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PolyMedica's criminal prosecution firmly on track.

Last week investors bid PolyMedica Corporation's (NASDAQ: PLMD, \$52.00) shares up as high as 29.5% above the prior week's close after the company announced that it would continue to capitalize its advertising expenses. Earlier PolyMedica had disclosed that the Securities and Exchange Commission believed that its advertising expenses did not qualify for capitalization. Last week's announcement has no effect on PolyMedica's historical or future cash flow. PolyMedica will merely continue to report lower than actual expenses and inflate its non-cash earnings. Yet PolyMedica's stock reaction was material. PolyMedica's stock price is entirely and completely a function of investor's estimates of the company's incurred criminal and civil liabilities. As a result, the only reasonable conclusion is that investors are buying PolyMedica shares believing that its accounting was one of the potential criminal charges and that the accounting announcement positively impacted the severity or likelihood of the penalties PolyMedica faces. These beliefs are completely wrong. Last week's announcement has no bearing whatsoever on either the on-going proceedings or the severity of the outcomes.

For 2 years PolyMedica wrongly denied the existence of any civil or criminal investigation. The denial continued even after PolyMedica was inexplicably denied listing on the New York Stock Exchange. Finally in August 2001, 13 days before the Federal Bureau of Investigation ("FBI") raid, PolyMedica acknowledged first the existence of an investigation and then that the investigation is criminal. PolyMedica then began claiming that the illegal activities were old news and that it was fully cooperating with the investigation. As a result, investors have been repeatedly lured into buying PolyMedica's stock in anticipation of a settlement. No settlement has occurred. Instead, PolyMedica was forced to disclose the existence of allegations of obstruction of justice.

Contrary to the on-going stock promotion, there is no irregular delay in the PolyMedica investigation. There are no facts in the record to support the belief that there are or that there ever have been any settlement talks to end the prosecution. On the contrary, all available evidence from the Centers for Medicare and Medicaid Services Office of Inspector General, the Department of Justice and the FBI show a consistent 4 year and 3 month record of diligent and effective prosecution of a very serious criminal investigation.

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