

May 15, 2002

PolyMedica's feeble attempts at credibility exposed.

PolyMedica Corporation (NASDAQ: PLMD, Price: \$39.38) recently claimed that the Securities and Exchange Commission ("SEC") has terminated its investigation of the company. The announcement contained a supporting quote by the "Chairman of the Oversight Committee." Today, PolyMedica issued a statement announcing the addition of two members to its Board of Directors. These announcements may lead investors to believe that PolyMedica's management has changed and that it is making progress towards a settlement with the U.S. Department of Justice ("DOJ"). There is absolutely no evidence to support this belief. As is described below, the Oversight Chairman's statement is improper and highly questionable. Furthermore, one of PolyMedica's "additional" directors has invested in at least two penny-stock-promotions with two of Wall Street's most unscrupulous stock promoters. PolyMedica's other "additional" director had previously served on its board and is also a director of a yet another penny stock company.

Herbert Denton is the Chairman of PolyMedica's Oversight Committee. Chairman Denton's April 8, 2002 statement concerning the DOJ's criminal investigation has led some investors to conclude that PolyMedica's Medicare problems can be resolved through a settlement that would not have a negative material effect on PolyMedica's financials or ongoing business. We believe that statement is baseless and constitutes inappropriate representations to investors, especially for an alleged independent director and the leader of a so-called "Oversight Committee." (Click here to read Asensio & Company, Inc.'s letter to Chairman Denton.)

Edward A. Burkhardt has been an "inside" shareholder of both Cytoclonal Pharmaceuticals, Inc., now called eXegenics Inc. (OTC: EXEG, Price: \$0.86) and Cathayonline, Inc. (OTC: CTYO, Price: \$0.015). Mr. Burkhardt registered shares for sale in both companies along with Joseph Giamanco, Bruce Meyers, Janssen Meyers Securities and William Rouhana. Joseph Giamanco was expelled from the AMEX and was exposed for his dealings with the criminally-organized Company X. Bruce Meyers and the now defunct Janssen Meyers Securities have been sanctioned by the NASD. William Rouhana was the CEO of the bankrupt and highly questionable Winstar Communications, Inc. (OTC: WCIIQ, Price: \$0.003) stock promotion.

Walter R. Maupay, Jr. served as a Director of PolyMedica from 1990 through March 1995. Mr. Maupay was president of Calgon Vestal Laboratories when Calgon entered into a distribution agreement with PolyMedica. Mr. Maupay was elected to the Board of Directors of Life Medical Sciences, Inc. (OTC: CHAI, Price: \$0.13) on May 27, 1999. Life Medical Sciences is a bulletin board stock that has mostly traded below \$1 since 1999.

Steven Lee, PolyMedica's CEO, serves on the Board of two other public companies with Mr. Maupay and Mr. Burkhardt, separately.

The DOJ is currently conducting a criminal investigation of PolyMedica's Medicare billings for the sale of blood glucose home testing supplies. The investigation commenced on or about June 24, 1999. It became a Federal criminal investigation in 2000. On August 21 and 22, 2001, pursuant to a Federal court order, the FBI conducted a search of PolyMedica's facilities and the homes of two of its officers. This required that a U.S. Magistrate judge find probable

cause of PolyMedica criminal conduct. There is absolutely no reason to believe that PolyMedica will not be criminally indicted.

We expect that tomorrow PolyMedica will announce net income per share, adjusted to exclude the net after tax effect of unusual legal expenses related to the criminal and civil DOJ investigations, of approximately \$1.24 for the fourth quarter. Non-Medicare markets for some products do not allow PolyMedica's 60%-plus gross margins. The planned long-delayed steep reduction in Medicare reimbursement rates for blood glucose home testing supplies will eliminate this government oversight. However, as stated earlier, we believe that PolyMedica's criminal liabilities, even when conservatively discounted, greatly exceed its asset or ongoing value.

Asensio & Company, Inc. believes PolyMedica's results are not sustainable and that its stock is grossly overvalued. Furthermore, there exists sufficient evidence of PolyMedica's serious failure to comply with Medicare regulations to warrant a Federal investigation. We believe PolyMedica's stock is grossly overvalued.

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May 15, 2002

Herbert Denton
Chairman of the Oversight Committee
Board of Directors
PolyMedica Corporation
11 State Street
Woburn, MA 01801

Dear Chairman Denton:

We understand that it is your stated belief that the Securities and Exchange Commission ("SEC") has terminated its PolyMedica Corporation ("PLMD") inquiry and that this constitutes a favorable development. We further understand that it is also your stated belief that the Department of Justice's ("DOJ") criminal investigation of PLMD's Medicare billing practices can be resolved through a settlement that would not have a negative material effect on PLMD's financials or ongoing business. We have requested, and you have failed to provide, any support for your statement. It is our opinion, based upon our counsel's review of the ongoing SEC proceedings and the DOJ investigation, that your statements are unreasonable and wrong. Furthermore, we believe that your statements constitute inappropriate investor representations, particularly for an alleged independent director and the leader of an alleged "Oversight Committee."

Certain former employees in PLMD's document retrieval, billing, shipping and accounts receivable departments have reported that PLMD is billing Medicare for shipments of blood glucose home testing supplies without the required doctor's order ("DRX") and Authorization of Benefits ("AOB"). (PLMD must have an original properly executed DRX and AOB for every one of the approximately 100,000 monthly shipments that it uses to collect approximately \$17.6 million per month from Medicare.) Former employees report that during varying periods in each quarter no less than 10% and as much as 50% of PLMD's sales were not properly supported by a DRX or AOB at the time of shipment. These non-conforming shipments are not a legal basis for billing Medicare. Based upon PLMD's current estimated monthly Medicare billings and the 10% estimate, PLMD is reportedly obtaining no less than \$1.8 million per month illegally from Medicare. However, PLMD's past and ongoing illegal Medicare billings are only one part of the corporate behavior that has created PLMD's criminal liabilities.

PLMD's former employees report that PLMD's management has designed computer systems and shipping procedures that allow illegal Medicare billing. In fact, PLMD's former

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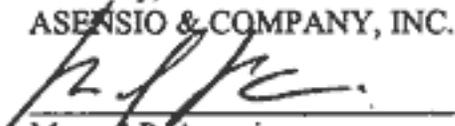
employees report that the illegal billings are accelerated at the end of each month to achieve sales quotas and that these practices have been in place since at least fiscal 1998.

A U.S. Magistrate judge has found probable cause of PLMD's criminal conduct. There are reports of destruction of documents and deletion of computer records that substantiated PLMD's criminal activity. A search of PLMD's office was conducted by the Federal Bureau of Investigation to obtain evidence. The June 2000 blood glucose test strip report by the Department of Health and Human Services estimates that \$79 million of the \$220 million allowed for blood glucose test strips in 1997 was inappropriately paid. The U.S. Attorney's Office has a duty to enforce laws that protect the integrity of Medicare programs. It is in the interest of the government to prevent PLMD's illegal monthly Medicare billings and to obtain the highest possible recovery for the Centers for Medicare and Medicaid Services of all amounts that PLMD has illegally obtained from Medicare.

This is a very serious situation. As stated above, we believe that it is highly improper of you to make statements that the SEC investigation was closed and that investors can reasonably assume that the DOJ's investigation will not have a material adverse effect. First, the SEC has not approved any such statement. Second, the criminal evidence against PLMD has not yet been presented to a Federal Grand Jury, an indictment has not been obtained and a trial has not been conducted.

We have requested that PLMD release a corrective statement refuting your statement contained in the April 8, 2002 press release. You have not responded. We question your willingness to independently fulfill your alleged oversight leadership responsibilities. Please note our intent to publish this letter, which contains mostly the same information found in our earlier May 8, 2002 letter to you. We again welcome and request your comment.

Sincerely,
ASENSIO & COMPANY, INC.



Manuel P. Asensio
Chairman, President and
Chief Executive Officer