

Item 2. Acquisition or Disposition of Assets

The Company has entered into a Reorganization Agreement ("Reorganization Agreement") with Spectrum Medical Industries, Inc., a California corporation ("SMI"). The Reorganization Agreement was dated as of September 30, 1998, subject to tax clearance by the California Department of Taxation. Such tax clearance was received on November 3, 1998. Pursuant to the Reorganization Agreement, SMI was merged into the Company and all SMI shareholders received shares of the Company at the rate of 98 shares of the Company's common stock for each share of SMI common stock. The merger was unanimously approved by the Boards of Directors of both companies. Reports prepared by independent advisors and audited and interim financial statements were reviewed by the respective boards to determine the value of SMI with respect to the value of SLI. The exchange rate for the shares was fixed after agreement as to such value and with respect to the capitalization of each entity. The transaction was approved by all of the shareholders of SMI and 92% of the shareholders of the Company. No general solicitation of consent for the Company's shareholders was required under California law and no appraisal rights are available to the Company's shareholders under California law, which governed this merger prior to the company's reincorporation under Delaware law.

Roy T. Eddleman, Chief Executive Officer and a Director of the Company, owned 95% of the outstanding shares of SMI prior to the merger. SMI owned, prior to the transaction, 79.9% of the outstanding shares of the Company and Roy Eddleman and Thomas Girardi, the sole shareholders of SMI, each owned approximately 6% of the outstanding shares of the Company. No consideration other than shares was exchanged. As a result of the transaction, shareholders of SMI increased their holdings of the Company from approximately 92% to approximately 98%. The Company intends to continue the operation of SMI's business which is the manufacture of medical and laboratory equipment. Prior to the merger, the Company supplied SMI with a number of membrane products used in the equipment assembled and sold by SMI.

Item 7. Financial Statements, Pro Forma Financial Information and Exhibits.

a. Financial Statements of Business Acquired.

It is impracticable for the Company to provide the required financial statements on the date this report is being filed. The Company intends to file the

50323.1

-2-

required financial statements under cover of Form 8-K/A as soon as practicable, but not later than 60 days after the date this report must have been filed.

b. Pro Forma Financial Information.

It is impracticable for the Company to provide the required pro forma financial information on the date this report is being filed. The Company intends to file the required financial statements under cover of Form 8-K/A as soon as practicable, but no later than 60 days after the date this report must have been filed.

c. Exhibits

The Reorganization Agreement between Spectrum Medical Industries, Inc. and the Company is attached hereto as Exhibit 2.

SIGNATURES

Pursuant to the requirements 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.

SPECTRUM LABORATORIES, INC.

Date: November 16, 1998

By: /s/ Roy T. Eddleman
Roy T. Eddleman
President and Chief Executive Officer

50323.1

-3-

Exhibit A**PLAN OF MERGER**

PLAN OF MERGER providing for the merger of Spectrum Medical Industries, Inc., a California corporation ("SMI") into Spectrum Laboratories, Inc., a California Corporation ("SLI") (SMI and SLI being hereinafter sometimes individually referred to as a "Constituent Corporation" and collectively as the "Constituent Corporations").

WITNESSETH

This Plan of Merger provides for the Merger of SMI into SLI (the "Merger") pursuant to the provisions of the California Corporation Law, with SLI as the surviving corporation (hereinafter sometimes referred to as the "Surviving Corporation"). The terms and conditions of the proposed Merger, including the manner and basis of converting, or the cash to be paid or delivered in exchange for, shares of each Constituent Corporation are and shall be as follows:

Article 5. Merger: Certificate of Incorporation: By-Laws: Directors: Officers

a. **Merger.** At the Effective Time of the Merger (as hereinafter defined) SMI shall be merged into SLI and its separate existence shall cease. Thereafter, SLI, as the Surviving Corporation, shall, consistent with its Certificate of Incorporation, possess all of the rights, privileges, immunities, powers and purpose of each of the Constituent Corporations, shall be vested with all the property, real and persons, causes of action and every other asset of each of the Constituent Corporations; and shall assume and be liable for all the liabilities, obligations and penalties of each of the Constituent Corporations.

b. **Certificate of Incorporation of Surviving Corporation.** At the Effective Time of the Merger of the Certificate of Incorporation of SLI shall be the Certificate of Incorporation of the Surviving Corporation (subject to amendment from time to time thereafter in the manner provided by law).

c. **By-Laws of Surviving Corporation.** The By-Laws of SLI as in effect prior to the Effective Time of the Merger shall become and continue to be the By-Laws of the Surviving Corporation until thereafter duly modified, amended or repealed.

d. **Directors and Officers of Surviving Corporation.** The directors and officers of the Surviving Corporation, each of whom shall hold office from the Effective Time of the Merger until his respective successor is duly elected or appointed in the manner provided in the Certificate of Incorporation and/or By-Laws of the Surviving Corporation or as otherwise provided by law, shall be those persons who are at the Effective Time of the Merger directors and officers of SLI. If at the Effective Time of the Merger any vacancy or vacancies shall exist in the directors or officers of the

50323.1

1-6990 P 09/10 069-L

1138114:WJF 25:21 96-18-030

TRADEMARK
REEL: 003777 FRAME: 0951

Surviving Corporation, such vacancy, or vacancies may thereafter be filled in the manner provided in the By-Laws of the Surviving Corporation.

Article 6. Conversion of and Cash Payable for Shares of Constituent Corporations

a. **Shares of SMI** At the Effective Time of the Merger, the holders of all of the then issued and outstanding shares of SMI Common Stock shall forthwith be entitled to receive ninety-eight (98) shares of Common Stock of the Surviving Corp., and all shares of SMI shall automatically be canceled, terminated and retired and shall cease to exist and the holders of such shares shall cease to have any rights with respect thereto other than to receive shares of SLI therefore as provided.

b. **Surrender of SMI Certificates.** Following the Effective Time of the Merger, each holder of shares of SMI Common Stock outstanding at the Effective Time of the Merger upon surrender of his certificate(s) therefor to, and in conformance with such reasonable requirements as may be established by, the Surviving Corporation, shall be entitled to receive shares of SLI promptly following receipt thereof (together with such letters of transmittal and other documents as may reasonably be required) by the Surviving Corporation.

Article 7. Effective Time of the Merger; Modification; Abandonment

a. **Effective Time of the Merger.** The Merger provided for herein shall become effective upon the filing of an appropriate Certificate of Merger by the Department of State of California or at such later date as may be set forth in such Certificate of Merger, and shall be effective immediately prior to any merger by SLI with Spectrum Laboratories, Inc., a Delaware corporation. The time and date at which the Merger so becomes effective is herein referred to as the "Effective Time of the Merger."

b. **Modification.** At any time prior to the filing of the Certificate of Merger, whether before or after adoption of this Plan of Merger by the affirmative vote of two-thirds of the respective shareholders of the Constituent Corporations in accordance with the California Corporation Law, this Plan of Merger may be modified, amended or supplemented in such manner as may be authorized or approved by the respective Board of Directors of the Constituent Corporation.

c. **Abandonment.** Notwithstanding approval by the shareholders of the Constituent Corporations, this Plan of Merger may be terminated and the Merger provided for herein abandoned at any time prior to the filing of the Certificate of Merger by action of the respective boards of directors of either SMI or SLI

50323.1

T-590 P.10/10 J6B-409

DEC-31-98 12:52 FROM:WINNELL

TRADEMARK
REEL: 003777 FRAME: 0952

Exhibit 2**REORGANIZATION AGREEMENT**

This Agreement dated as of September 30, 1998 by and between Spectrum Laboratories, Inc., a California corporation ("SLI") and Spectrum Medical Industries, Inc., a California corporation ("SMI").

WHEREAS, SLI sells various medical and laboratory products to SMI and SMI sells various laboratory and medical products to SLI;

WHEREAS, SLI supplies the membranes used in a majority of SMI's membrane based products;

WHEREAS, the Board of Directors of SLI and SMI have each determined that the long term interests of the shareholders of both companies can best be served by combining the companies in a merger; and

WHEREAS, SMI and SMI's shareholders own collectively approximately 92% of the issued and outstanding shares of SLI;

NOW, THEREFORE, the parties agree as follows:

1. **Merger.** SLI and SMI each adopt the Plan of Merger attached hereto as Exhibit A, whereby the Companies are merged, the ownership rights of SMI shareholders are terminated and SMI shareholders receive 98 shares for each share of SMI common stock.
2. **Business.** SLI shall continue the business of SMI.

50323.1