



August 6, 2013

DEAR DYNASPLINT COLLEAGUES:

If you are receiving this letter handed or emailed to you by your manager then it is with my sincere regret that you are one of the Dynasplint colleagues being notified of immediate layoff, effective Tuesday, August 6, 2013.

Western Division:
La Jolla, California
800.262.8828

Northern Division:
Clifton, New Jersey
866.396.2775

Southern Division:
Lantana, Florida
800.644.4374

European Division:
Heerlen, The Netherlands
01131.455.230.418

Canadian Division:
Toronto, Ontario
800.668.9139

Our lender, BB&T, has started immediate foreclosure proceedings on all properties backing Dynasplint loans to the bank (which includes my home). Last week, all the funds we deposited into the bank beginning Thursday, August 1st and continuing through yesterday, totaling approximately \$1,000,000, was forced by BB&T to pay down our \$9,000,000 line of credit instead of funding the checks presented at the bank. This caused checks to bounce. This was done without notice.

For two years, I have been negotiating with the bank to work out a reasonable repayment plan for this line of credit. Keep in mind that we have never missed a principal or interest payment to this bank in the 12 years we have been with them. Their stance is unreasonable, unfair and what I consider sinister. The only agreement I received was that they would continue working with me while I tried to get another lender to step in and pay them the full \$9,000,000 and become our new lender. We had a company that was willing to do that, MidCap Financial, but they retracted their offer since the ongoing lawsuit with the federal government filed by Whistleblower Meredith Deane, continues to go unresolved. Because the new potential lender withdrew its offer to finance the company, BB&T “threw up their hands” on July 31st and decided to cut us off beginning Thursday August 1st. Since 70% of our collected funds are paid directly into the bank by electronic fund transfers, we no longer have access to that money to run the business. The bank is taking the money and rapidly paying down the line of credit. I tried to stop them from continuing to do this sinister act, but after multiple consultations with three law firms, the documents BB&T mandated I sign in order to continue to fund the company’s operations from the line of credit, put me and Dynasplint in a position where they have the ability to take that money and disregard the needs of the corporation as they now stand.

What’s next? Immediately I have to make do with 30% of the cash that I once had. The other 70% the bank is keeping to rapidly pay down the line of credit which at the present rate of repayment we will have them paid to zero (paid in full) in three months. With only 30% of the funds available, I am forced to reduce the workforce by 70%.

My current plan is to recall most of the Dynasplint colleagues being laid off today starting very shortly after the bank debt is paid in full. When will that be? Under the current rate at which BB&T is extracting funds from our bank account that will be accomplished by the end of October 2013. If this plays out as it now appears to be, I will be in a position to start recalling laid off Dynasplint colleagues back to work by the middle to end of November 2013. Not everyone will be called back. Not everyone laid off will be available to come back to work at Dynasplint. The downsizing that is occurring with this lay off today will put the company at a number of remaining Dynasplint Colleagues far below what I want to see for properly servicing the demand we current have and will still have in November, for serving patients in need of our products and services. I anticipate recalling back to Dynasplint

employment starting in November and moving through January 2014, at least half of all colleagues laid off today.

I am terribly sorry that this layoff is occurring. We will help you to not only file for unemployment benefits but also transition into other employment if you so desire. Your back wages will be paid to you as quickly as funds become available. You will receive some funds this Friday but I cannot guarantee the amount you are owed will be paid in full to you this Friday due to BB&T keeping all the funds being paid into their bank. As quickly as possible, I am building up funds to meet the highest payout of payroll this Friday. In the event you are not paid in full on Friday, each business day after Friday, starting Monday, August 12th, checks will be cut available for mailing or pick up and immediate cashing until you are paid in full.

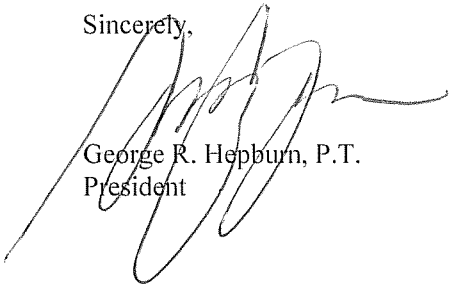
The action taken by BB&T is damaging to this company, all Dynasplint colleagues and the patients we attempt to serve with our fine products and services. Once the debt is paid in full to BB&T, the banking issues we have faced over the past few years will be history. We will then be a debt free enterprise giving Dynasplint great flexibility and latitude on how to once again grow the business the way it ought to be.

Please know that I personally am doing everything I possibly can to retain as many employees as possible, get your money that is owed to you paid to you as quickly as possible and recall as many laid off employees as quickly as possible as we see prudent once the bank debt is paid down. I am personally liquidating my retirement savings to put into the company to help during this three month period in which BB&T is unfairly forcing the immediate and complete pay down of the \$9,000,000 line of credit.

Contact Jennie Slack, HR Manager, via email Jslack@dynasplint.com to help you with filing unemployment benefits and questions you may have regarding this transition. I am available via email for any questions or comments you may otherwise have at Ghepburn@dynasplint.com. As part of this transition, please immediately return all Dynasplint property that may include, computer, iPads, iPhones, Dynasplint units and soft goods, and all paperwork and intellectual property you may have in your possession.

Please know that I did not make this decision without exhausting every possible alternative to stop BB&T from this harsh and unfair treatment. I will do everything in my power to help you in your transition using every resource available to me. God Bless you and your family.

Sincerely,



George R. Hepburn, P.T.
President