

December 31, 2008

Dear Doctors and Staff,

Welcome to the year of **Change!** With a new president, an unstable economy, and no one really understanding where things are going, it is going to take a lot of patience, hope and faith to move us along. I understand that we are all feeling the effects of the Health Care system and the management of it, but we have no choice but to work with the system to the best of our ability.

We are presently feeling and have felt the effects of the petroleum side of the global situation. The costs of raw materials to manufacture orthodontic appliances, TMJ and dental appliances have doubled in the last year. The price of gold, silver and stainless steel has also increased at the same rate or higher. We are all doing our best to keep things as controlled as we can.

I know that there are a lot of Labs out there trying to get your business. I am sure they are offering you the best deal they can. I hope that when it is time to make that decision you can have the confidence to continue to use RED Ortho Labs, Inc. We will continue to offer the same personal, friendly, and quality service that you have received in the past. We still pride ourselves on our quality rather than quantity.

I had to make a tough decision regarding the economic situation facing our company. I cut every possible expense I could so that we would not be forced to raise our rates at the beginning of the year. I am sure that you are as financially affected as we are. I am confident that you will continue to support us in our efforts to provide you with the same great service we have for over 25 years. I will evaluate the impact the economy is having on the business on a month to month basis.

I feel that in the end we will all come out of this stronger and wiser.

Sincerely,

Jim McNulty
RED Ortho Labs, Inc