

SETTLEMENT AGREEMENT

I. PARTIES

This Settlement Agreement and Release ("Agreement") is made this 12th day of December, 1996, between the United States of America, acting through its Department of Justice, the Office of Inspector General of the United States Department of Health and Human Services ("HHS-OIG"), the Office of Inspector General of the United States Railroad Retirement Board ("RRB-IG"), the Office of CHAMPUS ("OCHAMPUS"), the Federal Employees Health Benefits Plan, administered by the United States Office of Personnel Management ("OPM-OIG"), through the United States Attorney's Office for the District of Columbia (collectively, "the United States"), Spectra Laboratories, Inc., SRC Holding Company, Spectra Medical Products, Inc., Spectra Laboratories Information Services, Inc., QIX, Inc. (collectively, "Spectra"), and Almario Aviles ("Relator") (hereinafter jointly referred to as "the Parties"), personally or through their undersigned counsel and/or authorized representatives.

II. RECITALS

As a preamble to this Agreement, the Parties agree to the following recital of facts:

1. Spectra Laboratories, Inc. is a Nevada corporation with headquarters in Fremont, California. Spectra Laboratories, Inc. owns and operates a clinical testing laboratory in California that currently specializes in laboratory testing for End Stage Renal Disease ("ESRD") patients. The term "Spectra," as used in this Agreement, includes the following affiliated companies: SRC

Holding Company, a Delaware corporation; Spectra Medical Products, Inc., a Nevada corporation; Spectra Laboratories Information Services, Inc., a Delaware Corporation; and QIX, Inc., a Delaware corporation.

2. Almario Aviles ("Relator") is an individual resident of the State of New Mexico. Relator filed a qui tam action in the United States District Court for the Northern District of California, styled United States ex rel. Aviles v. Spectra Laboratories, Inc., et al., Civil No. C 93-3492-CW, on or about September 22, 1993 (the "Civil Action"). Relator filed an Amended Complaint in the Civil Action on October 1, 1993 (the "Amended Complaint").

3. Spectra submitted claims for payment to:

- a. the Medicare program, Title XVIII of the Social Security Act, 42 U.S.C. § 1395 et seq., which is administered by the Health Care Financing Administration of the United States Department of Health and Human Services ("HHS");
- b. the Railroad Retirement Medicare program, Railroad Retirement Act of 1974, 45 U.S.C. § 231 et seq., which is administered by the United States Railroad Retirement Board;
- c. the Civilian Health and Medical Program for the Uniformed Services ("CHAMPUS"), 10 U.S.C. §§ 1071-1106, which is administered by the United States Department of Defense through its component agency, the Office of CHAMPUS; and

d. the Federal Employees Health Benefits Program ("FEHBP"), which is administered by the Office of Personnel Management ("OPM") pursuant to 5 U.S.C. §§ 8901 et seq.

4. This Agreement addresses the United States' civil and administrative monetary claims against Spectra, and all claims the Relator has or may have against Spectra and for a share of the proceeds of this action for the conduct described in Paragraph 5 and the conduct alleged in the Amended Complaint.

5. The United States contends that Spectra violated federal statutes, regulations, and/or common law doctrines by:

a. submitting separate claims to Medicare, Railroad Retirement Medicare, CHAMPUS and FEHBP for payment of hematocrit (Physician's Current Procedural Terminology ("CPT") Code 85014), hemoglobin (CPT 85018), BUN (CPT 84520), creatinine (CPT 82565), magnesium (CPT 83735), potassium (CPT 84132) and complete blood count ("CBC") (including platelet estimates (CPT 85585), automated platelet counts (CPT 85595), manual differential white blood cell counts (CPT 85007), and hemograms (CPT 85021)) laboratory tests, that were billed from January 1, 1988 through the date of this settlement, which were already covered by the Medicare, Railroad Retirement Medicare, CHAMPUS or FEHBP composite rate for ESRD services, in an effort to induce improper payment for these tests;

b. submitting separate claims to Medicare, Railroad Retirement Medicare, CHAMPUS and FEHBP, which were billed from January 1, 1988 through the date of this settlement, for payment

of composite rate tests that were contained in chemistry panels when these tests were already covered by the Medicare, Railroad Retirement Medicare, CHAMPUS or FEHBP composite rate for ESRD services, in an effort to induce improper payment for these tests;

c. failing to comply with the Medicare, Railroad Retirement Medicare, CHAMPUS and FEHBP "50/50 rule" (see, e.g. Medicare Carrier's Manual § 4270.2) in determining the reasonable charge for test panels that include composite rate and non-composite rate laboratory tests and for which Spectra submitted claims from January 1, 1988 through the date of this settlement, in an effort to induce improper payment for certain laboratory tests;

d. utilizing an ordering and order-renewal system between January 1, 1988 through the date of this settlement, including a "Master Annual Prescription Form" that covered all patients presently treated at a dialysis facility and future admissions for the coming year, which resulted in the submission of claims for medically unnecessary tests, the provision of inaccurate diagnosis information to Medicare, Railroad Retirement Medicare, CHAMPUS and FEHBP and the submission of claims without a valid physician order, in an effort to induce improper payment for these tests;

e. submitting claims to Medicare, Railroad Retirement Medicare, CHAMPUS and FEHBP, which were billed between January 1, 1988 and the date of this settlement, for payment of hepatitis BS

antigen tests for patients who had already tested positive, in an effort to induce improper payment for these medically unnecessary tests;

f. submitting claims to Medicare, Railroad Retirement Medicare, CHAMPUS and FEHBP, which were billed between January 1, 1988 and the date of this settlement, for which the underlying medical records contained inadequate documentation that the tests were ordered, that the tests were medically necessary, or that the tests were provided, in an effort to induce improper payment for these tests;

g. implementing a sales commission or performance structure, in place during portions of the time between January 1, 1988 and the date of this settlement, that compensated Spectra salespersons based on the dollar amount of Medicare reimbursement obtained from their accounts, which commission may have resulted in the ordering of medically unnecessary tests;

h. offering its client dialysis centers inducements and utilizing other marketing or test promotion techniques that may have improperly encouraged the ordering of medically unnecessary tests for which Spectra billed Medicare, Railroad Retirement Medicare, CHAMPUS and FEHBP, specifically: in connection with the provision to dialysis facilities and/or other referral sources of free or discounted tests for employees or others; the provision to dialysis facilities and/or other referral sources of free or discounted supplies and the offering of rebates to suppliers; the payment of "draw-day" personnel in

clients' offices; the provision in client facilities of computers and computer-related equipment; the payment of travel expenses for client employees to attend conferences; the payment of travel and other expenses for client employees who visited Spectra headquarters, which expenses were unrelated to the business purpose of the visit; and the provision of tests that were included in the ESRD composite rate at a discount, sometimes below Spectra's cost of performing these tests; and,

i. failing to disclose or remit overpayments received from Medicare, Railroad Retirement Medicare, CHAMPUS and FEHBP for the tests described in subparagraphs (a) through (h) of this Paragraph.

6. Spectra specifically denies the allegations contained in Paragraph 5 and contends that it complied and still complies with all applicable Medicare principles.

7. Spectra has entered into a Corporate Integrity Agreement with HHS, attached as Exhibit 1, which is incorporated into this Agreement by reference.

8. Wishing to avoid the delay, expense, inconvenience and uncertainty of litigation, the Parties hereby reach a full and final settlement of civil and administrative claims, as described and limited below, that the United States or Relator has or may have against Spectra for the conduct alleged in the Amended Complaint and in Paragraph 5 above.

III. TERMS AND CONDITIONS

NOW THEREFORE, the Parties, intending to be legally bound, hereby agree and stipulate to compromise this matter in the following manner:

A. In settlement of the Civil Action, Spectra will pay a sum of Ten Million One Hundred Fifty Four Thousand Four Hundred Dollars (\$10,154,400.00) (the "Settlement Amount"), which Settlement Amount shall constitute a debt immediately due and owed to the United States on the date of execution of this Agreement, as follows:

1. Spectra shall pay Two Million Dollars (\$2,000,000.00) within forty-five days of the effective date of this Agreement.

2. In addition to the payment described in Paragraph A(1), Spectra shall make twenty quarterly payments in the amount of Four-Hundred and Seven Thousand Seven-Hundred and Twenty Dollars (\$407,720.00). The first payment shall be due on or before the fifth day of January, 1997, and subsequent quarterly payments shall be due on or before the fifth day of April, July, October, and January. The final payment shall be due on or before the fifth day of October, 2001. Nothing in the Agreement shall preclude Spectra from prepaying any payments due under this Agreement.

B. Spectra shall satisfy the obligation set forth in Paragraph A by Fedwire electronic funds transfer to the "Department of Justice," as arranged through the Financial

Litigation Unit, U.S. Attorney's Office, Northern District of California.

C. Interest on late payments will be computed at a simple rate of interest equal to the prime rate as published in The Wall Street Journal on the business day such payment becomes due, plus five percent (5%).

D. Failure to deliver payment within fifteen (15) calendar days after the date specified for any payment in Paragraph A shall constitute a default, at which point the United States may, after first giving written notice of the default and a reasonable opportunity to cure said default, with all interest accrued pursuant to Paragraph C of this Agreement, within ten (10) business days of Spectra's receipt of the notice, 1) offset the amount of Spectra's late payment, plus the interest on that payment, from Medicare, Railroad Retirement Medicare, CHAMPUS and FEHBP reimbursements due and owing to Spectra at the time of default; and 2) exclude Spectra from participation in the Medicare and Medicaid programs pursuant to 42 U.S.C. § 1320a-7(b) and 42 U.S.C. § 1320a-7(d) until such time as Spectra has cured the default, at which time the United States agrees that Spectra will no longer be prohibited from participation in the Medicare and Medicaid programs on the basis of such default. Notice of default shall be provided to:

General Counsel
Spectra Laboratories, Inc.
48818 Kato Road
Fremont, CA 94538

Except to the extent of arguing that it is not then in default under this Agreement, Spectra agrees not to contest an offset or exclusion pursuant to this Agreement either administratively or in any state or federal court. This provision does not affect the rights, obligations, or causes of action the United States may have under any authority other than that specifically referred to in this paragraph.

E. Spectra will, immediately upon execution of this Agreement, execute the Corporate Integrity Agreement set forth in Exhibit 1, attached hereto, and incorporated herein by reference, for all its employees.

F. Subject to the exceptions in Paragraph H of this Agreement, in consideration of the obligations of Spectra set forth in this Agreement, within one hundred and twenty (120) calendar days after Spectra has made full payment of the amount set forth in Paragraph A, the United States, on behalf of itself, its officers, agents, agencies, and departments, shall release Spectra, and its present or former officers, directors, employees, shareholders, and agents from any civil or administrative monetary claim or cause of action which the United States has or may have under the False Claims Act, 31 U.S.C. §§ 3729, et seq., (as amended), the Program Fraud Civil Remedies Act, 31 U.S.C. §§ 3801, et seq., the Civil Monetary Penalties Law, 42 U.S.C. § 1320a-7a, the Anti-Kickback Act, 41 U.S.C. §§ 52, et seq., or the common law for the conduct alleged in the Amended Complaint and Paragraph 5 of this Agreement.

G. Subject to the exceptions in Paragraph H of this Agreement, in consideration for the obligations of Spectra under this Agreement and upon full receipt of the payments described in Paragraph A by the United States:

a. HHS agrees to refrain from instituting or maintaining any administrative claim or action seeking exclusion of Spectra from the Medicare program pursuant to 42 U.S.C. § 1320a-7a or 42 U.S.C. § 1320a-7(b) for the conduct described in the Amended Complaint and Paragraph 5 of this Agreement;

b. - OCHAMPUS agrees to refrain from instituting or maintaining any administrative claim or any action seeking exclusion of Spectra from the CHAMPUS program, pursuant to 32 C.F.R. § 199.9, for the conduct described in the Amended Complaint and Paragraph 5 of this Agreement, except if Spectra is excluded by the Office of Inspector General of HHS pursuant to 42 U.S.C. § 1320a-7a.

c. OPM agrees to refrain from instituting or maintaining any administrative claim or any action seeking exclusion of Spectra from the FEHBP program pursuant to 5 U.S.C. § 8902a, 5 C.F.R. Part 970 or 31 U.S.C. §§ 3801-3812 (Program Fraud Civil Remedies Act) for the conduct described in the Amended Complaint and Paragraph 5 of this Agreement, except if Spectra is excluded by the Office of Inspector General of HHS pursuant to 42 U.S.C. § 1320a-7a.

H. Notwithstanding any term of this Agreement, specifically reserved and excluded from the scope and terms of this Agreement are any and all:

(1) criminal liability which may arise from the conduct described in the Amended Complaint and Paragraph 5 of this Agreement;

(2) claims that may arise under Title 26, United States Code, Internal Revenue Service Code, or Internal Revenue Service regulations or under securities laws;

(3) liability to the United States (or any agencies thereof) for any conduct other than that identified in the Amended Complaint and Paragraph 5 of this Agreement;

(4) claims against any individuals, including officers and employees of Spectra, who are criminally indicted or convicted, or who enter into criminal plea agreements, if such claims are based on the conduct alleged in the Amended Complaint and Paragraph 5 of this Agreement;

(5) claims relating to Medicare, Railroad Retirement Medicare, CHAMPUS or FEHBP billings other than those specified in the Amended Complaint and Paragraph 5 of this Agreement;

(6) claims relating to obligations created by this Agreement; and

(7) any claims for defective or deficient services.

I. Spectra has provided sworn financial disclosure statements and other financial information to the United States, and the United States has relied on the representations therein

in reaching this Agreement. The financial information referred to in this Paragraph is listed in Exhibit 2, attached hereto, and incorporated herein by reference. Spectra warrants that the financial information provided to the United States is thorough, accurate, and complete. Spectra further warrants that no funds or assets belonging to it or any affiliates exist which have not been disclosed. In the event that the United States discovers previously undisclosed assets totalling twenty-five thousand dollars (\$25,000.00) or more in value which existed at the time of execution of this Agreement and in which Spectra, or any affiliates, had an interest, contingent or otherwise, the United States may, at its option, (a) rescind this Agreement and reinstate its suit upon the underlying claims set forth in the Amended Complaint and Paragraph 5 of this Agreement; or (b) let the Agreement stand and collect One Hundred Percent (100%) of the assets previously undisclosed.

J. In the event that the United States opts, pursuant to Paragraph I, to rescind this Agreement, Spectra expressly waives and will not plead, argue or otherwise raise any statute of limitations, laches, estoppel or other similar defenses to any civil causes of action relating to the matters described in the Amended Complaint or in Paragraph 5 of this Agreement except to the extent that these defenses were available on September 22, 1993.

K. The United States and Relator agree that Relator is entitled, pursuant to 31 U.S.C. § 3730(d), to a share equal to

fifteen percent (15%) of the United States' recovery under this Agreement. The United States agrees that, within a reasonable time after it receives any payment from Spectra specified in this Agreement, it will pay Relator an amount equal to fifteen percent (15%) of the payment.

L. Pursuant to 31 U.S.C. § 3730(c)(2)(B), the Relator asserts that the settlement of claims in the Civil Action is fair, adequate and reasonable under all the circumstances. Further, on the date this Agreement is executed, the Relator, for himself, his heirs, representatives, successors and assigns, will release and will be deemed to have released and forever discharged:

(1) Spectra, and its present or former officers, directors, employees, shareholders, and agents from claims the Relator has or may have relating to the allegations in the Amended Complaint and Paragraph 5 of this Agreement; and

(2) the United States from any claims arising from or relating to the Civil Action against Spectra, or, pursuant to 31 U.S.C. § 3730(d)(1), for a share of any recoveries relating to or arising out of this action beyond that specified in Paragraph K of this Agreement.

M. With respect to the conduct alleged in the Amended Complaint and in Paragraph 5 of this Agreement, Spectra hereby waives any defenses it may have to any criminal prosecution, which defenses may be based in whole or in part on the Double Jeopardy Clause of the Constitution or the holding or principles

set forth in United States v. Halper, 490 U.S. 435 (1989), and agrees not to argue that the amounts paid under this Agreement are punitive in nature or effect in any such criminal prosecution.

N. Nothing in any provision of this Agreement constitutes an agreement by the United States concerning the characterization of the amounts paid hereunder for purposes of any proceeding under Title 26 of the Internal Revenue Code.

O. Spectra agrees that this Agreement represents a full and final settlement of all administrative review rights it may have with respect to the claims described in the Amended Complaint and Paragraph 5 of this Agreement. For government contracting purposes, and for Medicare, Railroad Retirement Medicare, CHAMPUS and FEHBP purposes, Spectra agrees to treat as unallowable all costs (as defined in the Federal Acquisition Regulations ("FAR") 31.205-47 and as defined in Titles XVIII and XIX of the Social Security Act, 42 U.S.C. § 1395, et seq. and § 1396, et seq. and the regulations promulgated thereunder) incurred by or on behalf of Spectra and its present or former officers, directors, employees, shareholders, and agents, in connection with 1) the matters covered by this Agreement, 2) the Government's investigation of the matters covered by this Agreement, 3) Spectra's investigation, defense, and corrective actions undertaken in response to the Government's investigation and pursuant to this Agreement, 4) the negotiation of this Agreement, and 5) the payment of the Settlement Amount to the

United States pursuant to this Agreement. These amounts shall be separately accounted for by Spectra, and Spectra will not charge such costs directly or indirectly to any contracts with the United States, or to any cost report submitted to the Medicare, Railroad Retirement Medicare, CHAMPUS or FEHBP program or any other government health insurance program. Any sums owed by Spectra to the United States for payments made to Spectra by Medicare, Medicaid (federal share), Railroad Retirement Medicare, CHAMPUS or FEHBP for costs which are unallowable (as defined in this paragraph) shall be paid by Spectra to HHS, RRB, OCHAMPUS, or OPM at their direction.

P. On the date it signs this Agreement, Spectra will execute a Stipulation For Entry of Judgment ("Consent Judgment") in favor of the United States in the amount of Ten Million One Hundred Fifty Four Thousand Four Hundred Dollars (\$10,154,400.00) in the Civil Action and the Parties will stipulate that the Civil Action should be dismissed upon entry of the judgment. The Consent Judgment will be satisfied on the date when the releases set forth in Paragraph F become effective. Spectra agrees that the United States may file the Consent Judgment in any district at any time in its sole discretion, without notice to Spectra, and that the United States may perfect the Consent Judgment, as provided by 28 U.S.C. § 3201, by making any and all appropriate filings as provided for under 26 U.S.C. § 6323(f). The United States agrees to stay the execution of the Consent Judgment and related filings, provided that Spectra fully complies with its

payment obligations under Paragraph A and complies with all other terms of this Agreement.

Q. In the event of a voluntary or involuntary liquidation or reorganization case by or against Spectra under bankruptcy, receivership or other insolvency law, Spectra agrees not to contest or oppose any motion filed by the United States seeking relief from, or modification of, the automatic stay imposed by 11 U.S.C. § 362(a) nor to seek relief under 11 U.S.C. § 105 to enjoin or restrain the United States from recovering monies owed by Spectra arising out of this Agreement. Spectra recognizes that this express waiver is in consideration for the final settlement of the Civil Action and the conduct identified in Paragraph 5 of this Agreement. By expressly waiving the automatic stay provision, Spectra agrees not to oppose or interfere with any motion made in the federal courts (including any bankruptcy courts) by or on behalf of HHS, OCHAMPUS or OPM to exclude Spectra from Medicare, Medicaid, CHAMPUS or the FEHBP as provided for in this Agreement.

R. This document and the Exhibits attached hereto constitute the entire agreement between the parties. This Agreement may not be altered except by written consent of the parties to the Agreement, except to the extent that Spectra and HHS-OIG agree to modification of the Corporate Integrity Agreement pursuant to Paragraph 23 of the Corporate Integrity Agreement. No other additional promises, conditions or agreements have been entered into other than those stated in this

Agreement. The Parties agree that this Agreement does not constitute an admission by any person or entity, and shall not be construed as an admission by any person or entity, with respect to any issue of law or fact.

S. The undersigned Spectra signator represents and warrants that he/she is fully authorized and empowered to execute this Agreement. The undersigned United States signatories represent that they are signing this Agreement in their official capacity and that they are fully empowered and authorized to execute this Agreement. The Relator acknowledges that he is not represented by counsel, that he has had an opportunity to retain counsel and has chosen not to do so, and that he is entering and signing this Agreement on his own behalf.

T. The Parties have executed three identical copies of this Agreement, each of which shall be deemed an original.

U. The provisions of this Agreement shall be binding upon the parties to this Agreement and their heirs, successors and assigns.

V. The effective date of this Agreement is the date when the Agreement is executed by all of the representatives of each of the parties to this Agreement.

W. This Agreement is intended to be for the benefit of the parties to this Agreement (including, except as provided herein, their present or former officers, shareholders, directors, employees and agents) only, and by this instrument the parties to

this Agreement do not waive, compromise or release any claims or causes of action against any other person or entity.

FOR THE UNITED STATES OF AMERICA:

Dated: 11/15/96

James E. Ward IV
JAMES E. WARD IV
Civil Division
U.S. Department of Justice

Dated: 12/12/96

Gail Killefer
GAIL KILLEFER
Assistant United States Attorney
Northern District of California

Dated: _____

LEWIS MORRIS
Assistant Inspector General
Office of Counsel
to the Inspector General
Office of Inspector General
U.S. Department of Health
and Human Services

Dated: _____

MARTIN J. DICKMAN
Inspector General
U.S. Railroad Retirement Board

Dated: _____

ROBERT D. SEAMAN
General Counsel
Office of CHAMPUS

Dated: _____

DARA A. CORRIGAN
Assistant United States Attorney
for the District of Columbia
on behalf of
U.S. Office of Personnel Management

FOR THE UNITED STATES OF AMERICA:

Dated: _____

JAMES E. WARD IV
Civil Division
U.S. Department of Justice

Dated: _____

GAIL KILLEFER
Assistant United States Attorney
Northern District of California

Dated: 11/20/96



LEWIS MORRIS
Assistant Inspector General
Office of Counsel
to the Inspector General
Office of Inspector General
U.S. Department of Health
and Human Services

Dated: _____

MARTIN J. DICKMAN
Inspector General
U.S. Railroad Retirement Board

Dated: _____

ROBERT D. SEAMAN
General Counsel
Office of CHAMPUS

Dated: _____

DARA A. CORRIGAN
Assistant United States Attorney
for the District of Columbia
on behalf of
U.S. Office of Personnel Management

FOR THE UNITED STATES OF AMERICA:

Dated: _____

JAMES E. WARD IV
Civil Division
U.S. Department of Justice

Dated: _____

GAIL KILLEFER
Assistant United States Attorney
Northern District of California

Dated: _____

LEWIS MORRIS
Assistant Inspector General
Office of Counsel
to the Inspector General
Office of Inspector General
U.S. Department of Health
and Human Services

Dated: 11-20-76

Martin J. Dickman

MARTIN J. DICKMAN
Inspector General
U.S. Railroad Retirement Board

Dated: _____

ROBERT D. SEAMAN
General Counsel
Office of CHAMPUS

Dated: _____

DARA A. CORRIGAN
Assistant United States Attorney
for the District of Columbia
on behalf of
U.S. Office of Personnel Management

FOR THE UNITED STATES OF AMERICA:

Dated: _____
JAMES E. WARD IV
Civil Division
U.S. Department of Justice

Dated: _____
GAIL KILLEFER
Assistant United States Attorney
Northern District of California

Dated: _____
LEWIS MORRIS
Assistant Inspector General
Office of Counsel
to the Inspector General
Office of Inspector General
U.S. Department of Health
and Human Services

Dated: _____
MARTIN J. DICKMAN
Inspector General
U.S. Railroad Retirement Board

Dated: *November 25, 1996*

ROBERT D. SEAMAN
General Counsel
Office of CHAMPUS

Dated: _____
DARA A. CORRIGAN
Assistant United States Attorney
for the District of Columbia
on behalf of
U.S. Office of Personnel Management

FOR THE UNITED STATES OF AMERICA:

Dated: _____

JAMES E. WARD IV
Civil Division
U.S. Department of Justice

Dated: _____

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Assistant United States Attorney
Northern District of California

Dated: _____

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Office of Counsel
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U.S. Department of Health
and Human Services

Dated: _____

MARTIN J. DICKMAN
Inspector General
U.S. Railroad Retirement Board

Dated: _____

ROBERT D. SEAMAN
General Counsel
Office of CHAMPUS

Dated: 11/19/94

Dara A. Corrigan

DARA A. CORRIGAN
Assistant United States Attorney
for the District of Columbia
on behalf of
U.S. Office of Personnel Management

RELATOR ALMARIO AVILES (pro se):

Dated: Dec. 11, 1996



ALMARIO AVILES
36198 Toulouse Street
Newark, CA 94560

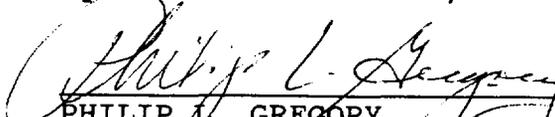
FOR SPECTRA LABORATORIES, INC.:

Dated: DEC. 9, 1996



JOHN M. MCKENZIE
President
Spectra Laboratories, Inc.

Dated: DEC. 9, 1996



PHILIP L. GREGORY
General Counsel
Spectra Laboratories, Inc.