May 15, 2013

Dear Stockholder:

On November 16, 2004, PharmChem, Inc. (the "Company") held a special meeting of the stockholders, at which the following resolution was adopted:

RESOLVED, that in accordance with the provisions of the Delaware General Corporation Law, the Company be voluntarily dissolved and liquidated, and the Company's business and affairs be wound up at such time, if any, as the Board of Directors should determine.

The Company has previously consummated the sale of all its assets, except for those assets relating directly to the PharmChek® Sweat Patch division (the "PharmChek Division"). The PharmChek Division has continued to operate while the Company has sought to market the division as a going concern in an effort to maximize the value of the division for the benefit of its stockholders.

To date, the Company has been unable to enter into a suitable sale arrangement for the PharmChek Division for a number of reasons, including (i) provisions in certain contracts that affect the sale of the PharmChek Division; (ii) the small, niche market in which the PharmChek Division operates; (iii) the heavily-regulated protocols to which the PharmChek Division is subject, and (iv) the likelihood that a potential buyer of the PharmChek Division would have to invest in further research and development to keep pace with current trends and regulatory compliance.

At this time, the PharmChek Division continues to generate revenue, which has been used to satisfy the Company's debts and obligations (including those debts and obligations arising out of the continued operation of the PharmChek Division) and build cash reserves. As it is anticipated that the Company will continue to generate revenue, the Company believes that it is in the best interest of its stockholders to continue to operate the PharmChek Division until the earlier to occur of (i) the sale of the PharmChek Division or (ii) such time as the operation of the PharmChek Division ceases to be profitable or the required regulatory compliance becomes untenable. Upon the occurrence of either of these events, the Company will file Articles of Dissolution and consummate the final dissolution of the Company or take such other actions as it deems appropriate based on the facts and circumstances at that time. The Company shall continue to operate (and the board shall act) pursuant to the November 16, 2004, stockholder resolutions. In the event the board determines it is in the best interest of the Company to abandon dissolution, it will notice a meeting of stockholders in accordance with applicable law.

It should be noted that in March of 2013, the federal judiciary's policy arm reduced by 20% or $350 million the account used to pay for drugs of abuse treatments as well as other related services. The Company is unable to predict at this time the impact the sequestration will have on the approximately 36% of its revenue generated by the Federal Probation Department within the federal judiciary.

The Company does not believe that it is subject to the Securities Exchange Commission's reporting requirements. Nonetheless, this letter contains forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934 and Section 27A of the Securities Act of 1933 ("Forward-looking Statements"), which are subject to the "safe harbor" created by these Sections. Forward-looking statements are statements about future financial results, future products or services and other events that have not yet occurred. These forward-looking statements contain words such as, but not limited to, "expect", "anticipate", "estimate", "believe", "will", "may" or "might". Investors should be aware that actual results may differ materially from our expressed expectations because of risks and uncertainties about the future. We will not necessarily update the information in this letter if any forward-looking statement later turns out to be inaccurate.

Future updates will be made as conditions warrant.

Joseph W. Halligan
President & Chief Executive Officer
joe_halligan@pharmchem.com