

September 26, 2003

*The inner workings of the quadrupling of PolyMedica's stock price.*

PolyMedica Corporation's (NASDAQ Symbol: PLMD, Price: \$52.80) stock promoters have managed to expand its price earnings ratio from 4 times trailing earnings (when the 2001 FBI raid occurred) to 8 times trailing earnings (in January of this year when it leaked out that the FBI would be interviewing current employees) to 16 times trailing earnings at yesterday's close. This dramatic expansion of the P/E ratio occurred during a time when its earnings growth was cut by over a half. (See attached analysis sheet).

Yesterday the short interest in PolyMedica's stock was published. There was no material change in the short interest in the last month. The short sellers did not react to the over 40% rise in the stock during the latest reporting period. So the stock's rise, and the series of proclamations by the promoters, has not caused the short sellers to cover.

We have conducted an analysis of the PolyMedica stock promotion and its affect on retail and institutional demand for the stock. The analysis yielded some very interesting results. The rise in PolyMedica's stock price is due to buying created by the statements and claims used to promote PolyMedica's stock and the lack of tangible, publicly known events in PolyMedica's criminal prosecution. Clearly given PolyMedica's four-fold P/E expansion, the stock promoters' claims are believed and are reflected in the stock price. And equally clearly, the credibility of the FBI and the Department of Justice's work is at an all time low. These circumstances make it a good time to examine the arguments on both sides of the aisle. We'll write soon.

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P/E ratio analysis

	<u>Stock price</u>	<u>LTM EPS</u>	<u>P/E ratio</u>	<u>Most recent consecutive quarterly earnings growth</u>
09/24/03	54.00	3.36	16.07	2.3%
01/03/03 <sup>1</sup>	25.03	3.04	8.23	5.1%
08/22/01 <sup>2</sup>	9.50	2.36 <sup>3</sup>	4.03	6.6%

1. On January 3, 2003 PolyMedica issues a memorandum to its employees stating that they will be interview by the DOJ.
2. On August 21 and 22, 2001 85 FBI agents raid Liberty Medical and the homes of two of its officers.
3. LTM EPS excludes a \$0.50 charge for a change in accounting for revenue recognition.