

	Current Portion		Long Term Portion	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Obligations related to industrial development bond financing	\$ 255,471	\$ 247,985	\$ 3,718,785	\$ 3,974,256
Note payable related to Snappy Marine asset acquisition	182,869	177,701	497,405	680,274
Obligation related to Check Corporation asset acquisition	49,930	-	47,082	
Equipment leases	14,823	19,593	11,312	11,596
Total principal of long-term debt	503,093	445,279	4,274,584	4,666,126
Debt issuance costs	(19,616)	(19,616)	(132,405)	(152,021)
Total long-term debt	\$ 483,477	\$ 425,663	\$ 4,142,179	\$ 4,514,105

Required principal payments under the Company's industrial development bond financing and other long-term obligations are set forth below:

Year ending December 31,	
2020	\$ 503,093
2021	502,493
2022	469,337
2023	399,954
2024	290,342
Thereafter	2,612,458
Total	\$ 4,777,677

**Note 9 – Income Taxes:**

The components of the Company’s provision for income taxes for the years ended December 31, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Federal – current	\$ 921,954	\$ 636,046
Federal – deferred	29,628	120,760
State – current	43,025	28,530
State – deferred	1,397	5,694
Total provision for income taxes	<u>\$ 996,004</u>	<u>\$ 791,030</u>

The reconciliation of the provision for income taxes at the statutory rate to the reported provision for income taxes is as follows:

	<u>2019</u>	<u>%</u>	<u>2018</u>	<u>%</u>
Income Tax computed at statutory rate	\$ 943,891	21.0%	\$ 753,119	21.0%
State tax, net of federal benefit	33,954	0.8%	22,468	0.6%
Share based compensation	(1,149)	(0.0)%	(1,233)	(0.0)%
Permanent adjustments	11,911	0.3%	14,040	0.4%
Tax credits and other	7,397	0.1%	2,636	0.1%
Provision for income taxes	<u>\$ 996,004</u>	<u>22.2%</u>	<u>\$ 791,030</u>	<u>22.1%</u>

The Company’s deferred tax liability consisted of the following at December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
<u>Deferred tax liability</u>		
Inventory reserves	\$ 53,701	\$ 62,475
Trade accounts receivable allowances	35,541	37,645
Depreciation and amortization	(400,616)	(380,469)
Total net deferred tax liability	<u>\$ (311,374)</u>	<u>\$ (280,349)</u>

**Note 10 – Related Party Transactions:**

The Company sells products to companies affiliated with Peter G. Dornau, who is the Company’s Chairman, President and Chief Executive Officer. The affiliated companies resell, outside of the United States and Canada, products they purchase from the Company. The Company also provides administrative services to these companies and pays certain business related expenditures for the affiliated companies, for which the Company is reimbursed. Sales to the affiliated companies aggregated approximately \$1,788,000 and \$2,190,000 for the years ended December 31, 2019 and 2018, respectively; fees for administrative services aggregated approximately \$779,000 and \$760,000, respectively; and amounts billed to the affiliated companies to reimburse the Company for business related expenditures made on behalf of the affiliated companies aggregated approximately \$113,000 and \$151,000 during the years ended December 31, 2019 and 2018, respectively. The Company had accounts receivable from the affiliated companies in connection with the product sales, administrative services and business-related expenditures aggregating approximately \$962,000 and \$1,046,000 at December 31, 2019 and 2018, respectively.

An entity that is owned by the Company’s Chairman, President and Chief Executive Officer provides several services to the Company. Under this arrangement, the Company paid the entity an aggregate of \$94,000 (\$42,000 for research and development, \$31,000 for charter boat services that the Company used to provide sales incentives for customers and \$21,000 for the production of television commercials) and \$77,000 (\$42,000 for research and development, \$14,000 for charter boat services that the Company used to provide sales incentives for customers, and \$21,000 for the production of television commercials) for the years ended December 31, 2019 and 2018, respectively. Expenditures for the research and development services are included in the consolidated statements of operations within selling and administrative expenses. Expenditures for the charter boat services and television production services are included in the consolidated statements of operations within advertising and promotion expenses.

The Company leases office and warehouse facilities in Fort Lauderdale, Florida from an entity controlled by its Chairman, President and Chief Executive Officer. See Note 4 for a description of the lease terms.

A director of the Company is Regional Executive Vice President of an insurance broker through which the Company sources most of its insurance needs. During the years ended December 31, 2019 and 2018, the Company paid an aggregate of approximately \$1,424,000 and \$1,261,000, respectively, in insurance premiums on policies obtained through the insurance broker.

**Note 11 – Stock Options and Awards:**

On May 29, 2015, the Company's shareholders approved the Ocean Bio-Chem, Inc. 2015 Equity Compensation Plan (the "Plan"). The Plan provides for grants of several types of awards at the discretion of the Equity Grant Committee of the Company's Board of Directors, including stock options, stock units, stock awards, stock appreciation rights and other stock-based awards. The Plan authorizes the issuance of 630,000 shares of Company common stock, subject to anti-dilution adjustments upon the occurrence of certain events affecting the common stock. During 2019 and 2018, the Company granted stock awards under the Plan aggregating 83,000 and 81,400 shares of common stock, respectively, to officers, key employees, and directors. Following the withholding of an aggregate of 6,310 and 6,299 shares of common stock, respectively, in connection with a tax withholding feature of the Plan, 76,690 and 75,101 shares were issued to the award recipients, during 2019 and 2018, respectively. The shares vested immediately upon issuance and were fully expensed in the period in which they were awarded. Compensation expense related to the stock awards was \$275,540 and \$330,823 in 2019 and 2018, respectively. The value of the shares the Company withheld for taxes related to the stock awards was \$20,949 and \$25,794 in 2019 and 2018, respectively. At December 31, 2019, 179,000 shares remained available for future issuance under the Plan. As a result of the adoption of the Plan, no further stock awards will be made under the Company's equity compensation plans previously approved by its shareholders (the "Prior Plans").

Prior to the May 29, 2015 effective date of the Plan, stock options were granted under the Prior Plans. Only non-qualified options granted under the Prior Plans were outstanding on December 31, 2019. Outstanding non-qualified options were granted to outside directors, have a 10-year term from the date of grant and are immediately exercisable. The last tranche of non-qualified options previously granted terminate on April 25, 2020. There was no compensation expense attributable to stock options recognized during 2019 and 2018, and at December 31, 2019 and 2018, there was no unrecognized compensation cost related to share based compensation arrangements.

During 2019, stock options to purchase an aggregate of 30,000 shares of common stock were exercised. The Company received a total of \$13,799, withheld 2,072 shares in connection with the net exercise feature of the stock options and issued an aggregate of 27,928 shares to the option holders who exercised their options.

During 2018, a former director exercised a stock option to purchase 10,000 shares of common stock. The Company withheld 1,490 shares in connection with the net exercise of the stock option by the former director and issued 8,510 shares to the former director.

In 2010, the Company granted, under its 2008 Non-Qualified Stock Option Plan, stock options to purchase 20,000 shares of its common stock at an exercise price per share of \$2.07 that remained outstanding at December 31, 2019. The stock options expire on April 25, 2020.

The following table provides information relating to stock option transactions during the years ended December 31, 2019 and 2018:

	2019		2018	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Options outstanding beginning of the year	50,000	\$ 1.24	60,000	\$ 1.15
Options exercised	(30,000)	0.69	(10,000)	0.69
Total	20,000	\$ 2.07	50,000	\$ 1.24

**Note 12 – Major Customers:**

The Company had net sales to each of three major customers that constituted in excess of 10% of the Company's consolidated net sales for the year ended December 31, 2019. Net sales to these three customers respectively represented approximately 43.2% (21.7%, 11.2%, and 10.3% of consolidated net sales for the year ended December 31, 2019). The Company had net sales to each of two major customers that constituted in excess of 10% of the Company's consolidated net sales for the year ended December 31, 2018. Net sales to these two customers respectively represented approximately 33.1% (21.7% and 11.4%) of consolidated net sales for the year ended December 31, 2018.

At December 31, 2019, three customers constituted at least 10% of the Company's gross trade accounts receivable, and at December 31, 2018 two customers constituted in excess of 10% of the Company's gross trade accounts receivable. The gross trade accounts receivable balances for these customers represented approximately 56.8% (28.0%, 15.3%, and 13.5%, respectively) of the Company's gross trade accounts receivable at December 31, 2019, and 41.0% (25.2% and 15.8%, respectively) of the Company's gross trade accounts receivable at December 31, 2018.



**Note 13 – Earnings Per Share:**

Basic earnings per share are calculated by dividing net income by the weighted average number of shares outstanding during the reporting period. Diluted earnings per share reflect additional dilution from potential common stock issuable upon the exercise of outstanding stock options. The following table sets forth the computation of basic and diluted earnings per common share, as well as a reconciliation of the weighted average number of common shares outstanding to the weighted average number of shares outstanding on a diluted basis.

	<b>Years Ended December 31,</b>	
	<b>2019</b>	<b>2018</b>
<b>Earnings per common share – Basic</b>		
Net income	\$ 3,498,714	\$ 2,795,249
Weighted average number of common shares outstanding	9,391,264	9,279,872
Earnings per common share – Basic	\$ 0.37	\$ 0.30
<b>Earnings per common share – Diluted</b>		
Net income	\$ 3,498,714	\$ 2,795,249
Weighted average number of common shares outstanding	9,391,264	9,279,872
Dilutive effect of employee stock-based awards	8,170	39,231
Weighted average number of common shares outstanding – Diluted	<u>9,399,434</u>	<u>9,319,103</u>
Earnings per common share – Diluted	<u>\$ 0.37</u>	<u>\$ 0.30</u>

The Company had no stock options outstanding at December 31, 2019 and 2018, respectively that were anti-dilutive and therefore not included in the diluted earnings per common share calculation.

**Note 14 – Cash Dividends:**

On March 22, 2019, the Company’s Board of Directors declared a special cash dividend of \$0.05 per common share payable on April 19, 2019 to all shareholders of record on April 5, 2019. There were 9,366,119 shares of common stock outstanding on April 5, 2019; therefore, dividends aggregating \$468,306 were paid on April 19, 2019.

On March 19, 2018, the Company’s Board of Directors declared a special cash dividend of \$0.06 per common share payable on April 16, 2018 to all shareholders of record on April 2, 2018. There were 9,254,580 shares of common stock outstanding on April 2, 2018; therefore, dividends aggregating \$555,275 were paid on April 16, 2018.

**Note -15 – Recent Accounting Pronouncements:***Accounting Guidance Adopted by the Company*

In February 2016, the FASB issued ASU 2016-02, “Leases” (Topic 842). Under this new guidance, lessees (including lessees under leases classified as finance leases, which are to be classified based on criteria similar to that applicable to capital leases under the previous guidance, and leases classified as operating leases) recognize a right-to-use asset and a lease liability on the balance sheet, initially measured as the present value of lease payments under the lease. Under previous guidance, operating leases were not recognized on the balance sheet. The Company adopted ASU 2016-02 on January 1, 2019 utilizing a modified retrospective method, under which the Company recorded an immaterial cumulative adjustment to retained earnings rather than retrospectively adjusting prior periods. As a result, the Company’s balance sheet presentation at December 31, 2019 is not comparable to the presentation at December 31, 2018. The adoption of ASU 2016-02 resulted in the recognition of approximately \$432,000 as an operating lease right to use asset and a corresponding operating lease liability, and the reclassification of office equipment with a net book value of approximately \$27,000 to a finance lease – right to use asset within property, plant and equipment.

As permitted under the new guidance, the Company has made an accounting policy election not to apply the recognition provisions of the new guidance to short term leases (leases with a lease term of 12 months or less that do not include an option to purchase the underlying asset that the lessee is reasonably certain to exercise); instead, the Company will recognize the lease payments for short term leases on a straight-line basis over the lease term. The Company did not have any short- term leases at December 31, 2019.

*Accounting Guidance Not Yet Adopted by the Company*

In June 2016, the FASB issued ASU 2016-13, “Financial Instruments – Credit Losses,” which replaces the “incurred loss” model under current GAAP with a forward-looking “expected loss” model, principally in connection with financial assets subject to credit losses. Under current GAAP, an entity reflects credit losses on financial assets measured on an amortized cost basis only when it is probable that losses have been incurred, generally considering only past events and current conditions in making these determinations. The guidance under ASU 2016-13 prospectively replaces this approach with a forward-looking methodology that reflects the expected credit losses over the lives of financial assets, beginning when such assets are first acquired. Under the expected loss model, credit losses will be measured based not only on past events and current conditions, but also on reasonable and supportable forecasts that affect the collectability of financial assets. The guidance also expands disclosure requirements. The guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. Early adoption is permitted as of January 1, 2019. The Company is currently evaluating the impact the adoption of this new standard will have on the Company’s consolidated financial statements.

**Note -16 – Subsequent Event:**

On March 16, 2020, the Company received an initial payment of \$411,657 from our insurance company to cover our initial losses from a chemical incident at our Kinpak facility. The \$411,657 was for the manufacturing equipment determined to be damaged in 2020. We are still evaluating the overall damage to equipment; however, we do not expect the loss to be in excess of our insurance recovery. Any gain or loss from the chemical incident will be recognized in a future period.

## DESCRIPTION OF COMMON STOCK

*General*

Ocean Bio-Chem, Inc. (“we,” “us,” “our,” or the “Company”) is authorized to issue 12,000,000 shares of common stock, par value \$0.01 per share (the “Common Stock”).

The transfer agent and registrar for the Common Stock is Computershare Trust Company, N.A., Meidinger Tower, 462 S. 4th Street, Louisville, KY 40202, telephone: (800) 522-6645.

The Common Stock is listed on the NASDAQ Capital Market under the symbol “OBCI.”

The following description of the Common Stock is based on our Certificate of Incorporation, as amended to date (the “Certificate of Incorporation”) and our Amended and Restated Bylaws, as amended to date (the “Bylaws”) and applicable Florida law.

*Common Stock*

Each holder of Common Stock is entitled to one vote for every share, and if the Company has issued fractional shares, to a fraction of a vote equal to every fractional share, of Common Stock standing in such holders’ name on the books of the Company on all matters presented to the shareholders. In the event of a liquidation, dissolution or winding up of the Company, the holders of Common Stock are entitled to share equally and ratably in the assets of the Company, if any, remaining after the payment of all of our debts and liabilities. The Common Stock has no preemptive rights, no cumulative voting rights and no redemption, sinking fund or conversion provisions.

Holders of Common Stock are entitled to receive dividends if, as and when declared by the Board of Directors out of funds legally available therefor. No dividends or other distributions (including redemptions or repurchases of shares of capital stock) may be made if, after giving effect to any such dividends or distributions, we would not be able to pay our debts as they become due in the usual course of our activities and affair or our total assets would be less than the sum of our total liabilities.

*Anti-takeover Effects of Certain Provisions of the Certificate of Incorporation, the Bylaws and Florida Law*

Certificate of Incorporation and Bylaws. Some of the provisions of our Certificate of Incorporation and Bylaws may be deemed to have anti-takeover effects and may discourage, delay, defer or prevent a takeover attempt that a shareholder might consider in its best interest. These provisions do the following:

- establish advance notice procedures for the nomination of candidates for election as directors and for shareholder proposals to be considered at annual shareholders’ meetings; and
- provide that special meetings of the shareholders may be called by our Board of Directors on its own initiative or upon request by the Chairman of the Board of Directors or the President of the Company or upon the delivery to our Secretary at the request of demand for a meeting by the holders of not less than ten percent of all the outstanding shares of the corporation entitled to be cast at the meeting.

Florida Law. Furthermore, some of the provisions of the Florida Business Corporations Act (the “FBCA”) could have the effect of delaying, deferring or preventing a change in control.

*Affiliated Transactions*

We are subject to provisions of the FBCA that provide that a corporation is prohibited (subject to certain exceptions) from engaging in specified transactions with persons (defined as “interested shareholders”) who own 15% or more of the outstanding voting stock of such corporation, as well as affiliates and associates of any such person. This prohibition is in place for three years after such person becomes an interested shareholder. The FBCA defines the prohibited specified transactions to include a wide variety of transactions with or caused by an interested shareholder, including mergers, asset sales and other transactions in which the interested shareholder receives or could receive a benefit on other than a proportional basis with other shareholders. This provision would then have an anti-takeover effect for transactions not approved in advance by our Board of Directors, including discouraging takeover attempts that might result in a premium over the market price for the shares of our Common Stock.

*Control Shares Act*

The FBCA provides that, in certain circumstances, a shareholder who acquires a controlling interest in a corporation, defined in the statute as an interest in excess of a 1/5, 1/3 or majority interest, has no voting rights in the shares acquired that caused the shareholder to exceed any such threshold, unless the corporation’s other shareholders, by majority vote (not include the interested shareholder), grant voting rights to such shares.

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

<b>Name</b>	<b>Jurisdiction of Organization</b>	<b>Ownership %</b>
Star-brite Distributing, Inc.	Florida	100
Star brite Distributing Canada, Inc.	Florida	100
D & S Advertising Services, Inc.	Florida	100
Star brite StaPut, Inc.	Florida	100
Star brite Service Centers, Inc.	Florida	100
Star brite Automotive, Inc.	Florida	100
KINPAK Inc.	Alabama	100
OdorStar Technology, LLC	Florida	100

**CERTIFICATION**

I, Peter G. Dornau, certify that:

1. I have reviewed this Annual Report on Form 10-K of Ocean Bio-Chem, Inc.;
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 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; and
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 the registrant's board of directors (or persons performing the equivalent functions):
  - 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 27, 2020

/s/ Peter G. Dornau

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



## CERTIFICATION

I, Jeffrey S. Barocas, certify that:

1. I have reviewed this Annual Report on Form 10-K of Ocean Bio-Chem, Inc.;
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 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; and
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 the registrant's board of directors (or persons performing the equivalent functions):
  - 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 27, 2020

/s/ Jeffrey S. Barocas

Jeffrey S. Barocas  
Vice President, Chief Financial Officer

**CERTIFICATION PURSUANT TO RULE 13a-14(b)  
UNDER THE SECURITIES EXCHANGE ACT AND 18 U.S.C. 1350**

I, Peter G. Dornau, Chief Executive Officer of Ocean Bio-Chem, Inc. (the "Company"), hereby certify that, based on my knowledge:

1. The Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2019 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Dated: March 27, 2020

/s/ Peter G. Dornau

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

**CERTIFICATION PURSUANT TO RULE 13a-14(b)  
UNDER THE SECURITIES EXCHANGE ACT AND 18 U.S.C. 1350**

I, Jeffrey S. Barocas, Chief Financial Officer of Ocean Bio-Chem, Inc. (the "Company"), hereby certify that, based on my knowledge:

1. The Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2019 (the "Report") fully complies with the requirements of Section 13 (a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Dated: March 27, 2020

/s/ Jeffrey S. Barocas

Jeffrey S. Barocas

Vice President, Chief Financial Officer

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## INVESTOR INFORMATION NASDAQ STOCK SYMBOL OBCI

### Stock Transfer Agent

Computershare  
P.O. Box 30170  
College Station, Texas 77842-3179

### General Counsel

Berger Singerman, LLP  
350 East Las Olas Boulevard  
Fort Lauderdale, Florida 33301

### Auditors

Accell Audit & Compliance, PA  
4806 W Gandy Blvd.  
Tampa, Florida 33611

### Reports and Publications

A free copy of the Company's 2019 Form 10-K filed with the Securities and Exchange Commission can be obtained upon written request to:

Corporate Relations Department  
4041 SW 47th Avenue  
Fort Lauderdale, Florida 33314

## COMMON STOCK MARKET INFORMATION

The following table sets forth high and low sales prices of the Common Stock of Company as reported on the NASDAQ Capital Market for each calendar quarter in 2019 and 2018:

	2019		2018	
	High	Low	High	Low
First Quarter	\$3.99	\$3.17	\$4.39	\$3.68
Second Quarter	\$3.78	\$2.90	\$4.07	\$3.26
Third Quarter	\$3.72	\$3.21	\$4.78	\$3.39
Fourth Quarter	\$3.68	\$3.28	\$4.26	\$3.05

## OCEAN BIO-CHEM, INC. BOARD OF DIRECTORS

**Peter G. Dornau**  
**Jeffrey S. Barocas**  
**Diana M. Conard\***  
**Gregor M. Dornau**  
**William W. Dudman**  
**James M. Kolisch**  
**Kimberly A. Krause\***  
**John B. Turner\***

\* A member of audit and equity grant committees

## OFFICERS OF OCEAN BIO-CHEM, INC.

**Peter G. Dornau**  
President and Chief Executive Officer  
**Jeffrey S. Barocas**  
Vice President, Chief Financial Officer  
**Gregor M. Dornau**  
Executive Vice President of Sales and Marketing  
**William W. Dudman**  
Vice President, Chief Operating Officer,  
Corporate Secretary

## OFFICERS OF STAR BRITE, INC.




**Peter G. Dornau**  
President and Chief Executive Officer  
**Jeffrey S. Barocas**  
Vice President, Chief Financial Officer  
**Natalie S. Cuomo**  
Vice President of Customer Service  
**Gregor M. Dornau**  
Executive Vice President of Sales and Marketing  
**William W. Dudman**  
Vice President, Chief Operating Officer  
**Marc A. Emmi**  
Senior Vice President of Sales  
**Justin L. Gould**  
Vice President of Technology  
**Victor G. Phillipotts**  
Vice President of Business Development



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