

Edgar Filing: SPECTRUM LABORATORIES INC /CA - Form 10QSB

SPECTRUM LABORATORIES INC /CA
Form 10QSB
August 16, 2005

=====

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-QSB

QUARTERLY REPORT UNDER SECTION 13 OR 15 (d) OF THE SECURITIES
EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED JUNE 25, 2005

OR

TRANSITION REPORT UNDER SECTION 13 OR 15 (d) OF THE EXCHANGE ACT

COMMISSION FILE NUMBER 0-9478

SPECTRUM LABORATORIES, INC.
(Exact name of small business registrant as specified in its charter)

DELAWARE
(State or other jurisdiction
of incorporation or organization)

95-4718363
(I.R.S. Employer Identification No.)

18617 BROADWICK STREET, RANCHO DOMINGUEZ, CALIFORNIA 90220
(Address of principal executive offices) (zip code)

Registrant's telephone number, including area code: (310) 885-4600

Indicate by check mark whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 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

Number of shares of Common Stock outstanding as of July 31, 2005: 5,312,468

TRANSITIONAL SMALL BUSINESS DISCLOSURE FORMAT

YES NO

=====

Part I - FINANCIAL INFORMATION

Item 1. Financial Statements
Consolidated Balance Sheet as of June 25, 2005

Edgar Filing: SPECTRUM LABORATORIES INC /CA - Form 10QSB

Consolidated Statements of Income for the Three and Six Months Ended
June 25, 2005 and June 26, 2004
Consolidated Statements of Cash Flows for the Three and Six Months
Ended June 25, 2005 and June 26, 2004
Notes to Consolidated Statements

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Item 3. Controls and Procedures

Part II - OTHER INFORMATION

Item 1. Legal Proceedings

Item 2. Changes in Securities

Item 3. Defaults Upon Senior Securities

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

Item 5. Other Information

Item 6. Exhibits and Reports on Form 8-K

Signature

Exhibits Certifications - Chief Executive Officer and Chief Financial Officer

Part I. FINANCIAL INFORMATION

Item 1. Financial Statements

SPECTRUM LABORATORIES, INC.
CONSOLIDATED BALANCE SHEET
AS OF JUNE 25, 2005
(DOLLARS IN THOUSANDS, EXCEPT SHARE DATA)
(UNAUDITED)

ASSETS

CURRENT ASSETS:

Cash and cash equivalents	\$ 7,064
Marketable securities	341
Accounts receivable, net of allowances of \$193	2,067
Inventories	2,756
Prepaid expenses	133
Deferred taxes	525

Total current assets	12,886
----------------------	--------

INVESTMENT IN MARKETABLE SECURITIES	798
-------------------------------------	-----

EQUIPMENT AND LEASEHOLD IMPROVEMENTS, net of accumulated depreciation of \$6,503	1,104
---	-------

GOODWILL	1,122
----------	-------

DEFERRED TAXES	1,145
----------------	-------

PATENTS, subject to amortization, net of accumulated amortization of \$273	477
--	-----

OTHER ASSETS - Principally Artwork of \$986	1,013

Total assets	\$18,545
	=====

LIABILITIES AND STOCKHOLDERS' EQUITY

Edgar Filing: SPECTRUM LABORATORIES INC /CA - Form 10QSB

CURRENT LIABILITIES:	
Current maturities of long-term debt	\$ 1,020
Accounts payable	449
Accrued expenses and other current liabilities	379

Total current liabilities	1,848
LONG-TERM DEBT, net of current maturities	4,555
PREFERRED STOCK of SUBSIDIARY - SLI ACQUISITION CORP	1,755
STOCKHOLDERS' EQUITY:	
Preferred stock, par value \$.01; 10,000,000 shares authorized; none issued and outstanding	--
Common stock, \$.01 par value, 25,000,000 shares authorized; 5,312,468 shares issued and outstanding	53
Additional paid-in capital	8,637
Accumulated other comprehensive income	479
Retained earnings	1,218

Total stockholders' equity	10,387

Total liabilities and stockholders' equity	\$18,545
	=====

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

3

SPECTRUM LABORATORIES, INC.
CONSOLIDATED STATEMENTS OF INCOME
(IN THOUSANDS, EXCEPT FOR PER SHARE AMOUNTS)
(UNAUDITED)

	Three Months Ended		June 25, 2004
	June 25, 2005	June 26, 2004	
NET SALES	\$ 3,358	\$ 3,512	\$ 6,000
COSTS AND EXPENSES			
Cost of sales	1,844	1,909	3,000
Selling, general and administrative	1,078	957	2,000
Research and development	222	171	200
Unrealized loss on marketable securities	48	--	--
Other expense, primarily interest	60	20	--
	-----	-----	-----
Total costs and expenses	3,252	3,057	6,000
	-----	-----	-----
Income (loss) before provision (benefit) of income taxes	106	455	--
Provision (benefit) for income taxes	37	140	--
	-----	-----	-----
Net income (loss)	\$ 69	\$ 315	\$ --
	=====	=====	=====

Edgar Filing: SPECTRUM LABORATORIES INC /CA - Form 10QSB

Earnings (loss) per share:			
Basic	\$	0.01	\$ 0.06
	=====	=====	=====
Diluted	\$	0.01	\$ 0.06
	=====	=====	=====
Weighted average shares outstanding:			
Basic		5,312	5,312
	=====	=====	=====
Diluted		5,540	5,523
	=====	=====	=====

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

4

SPECTRUM LABORATORIES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
SIX MONTHS ENDED JUNE 25, 2005 AND JUNE 26, 2004
(IN THOUSANDS)
(UNAUDITED)

	2005	2004
	-----	-----
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net (loss) income	\$ (14)	\$ 385
Adjustments to reconcile net (loss) income to net cash (used in) provided by operating activities:		
Depreciation and amortization	378	412
Noncash compensation and warrant related expense	4	6
Decrease in Other Assets	14	--
Change in working capital components:		
(Increase) in accounts receivable	(414)	(456)
Decrease (Increase) in inventories	60	(18)
(Increase) Decrease in prepaid expenses	(47)	63
(Decrease) in accounts payable	(65)	(175)
(Decrease) Increase in accrued expenses	(153)	41
	-----	-----
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	(237)	258
	-----	-----
CASH FLOWS (USED IN) PROVIDED BY INVESTING ACTIVITIES:		
Investment in marketable securities	(417)	--
Unrealized loss on investment in marketable securities	76	--
Acquisition of equipment and leasehold improvements	(52)	(168)
	-----	-----
NET CASH (USED IN) INVESTING ACTIVITIES	(393)	(168)
	-----	-----
CASH FLOWS (USED IN) FINANCING ACTIVITIES:		
Principal payments of long-term debt	(425)	(480)
	-----	-----

Edgar Filing: SPECTRUM LABORATORIES INC /CA - Form 10QSB

NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,055)	(390)
CASH AND CASH EQUIVALENTS, beginning of period	8,119	3,837
	-----	-----
CASH AND CASH EQUIVALENTS, end of period	\$ 7,064	\$ 3,447
	=====	=====

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

5

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1

Basis of Presentation - The accompanying unaudited financial statements consolidate the accounts of Spectrum Laboratories, Inc. and its subsidiaries, SLI Acquisition Corp., Spectrum Europe B.V. and Spectrum Chromatography (collectively, the Company). All significant intercompany transactions have been eliminated in consolidation

Unaudited Interim Financial Statements - The unaudited consolidated financial statements and related notes have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). Accordingly, certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been omitted pursuant to such rules and regulations. The accompanying consolidated financial statements of the Company should be read in conjunction with the audited consolidated financial statements of the Company, and notes thereto, for the year ended December 25, 2004. The information furnished reflects, in the opinion of management, all adjustments, consisting of normal recurring accruals, necessary for a fair presentation of the results of the interim periods presented. Operating results of the interim period are not necessarily indicative of the amounts that will be reported for the year ending December 31, 2005.

Long-lived Assets - The Company recognizes impairment losses for long-lived assets used in operations when indicators of impairment are present and the future undiscounted cash flows are not sufficient to recover the assets' carrying amount. Management believes there has been no impairment of the value of such assets. The analysis of indicators of impairment and future cash flows are estimates made by management.

Patents - The Company has acquired patents utilized within the various manufacturing processes. These patents are amortized over their respective lives, typically 17 years. Management believes there has been no impairment in the value of these patents.

Estimates & Reserves - The Company's principal reserves relate to accounts receivable and inventory. A detailed review of these reserves is done annually with a general review quarterly. The Company believes these reserves are adequate and the amounts are consistent with prior year's level. A significant estimate is made in the annual impairment testing of goodwill. Changes in management's estimate of fair value of the Company could result in future impairment charges.

Accounting for Stock-based Compensation - The Company accounts for stock-based

Edgar Filing: SPECTRUM LABORATORIES INC /CA - Form 10QSB

employee compensation under the requirements of Accounting Principles Board (APB) Opinion No. 25, which does not require compensation to be recorded if the consideration to be received is at least equal to fair value at the measurement date. Nonemployee stock-based transactions are accounted for under the requirements of the Financial Accounting Standards Board's (FASB) Statement of Financial Accounting Standards (SFAS) No. 123, "ACCOUNTING FOR STOCK-BASED COMPENSATION", which requires compensation to be recorded based on the fair value of the securities issued or the services received, whichever is more reliably measurable.

SFAS No. 123 requires the disclosure of pro forma net income and earnings per share had the Company adopted the fair value method. Under SFAS No. 123, the fair value of stock-based awards to employees is calculated through the use of option-pricing models, even though such models were developed to estimate the fair value of freely tradable, fully transferable options with vesting restrictions which significantly differ from the Company's stock option awards. These models also require subjective assumptions, including future stock price volatility and expected time to exercise, which greatly affect the calculated value.

The calculations are based on a single-option valuation approach and forfeitures are recognized as they occur. The following table illustrates the effect on net income and earnings per share had compensation cost for stock-based compensation been determined based on the grant date fair values of awards (in thousands except share data - refer to next page for table):

6

Note 1 - Accounting for Stock-Based Compensation (Continued):

	Three Months Ended		
	June 25, 2005	June 26, 2004	
Net income (loss):			
As reported	\$ 69	\$ 315	\$
Add total stock-based compensation expense determined under APB opinion 25, net of related tax effects	1	3	
(Deduct) total stock-based employee compensation expense determined under the fair value method based for all awards, net of related tax benefits	(22)	(14)	
	\$ 48	\$ 304	\$
Basic earnings (loss) per share:			
As reported	\$ 0.01	\$ 0.06	\$
Pro forma	\$ 0.01	\$ 0.06	\$
Diluted earnings (loss) per share:			
As reported	\$ 0.01	\$ 0.06	\$
Pro forma	\$ 0.01	\$ 0.06	\$
Weighted average shares outstanding:			
Basic	5,312	5,312	

Edgar Filing: SPECTRUM LABORATORIES INC /CA - Form 10QSB

Diluted 5,540 5,523

=====

Note 2 - Inventories

Inventories are stated at the lower of cost or market, determined using the first-in, first-out method, or net realizable value and are composed of the following (in thousands):

INVENTORY - PER INVENTORY LEAD SCHEDULE

Raw materials	\$	2,360
Work in process		202
Finished goods		800

		3,362
Less reserve for slow moving & obsolete items		(606)

	\$	2,756
		=====

Note 3 - Earnings per Share

Basic earnings per share is computed by dividing the net income attributable to the common stockholders by the weighted average number of common shares outstanding during the period. Due to the net loss for the first six months of 2005 there is no adjustment in the net income attributable to common stockholders. There were a combined total of 953,674 options and warrants outstanding as of June 25, 2005, which have been excluded from the calculation of diluted earnings per share because of their anti-dilutive effect. Diluted earnings per share reflect the potential dilution that could occur from common shares issuable through stock options and warrants (227,326 and 0 equivalent shares in the three and six month periods ending June 25, 2005, respectively and 210,345 and 205,848 equivalent shares in the three and six month periods ending June 26, 2004, respectively). Further, 726,348 combined options and warrants

7

were excluded from calculating diluted earnings per share because of their anti-dilutive effect during the three months ended June 25, 2005 and a combined 605,329 and 609,826 were excluded from the calculation of diluted earnings per share because of their anti-dilutive effect during the three and six months ended June 26, 2004.

Note 4 - Income Taxes

In assessing the realizability of deferred tax assets, management has estimated that it is likely that approximately \$1,500,000 will not be realized. This valuation allowance represents a portion of net operating loss carryforwards attained through a prior business acquisition. As further discussed below, tax law limits the use of an acquired entity's net operating loss carryforwards to subsequent taxable income of the consolidated entity. Management will continue to evaluate the realizability of the deferred tax assets by assessing the need for and amount of a valuation allowance.

Edgar Filing: SPECTRUM LABORATORIES INC /CA - Form 10QSB

At December 25, 2004, the Company had approximately \$5.2 million in net operating loss carryforwards for federal income tax purposes available to offset future taxable income. Certain of these loss carryforwards are limited to approximately \$298,000 annually. Any unused net operating loss is carried forward. As a result of the limitation discussed above, it is probable that approximately \$1.5 million of the Company's net operating loss will expire without utilization.

Note 5 - Product Group Information

While management has determined the Company operates as a single reportable segment, the Company's product groups are based on specific product characteristics and are grouped into bioprocessing products ("BioProcessing"), formerly referred to as laboratory products, and disposable operating room products ("OR"). BioProcessing products consist primarily of membranes and modules used to filter, extract, concentrate, separate and purify. These products are sold primarily to laboratories, research institutions, biotech and pharmaceutical companies. OR products consist primarily of sterile surgical drapes and bandages that are sold primarily to hospitals and their suppliers.

Revenue by product group is as follows (in thousands):

	Three Months Ended		Six Months Ended	
	June 25, 2005	June 26, 2004	June 25, 2005	June 26, 2004
BioProcessing	\$ 2,897	\$ 3,108	5,489	5,777
OR	461	404	859	822
	\$ 3,358	\$ 3,512	\$ 6,348	\$ 6,600

Note 6 - Option Plan

The Company has an option plan referred to as the 2000 Option Plan (the "2000 Option Plan" or "Plan") with 600,000 shares of common stock reserved for option grants to key employees, directors and consultants. Exercise prices for the stock options will not be less than 100% of the fair market value of the stock on the date of grant. Options under the Plan expire not more than ten years from date of grant. Options under the Plan become exercisable over a 5 year period (20% per year). As of June 25, 2005, there were 563,050 options outstanding under the 2000 Option Plan. There were no options granted and 11,000 options forfeited during the six months ended June 25, 2005.

In addition to the 2000 Option Plan there are 265,624 non qualified stock options outstanding and 125,000 warrants.

Note 7- Comprehensive Income

Comprehensive income is comprised of net income and Other Comprehensive Income ("OCI"). OCI includes certain changes in stockholders' equity that are excluded from net income. Specifically, the Company includes in OCI changes in the fair

Edgar Filing: SPECTRUM LABORATORIES INC /CA - Form 10QSB

value of unrealized gains and losses on Spectrum's available for sale securities. The activity in comprehensive income during the six month period ended June 25, 2005 was as follows (in thousands):

	Six Months Ended June 25, 2005

Net income (loss)	\$ 69
Unrealized (loss) on investment in marketable securities	(163)
Tax benefit	65

Comprehensive (loss)	\$ (29)
	=====

The activity in accumulated OCI, net of taxes for the six months ended June 25, 2005 was as follows (in thousands):

Unrealized gain on securities available for sale (net of tax effect of \$384 at the beginning of the year)	\$ 577
Change in unrealized gain on securities available for sale (net of tax effect of \$65)	(98)

Unrealized gain on securities available for sale as of June 25, 2005, (net of tax effect of \$319)	\$ 479
	=====

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with the Consolidated Financial Statements of Spectrum Laboratories, Inc. and Notes thereto contained elsewhere within this Report on Form 10-QSB. Except for the historical information contained herein, the following discussion may contain forward-looking statements that involve risks and uncertainties. The actual future results of the Company could differ materially from those discussed here. Factors that could cause or contribute to such differences include, but are not limited to, those discussed in this report and those factors discussed in the Company's Form 10-KSB for the year ended December 25, 2004 as filed with the Securities and Exchange Commission and, from time to time, in the Company's other reports on file with the Commission.

Results of Operations

Sales

Total sales for the second quarter ended June 25, 2005 totaled \$3,358,000, a decrease of \$154,000 (4.4%), when compared to second quarter 2004. From a product perspective sales for OR products during the second quarter increased \$57,000 (14.1%) while BioProcessing sales decreased by \$211,000 (6.8%). Sales on a year to date basis for 2005 were below prior year by \$254,000 (3.8%) with OR product sales being \$31,000 (3.7%) ahead of prior year while BioProcessing sales were \$285,000 (4.95%) below prior year. The underperformance in BioProcessing was attributable to timing of orders, specifically to one OEM customer, with sales in excess of \$500,000 in 2004 and no sales in 2005.

Gross Margin

Edgar Filing: SPECTRUM LABORATORIES INC /CA - Form 10QSB

Gross margin for the second quarter of 2005 was \$1,514,000 (45.1%) versus prior year second quarter margin of \$1,603,000 (45.6%). Year to date gross margin for 2005 was \$2,705,000 (42.6%) versus prior year of \$2,886,000 (43.7%).

Selling, General & Administrative ("SG&A") and Research & Developmental Expenses ("R&D") During the second quarter of 2005 R&D expenses were \$222,000 while SG&A expenses were \$1,078,000 resulting in an increases in R&D expenses of \$51,000 (29.8%) while SG&A expenses increased \$121,000 (12.6%), when compared to second quarter of 2004.

On a year to date bases R& D expenses total \$428,000, an increase of \$34,000 (8.6%) over 2004 while SG&A expenditures total \$2,080,000, an increase over 2004 of \$181,000 (9.5%) The increase in R&D expenses principally related to outside consultants and materials associated with the expansion of Spectrum's product line, partially offset by a specific consulting agreement with a university in 2004 that totaled approximately \$25,000.

The increase in SG&A was comprised of approximately \$50,000 associated with going its going private process, \$43,000 related to translating its European subsidiary balance sheet and approximately \$120,000 in increased management expenses attributable to Spectrum's new President. The net of these increased expenses were partially offset by a reversal of a management accrual of approximately \$50,000 and other miscellaneous expenses totaling approximately \$19,000.

Net Income

Considering the above, net income for the second quarter was \$69,000 versus \$315,000 in the second quarter of 2004. On a year to date basis, the Company has incurred a net loss of \$14,000 compared to \$385,000 in net income in 2004.

Liquidity and Capital Resources

Cash used by operations for the first six months of 2005 was \$237,000. Working capital components consumed cash of \$619,000 principally due to the increase in accounts receivable of \$414,000 and the decrease in accounts payable and accrued expenses of \$218,000. Cash used in operating activities was also impacted by financing activity relating to \$425,000 in bank loan payments, \$52,000 in investing activity associated with the acquisition of equipment and a current net investment in marketable securities of \$341,000. The net of this activity resulted in a net decrease in cash for the first six months of 2004 of \$1,055,000 resulting in cash balance at June 25, 2005 of \$7,064,000.

Spectrum was not in compliance with one of its loan in covenants as of June 25, 2005 relating to cash flow to debt coverage. The Company received a covenant violation waiver from its bank on August 11, 2005.

In December of 2001 Spectrum entered into a specific research, licensing, manufacturing and supply agreements (the "Agreements") with an unrelated company, now known as Arbios Systems, Inc. ("Arbios"). These Agreements, among other aspects, resulted in Spectrum being granted 362,669 shares of Arbios. Arbios became a public company on October 30, 2003 and is now listed on the OTC Bulletin Board under the symbol of ABOS.OB. Arbios is an early-stage biomedical device company engaged in the discovery, acquisition and development of proprietary liver assist devices and new technologies useful in the diagnosis and treatment of acute liver failure. In compliance with SFAS No. 115 based on the listed trade price of \$2.50 per share Spectrum allocated \$907,000 as the fair market value reflecting this amount as accumulated other comprehensive income on its balance sheet as of December 27, 2003. The amount of the Arbios investment was adjusted to \$961,000 as of December 25, 2004, per the listed trade quote of \$2.65. Based on Arbios most recent trade price of \$2.20, as of

Edgar Filing: SPECTRUM LABORATORIES INC /CA - Form 10QSB

June 25, 2005, Spectrum reflected a decrease in fair market value during the first six months of 2005 of \$163,000 to \$798,000 on its balance sheet as of June 25, 2005. Spectrum has classified this amount as a non current asset as it realizes there have been limited trades in Arbios and the potential to sell the stock may be limited. In addition, due to Arbios being an early stage developmental company, this investment may be subject to significant adjustments.

The Company is obligated under the terms of various operating lease agreements for manufacturing, warehouse and office facilities. Certain of these leases provide for rent escalation adjustments. Minimum future rental payments under these operating lease agreements for the final two quarters ending December 31, 2005 and the subsequent years ending December 31 are as follows: final two quarters 2005 \$287,000 and \$106,000 year ending 2006 (total \$393,000).

Subsequent Events

The Board of Directors of Spectrum elected on October 6, 2004 to amend its Certificate of Incorporation to effect a 1 for 25,000 reverse stock split, upon SEC approving the transaction. Stockholders, subsequent to the reverse stock split, holding fractional shares, would be paid \$2.56 per share for each pre reverse stock split share. The Board of Directors then elected to effectuate a going private transaction as subsequent to the reverse stock split the Company anticipates it will only have 3 shareholders.

10

To effectuate the above transactions Spectrum filed a Schedule 14C Information Statement with the Securities and Exchange Commission ("SEC") on October 12, 2004 with an amended Schedule 14C filed on August 5, 2005. In addition the Company filed a Schedule 13E-3 Transaction Statement on October 13, 2004 with a subsequent amended Schedule 13E-3A being filed on October 19, 2004 with an additional amended Schedule 13E-3A being filed on August 5, 2005. It is anticipated the reverse stock split and the Company becoming private will be effective in the third quarter of 2005. The Company has recognized approximately \$115,000 in expense relating to going private, \$50,000 in the six months of fiscal 2005 and \$65,000 in fiscal 2004.

Item 3. Controls and Procedures

As of the end of the period covered by this report, the Company conducted an evaluation, under the supervision and with the participation of the principal executive officer and principal financial officer, 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 (the "Exchange Act")). Based on this evaluation, the principal executive officer and principal financial officer concluded that the Company's disclosure controls and procedures are effective to ensure that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms. There was no change in the Company's internal control over financial reporting during the Company's most recently completed fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Part II. OTHER INFORMATION

Item 1. Legal Proceedings
None

Edgar Filing: SPECTRUM LABORATORIES INC /CA - Form 10QSB

Item 2. Change in Securities and Use of Proceeds
None

Item 3. Defaults Upon Senior Securities
None

Item 4. Submission of Matters to a Vote of Security Holders
None

Item 5. Other Information
None

Item 6. Exhibits and Reports on Form 8-K
(a) Exhibits

31(a)&(b) Rule 13a-14(a)/15d-14(a) Certifications

32(a)&(b) 18 U.S.C. Section 1350 Certifications

(b) The Company did not file a Form 8-K during the quarter ended June 25, 2005.

11

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on August 15, 2005.

SPECTRUM LABORATORIES, INC.
(Registrant)

/s/ Roy T. Eddleman

Signature
Roy T. Eddleman
Chief Executive Officer

/s/ Brian A. Watts

Signature
Brian A. Watts
Chief Financial Officer
/Vice President of Finance

12