OCEAN BIO-CHEM, INC

ANNUAL REPORT 2020

FINANCIAL HIGHLIGHTS
Amounts in Millions (except per share amounts)

	2020	2019	2018	2017	2016
Net Sales	**$55.7**	$42.3	$41.8	$38.0	$36.2
Operating Income	**$12.2**	$4.6	$3.7	$3.7	$3.1
Net Income	**$9.6**	$3.5	$2.8	$2.6	$2.1
Earnings Per Share (Diluted)	**$1.02**	$0.37	$0.30	$0.28	$0.23
Dividends Per Common Share	**$0.08**	$0.05	$0.06	$0.06	$0.06
Operating Cash Flow	**$6.2**	$6.0	$1.2	$2.9	$3.0

OBCI BRAND PORTFOLIO

VARIOUS STATEMENTS IN THIS ANNUAL REPORT, including estimates, projections, objectives and expected results, are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 and are generally identified by the words "believe," "expect," "anticipate," "intend," "opportunity," "plan," "potential," "project," "will," "should," "could," "would," "likely" and similar expressions. Forward-looking statements are based on current assumptions that are subject to risks and uncertainties that may cause actual results to differ materially from the forward-looking statements, including the risks and uncertainties discussed in Item 1A – Risk Factors of the Form 10-K/A included in this Annual Report. Such forward-looking statements speak only as of the date they are made, and we undertake no obligation to update or revise publicly any forward-looking statements, except as required by law.

A YEAR LIKE NO OTHER

Before we begin, let's take a moment to acknowledge this past year, its everlasting impact on our world, and those we've lost to the virus. No other time in world history have we seen a global effort—of humans working together for a common cause—whether it be working towards developing a vaccine, supporting each other through lockdown, or coming together to ensure our global supply chain stays alive and thriving. Every person on Earth made a sacrifice; every action inching towards a better life for us all.

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

And closer to home, closer to our company, we learned other lessons. As we worked hard to keep our plant open, as our employees became "frontline workers," we learned what we could accomplish together. We learned how strong our OBCI family and its employees are. And we learned how critical of a role we play in the lives of our customers.

Another way lockdown changed us is how we perceive the products we deliver to our customers. As a manufacturer of disinfectants and sanitizers, we easily related the immediate need for our products during the pandemic. However, as months dragged on—locked down, sheltered-in-place, and socially distanced—we saw what else was necessary to survive the emotional and mental stress this global challenge wrought: fresh air, fun outside, days on the water.

Yes, what used to be luxuries—like boating or RVing—rescued our emotionally-drained, COVID-fatigued population and let them once again enjoy the outdoors, recuperate on the water, and reconnect with their families.

Our frontline efforts wound up with different and surprising positive results this past year. And with it, we've rediscovered who we are as a company—where our strengths are, and where we can go in the future—and how important of a role our products contribute to the lives of our customers.

With that, I'd like to introduce you to what makes us OBCI…

OBCI means results.

Whether you're investing in our stock, or polishing your boat, great results are what you want. We hold ourselves to the highest standards for anyone investing in our products or our company. We strive to push through limits and achieve outstanding results for our customers, our employees, our shareholders, and our end-users.

Results that impress.
Results that change minds.
Results that matter.

At Ocean Bio-Chem, Inc., we create outstanding results.

AT OBCI,
WE BUILD BRANDS
AND PRODUCTS
THAT CREATE
OUTSTANDING RESULTS
FOR CONSUMERS,
CUSTOMERS, AND
SHAREHOLDERS.

LET'S TALK ABOUT THOSE OUTSTANDING RESULTS NOW...

For the year 2020, Ocean Bio-Chem, Inc. experienced its best financial year ever. That's right. Best. Year. Ever. I can't be any more excited to know that through one of the most challenging years our world has ever faced, that our team came together and made it the best year to date.

Just look at these highlights:

- **Record full-year net sales of $55.6 million, up 32% compared to 2019**
- **Record full-year net income of $9.6 million, up 175% compared to 2019**
- **Record increase in earnings per basic share of $1.02, up 176% compared to 2019**
- **Cash on hand increased to $11 million, a ratio of 9.7:1 of current assets to current liabilities**

These numbers—marking the 8th consecutive year that the company has set a record—are the result of a hard-working team, spending countless hours across multiple states, time zones, and virtual tradeshows selling and marketing our brands.

32%

NET SALES INCREASE OVER 2019

2020: YEAR IN REVIEW

On almost every level, 2020 was our best year ever financially. Despite the challenges of the pandemic, we are extremely pleased with our team's responsiveness, resilience, and performance, raising the bar on production and sales across the board.

The year started out with many unknowns. The winter went longer than expected, resulting in delayed orders from retailers. Then the impact of COVID-19 began and dealers across the country didn't know whether to stock up or lockdown. Once the country settled into the new stay-at-home orders, demand rose. However, with Asia on lockdown, many manufacturers dependent on foreign goods were unable to meet the rising demand.

ON ALMOST EVERY LEVEL, 2020 WAS OUR BEST YEAR EVER

This was a major turning point for the Company. Having implemented a new inventory strategy, our supplies were high and our reliance on foreign goods was low. Record second quarter 2020 net income was approximately $3.5 million compared to net income of approximately $1.0 million for the second quarter of 2019, **an increase of 242.0%**.

Demand for our disinfectant product, Performacide®, rose sharply as other brands of sanitizing chemicals became hard to find on store shelves. With the increase in production, we added another manufacturing line for our patented, chlorine dioxide-based pouches, increasing potential production by 33%.

Summer also saw the boating and outdoor recreation market explode in popularity. Record sales of boats and RVs were reported across the country, and despite the lockdown, the Company recorded some of its highest sell-through yet. The increased demand is reflected in our third quarter reports: **for the nine months ending September 30, 2020 the net sales of approximately $42.7 million exceeded the full year 2019 net sales of $42.3**.

The year ended strong, with the fifth consecutive year in a row that the Company had record fourth quarter net sales and **online sales up 70%**. With schools and offices across the country still not on a regular schedule, the outdoor industry saw boat and RV usage throughout the fall and into the Christmas season. As news outlets reported Americans' record amounts of disposable income, the boating and outdoor markets saw a much-needed influx of new investments, fresh energy, and eager customers.

SATISFYING CUSTOMER DEMAND

The year 2020 saw the American transportation and manufacturing industry stretched thin. Many liquids divisions went dry or converted their filling lines over to making hand sanitizer. As a result, the Company was able to pick up additional contract manufacturing business to fill the rising and unexpected demand. Our **antifreeze business increased 33.6% over 2019** as a result. In addition to increased orders, the early introduction of our new Boiler System Antifreeze in late summer satisfied a gap in the market left by a competitor's exit from the liquids-fulfillment business.

HOME (MARKET) IMPROVEMENT

During the shelter-in-place orders last year, spending on home improvement projects increased. The Company had previously seen solid sell-through on several home care products, and the introduction of our Star brite Home™ branded teak products saw positive ROI. In August of 2020, this line of teak cleaners and finishes **increased its store count by 470%** at a major home improvement retailer.

E-commerce also introduced new customers to Star brite core products such as teak care, fabric care, rust and mildew stain removers, successfully leaping from *niche boating* into *mainstream homecare*, creating a wider base of Star brite users than ever before.

The Home Care and Hardware category spend on marketing has also increased across the board and will be more visible throughout 2021.

New Star brite Home™ brand *Teak Cleaner & Brightener* and *Teak Oil* is available in stores nationwide.

A GROWING MARKET

Cannabis is now legal for adults in 16 states and Washington, D.C.; medical marijuana is legal in 36. The U.S. cannabis industry is worth an estimated $61 billion. The Company brand Odor Star® and its patented line of chlorine dioxide-based products is part of it.

A TRUSTED PRIVATE LABEL PARTNER

The Company maintains a strong and profitable private label program, with the ability to customize almost all of our products. Among our current private label partners, we saw increased demand with our Odor Star® line of chlorine dioxide-based technology—both the liquid (Performacide®) and gas (NosGUARD^{SG}) products—**accounting for over 58% of the approximately $8.4 million in sales** the category saw for 2020, an increase more than 375% over 2019.

A Growing Market

The continued adoption of legal cannabis across the country has contributed to that growth. **The U.S. cannabis industry is worth an estimated $61 billion.**[1] Given the market potential, Odor Star private label products are set for success.

Our line of chlorine dioxide gas products is EPA-registered to **kill odor-causing bacteria, mold and mildew and chemical odors in greenhouses, hydroponic facilities, and indoor & outdoor agricultural facilities**, making it a prime choice in an industry (much like the marine industry) that is constantly combatting the costly effects of excess moisture.

Our chlorine dioxide liquid is also EPA-registered to control mold, mildew, and other fungi **for the professional cultivator to use in almost all areas of a growhouse**, including grow beds, cure rooms, mother rooms, clone rooms, and more. For drying cannabis, the presence of mold can ruin an entire harvest.

The combinination of the gas and liquid products played a vital role in developing a new international standard for cleaning and disinfection at indoor and greenhouse cannabis cultivation facilities. *ASTM D8219-2019: Standard Guide for Cleaning and Disinfection at a Cannabis Cultivation Center* uses Odor Star® private label products for controlling both atmospheric and surface contaminants throughout a facility, thereby **reducing the chance of bad grows or wasted crop** and increasing profits in an already highly-profitable market.

Disinfection as a Service

Our liquid chlorine dioxide products also contributed to a new, emerging market. A key component to whole-house or whole-workplace disinfection and sanitization, many companies

have found a solid path forward using this product to provide **disinfection as a service**.

With the looming threat of COVID having mostly subsided, the lingering effects on many industries has yet to be determined. Customers are more aware and alert to cleaning protocols than years past. So as the worry for surface disinfection may gradually decrease in homes across the US, the heightened standards have not. Businesses and restaurants will still be held to these higher standards of cleaning, a reason Performacide® and its private label partners continue to play a pivotal role in no-hassle, spray-and-go disinfection routines in workplaces throughout the country.

A NEW BEGINNING

Performacide®, registered under the Company's wholly owned subsidiary Odor Star® LLC, finally came into its own in 2020.

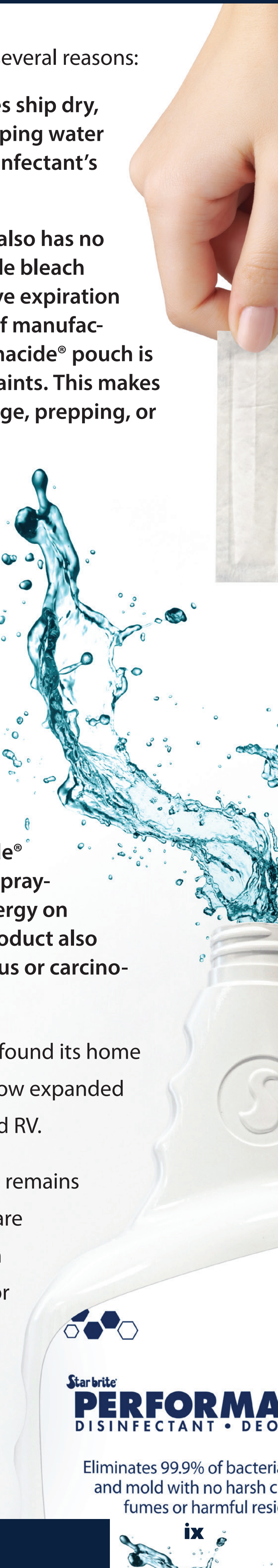
Performacide® is an EPA-registered disinfectant, sanitizer, fungicide, and deodorizer. The product is packaged in self-contained, pre-measured pouches which are activated on-site to create a powerful chlorine dioxide solution.

Performacide® is a winner for several reasons:

- **The pre-measured pouches ship dry, reducing costs by not shipping water or air. This reduces the disinfectant's overall carbon footprint.**
- **The self-contained pouch also has no quantifiable shelf life. While bleach and disinfecting wipes have expiration dates set from their date of manufacture, the patented Performacide® pouch is not limited by such constraints. This makes it ideal for long-term storage, prepping, or disaster relief causes.**
- **On-the-spot chlorine dioxide generation is easy with Performacide®. The pouch is simply dropped into water. Other comparable products on the market, such as tabs or liquids, require open exposure to a potentially dangerous chemical reaction.**
- **Spray and go. Performacide® require zero wiping after spraying, reducing time and energy on each cleaning task. The product also doesn't leave any poisonous or carcinogenic residuals.**

Pre-pandemic, Performacide® found its home mostly in home use, but has now expanded into hardware, pet, marine, and RV.

The outlook for Performacide® remains solid, even as the COVID-19 scare tapers. Having won over a firm customerbase, the potential for the product is only growing.



ENTERING NEW MARKETS

By acquiring brands rich in market opportunity, we open new avenues of revenue.

The acquisition of Check Corporation and the Damp Check® brand in late 2019 opened doors into the self storage sector.

The self-storage market is growing. The valuation of the self-storage market reached $87.65 billion USD in 2019. By 2025, that valuation is expected to grow to $115.62 billion[2].

As Damp Check® already has a strong presence at one of the top players in the US segment, we look forward to leveraging this opportunity with additional offerings and products as we enter the 2021-22 season, furthering our foothold in this vast and growing market.

(VIRTUALLY) THE BEST

Developing new, innovative products sparks interests from customers regardless of medium.

With many tradeshows cancelled last year and many more attended virtually, the Company leveraged every tool possible to connect with customers. From 3D booth walkthroughs to creating an in-house video productin studio in our Fort Lauderdale headquarters, we were able to capture sales and introduce new products in new and innovative ways.

HERE ARE A FEW OF THOSE NEW PRODUCTS AND WHY THEY WORK...

BOILER SYSTEM ANTIFREEZE

A warm floor on a cold morning. Never running out of hot water. These are a few of the benefits of a hydronic heating system--one of the *hottest* interior upgrades to modern RVs. These systems require a quality heat transfer antifreeze to circulate the heat throughout the cabin. New Star brite **Boiler System Antifreeze** is formulated to withstand a high range of temperatures to keep hydronic heating systems running smoothly and comfortably, and at peak performance. Now available through distributors nationwide.

ULTIMATE WATER ABSORBER

With over 3-square-feet of PVA-drying ability, our **Ultimate Water Absorber** is super soft, lint-free, and priced to sell. It comes in its own carrying case for easy use-and-store, and the case is even squared off, so it doesn't roll right off a deck (if you've used other brands, you'll totally get this). It's super absorbent, and is great for drying everything: use it after cleaning to prevent mold and mildew smells, throw it down as a rug to dry dirty feet (or shoes!) and avoid slips, rub down the dog before it jumps in the truck (it doesn't pull hair), and when you're done, just throw it in the wash machine. It's a really versatile item.

ULTIMATE MAGIC SPONGE XTEND + REFILL

Reach out and clean something with the **Magic Sponge Xtend**.

This product is a novel item to the marine industry. It takes one of our fastest growing sellers—our Ultimate Magic Sponge, which is an improved-upon version of a melamine scuff eraser—and, essentially, puts it on a stick. Simple idea, but huge impact for boat maintenance. Easily erase messes without the pain of kneeling on non-skid or straining to clean hard-to-reach areas. It attaches to all handles, with a quick connect and screw-thread adapter included. And the attachment pad can be used with all of the Star brite scrubber pads as well. It's an easy choice.

MARINE DESCALING FLUID

New **Marine Descaling Fluid** safely and quickly busts through scale, corrosion, salt, and calcium deposits in raw water-cooled systems, and at a fraction of the cost of similar products. When your raw water system is barnacled with deposits, it can cause your engine to run hot or result in AC system inefficiencies by restricting water flow. A simple recirculation of Marine Descaling Fluid can remedy these unseen overheating issues without a costly repair. Plus, it won't damage seals, gaskets, or rubber impellers. Available in concentrate or ready-to-use.

Poised to displace competition, this new, smartly-priced option for easy servicing is ideal for both service yards and end-users.

NO DAMP HANGING BAG 25-COUNT BULK PACK

New this season, Star brite has packed convenience and savings into one box. The No Damp® Hanging Bag is a staple for boat and RV winterization, able to be hung throughout a stored boat or RV to protect against excess moisture. The new **Hanging Bag 25-Count Bulk Pack** saves time, space, packaging, and costs—allowing more units to be readied at a faster rate with less waste. The Star brite No Damp Hanging Bag Bulk Pack is available now through all distributor partners.

WE INVEST IN THE FUTURE

Building beyond tomorrow is the strategy for success today.

The record-setting financial numbers that the Company delivered in 2020 are in part the result of our long-term strategy of investments in our manufacturing plant, Kinpak, Inc.

Our 2017 plant expansion was essential to support the increase in business we actualized in 2020. Without the plant expansion, we would not have had the capacity to meet customer demands.

While many companies affected by the coronavirus pandemic experienced layoffs and furloughs, Kinpak was able to continue operations, and continued operating throughout every lockdown. We now employ approximately 145 full time employees with benefits—an increase of approximately 50% from the beginning of 2020.

New planned Kinpak expansion paves the road for continued growth

With new business and new market opportunities, we're investing again. Kinpak is expanding its manufacturing and distribution facilities by an additional 69,000 sq. ft. on its 23-acre site. This planned expansion will bring the total facility square footage to exceed 370,000 sq. ft. of dedicated space for production, warehousing, and distribution.

Our innovative planning and investment strategy has remained solid; previous manufacturing expansions and upgrades proved extremely beneficial in our financial success in 2020. While other suppliers and manufacturers—dependent on imports and outsourcing of materials and products—could not meet customer demands, our made-in-USA, vertical manufacturing facility was well-positioned to ramp up production. This increase in production resulted in an overall increase in gross margin for the Company, as the fixed plant expenses were spread over the higher production volume, delivering a higher return per product.

We've already broken ground, and we're projected to complete the project by early 2022.

THE YEAR AHEAD...

Only a few short months into 2021 and signs are positive of another great financial year to look forward to. Warmer weather has allowed boats to splash sooner even in northern states, kicking off the season in a much-anticipated end to the lockdown.

Our marketing plans are in full swing. One of the unexpected outcomes of the stay-at-home order was that television and streaming viewership of our sponsored media broke records. In addition to high viewership, because some of our shows were the very few that could continue production throughout the pandemic, they were broadcast well beyond their initial region and into markets hungry for fresh programming, gaining new viewers and new potential customers.

This fall, we're proud to sponsor one of the first mainstream RV-themed television series, *RV There Yet?*, airing on Discovery Channel. The show will feature RV travels across the United States with special filming rights throughout the national park system. Both Star brite and Star tron are primary sponsors.

While we are achieving outstanding growth, and our financial position remains very strong, our market share is still just a ripple in the wave of potential that is Ocean Bio-Chem, Inc. Boat and RV sales have skyrocketed[3]* over the past year. And of those new boat owners, 10% are first-time buyers. We're excited. The industry is experiencing an influx of new energy—a younger generation—all wanting to bring friends and family into the lifestyle. For us, that represents a new and lasting customer that wants the same outstanding results that our products provide our current customers.

We are optimistic about the continued growth of our business and profits, as well as our OBCI family. Thank you to every team member for contributing to the outstanding results we delivered in 2020. Let's keep our heads up and lines tight.

Thank you.

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

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, 2020

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	**59-1564329**
(State or other jurisdiction of incorporation or organization)	(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	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller reporting company	☒
		Emerging growth company	☐

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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act by the registered public accounting firm that prepared or issued its audit report. ☐

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 30, 2020 was $40,247,940, 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, 2021, 9,481,799 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 30, 2021, are incorporated by reference in Part III of this report.

OCEAN BIO-CHEM, INC.

TABLE OF CONTENTS

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, our ability to provide required capital to support inventory levels, 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 impact of the COVID-19 pandemic on our business and the economy in general, 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 2020 and 2019 totaled approximately $2,212,000 and $1,788,000, representing 4.0% and 4.2% 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. At December 31, 2020, the Company had unused proceeds from the industrial development bond of approximately $477,000 in a custodial account restricted for the use of funding additional capital improvements. The Company intends to utilize the remaining proceeds to purchase machinery and equipment to expand production capacity. See Note 8 to the consolidated financial statements included in this report for additional information.

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® 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® 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, waterproofers, gasket materials, degreasers, vinyl cleaners and protectants, toilet treatment fluids and anti-freeze/coolant.

Outdoor Power Equipment/ Lawn & Garden: We market Star Tron® 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® and Performacide® brand names, and which our customers sell using private label brands. Star Brite® products include NosGUARD mildew odor control bags and boat odor sanitizers. Performacide® 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® 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® 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 41.5% and 43.2% of our consolidated net sales, for the years ended December 31, 2020 and 2019, respectively. Net sales to our four largest unaffiliated customers for the years ended December 31, 2020 and 2019 amounted to approximately 49.6.% and 52.0% of our consolidated net sales, respectively, and at December 31, 2020 and 2019, outstanding accounts receivable balances from our four largest unaffiliated customers aggregated approximately 70.6% and 64.9% 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: At December 31, 2020 we had open orders of approximately $7.1 million. These orders are not on backorder and are scheduled to be shipped to customers during the first quarter of 2021. 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_2 Patents"). The ClO_2 patents expire in 2022. We have encountered difficulty in protecting the ClO_2 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.

Governmental Regulation: We believe that the high cost of acquiring federal and state licenses in order to sell chlorine dioxide products provide a high barrier to entry for competitors.

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, 2020, we had 192 full-time employees and eight part-time employees. The following table provides information regarding personnel working for the Company and its subsidiaries at December 31, 2020:

Location	Description	Number of Employees
Fort Lauderdale, Florida	Administrative, sales, and marketing	45[1]
Fort Lauderdale, Florida	Manufacturing and distribution	6
Montgomery, Alabama	Manufacturing and distribution	149[2]
		200

1 Includes three part-time employees.
2 Includes five 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 49.6% of our consolidated net sales in 2020; our largest unaffiliated customer accounted for 16.0% of our consolidated net sales in 2020. 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 50.6% 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 $2,212,000 and $1,788,000 during the years ended December 31, 2020 and 2019, respectively. In addition, we provided administrative services and advances for business related expenditures to the affiliated companies. During the years ended December 31, 2020 and 2019, fees for administrative services aggregated approximately $871,000 and $779,000, 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 $199,000 and $113,000, respectively. Receivables due from the affiliated companies in connection with product sales, administrative services, and advances for business related expenditures totaled approximately $1,496,000 and $962,000 at December 31, 2020 and 2019, respectively. The accounts receivable turnover ratio for the year ended December 31, 2020 with respect to sales to the affiliated companies was approximately 3.2 and with respect to administrative services and advances for business related expenditures was approximately 2.0. 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 2020, the world began experiencing an economic slowdown due to restrictions imposed related to the COVID-19 pandemic. We believe that in 2020 the COVID-19 pandemic did not adversely affect our business. However, the pandemic is ongoing and potential economic problems caused by the pandemic and other factors could have a material adverse effect on our business, results of operations, financial condition, cash flows, and stock price.

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 busi**ness, results of operations, financial condition, cash flows, and stock price could in the future be materially adversely affected by the ongoing COVID-19 pandemic.**

The COVID-19 pandemic has caused substantial damage to the national and global economies and remains a significant threat. The extent to which COVID-19 might impact our business, results of operations, financial condition, cash flow, and stock price is highly uncertain and will depend on future developments. Such developments may include the geographic spread and duration of the virus, the severity of the disease and the actions that may be taken by various governmental authorities and other third parties in response to the outbreak.

Our global manufacturing facilities remain open, though a range of external factors related to the pandemic that are not within our control, including the potential impact of the pandemic on our workforce, could affect our ability to keep our manufacturing facilities fully operational. Additionally, global or national supply chains may be affected if the pandemic persists for an extended period. Any decline or lower than expected demand in our served markets could diminish demand for our products and services, which would adversely affect our financial condition, results of operations, cash flow, and stock price. Moreover, the COVID-19 pandemic may adversely affect the financial condition of our customers and suppliers in the future or their ability to purchase Company products, may delay customers' purchasing decisions, result in a shift away from discretionary products, and may result in longer payment terms or inability to collect customer payments. These issues may also materially affect our future access to our sources of liquidity, particularly our cash flows from operations, financial condition and ability to consummate future acquisitions.

If significant portions of our workforce are unable to work effectively, including because of illness, quarantines or absenteeism; government actions; facility closures; work slowdowns or stoppages; limited supplies or resources; or other circumstances related to COVID-19, our operations could be impacted. We may be unable to perform fully on our customer obligations and we may incur liabilities and suffer losses as a result.

The duration and intensity of the impact of the COVID-19 pandemic and any resulting disruption to our operations is uncertain but could have a material impact on our operations, cash flows, and financial condition.

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, 2020, 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, 2020, there were 90 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.

During 2020, we started paying regular quarterly dividends of $0.02 per share, however 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® 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. At December 31, 2020, the Company had unused proceeds from the industrial development bond of approximately $477,000 in a custodial account restricted for the use of funding additional capital improvements. The Company intends to utilize the remaining proceeds to purchase machinery and equipment to expand production capacity. See Note 8 to the consolidated financial statements included in this report for additional information.

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. In addition, we use historical and current information to estimate future credit losses.to determine if the allowance is adequate. Because we cannot predict future changes in the financial stability of our customers, actual future losses from uncollectible accounts may differ from estimates. If the financial condition of customers were to deteriorate, resulting in their inability to make payments, a larger reserve might be required. In the event we determine a smaller or larger reserve is appropriate, we would record a benefit or charge to selling and administrative expenses in the period in which such a determination was made. The adequacy of this allowance is reviewed each reporting period and adjusted as necessary. Our allowance for doubtful accounts was approximately $326,000 and $162,000 at December 31, 2020 and 2019, respectively, which was approximately 3.8% and 2.2% of gross accounts receivable at December 31, 2020 and 2019, 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 $197,000 and $6,000 in 2020 and 2019, 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 approximately $290,000 and $244,000 at December 31, 2020 and 2019, 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 2020, 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, 2020 and 2019:

	For The Years Ended December 31,				
			Percent	Percentage of Net Sales	
	2020	2019	Change	2020	2019
Net sales	$ 55,561,169	$ 42,259,487	31.5%	100.0%	100.0%
Cost of goods sold	32,059,747	26,659,427	20.3%	57.7%	63.1%
Gross profit	23,501,422	15,600,060	50.6%	42.3%	36.9%
Advertising and promotion	2,980,356	3,147,289	(5.3)%	5.4%	7.4%
Selling and administrative	8,357,504	7,839,411	6.6%	15.0%	18.6%
Operating income	12,163,562	4,613,360	163.7%	21.9%	10.9%
Interest (expense), net	(132,466)	(118,642)	11.7%	0.2%	0.3%
Gain on insurance settlement	201,210	-	N/A	0.4%	N/A
Provision for income taxes	(2,615,623)	(996,004)	162.6%	4.7%	2.4%
Net income	$ 9,616,683	$ 3,498,714	174.9%	17.3%	8.3%

Net sales increased by approximately $13,202,000, or 31.5%, during 2020 as compared to 2019. The increase was principally a result of increased sales that we believe were associated with the impact of the COVID-19 pandemic and its effect on the activities of certain portions of the population. Among other things, we experienced increased sales of our Teak Care products for home improvement projects and Star Tron Enzyme Fuel Treatment for the storage of fuels in boats and other gas-powered engines. We believe that following the easing of certain initial lock down restrictions through the summer and fall of 2020, a portion of the U.S. population increased their participation in outdoor recreation activities. As a result, sales of products such as boats, RVs**,** kayaks and paddleboards were at high levels over the past year, which in turn led to increased sales of our core product groups, marine, RV and outdoor products**.** Additionally, we experienced strong sales of Performacide®**,** our chloride dioxide-based product, since it can be used against SARS CoV 2, the cause of COVID-19.

Cost of goods sold increased by approximately $5,400,000 or 20.3% in 2020, as compared to 2019. The increase in cost of goods sold was a result of higher sales volume, partially offset by improved operating efficiencies at our manufacturing subsidiary, Kinpak.

Gross profit increased by approximately $7,901,000, or 50.6%, in 2020 as compared to 2019. The increase in gross profit was principally a result of increased sales volume. As a percentage of net sales, gross profit increased to 42.3% in 2020 from 36.9% in 2019, primarily because of a more profitable sales mix and improved operating efficiencies at our manufacturing subsidiary, Kinpak.

Advertising and promotion expenses decreased by approximately $167,000, or 5.3%, during 2020 as compared to 2019. As a percentage of net sales, advertising and promotion expense decreased to 5.4% in 2020 from 7.4% in 2019. The decrease in advertising and promotion expenses was principally a result of decreased trade show expenses as a result of the travel and social distancing restrictions implemented due to the COVID-19 pandemic social distancing policies, decreased magazine advertising, decreased customer cooperative advertising, and a decrease in product samples used to promote sales, partially offset by increases in internet and television advertising.

Selling and administrative expenses increased by approximately $518,000, or 6.6%, during 2020 as compared to 2019. The increase in selling and administrative expenses was primarily a result of increased sales commissions, a higher noncash adjustment to our trade accounts receivable allowance account, and increased employee salaries, partially offset by a decrease in expenses related to salesmen travel, meals, and entertainment as a result of the COVID-19 pandemic. As a percentage of net sales, selling and administrative expenses decreased to 15.0% in 2020 from 18.6% in 2019.

Interest (expense), net during 2020 increased by approximately $14,000, or 11.7%, as compared to 2019.

Gain on insurance settlement was approximately $201,000 during the year ended December 31, 2020. We had no such gain in 2019. The Company received approximately $487,000 from our insurance company to cover losses from a chemical incident at our Kinpak facility that took place in December 2019. For more information please refer to Recent Developments and Note 16 included in the Company's Annual Report on Form 10-K for the year ended December 31, 2019.

Provision for income taxes increased by approximately $1,620,000 or 4.7% in 2020, as compared to 2019. The increase was principally a result of higher net income. As a percentage of income before taxes our provision for income taxes decreased to 21.4% in 2020 from 22.2% in 2019.

Liquidity and Capital Resources:

Our cash balance was approximately $11,124,000 at December 31, 2020 compared to approximately $6,125,000 at December 31, 2019. In addition, we had restricted cash of approximately $477,000 and $1,885,000 at December 31, 2020 and 2019, 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, 2020 and 2019:

	Years Ended December 31,	
	2020	**2019**
Net cash provided by operating activities	$ 6,207,205	$ 5,991,728
Net cash used in investing activities	(1,350,099)	(793,474)
Net cash used in financing activities	(1,267,090)	(923,898)
Effect of exchange rate fluctuations on cash	716	2,140
Net increase in cash and restricted cash	$ 3,590,732	$ 4,276,496

Net cash provided by operating activities during 2020 increased by approximately $215,000 or 3.6%, as compared to 2019. The increase in cash provided by operating activities was principally a result of the increase in the Company's net income, partially offset by changes in working capital.

Inventories, net were approximately $13,176,000 and $9,555,000 at December 31, 2020 and 2019, respectively, representing an increase of approximately $3,621,000, or 37.9%, in 2020. We believe the higher levels of inventories were necessary to meet the Company's short-term needs.

Net trade accounts receivable at December 31, 2020 aggregated approximately $8,327,000, an increase of approximately $1,195,000, or 16.8%, compared to approximately $7,132,000 in net trade accounts receivable outstanding at December 31, 2019. The increase principally was due to an increase in net sales during the fourth quarter of 2020, as compared to the fourth quarter of 2019. Receivables due from affiliated companies aggregated approximately $1,496,000 at December 31, 2020, an increase of approximately $534,000, or 55.5%, from receivables due from affiliated companies of approximately $962,000 at December 31, 2019. The increase was principally due to an increase in net sales to the affiliated companies during the fourth quarter of 2020, as compared to the fourth quarter of 2019.

Net cash used in investing activities during 2020 increased by approximately $557,000, or 70.2%, as compared to 2019. The increase in cash used in investing activities was a result of an increase of approximately $1,118,000 in cash used for purchases of property, plant and equipment, partially offset by approximately $487,000 of insurance proceeds (see Results of Operations) received during 2020 and a decrease of $75,000 for purchases of intangible assets. The cash used for purchases of plant, property and equipment primarily relates to machinery and equipment at our manufacturing subsidiary Kinpak. In 2019, the Company used $75,000 to acquire intangible assets, while there were no purchases of intangible assets in 2020.

Net cash used in financing activities during 2020 increased by approximately $343,000 or 37.1%, as compared to 2019. The increase in cash used in financing activities was principally a result of an increase of approximately $289,000 in dividends paid to common shareholders. Additionally, payments on long term debt increased by approximately $62,000 in 2020, as compared to 2019.

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, 2020 and 2019, we had outstanding balances of approximately $3,719,000 and $3,974,000, respectively, 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, 2020, 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, 2020, 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, 2020, we had an outstanding balance of $516,666 under the promissory note (including $497,405 recorded as principal and $19,261 to be recorded as interest expense over the remaining term of the note). We also obtained financing through leases for office equipment, totaling approximately $100,000 and $26,000 at December 31, 2020 and 2019, 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 2020, we recorded $167 in foreign currency translation adjustments, which resulted in a corresponding increase in shareholders' equity. In 2019, we recorded $1,243 in foreign currency translation adjustments, which resulted in a corresponding increase 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 Disclosures 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, 2020. 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, 2020, 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	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).
3.1.2	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).
3.2	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).
4	Description of Common Stock (incorporated by reference to Exhibit 4 to the Company's Annual Report on Form 10-K for the year ended December 31, 2019).
10.1.1	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).
10.1.2	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).
10.1.3	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).
†10.2	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).
10.3.1	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).
10.3.2	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).
10.3.3	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).
10.3.4	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).
†10.4	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).
10.5.1	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).
10.5.2	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).
10.5.3	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).
*21	List of Subsidiaries
*31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act.
*31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act.
*32.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(b) under the Securities Exchange Act and 18 U.S.C. Section 1350.
*32.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(b) under the Securities Exchange Act and 18 U.S.C. Section 1350.

101	The following materials from Ocean Bio-Chem Inc.'s Annual Report on Form 10-K for the year ended December 31, 2020, formatted in XBLR (eXtensible Business Reporting Language): (i) Consolidated Balance Sheets at December 31, 2020 and December 31, 2019; (ii) Consolidated Statements of Operations for the years ended December 31, 2020 and 2019; (iii) Consolidated Statements of Comprehensive Income for the years ended December 31, 2020 and 2019; (iv) Consolidated Statements of Changes in Shareholders Equity for the years ended December 31, 2020 and 2019, (v) Consolidated Statements of Cash Flows for the years ended December 31, 2020 and 2019 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 29, 2021

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.

Signature	Capacity	Date
/s/ Peter G. Dornau Peter G. Dornau	Chairman of the Board, President and Chief Executive Officer (Principal Executive Officer)	March 29, 2021
/s/Jeffrey S. Barocas Jeffrey S. Barocas	Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	March 29, 2021
/s/ Diana M. Conard Diana M. Conard	Director	March 29, 2021
/s/ Gregor M. Dornau Gregor M. Dornau	Director	March 29, 2021
/s/ William W. Dudman William W. Dudman	Director	March 29, 2021
/s/ James M. Kolisch James M. Kolisch	Director	March 29, 2021
/s/ Kimberly A. Krause Kimberly A. Krause	Director	March 29, 2021
/s/ John B. Turner John B. Turner	Director	March 29, 2021

OCEAN BIO-CHEM, INC. AND SUBSIDIARIES
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

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, 2020 and 2019, and the related consolidated statements of operations, comprehensive income, shareholders' equity, and cash flows for each of the years in the two-year period ended December 31, 2020, and the related notes and schedules (collectively referred to as the financial statements). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the years in the two-year period ended December 31, 2020, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. 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 audits, 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 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 financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Revenue

As described in Note 1 to the Company's consolidated financial statements, the Company recognizes revenue upon transfer of control of promised products to customers in an amount that reflects the consideration the Company expects to receive in exchange for those products. The Company also offers sales allowances to certain customers, which are recorded as a reduction of net sales. In addition, the allowances for doubtful accounts 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.

We identified the Company's estimate of the allowance for doubtful accounts and accrual for the sales allowances as critical audit matters. The principal considerations for our determination of these critical audit matters related to the high degree of subjectivity in the Company's judgments in determining the qualitative factors. Auditing these judgments and assumptions by the Company involves auditor judgment due to the nature and extent of audit evidence and effort required to address these matters.

The primary procedures we performed to address these critical audit matters included the following:

- We selected a sample of customer agreements and performed the following procedures:
  - Obtained and read sales allowance agreements for each selection.
  - Tested management's identification and treatment of contract terms.
  - Assessed the terms in the customer agreement and evaluated the appropriateness of management's application of their accounting policies, along with their use of estimates, in the determination of revenue recognition conclusions.
- We evaluated the reasonableness of management's estimate of the sales allowances included within accrued expenses payable on the consolidated balance sheets.
- We evaluated the relevance and the reasonableness of assumptions related to the evaluation of the allowance for doubtful accounts, current economic conditions, and other risk factors used in development of the qualitative factors by comparing these data points to audit evidence gathered.

Accell Audit & Compliance, PA

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

Tampa, Florida
March 29, 2021

OCEAN BIO-CHEM, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2020 AND 2019

	2020	2019
ASSETS		
Current Assets:		
Cash	$ 11,123,726	$ 6,125,322
Trade accounts receivable less allowances of approximately $326,000 and $162,000, respectively	8,326,939	7,132,256
Receivables due from affiliated companies	1,496,104	962,154
Insurance claim receivable	-	50,520
Restricted cash	477,426	1,885,098
Inventories, net	13,175,756	9,555,071
Prepaid expenses and other current assets	1,259,786	935,022
Total Current Assets	**35,859,737**	**26,645,443**
Property, plant and equipment, net	10,101,962	9,338,227
Operating lease – right to use	268,920	352,190
Intangible assets, net	1,665,299	1,949,947
Total Assets	**$ 47,895,918**	**$ 38,285,807**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Current portion of long-term debt, net	$ 500,694	$ 483,477
Current portion of operating lease liability	86,377	83,270
Accounts payable - trade	1,966,010	1,047,385
Accrued expenses payable	1,142,825	1,214,938
Total Current Liabilities	**3,695,906**	**2,829,070**
Deferred tax liability	380,218	311,374
Operating lease liability, less current portion	182,543	268,920
Long-term debt, less current portion and debt issuance costs	3,730,180	4,142,179
Total Liabilities	**7,988,847**	**7,551,543**
COMMITMENTS AND CONTINGENCIES		
Shareholders' Equity:		
Common stock - $.01 par value, 12,000,000 shares authorized; 9,481,799 shares and 9,442,809 shares issued and outstanding, respectively	94,818	94,428
Additional paid in capital	10,816,100	10,503,171
Accumulated other comprehensive loss	(294,324)	(294,491)
Retained earnings	29,290,477	20,431,156
Total Shareholders' Equity	**39,907,071**	**30,734,264**
Total Liabilities and Shareholders' Equity	**$ 47,895,918**	**$ 38,285,807**

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, 2020 AND 2019

	2020	2019
Net sales	**$ 55,561,169**	**$ 42,259,487**
Cost of goods sold	32,059,747	26,659,427
Gross profit	**23,501,422**	**15,600,060**
Operating Expenses:		
Advertising and promotion	2,980,356	3,147,289
Selling and administrative	8,357,504	7,839,411
Total operating expenses	11,337,860	10,986,700
Operating income	**12,163,562**	**4,613,360**
Other income (expense)		
Interest (expense), net	(132,466)	(118,642)
Gain on insurance settlement	201,210	-
Income before income taxes	**12,232,306**	**4,494,718**
Provision for income taxes	(2,615,623)	(996,004)
Net income	**$ 9,616,683**	**$ 3,498,714**
Earnings per common share – basic and diluted	$ 1.02	$ 0.37
Dividends declared per common share	$ 0.08	$ 0.05

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, 2020 AND 2019

	2020	2019
Net income	$ 9,616,683	$ 3,498,714
Foreign currency translation adjustment	167	1,243
Comprehensive income	$ 9,616,850	$ 3,499,957

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, 2020 AND 2019

	Common Stock		Additional Paid In	Accumulated Other Comprehensive	Retained	
	Shares	**Amount**	**Capital**	**Loss**	**Earnings**	**Total**
January 1, 2019	**9,338,191**	**$ 93,382**	**$ 10,235,827**	**$ (295,734)**	**$ 17,399,776**	**$ 27,433,251**
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
December 31, 2019	**9,442,809**	**94,428**	**10,503,171**	**(294,491)**	**20,431,156**	**30,734,264**
Net income	-	-	-	-	9,616,683	9,616,683
Dividends, common stock	-	-	-	-	(757,362)	(757,362)
Options exercised	15,296	153	20,547	-	-	20,700
Stock based compensation	25,150	252	312,358	-	-	312,610
Shares withheld in consideration of employee tax obligations related to stock-based compensation	(1,456)	(15)	(19,976)	-	-	(19,991)
Foreign currency translation adjustment	-	-	-	167	-	167
December 31, 2020	**9,481,799**	**$ 94,818**	**$ 10,816,100**	**$ (294,324)**	**$ 29,290,477**	**$ 39,907,071**

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, 2020 AND 2019

	2020	2019
Cash flows from operating activities:		
Net income	**$ 9,616,683**	**$ 3,498,714**
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,373,337	1,289,531
Deferred income taxes	68,844	31,025
Stock based compensation	312,610	275,540
Provision for bad debts	196,887	6,134
Provision for slow moving and obsolete inventory	46,175	(39,903)
Impairment of equipment	65,725	-
Other operating non-cash items	(549)	(897)
Cash used related to 2019 chemical incident	(200,665)	-
Gain on insurance settlement	(201,210)	-
Changes in assets and liabilities:		
Trade accounts receivable	(1,389,520)	(1,479,704)
Receivables due from affiliated companies	(536,000)	83,836
Inventories	(3,666,860)	2,570,645
Prepaid expenses and other current assets	(324,764)	75,619
Accounts payable – trade	918,625	(424,845)
Accrued expenses payable	(72,113)	106,033
Net cash provided by operating activities	**6,207,205**	**5,991,728**
Cash flows from investing activities:		
Insurance proceeds received for damaged machinery and equipment	486,657	-
Purchases of property, plant and equipment	(1,836,756)	(718,474)
Purchase of intangible assets	-	(75,000)
Net cash used in investing activities	**(1,350,099)**	**(793,474)**
Cash flows from financing activities:		
Payments on long-term debt	(510,437)	(448,442)
Borrowings on revolving line of credit	-	1,000,000
Repayments on revolving line of credit	-	(1,000,000)
Payments for taxes related to net share settlements of stock awards	(19,991)	(20,949)
Proceeds from CARES Act note	1,556,800	-
Repayment of CARES Act note	(1,556,800)	-
Dividends paid to common shareholders	(757,362)	(468,306)
Proceeds from exercise of stock options	20,700	13,799
Net cash used in financing activities	**(1,267,090)**	**(923,898)**
Effect of exchange rate on cash	716	2,140
Net increase in cash and restricted cash	**3,590,732**	**4,276,496**
Cash and restricted cash at beginning of period	8,010,420	3,733,924
Cash and restricted cash at end of period	$ 11,601,152	$ 8,010,420

Supplemental disclosure of cash flow information:		
Cash paid for interest during period	$ 141,021	$ 156,623
Cash paid for income taxes during period	$ 2,627,384	$ 778,009
Operating lease right to use asset exchanged for operating lease liability	$ -	$ 432,466
Finance lease right to use assets exchanged for finance lease liabilities	$ 96,039	$ 44,979
Cash paid under operating lease	$ 94,800	$ 94,800
Cash	$ 11,123,726	$ 6,125,322
Restricted cash	477,426	1,885,098
Total cash and restricted cash	$ 11,601,152	$ 8,010,420
Noncash investing and financing activities:		
Issuance of note payable for asset acquisition	$ -	$ 100,000
Imputed interest	-	(2,988
Principal portion of note payable issued for asset acquisition	$ -	$ 97,012

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

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 manufacturers, 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 – The Company recognizes revenue based on 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). Based on this standard, the Company determines if an agreement is a lease at inception. Operating leases are included in operating lease – right to use, current portion of operating lease liability, and operating lease liability, less current portion in the Company's consolidated balance sheets. Finance leases are included in property, plant, and equipment, net, current portion of long-term debt, net and long-term debt, less current portion and debt issuance costs in the Company's consolidated balance sheets.

As permitted under ASU 2016-02, the Company has made an accounting policy election not to apply the recognition provisions of ASU 2016-02 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, 2020 and 2019.

Collectability of accounts receivable – Trade accounts receivable at December 31, 2020 and 2019 are net of allowances for doubtful accounts aggregating approximately $326,000 and $162,000, 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. In addition, we use historical and current information to estimate future credit losses.to determine if the allowance is adequate. Because we cannot predict future changes in the financial stability of our customers, actual future losses from uncollectible accounts may differ from estimates. If the financial condition of customers were to deteriorate, resulting in their inability to make payments, a larger reserve might be required. In the event we determine a smaller or larger reserve is appropriate, we would record a benefit or charge to selling and administrative expenses in the period in which such a determination was made. During the years ended December 31, 2020 and 2019, the Company recorded bad debt expense of approximately $197,000 and $6,000, 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. 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.

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 $1,456,000 and $1,148,000 for the years ended December 31, 2020 and 2019, 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 $2,980,000 and $3,147,000 in 2020 and 2019, 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 $1,069,073 (of which $970,221 is included in cost of goods sold and $98,852 is included in selling and administrative expenses) and $1,015,998 (of which $909,411 is included in cost of goods sold and $106,587 is included in selling and administrative expenses) for the years ended December 31, 2020 and 2019, 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 $54,000 and $59,000 of research and development costs for the years ended December 31, 2020 and 2019, 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. At December 31, 2020, the Company had no outstanding stock options.

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, 2020 and 2019, 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, 2020.

The Company is no longer subject to income tax examinations for years before 2017.

Intangible assets – The Company's intangible assets consist of trademarks, trade names, customer lists, product formulas, patents and royalty rights. At December 31, 2020, 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 2020 or 2019.

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, 2020 and 2019 are as follows:

	2020	**2019**
Raw materials	$ 5,393,961	$ 3,872,752
Finished goods	8,072,176	5,926,525
Inventories, gross	13,466,137	9,799,277
Inventory reserves	(290,381)	(244,206)
Inventories, net	$ 13,175,756	$ 9,555,071

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 $629,000 and $562,000 at December 31, 2020 and 2019, respectively.

Note 3 – Property, Plant and Equipment

The Company's property, plant and equipment at December 31, 2020 and 2019 consisted of the following:

	Estimated Useful Life	2020	2019
Land		$ 278,325	$ 278,325
Building and Improvements	30 years	9,563,406	9,563,406
Manufacturing and warehouse equipment	6-20 years	11,959,563	10,699,461
Office equipment and furniture	3-5 years	1,880,387	1,778,781
Leasehold improvements	10-15 years	587,183	577,068
Finance leases – right to use	5 years	113,741	45,951
Vehicles	3 years	10,020	10,020
Construction in process		464,203	142,612
Property, plant and equipment, gross		24,856,828	23,095,624
Less accumulated depreciation		(14,754,866)	(13,757,397)
Property, plant and equipment, net		$ 10,101,962	$ 9,338,227

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. The Company is financing the Expansion Project through a $4,500,000 industrial development bond, which is described in Note 8. At December 31, 2020, the Company had unused proceeds from the industrial development bond of approximately $477,000 in a custodial account restricted for the use of funding additional capital improvements. The Company intends to utilize the remaining proceeds to purchase machinery and equipment to expand production capacity.

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 was approximately $98,000 and $100,000 for the years ended December 31, 2020 and 2019, respectively. At December 31, 2020 and 2019, the Company had a right to use asset and a corresponding liability of $268,920 and $352,190, respectively related to the operating lease. Set forth below is a schedule of future minimum rent payments under the operating lease.

Years ending December 31,	
2021	$ 94,800
2022	94,800
2023	94,800
Total future minimum lease payments	284,400
Less imputed interest	(15,480)
Total operating lease liability	$ 268,920

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 2020 and 2019 are set forth below.

	2020	2019
Operating lease expense	$ 98,086	$ 99,792
Finance lease amortization	22,167	22,756
Finance lease interest	1,137	945
Total lease expense	$ 121,390	$ 123,493

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, 2020 and 2019 are set forth below:

	December 31, 2020	December 31, 2019
Remaining lease term – operating lease	3.0 years	4.0 years
Weighted average remaining lease term – finance leases	4.6 years	2.6 years
Discount rate – operating lease	3.7%	3.7%
Weighted average discount rate – finance leases	1.8%	3.0%

Note 5 – Intangible Assets

The Company's intangible assets at December 31, 2020 and 2019 consisted of the following:

December 31, 2020

Intangible Assets	Cost	Accumulated Amortization	Net
Patents	$ 622,733	$ 544,644	$ 78,089
Trade names and trademarks	1,715,325	626,413	1,088,912
Customer list	584,468	270,212	314,256
Product formulas	292,234	135,107	157,127
Royalty rights	160,000	133,085	26,915
Total intangible assets	$ 3,374,760	$ 1,709,461	$ 1,665,299

December 31, 2019

Intangible Assets	Cost	Accumulated Amortization	Net
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	$ 3,374,760	$ 1,424,813	$ 1,949,947

On December 27, 2019, the Company acquired intangible assets of Check Corporation, a manufacturer and distributer 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:

Intangible Assets		**Amount**	**Life**
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	$	153,652	

Amortization expense related to intangible assets aggregated $284,648 and $253,917 for the years ended December 31, 2020 and 2019, 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, 2020, 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, 2020 and 2019, 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, 2020 and 2019 consisted of the following:

		2020		**2019**
Accrued customer promotions	$	342,481	$	530,957
Accrued payroll, commissions, and benefits		440,302		417,629
Other		360,042		266,352
Total accrued expenses payable	$	1,142,825	$	1,214,938

<u>Note 8</u> – 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, 2020, the Company was in compliance with these financial covenants.

Through December 31, 2020, of the $4,500,000 proceeds of the Bond sale, there are unused proceeds of approximately $477,000 remaining that are held in a custodial account and may be drawn by Kinpak from time to time to fund additional expenditures related to the Expansion Project. Due to restrictions under, among other things, the Internal Revenue Code and the Lease on Kinpak's utilization of the funds held in the custodial account, such funds are classified as restricted cash on the Company's consolidated balance sheets. The Company intends to utilize the remaining proceeds to purchase machinery and equipment to expand production capacity.

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.

On June 22, 2020, the Company entered into a lease agreement with Canon Solutions America, Inc. to lease office equipment. The lease obligates the Company to pay $100,009 in 63 equal monthly payments of $1,587. The lease is classified as a finance lease. The Company recorded a lease liability which is included in long term debt and a corresponding right to use asset that is included in property, plant and equipment of $96,039 based on a discount rate of 1.53%.

At December 31, 2020 and 2019, the Company was obligated under lease agreements covering office equipment utilized in the Company's operations (inclusive of the lease referenced in the preceding paragraph). The office equipment leases, aggregating approximately $100,000 and $26,000 at December 31, 2020 and 2019, respectively, have maturities through 2025 and carry interest rates ranging from approximately 1.53% to 3.86% per annum. The office equipment leases are classified as finance leases. During the years ended December 31, 2020 and 2019, the Company paid $23,304 ($22,167 principal and $1,137 interest) and $23,701 ($22,756 principal and $945 interest), respectively, under the lease agreements.

The following table provides information regarding the Company's long-term debt at December 31, 2020 and 2019:

	Current Portion		**Long Term Portion**	
	December 31, 2020	**December 31, 2019**	**December 31, 2020**	**December 31, 2019**
Obligations related to industrial development bond financing	$ 263,881	$ 255,471	$ 3,454,904	$ 3,718,785
Note payable related to Snappy Marine asset acquisition	188,187	182,869	309,218	497,405
Obligation related to Check Corporation asset acquisition	47,082	49,930	-	47,082
Equipment leases	21,160	14,823	78,847	11,312
Total principal of long- term debt	520,310	503,093	3,842,969	4,274,584
Debt issuance costs	(19,616)	(19,616)	(112,789)	(132,405)
Total long- term debt	$ 500,694	$ 483,477	$ 3,730,180	$ 4,142,179

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

Year ending December 31,	
2021	$ 520,310
2022	487,427
2023	418,325
2024	308,995
2025	314,577
Thereafter	2,313,645
Total	$ 4,363,279

Note 9 – Income Taxes

The components of the Company's provision for income taxes for the years ended December 31, 2020 and 2019 are as follows:

	2020	**2019**
Federal – current	$ 2,475,632	$ 921,954
Federal – deferred	65,745	29,628
State – current	71,147	43,025
State – deferred	3,099	1,397
Total provision for income taxes	$ 2,615,623	$ 996,004

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

	2020	%	2019	%
Income Tax computed at statutory rate	$ 2,568,784	21.0%	$ 943,891	21.0%
State tax, net of federal benefit	67,569	0.5%	33,954	0.8%
Share based compensation	(2,302)	(0.0)%	(1,149)	(0.0)%
Permanent adjustments	9,679	0.1%	11,911	0.3%
Tax credits and other	(28,107)	(0.2)%	7,397	0.1%
Provision for income taxes	$ 2,615,623	21.4%	$ 996,004	22.2%

The Company's deferred tax liability consisted of the following at December 31, 2020 and 2019:

	2020	2019
Deferred tax liability		
Inventory reserves	$ 63,855	$ 53,701
Trade accounts receivable allowances	71,678	35,541
Depreciation and amortization	(515,751)	(400,616)
Total net deferred tax liability	$ (380,218)	$ (311,374)

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 $2,212,000 and $1,788,000 for the years ended December 31, 2020 and 2019, respectively; fees for administrative services aggregated approximately $871,000 and $779,000, 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 $199,000 and $113,000 during the years ended December 31, 2020 and 2019, respectively. The Company had accounts receivable from the affiliated companies in connection with the product sales, administrative services and business-related expenditures aggregating approximately $1,496,000 and $962,000 at December 31, 2020 and 2019, 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 approximately $77,000 ($48,000 for research and development, $9,000 for charter boat services that the Company used to provide sales incentives for customers and $20,000 for the production of television commercials) and $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) for the years ended December 31, 2020 and 2019, 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, 2020 and 2019, the Company paid an aggregate of approximately $1,365,000 and $1,424,000, 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 2020 and 2019, the Company granted stock awards under the Plan aggregating 25,150 and 83,000 shares of common stock, respectively, to officers, key employees, and directors. Following the withholding of an aggregate of 1,456 and 6,310 shares of common stock, respectively, in connection with a tax withholding feature of the Plan, 23,694 and 76,690 shares were issued to the award recipients, during 2020 and 2019, 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 $312,610 and $275,540 in 2020 and 2019, respectively. The value of the shares the Company withheld for taxes related to the stock awards was $19,991 and $20,949 in 2020 and 2019, respectively. At December 31, 2020, 153,850 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. The Company had no outstanding options under the Prior Plans on December 31, 2020. The last tranche of non-qualified options was exercised before their expiration date of April 25, 2020. There was no compensation expense attributable to stock options recognized during 2020 and 2019, and at December 31, 2020 and 2019, there was no unrecognized compensation cost related to share based compensation arrangements

During 2020, stock options to purchase an aggregate of 20,000 shares of common stock were exercised. The Company received a total of $20,700, withheld 4,704 shares in connection with the net exercise feature of the stock options and issued an aggregate of 15,296 shares to the option holders who exercised their options.

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.

The following table provides information relating to stock option transactions during the years ended December 31, 2020 and 2019:

	2020		2019	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Options outstanding beginning of the year	20,000	$ 2.07	50,000	$ 1.24
Options exercised	(20,000)	2.07	(30,000)	0.69
Total	--	$ --	20,000	$ 2.07

Note 12 – Customer Concentration

During the years ended December 31, 2020 and 2019, the Company had net sales to each of three major customers that constituted in excess of 10% of its net sales. Net sales to these three customers respectively represented approximately 41.5% (16.0%, 15.0%, and 10.5%) and 43.2% (21.7%, 11.2%, and 10.3%) of the Company's net sales, respectively, for the years ended December 31, 2020 and 2019.

At December 31, 2020 and 2019, three customers constituted at least 10% of the Company's gross trade accounts receivable. The gross trade accounts receivable balances for these customers represented approximately 63.6% (28.8%, 21.1%, and 13.7%) and 56.8% (28.0%, 15.3%, and 13.5%) of the Company's gross trade accounts receivable, respectively, at December 31, 2020, and 2019.

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.

	Years Ended December 31, 2020	2019
Earnings per common share –Basic		
Net income	$ 9,616,683	$ 3,498,714
Weighted average number of common shares outstanding	9,460,659	9,391,264
Earnings per common share – Basic	$ 1.02	$ 0.37
Earnings per common share – Diluted		
Net income	$ 9,616,683	$ 3,498,714
Weighted average number of common shares outstanding	9,460,659	9,391,264
Dilutive effect of employee stock-based awards	3,687	8,170
Weighted average number of common shares outstanding – Diluted	9,464,346	9,399,434
Earnings per common share – Diluted	$ 1.02	$ 0.37

The Company had no stock options outstanding at December 31, 2020 and 2019, respectively that were anti-dilutive and therefore not included in the diluted earnings per common share calculation.

Note 14 – Cash Dividends

The Company's board of directors declared the following cash dividends during the years ended December 31, 2020 and 2019:

Year ended December 31, 2020

Declaration Date	Type	Record Date	Payment Date	Dividend Per Share	Amount
05/26/20	Special	06/09/20	06/23/20	$0.02	$189,242
05/26/20	Quarterly	06/09/20	06/23/20	0.02	189,242
08/26/20	Quarterly	09/09/20	09/23/20	0.02	189,242
11/23/20	Quarterly	12/03/20	12/17/20	0.02	189,636
Total				$0.08	$757,362

Year ended December 31, 2019

Declaration Date	Type	Record Date	Payment Date	Dividend Per Share	Amount
03/22/19	Special	04/05/19	04/19/19	$0.05	$468,306

Note -15 – Recent Accounting Pronouncements

Accounting Guidance Adopted by the Company

In June 2016, the Financial Accounting Standards Board ("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, expected credit losses will be measured based not only on past events and current conditions, but also on reasonable and supportable forecasts. 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. The Company adopted ASU 2016-13 on January 1, 2020. The adoption of ASU 2016-13 did not have a material impact on the Company's consolidated financial statements.

EXHIBIT 21

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

Name	Jurisdiction of Organization	Ownership %
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

EXHIBIT 31.1

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 29, 2021

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

EXHIBIT 31.2

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 29, 2021

/s/ Jeffrey S. Barocas
Jeffrey S. Barocas
Vice President, Chief Financial Officer

EXHIBIT 32.1

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, 2020 (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.

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

Dated: March 29, 2021

EXHIBIT 32.2

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, 2020 (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.

By: /s/ Jeffrey S. Barocas
Jeffrey S. Barocas
Vice President, Chief Financial Officer

Dated: March 29, 2021

Endnotes

1 https://flowhub.com/cannabis-industry-statistics

2 https://www.forbes.com/sites/forbesrealestatecouncil/2020/12/01/a-look-at-self-storage-growth-trends-now-and-post-pandemic/

3 https://www.cnbc.com/2021/03/19/boat-sales-took-off-during-pandemic-dealers-cant-keep-up-with-demand.html

This page left intentionally blank.

This page left intentionally blank.

This page left intentionally blank.

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 2020 Form 10-K filed with the Securites 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 2020 and 2019:

	2020		2019	
	High	**Low**	**High**	**Low**
First Quarter	$7.95	$3.18	$3.99	$3.17
Second Quarter	$17.41	$4.05	$3.78	$2.90
Third Quarter	$22.55	$11.55	$3.72	$3.21
Fourth Quarter	$18.03	$11.23	$3.68	$3.28

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*

*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. Phillpotts
Vice President of Business Development

4041 SW 47th Avenue • Fort Lauderdale, Florida 33314
Tel:(954) 587-6280 • (800) 327-8583 • Fax:(954) 587-2813
www.OCEANBIOCHEM.com • www.STARBRITE.com
www.STARTRON.com • www.NOSGUARD.com
www.ODORSTAR.com • www.PERFORMACIDE.com
www.AUTOODORELIMINATOR.com

OCEAN BIO-CHEM, INC

4041 SW 47th Avenue • Fort Lauderdale, Florida 33314
Tel: (954) 587-6280 • (800) 327-8583 • Fax: (954) 587-2813
www.OCEANBIOCHEM.com • www.STARBRITE.com
www.STARTRON.com • www.NOSGUARD.com
www.ODORSTAR.com • www.PERFORMACIDE.com
www.AUTOODORELIMINATOR.com