MATRIA HEALTHCARE INC
Form S-4/A
July 31, 2002

As filed with the Securities and Exchange Commission on July 31, 2002
Registration No. 333-90944

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

AMENDMENT NO. 1 TO
FORM S-4
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

MATRIA HEALTHCARE, INC.
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE	8082	58-2205984
(STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)	(PRIMARY STANDARD INDUSTRIAL CLASSIFICATION CODE NUMBER)	(I.R.S. EMPLOYER IDENTIFICATION NUMBER)

1850 PARKWAY PLACE
MARIETTA, GEORGIA 30067
(770) 767-4500
(ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER, INCLUDING AREA CODE, OF REGISTRANT'S PRINCIPAL EXECUTIVE OFFICES)

ROBERTA L. MCCAW
VICE PRESIDENT AND GENERAL COUNSEL
MATRIA HEALTHCARE, INC.
1850 PARKWAY PLACE, 12TH FLOOR
MARIETTA, GEORGIA 30067
(770) 767-4500
(NAME, ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER, INCLUDING AREA CODE, OF AGENT FOR SERVICE)

Copies to:

JAMES L. SMITH, III, ESQUIRE	LOWELL D. TURNBULL, ESQUIRE
TROUTMAN SANDERS LLP	GARVEY, SCHUBERT AND BARER
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600 PEACHTREE STREET, N.E.	1000 POTOMAC STREET, N.W.
ATLANTA, GEORGIA 30308-2216	WASHINGTON, D.C. 20007
(404) 885-3111	(202) 298-2531

APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC: As soon as practicable after this Registration Statement becomes effective and the satisfaction or waiver of all other conditions to the acquisition by Matria of assets of LifeMetrix, Inc., including all of the issued and outstanding stock of Quality Oncology, Inc., pursuant to the Purchase and Sale Agreement dated as of April 29, 2002, described in this proxy statement/prospectus.

If the securities being registered on this Form are to be offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box. [ ]

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act Registration Statement number of the earlier effective Registration Statement for the same offering. [ ]

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act Registration Statement number of the earlier effective Registration Statement for the same offering. [ ]

CALCULATION OF REGISTRATION FEE

TITLE OF EACH CLASS OF SECURITIES TO BE REGISTERED	AMOUNT TO BE REGISTERED(2)	PROPOSED MAXIMUM OFFERING PRICE PER SHARE(3)	PROPO AGGREG P
common stock, $0.01 par value(1)......	3,000,000 Shares	$ 11.27	$

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(1) With the attached rights to purchase additional shares of common stock in certain circumstances.

(2) Based on an estimate of the maximum number of shares of common stock of the Registrant available in the acquisition described herein.

(3) Pursuant to Rule 457(f)(1) and Rule 457(c) under the Securities Act of 1933, as amended, the registration fee has been calculated based on the average of the high and low prices per share of Matria's common stock on June 14, 2002 as reported on the Nasdaq National Market.

(4) A filing fee of $3,110.52 was previously paid with the original filing on June 21, 2002.

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(A) OF THE SECURITIES ACT OF 1933 OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(A), MAY DETERMINE.

MATRIA HEALTHCARE, INC.
1850 PARKWAY PLACE
MARIETTA, GEORGIA 30067

LIFEMETRIX, INC.
1430 SPRING HILL ROAD, SUITE 106
MCLEAN, VIRGINIA 22102

PROSPECTUS/PROXY STATEMENT/CONSENT SOLICITATION STATEMENT

The boards of directors of Matria Healthcare, Inc. and LifeMetrix, Inc. each have approved an acquisition agreement under which Matria will acquire all of the issued and outstanding shares of Quality Oncology, Inc., a wholly-owned subsidiary of LifeMetrix, and other assets of LifeMetrix and its other subsidiaries relating to its cancer disease management business. In exchange for these assets, Matria will pay to LifeMetrix at or before the closing of the acquisition $3.0 million in cash and up to 887,821 shares of Matria common stock. The actual number of shares of Matria common stock that Matria will issue at the closing will be less than 887,821 if the average closing price of Matria common stock for the ten trading days prior to the closing is greater than $19.148. In addition, Matria has agreed to make an earn out payment to LifeMetrix in cash or shares of Matria common stock in 2004 based on Quality Oncology's future performance.

Matria's common stock is traded on the Nasdaq National Market under the symbol "MATR." On July 29, 2002, the closing price of a share of Matria common stock was $7.20. There is no established trading market for shares of LifeMetrix common or preferred stock.

Stockholders of LifeMetrix will not receive any distribution of the consideration received by LifeMetrix in the acquisition unless and until LifeMetrix adopts a plan of liquidation or declares a liquidation distribution. In addition, because the liquidation preference of the LifeMetrix preferred stock substantially exceeds the amount to be paid by Matria at the closing, holders of LifeMetrix common stock would not receive any distribution in a liquidation unless there is a significant earn-out payment by Matria in 2004.

This document is being sent to Matria stockholders to solicit their approval of a proposal relating to the issuance of Matria's common stock in connection with the acquisition. This document also contains 2002 annual meeting proposals for Matria stockholders to elect three Class I directors, to vote on approving the Matria 2002 Stock Incentive Plan, to vote on approving the Matria 2002 Stock Purchase Plan and to consider and act upon such other business as may properly come before the meeting. Whether or not you plan to attend the annual meeting, please take the time to vote on these proposals by completing and mailing the enclosed proxy card to Matria.

This document also is being sent to LifeMetrix stockholders in connection with the solicitation by LifeMetrix of written consents from LifeMetrix stockholders to approve the acquisition and is being distributed as a prospectus for any shares of Matria common stock that LifeMetrix stockholders may receive in connection with the acquisition and that LifeMetrix and Quality Oncology employees may receive as a part of incentive bonuses that LifeMetrix may pay in connection with the acquisition. Approval of the acquisition requires both the affirmative vote of a majority of the outstanding shares of LifeMetrix common and preferred stock, voting as a single class, on an as-converted basis, and the separate affirmative vote of a majority of the outstanding shares of LifeMetrix preferred stock. Stockholders of LifeMetrix having sufficient voting power to approve the acquisition have entered into voting agreements with Matria to vote in favor of or give written consent to the acquisition. Consequently, approval of the acquisition by LifeMetrix is assured. LifeMetrix is seeking approval of the acquisition from its stockholders by written consent. In the materials accompanying this document you will find a form of consent

This document contains important information about Matria, LifeMetrix, the acquisition and the conditions that must be satisfied before the acquisition can occur. You should carefully consider all of the information in this document, including the risk factors beginning on page 10 of this document.

PARKER H. PETIT	EDMUND C. BUJALSKI
PRESIDENT AND CHIEF EXECUTIVE OFFICER	CHAIRMAN AND CHIEF EXECUTIVE OFFICER
MATRIA HEALTHCARE, INC.	LIFEMETRIX, INC.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THE SHARES OF MATRIA COMMON STOCK TO BE ISSUED IN CONNECTION WITH THE ACQUISITION, NOR HAVE THEY DETERMINED WHETHER THIS DOCUMENT IS ADEQUATE OR CORRECT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THE DATE OF THIS DOCUMENT IS   , 2002
AND IT WAS FIRST MAILED TO STOCKHOLDERS ON OR ABOUT   , 2002

MATRIA HEALTHCARE, INC. PROSPECTUS/PROXY STATEMENT
LIFEMETRIX, INC. CONSENT SOLICITATION STATEMENT

Matria Healthcare, Inc. has filed a registration statement on Form S-4, of which this document is a part, with the Securities and Exchange Commission pursuant to the Securities Act of 1933, as amended, covering the shares of Matria common stock that may be issued in connection with the proposed acquisition of assets from LifeMetrix, Inc. pursuant to a purchase and sale agreement, dated as of April 29, 2002, among Matria, LifeMetrix and Quality Oncology, Inc., a wholly owned subsidiary of LifeMetrix. The transactions contemplated by the purchase and sale agreement are generally referred to throughout this document as the "acquisition."

This document constitutes:

- A prospectus of Matria for the shares of common stock to be issued in connection with the acquisition;

- A proxy statement of Matria with respect to the solicitation of proxies from Matria stockholders for the matters to be considered at Matria's annual meeting of stockholders to be held on   , 2002, which includes approval of the issuance of shares in connection with the acquisition; and

- A consent solicitation statement of LifeMetrix relating to the solicitation of consents from holders of LifeMetrix common stock and preferred stock for the approval of the acquisition.

REFERENCE TO ADDITIONAL INFORMATION

This document incorporates important business and financial information about Matria from documents that are not included in or delivered with this document. You can obtain documents incorporated by reference in this document (other than exhibits to those documents) by requesting such documents or information in writing or by telephone from Matria at the following address:

Matria Healthcare, Inc.
1850 Parkway Place
Marietta, Georgia 30067
Attention: Corporate Secretary
Tel: (770) 767-4500

You will not be charged for any of the documents that you request (other than exhibits to those documents). IF YOU WOULD LIKE TO REQUEST DOCUMENTS, PLEASE DO SO BY   , 2002 TO ENSURE TIMELY DELIVERY OF THE DOCUMENTS.

See "Where You Can Find More Information" on page 101.

(MATRIA LOGO)

1850 PARKWAY PLACE
MARIETTA, GEORGIA 30067

NOTICE OF 2002 ANNUAL MEETING OF STOCKHOLDERS

TO BE HELD ON   , 2002

NOTICE IS HEREBY GIVEN THAT the 2002 Annual Meeting of Stockholders of Matria Healthcare, Inc. will be held on   , 2002, at 11:00 a.m. local time at 1850 Parkway Place, Suite 320, Marietta, Georgia 30067, for the following purposes:

(1) To approve the issuance of shares of Matria common stock in connection with the acquisition of assets from LifeMetrix, Inc., including all of the issued and outstanding stock of Quality Oncology, Inc.

(2) To elect three Class I directors for a three-year term expiring at the 2005 Annual Meeting of Stockholders and until their respective successors are duly elected and qualified;

(3) To approve the Matria Healthcare, Inc. 2002 Stock Incentive Plan;

(4) To approve the Matria Healthcare, Inc. 2002 Stock Purchase Plan; and

(5) To transact such other business as properly may come before

the annual meeting and any adjournment or postponement thereof.

Your vote is important regardless of the number of shares you own. Each stockholder, even though he or she now plans to attend the annual meeting, is requested to sign, date and return the enclosed proxy card without delay in the enclosed postage-paid envelope. You may revoke your proxy at any time prior to its exercise. Any stockholder present at the annual meeting or any adjournment or postponement thereof may revoke his or her proxy and vote personally on each matter brought before the meeting.

I look forward to welcoming you at the meeting.

Very truly yours,

Roberta L. McCaw
Secretary

Marietta, Georgia

, 2002

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SUMMARY

This summary highlights information contained in this document. While we have highlighted what we believe to be the most important information about the acquisition and the companies involved, we urge you to carefully read this entire document, including the "Risk Factors" section beginning on page 10, the attachments to this document, including the purchase and sale agreement (which is attached as Appendix A) and the business and financial information about Matria incorporated in this document by reference, for a complete understanding of the acquisition and the companies involved.

For a description of the information incorporated by reference, see the section entitled "Incorporation of Certain Documents By Reference." You may also obtain additional information about Matria without charge upon written or oral request by following the instructions in the section entitled "Where You Can Find More Information."

As used in this document, the terms "Matria," "we," "our," and "us" and other similar terms refer to Matria Healthcare, Inc. and its consolidated subsidiaries, unless we specify otherwise.

THE COMPANIES

MATRIA HEALTHCARE, INC.
1850 Parkway Place
Marietta, Georgia 30067
(770) 767-4500

Matria is a comprehensive, integrated disease management company offering products and services to patients, physicians, health plans and employers. Disease management encompasses a broad range of services aimed at controlling healthcare costs through proactive management of care for individuals with high-cost or chronic diseases and conditions. Our strategy is to focus on providing effective cost-saving solutions for five of the most costly chronic diseases and medical conditions in the nation: diabetes, obstetrical conditions, respiratory disorders, cancer and cardiovascular diseases. Our disease management services seek to lower healthcare costs and improve patient outcomes through a broad range of disease management, fulfillment and telemedicine services.

Our principal executive offices are located at 1850 Parkway Place, Marietta, Georgia 30067, and our phone number is (770) 767-4500. Our corporate website address is http://www.matria.com. Information contained on our website is not part of this document.

LIFEMETRIX, INC. AND QUALITY ONCOLOGY, INC.
1430 Spring Hill Road, Suite 106
McLean, Virginia 22102
(703) 506-8244

LifeMetrix, through its wholly owned subsidiary Quality Oncology, is a cancer care management company, providing integrated, comprehensive and standardized cancer treatment guidelines and care management processes for cancer patients. Quality Oncology specializes in providing a cancer disease management program marketed to managed care plans and self-insured employers. Quality Oncology provides a comprehensive, systematic approach to managing cancer for patients through use of its proprietary, Web-based integrated system with cancer treatment guidelines and nurses and physicians experienced in cancer treatment. Quality Oncology provides its services to cancer patients through its contracts with various health care plans and self-insured employers.

LifeMetrix and Quality Oncology are headquartered at 1430 Spring Hill Road, Suite 106, McLean, Virginia, 22102, and the phone number is (703) 506-8244.

THE ACQUISITION

The terms and conditions of the acquisition are set forth in a purchase and sale agreement and several other related agreements. Descriptions of these agreements are contained elsewhere in this document under the captions "The Purchase and Sale Agreement" and "Other Agreements Related to the Acquisition." In addition, a copy of the purchase and sale agreement is attached to this document as Appendix A. We urge you to carefully review the descriptions of these documents and the purchase and sale agreement.

The Acquisition; Consideration to be Paid by Matria. Through the acquisition, Matria will acquire assets of LifeMetrix which include its cancer disease management business, all of the issued and outstanding stock of Quality Oncology, LifeMetrix's Integrated Care Management System and its rights in Cancerpage.com(TM). In addition, Matria will assume various contractual and payroll liabilities related to the acquired business and assets.

In exchange for these assets, Matria will pay to LifeMetrix at the closing cash and shares of Matria common stock. In addition, Matria will make an earn out payment to LifeMetrix in 2004 based on the future performance of Quality Oncology.

Closing Date Payments. At the closing, Matria will make a cash payment of $3.0 million, less a $500,000 deposit previously paid and any advances Matria has made to LifeMetrix prior to the closing. As of July 30, 2002, Matria had made advances to LifeMetrix totaling $1.0 million and planned to make a further advance of $500,000 on August 1, 2002.

Matria will pay the remaining portion of the purchase price due at the closing in shares of Matria common stock. The actual number of shares to be issued will be determined by dividing $17.0 million by the average closing price of a share of Matria common stock for the ten trading days prior to the closing date, subject to a minimum and maximum per share price of $19.148 and $28.722. In addition, shares of Matria common stock determined by dividing $2.0 million by the average closing price of a share of Matria common stock for the ten trading days prior to the closing date, subject to a minimum and maximum price of $19.148 and $28.722, will be deposited in escrow until March 31, 2003.

Based on these minimum and maximum share prices, Matria will issue a minimum of 591,881 shares if the average closing price is $28.722 or greater and a maximum of 887,821 shares if the average closing price is $19.148 or lower. On July 29, 2002, the closing price of Matria common stock was $7.20. If this price were the average closing price for the acquisition, Matria would issue 887,821 shares of common stock at the closing, with an aggregate market value of approximately $6.4 million, and 104,450 of those shares would be deposited into escrow. Based on the number of shares of Matria outstanding as of July 15, 2002, and assuming that Matria issued 887,821 shares at the closing, Matria's current stockholders would hold 91.1% of the outstanding Matria common stock and LifeMetrix would hold 8.9%, including the shares deposited in escrow.

Earn Out Payment. LifeMetrix will also be entitled to an earn out payment based on Quality Oncology's results for the year ending December 31, 2003. The amount of this payment will be equal to (i) one-half of Quality Oncology's adjusted net revenues for the year ending December 31, 2003, plus (ii) six times Quality Oncology's adjusted earnings before interest, taxes, depreciation and amortization (EBITDA) for the year ending December 31, 2003. Matria may pay the earn out payment in cash or Matria common stock, or a combination of cash and Matria common stock, at Matria's election. However, unless LifeMetrix agrees otherwise, Matria must pay at least the lesser of (i) 20% of the earn out payment, or (ii) $10.0 million, in cash.

What LifeMetrix Stockholders Will Receive in the Acquisition (See page 42)
Because all of the consideration will be paid by Matria directly to LifeMetrix, LifeMetrix stockholders will not receive any payments upon the closing of the acquisition. Following the closing, the board of directors of LifeMetrix will consider whether LifeMetrix should adopt a plan of liquidation. Under the purchase and sale agreement, LifeMetrix may not adopt a plan of liquidation

until at least thirty days following the acquisition.

If LifeMetrix decides to liquidate following the acquisition, all of LifeMetrix's assets, including cash and shares of Matria common stock received pursuant to the acquisition, less any debts, liabilities, expenses incurred in the winding up of LifeMetrix and shares held in escrow during the escrow period, would be distributed to LifeMetrix stockholders in accordance with any plan of liquidation adopted by LifeMetrix. Any amounts distributable to stockholders would be reduced by incentive bonuses that LifeMetrix will pay to key employees of LifeMetrix and Quality Oncology. The LifeMetrix board of directors has approved

incentive bonuses equal to 10% of the amount that otherwise would be distributable to stockholders upon liquidation.

In the event of a liquidation, each holder of shares of LifeMetrix preferred stock would be entitled to receive a distribution equal to the liquidation preference applicable to such stock prior to any distributions to holders of LifeMetrix common stock. The total liquidation preference attaching to all outstanding shares of LifeMetrix preferred stock is approximately $40.8 million. Any amount that remains available for distribution after payment of the liquidation preferences is distributed pro rata to all holders of LifeMetrix stock on an as-converted basis. Based on the number of shares of LifeMetrix common and preferred stock currently outstanding, the preferred stockholders of LifeMetrix would be entitled to approximately 82.5% of the amount, if any, available for distribution after payment of the preferred stock liquidation preferences. Preferred stockholders would receive the full amount of the liquidation preferences only if the amount available for distribution to stockholders, after payment of, or establishment of reserves for, debts, liabilities, incentive bonuses and other payment obligations, was approximately $40.8 million. Common stockholders would receive liquidation distributions only if the total amount available for distribution to stockholders exceeded $40.8 million. Consequently, holders of LifeMetrix common stock will not be entitled to receive any liquidation distribution unless there is a significant earn out payment by Matria in 2004.

Federal Tax Consequences of the Acquisition (See page 34). For federal income tax purposes, the transaction will be treated as a taxable asset acquisition, with LifeMetrix and Quality Oncology as the sellers, and Matria as the buyer. Accordingly, LifeMetrix and Quality Oncology will recognize taxable gain or loss in the transaction. Quality Oncology and LifeMetrix expect that most, and possibly all, of their gain attributable to the transaction will be offset by their available net operating loss carryforwards. Matria's aggregate tax basis in the acquired assets will be equal to the total consideration paid. Following the acquisition, Matria will be able to take depreciation or amortization deductions with respect to certain of the acquired assets. The use of Matria common stock as part of the consideration for the acquisition will not trigger any taxable gain or loss to Matria.

The acquisition will not be taxable directly to the stockholders of LifeMetrix. Following consummation of the acquisition, the board of directors of LifeMetrix will consider whether LifeMetrix should adopt a plan of liquidation. If a plan of liquidation is not adopted after consummation of the acquisition, LifeMetrix and its stockholders may be exposed to greater tax liabilities with respect to any non-liquidating distributions or with respect to any increases in the value of assets that are subsequently sold, exchanged or distributed (whether or not in liquidation).

Any liquidation of LifeMetrix would be a taxable transaction both for LifeMetrix and its stockholders. LifeMetrix would recognize gain or loss equal to the difference between the fair market values and the adjusted bases of the assets distributed in liquidation. The LifeMetrix stockholders would recognize gain or loss on the difference between the fair market values of their share of the assets (net of liabilities) distributed to them and their adjusted basis in their LifeMetrix stock. Because of the expected nature of the assets and liabilities of LifeMetrix after the acquisition, any plan of liquidation considered for adoption by LifeMetrix will likely provide for the distribution of its assets and liabilities to a liquidating trust. If a liquidating trust were used, the LifeMetrix stockholders would be deemed to have received their share of the assets distributed to such trust (net of liabilities assumed by it), and the tax treatment of the liquidation described above would not be materially affected, except that income, gains and losses subsequently recognized by the trust would also be taxable to the LifeMetrix stockholders. Because the amount and the timing of actual distributions from a liquidating trust to the stockholders would be uncertain, a stockholder may have to use funds from other sources to pay any tax obligations associated with liquidating distributions from LifeMetrix to such a liquidating trust or the income, gains and losses recognized by the trust.

Dissenters' and Appraisal Rights (See page 34). Under Delaware law, none of the holders of common or preferred stock of LifeMetrix or the holders of Matria common stock are entitled to dissenters' or appraisal rights in connection with the acquisition or the other matters described in this document to be submitted to a vote of Matria's stockholders.

Interests of LifeMetrix Directors in the Acquisition (See page 32). When considering the LifeMetrix board of directors' recommendation that LifeMetrix stockholders execute a consent in favor of the acquisition, LifeMetrix stockholders should be aware that each of the five directors of LifeMetrix has interests in the acquisition that are different from or in addition to the

interests of LifeMetrix stockholders generally. Larry H. Coleman and Charles W. Newhall, III, have been designated as directors by and represent and have ownership interests in entities that hold preferred stock of LifeMetrix that will be entitled to preferential distributions (before any distributions can be made to common stockholders) following the closing of the acquisition. The entities represented by Dr. Coleman own preferred stock that will entitle them to receive preferential distributions totaling $7,568,080. The entities represented by Mr. Newhall own preferred stock that will entitle them to receive preferential distributions totaling $7,480,119. Frederick C. Lee and Richard B. Weininger, M.D., personally own preferred stock of LifeMetrix that will entitle them to preferential liquidation distributions of $403,767 and $200,999, respectively. After the acquisition by Matria, Mr. Lee and Edmund C. Bujalski will be employed by Quality Oncology and Dr. Weininger will serve as a paid consultant to Quality Oncology. In addition, after the closing of the acquisition, Mr. Bujalski and Mr. Lee will be eligible for incentive bonuses that will be paid by LifeMetrix out of the consideration paid by Matria for the acquisition that otherwise would be available, after LifeMetrix expenses, for distribution to LifeMetrix stockholders. Mr. Bujalski will be eligible to receive as an incentive bonus 3.2% of the portion of the closing purchase price and 2.7% of the portion of the earn out payment that otherwise would be available for distribution to LifeMetrix stockholders. Mr. Lee will be eligible to receive 1.2% of the portion of the closing purchase price and 1% of the portion of the earn out payment that otherwise would be available for distribution to LifeMetrix stockholders. Mr. Bujalski and Mr. Lee will forfeit their portion of the incentive bonus based upon the earn out payment if they voluntarily terminate their employment with Quality Oncology, or are terminated for cause, prior to the December 31, 2003 end of the earn out period. The purpose, computation and allocation of the incentive bonuses, which also will be paid to other officers and key employees of LifeMetrix, are discussed at page 33 of this document.

Closing of the Acquisition (See page 43). The acquisition will close on the latest of (i) August 15, 2002; (ii) the third business day following satisfaction of all closing conditions; and (iii) a date designated by Matria within ten trading days after the Matria annual meeting.

Material Conditions to the Closing of the Acquisition (See page 47). Matria's and LifeMetrix's obligations to complete the acquisition are subject to satisfaction or waiver of a number of closing conditions. We believe the most significant of these conditions are the following:

- The shares of Matria common stock to be issued in connection with the acquisition are registered pursuant to an effective registration statement.

- Matria has filed with Nasdaq a Notification Form for Listing of Additional Shares for the Matria common stock to be issued at the closing of the acquisition.

- No injunction or order is in effect preventing the completion of the acquisition.

- LifeMetrix key employees Edmund C. Bujalski, Frederick C. Lee, Charles Kanach, Daniel T. McCrone and Jude Gallagher have accepted employment with Matria.

- Matria has received the resignation of all officers and directors of Quality Oncology except for those designated in writing by Matria at or prior to the closing of the acquisition.

- The representations and warranties of Matria, LifeMetrix and Quality Oncology are true and correct on the closing of the acquisition unless the failure to be true and correct would not have a material adverse effect.

- Matria, LifeMetrix and Quality Oncology have each complied in all material respects with their respective agreements and conditions under the purchase and sale agreement.

Termination of the Purchase and Sale Agreement (See page 48). The purchase and sale agreement may be terminated, and the proposed acquisition may be abandoned, under the following conditions:

- Matria or LifeMetrix can terminate the purchase and sale agreement if any of the covenants or agreements to be complied with or performed by the other party prior to the closing have not been complied with or performed on or before September 30, 2002, or if the acquisition has not been consummated by September 30, 2002, due to no fault of the terminating party.

- Matria can terminate the purchase and sale agreement if an event or events occur which could

reasonably be expected to materially diminish the value of Quality Oncology or the business being acquired.

- Matria can terminate the purchase and sale agreement if Matria learns of facts not disclosed by LifeMetrix or Quality Oncology as required by the purchase and sale agreement which could reasonably be expected to materially diminish the value of Quality Oncology or the business being acquired.

- LifeMetrix can terminate the purchase and sale agreement if the average of the closing price of Matria common stock during the ten trading day period ending three days prior to the closing date is less than $15 per share.

Termination Fees and Other Effects of Termination (See page 48). In the event the purchase and sale agreement is terminated because of the material breach or intentional or fraudulent misconduct of the other party, then the terminating party can recover from the other party its expenses relating to the purchase and sale agreement.

In the event that the purchase and sale agreement is terminated by LifeMetrix because the average closing price of Matria common stock is less than $15.00 or the shares of Matria common stock are not registered pursuant to an effective registration statement, then Matria is required to make an investment in LifeMetrix in an aggregate amount of $2.0 million. The $500,000 deposit and any amounts advanced by Matria to LifeMetrix prior to the date of termination will be applied against the aggregate investment amount. As of July 30, 2002, Matria had made aggregate advances to LifeMetrix of $1.0 million, and planned to make an additional advance of $500,000 on August 1, 2002.

Upon any termination, Matria will have the right to acquire a license for LifeMetrix's Data Warehouse system for a one-time fee of $875,000, unless Matria has made the investment described above, in which case the one-time fee will be $375,000. If Matria terminates because LifeMetrix has breached its covenants with respect to other acquisition proposals, then, if requested by Matria, LifeMetrix is obligated to return Matria's $500,000 deposit.

OTHER AGREEMENTS RELATED TO THE ACQUISITION

Voting Agreements (See page 50). Stockholders of LifeMetrix having sufficient voting power to approve the acquisition on behalf of LifeMetrix have entered into voting agreements with Matria to vote in favor of or approve by written consent the purchase and sale agreement and acquisition. LifeMetrix has agreed to deliver to Matria prior to the closing a certificate certifying that all approvals with respect to LifeMetrix in connection with the acquisition have been obtained.

Escrow Agreement (See page 50). At the closing of the acquisition, Matria will place $2.0 million of Matria common stock (valued as of the closing date) in escrow, to be reduced by any portion distributed to Matria for any downward adjustments to the closing purchase price or for tax payments and indemnification amounts owed under the purchase and sale agreement. Any shares remaining on March 31, 2003, will be released to LifeMetrix.

Standstill Agreement (See page 50). LifeMetrix has agreed to deliver to Matria prior to the closing a standstill agreement executed by LifeMetrix and LifeMetrix preferred stockholders representing at least 70% of the fully diluted equity of LifeMetrix. Pursuant to the standstill agreement, LifeMetrix and these preferred stockholders will generally agree not to acquire Matria voting securities or assets for a period of five years from the date the earn out payment is to be made. In addition, LifeMetrix and these preferred stockholders cannot transfer, except in connection with a liquidation of LifeMetrix or in other permitted transfers, any shares of Matria received in connection with the acquisition for a period of one year from the date the shares are received. After such time, LifeMetrix and these preferred stockholders cannot collectively transfer within any three month period shares totaling more than ten percent of Matria's aggregate outstanding stock as of the end of the previous calendar year (except in certain permitted transfers). LifeMetrix, the stockholders executing the standstill agreement, and generally, permitted transferees, shall vote their shares of Matria common stock as directed by Matria's board of directors.

Registration Rights Agreement (See page 51). LifeMetrix and certain of its preferred stockholders will be granted "piggyback" registration rights for any registered offering to be undertaken by Matria with respect to the shares of Matria common stock they receive in the acquisition subject to customary underwriter cutback provisions. The registration rights are in effect for a period of two years after the closing of the acquisition or until such earlier time as the shares are eligible for sale pursuant to Rule 145(d)(2) under the Securities Act.

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Non-Competition Agreements (See page 51). LifeMetrix has agreed to deliver to Matria prior to the closing non-competition agreements for certain directors and officers of LifeMetrix pursuant to which these individuals will agree not to disclose confidential information or trade secrets of, compete with, or solicit any customer, key or material employee, consultant or other personnel of, Matria or Quality Oncology for a period of five years after the closing, except for the non-compete provisions, which vary in duration for each individual from as short as one year after the closing to as long as five years after the closing.

License Agreements (See page 51). LifeMetrix and Matria have also agreed to enter into license agreements upon the closing of the acquisition pursuant to which Matria will be granted a license to LifeMetrix's Data Warehouse system and LifeMetrix will be granted a license to the Integrated Care Management System being acquired by Matria.

OTHER CONSIDERATIONS.

Opinion of Financial Advisor (See page 37). On April 29, 2002, J.P. Morgan Securities Inc. delivered its oral opinion, confirmed by its written opinion dated April 29, 2002, to the Matria board of directors, to the effect that, as of the date of its written opinion and based upon and subject to certain matters stated therein, the consideration to be paid by Matria in the acquisition was fair, from a financial point of view, to Matria. We have attached the opinion of JPMorgan as Appendix B and encourage you to read it in its entirety.

Accounting Treatment of the Acquisition (See page 34). The acquisition will be accounted for as a purchase for financial reporting and accounting purposes.

Recent Developments.

Matria's Results for Second Quarter Ended June 30, 2002. For the three months ended June 30, 2002, Matria reported revenues of $69.4 million and a net loss of $721,000, or $0.08 per diluted common share, compared to revenues of $64.8 million and net earnings of $4.3 million, or $0.48 per diluted common share, for the three months ended June 30, 2001. For the six months ended June 30, 2002, Matria reported revenues of $134.6 million and net earnings of $897,000, or $0.10 per diluted common share, compared to revenues of $126.2 million and net earnings of $5.4 million, or $0.61 per diluted common share, for the six months ended June 30, 2001.

Acquisition of MarketRing (See page 89). In June 2002, Matria acquired MarketRing.com, Inc., a Georgia corporation, through the merger of a wholly owned subsidiary of Matria with MarketRing. In the merger Matria issued 295,787 shares of Matria common stock in exchange for all of the outstanding shares of capital stock of MarketRing. In addition, Matria may issue up to 27,500 shares upon exercise of MarketRing options assumed and a warrant issued by Matria pursuant to the merger agreement.

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SUMMARY SELECTED HISTORICAL AND PRO FORMA FINANCIAL DATA

The following tables present selected historical financial data of

Matria, selected historical financial data of Quality Oncology, and selected unaudited pro forma combined condensed financial data of Matria, which reflects the acquisition.

MATRIA HEALTHCARE, INC.
SELECTED HISTORICAL FINANCIAL DATA

You should read the following financial data in conjunction with the information set forth under the heading "Matria Transitional Disclosures Under Recently Issued Accounting Standards" appearing on page 55 of this document. The following sets forth selected consolidated financial data with respect to Matria's operations. We have derived the summary consolidated financial data as of and for the five years ended December 31, 2001 from our audited consolidated financial statements. We have derived the financial data as of March 31, 2001 and 2002 and for the three-month periods ended March 31, 2001 and 2002 from our unaudited consolidated condensed financial statements. In the opinion of our management, the unaudited consolidated condensed financial statements from which we have derived the data below contain all adjustments, which consist only of normal recurring adjustments, necessary to present fairly our financial position and results of operations as of the applicable dates and for the applicable periods. Historical results are not necessarily indicative of the results to be expected in the future.

	YEAR ENDED DECEMBER 31,				
	1997	1998	1999	2000	
	(IN THOUSANDS, EXCEPT PER SH				
CONSOLIDATED STATEMENT OF OPERATIONS DATA:					
Revenues	$ 144,533	$ 128,572	$ 231,739	$ 225,767	$
Earnings (loss) from continuing operations	(20,902)	(100,406)	31,366	13,694	
Net earnings (loss) from continuing operations per common share:					
Basic	$ (2.29)	$ (10.98)	$ 3.05	$ 1.10	$
Diluted	(2.29)	(10.98)	2.82	1.05	

	DECEMBER 31,				
	1997	1998	1999	2000	
	(IN THOUSANDS)				
CONSOLIDATED BALANCE SHEET DATA:					
Total assets	$ 191,132	$ 97,034	$ 285,713	$ 268,850	$
Long-term debt (including current portion)	2,596	19,103	101,452	88,811	
Common shareholders' equity	153,169	49,881	99,244	98,850	

QUALITY ONCOLOGY, INC.
SELECTED HISTORICAL FINANCIAL DATA

The following sets forth selected financial data with respect to Quality Oncology's operations. Quality Oncology has derived the summary financial data as of and for the year ended December 31, 2001 from its audited financial statements. Quality Oncology has derived the financial data as of March 31, 2001 and 2002 and for the three-month periods ended March 31, 2001 and 2002 from its unaudited condensed financial statements. In the opinion of Quality Oncology's management, the unaudited condensed financial statements from which Quality Oncology derived the data below contain all adjustments, which consist of normal recurring adjustments necessary to present fairly Quality Oncology's financial position and results of operations as of the applicable date and for the applicable periods. Historical results are not necessarily indicative of the results to be expected in the future.

	YEAR ENDED DECEMBER 31,	THREE MONTHS ENDED MARCH 31,	
	2001	2001	2002
		(UNAUDITED)	
	(IN THOUSANDS)		
STATEMENT OF OPERATIONS DATA:			
Revenues	$ 5,751	$ 833	$ 1,81
Net loss	(3,245)	(1,299)	(65

	DECEMBER 31,	MARCH 3
	2001	2002
		(UNAUDIT
	(IN THOUSANDS)	
BALANCE SHEET DATA:		
Total assets	$ 3,606	$ 3,81
Due to LifeMetrix	19,138	19,61

SELECTED UNAUDITED PRO FORMA COMBINED CONDENSED FINANCIAL INFORMATION

The unaudited pro forma combined condensed financial data is not necessarily indicative of the operating results or financial position that would have been achieved had the acquisition been consummated as of the beginning of the periods presented and you should not construe it as representative or indicative of these amounts for any future date or in any future periods. The information in the table is only a summary and you should read it in conjunction with the "Unaudited Pro Forma Combined Condensed Financial Statements" beginning on page P-1 and the audited and unaudited financial statements of Quality Oncology, including the notes thereto, beginning on page F-3 of this document.

UNAUDITED PRO FORMA FINANCIAL INFORMATION
(IN THOUSANDS, EXCEPT PER SHARE DATA)

We present below selected unaudited pro forma financial information to reflect the acquisition as if it had been completed on January 1, 2001 for results of operations purposes and on March 31, 2002 for balance sheet purposes. We prepared the pro forma financial information using the purchase method of accounting.

If we had actually completed the acquisition on these dates, we might have performed differently. You should not rely on the pro forma financial information as an indication of the results that we would have achieved if the acquisition had taken place earlier or the future results that we will experience after the acquisition. You should read the following information together with the unaudited pro forma financial statements and related notes beginning on page P-1 of this document, as well as the separate historical financial statements of Matria and Quality Oncology.

	YEAR ENDED DECEMBER 31, 2001
PRO FORMA COMBINED STATEMENT OF OPERATIONS DATA:	
Total revenues	$269,734
Earnings from continuing operations	6,114
Net earnings from continuing operations per common share	
Basic	$ 0.52
Diluted	0.51
Weighted average common shares outstanding	
Basic	9,636
Diluted	9,880

PRO FORMA COMBINED BALANCE SHEET DATA:

Total assets...	
Long-term debt (including current portion)...	
Common shareholders' equity..	

RISK FACTORS

The acquisition involves a high degree of risk. By signing a consent in favor of the acquisition, preferred stockholders of LifeMetrix who have not already signed a voting agreement with Matria will be choosing to invest in Matria's common stock, and common stockholders of LifeMetrix also will be choosing to invest in Matria's common stock if LifeMetrix decides to make a liquidating or non-liquidating distribution of the Matria common stock received in the acquisition and the value of assets available upon any liquidation for distribution to LifeMetrix stockholders, including the purchase price payable by Matria for the acquisition, exceeds the total liquidation preferences of LifeMetrix's preferred stockholders. By voting in favor of the issuance of shares of Matria's common stock in connection with the acquisition, stockholders of Matria will be choosing to authorize the issuance of a substantial number of Matria's shares in order to acquire assets of LifeMetrix. Both LifeMetrix stockholders and Matria stockholders will be assuming the additional risks associated with the acquisition and the continuing operations of Matria following the acquisition. Stockholders of Matria and LifeMetrix should carefully consider the following factors in determining how to vote or whether to consent to the acquisition.

RISKS RELATING TO THE ACQUISITION

THE VALUE OF THE INITIAL CONSIDERATION TO BE RECEIVED BY LIFEMETRIX WILL FLUCTUATE BASED ON THE PRICE OF MATRIA COMMON STOCK. SINCE THE DATE OF THE PURCHASE AND SALE AGREEMENT, THE PRICE OF MATRIA COMMON STOCK HAS DECREASED SIGNIFICANTLY.

The number of the shares of Matria common stock that will be issued at the closing of the acquisition will be based on the average closing price of Matria common stock during the ten consecutive trading days immediately preceding the closing date. However, if that average closing price is below $19.148, the maximum number of shares that Matria may be obligated to issue is fixed at 887,821, and the value of the stock delivered at closing will vary depending on the value of Matria's stock. On April 26, 2002, the trading day prior to the announcement of the acquisition, the closing price of Matria common stock was $23.25. If the stock portion of the consideration were issued at that price, Matria would issue 731,182 shares of common stock with an aggregate value of approximately $17.0 million. Since that time, the price of Matria common stock has significantly declined. On July 29, 2002, the closing price of Matria common stock was $7.20. If that price were the average closing price of Matria common stock during the ten day period immediately preceding the closing, the value of the Matria shares to be issued at the closing would be approximately $6.4 million.

AMOUNTS AVAILABLE FOR ANY DISTRIBUTIONS BY LIFEMETRIX TO ITS STOCKHOLDERS AFTER THE CLOSING OF THE ACQUISITION MAY NOT BE SUFFICIENT TO ALLOW LIFEMETRIX PREFERRED STOCKHOLDERS TO RECOVER THE FULL LIQUIDATION PREFERENCE OF THEIR SHARES OR TO ALLOW LIFEMETRIX COMMON STOCKHOLDERS TO REALIZE ANY VALUE FOR

THEIR SHARES.

The amounts that would be available to LifeMetrix stockholders in any liquidation or other distribution would depend on a number of variables that cannot be determined at this time. The following factors will affect the amount available for any distribution:

- Liquidation preferences of LifeMetrix preferred stock. Under LifeMetrix's certificate of incorporation, preferred stockholders are entitled to a liquidation preference equal to the initial issue price of the various series of preferred stock: $3.334 for Series A, $6.00 for Series B, $1.594 for Series C, and $0.631 for Series D. The total liquidation preference attaching to all outstanding preferred shares is approximately $40.8 million. Preferred stockholders would receive the full amount of the liquidation preferences only if the amount available for distribution to stockholders, after payment of, or establishment of reserves for, debts, liabilities, incentive bonuses and other payment obligations was at least approximately $40.8 million. Common stockholders would receive a share of liquidation distributions only if the total amount available for distribution to stockholders exceeded $40.8 million.

- The value of the Matria common stock issued at closing will fluctuate based on the trading price of Matria common stock. The number of the shares of Matria common stock that will be issued at the closing of the acquisition will be based on the average closing price of Matria common stock during the

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ten consecutive trading days immediately preceding the closing date. However, if that average closing price is below $19.148, the maximum number of shares that Matria will be obligated to issue is fixed at 887,821. On July 29, 2002, the closing price of Matria's common stock was $7.20. If that price were the average closing price of Matria common stock during the ten day period immediately preceding the closing, the value of the Matria shares to be issued at the closing would be approximately $6.4 million. However, given the recent volatility in the trading prices of Matria common stock, we cannot predict the trading price at the closing.

- The amount of any earn out payment will depend on the future performance of Quality Oncology. LifeMetrix will be entitled to an earn out payment based on Quality Oncology's results for the year ending December 31, 2003, which cannot be determined at this time. Most of the earn out payment is expected to be in the form of Matria common stock, but the number of shares to be issued to LifeMetrix will be based on the actual trading price at the time of the payment, which will not be subject to a collar or cap as is the case for the shares delivered as a part of the closing purchase price. Matria estimates that the earn out will be between $20 million and $30 million, although the amount could be more or less depending on the performance of Quality Oncology.

- The disposition of LifeMetrix's remaining assets that are not being acquired by Matria may not yield additional amounts available for distribution to stockholders. LifeMetrix currently is attempting to find a buyer or buyers for its assets and business activities that are not being acquired by Matria, which consist primarily of LifeMetrix's information services business and the Data Warehouse and TrialMatch systems. Any net proceeds from such a sale would be available for distribution to stockholders. However, LifeMetrix has not received a firm offer for these assets and it is uncertain whether any disposition would produce any meaningful amount for distribution.

- Amounts distributable to LifeMetrix stockholders will be reduced by amounts necessary to satisfy LifeMetrix's debts and obligations and expenses of a winding up and liquidation. The amounts required to be paid or reserved prior to a distribution to stockholders cannot be fully determined at this time. LifeMetrix estimates that, assuming a closing not later than September 30, 2003, approximately $2.0 million of the $3.0 million cash portion of the closing purchase price will be required to satisfy and reserve for debts, expenses and potential liabilities.

- Amounts distributable to LifeMetrix stockholders may be reduced by LifeMetrix's indemnification obligations relating to the acquisition. A portion of the Matria stock portion of the closing purchase price will be placed in escrow until March 31, 2003 as a source for satisfying any claims for indemnification made by Matria. LifeMetrix does not plan to establish an additional cash reserve relating to potential claims. If Matria's indemnification claims exceed the value of the stock held in escrow, LifeMetrix may have to establish additional reserves, which would reduce the amounts distributable to LifeMetrix stockholders. LifeMetrix cannot reasonably anticipate the nature or amounts of any future indemnification claims by Matria.

- Amounts distributable to LifeMetrix stockholders will be reduced by incentive bonus payments to key management personnel. Any amounts distributable to LifeMetrix stockholders would be reduced by incentive bonuses that LifeMetrix will pay to key employees of LifeMetrix and Quality Oncology. The LifeMetrix board of directors has approved such incentive bonuses equal to 10% of the amount that otherwise would be distributable to stockholders upon liquidation. The purpose, computation and allocation of the incentive bonuses are discussed at page 33 of this document.

As a result of these factors, it is not possible to determine the amount of distributions, if any, that LifeMetrix stockholders may receive as a result of the acquisition. In a worst case scenario, LifeMetrix preferred stockholders would likely receive a small fraction of their liquidation preferences and LifeMetrix common stockholders would receive nothing. In a best case scenario, LifeMetrix preferred stockholders would receive their full $40.8 million liquidation preference, with a large portion payable upon receipt of the earn out in 2004, and there would be sufficient remaining funds to provide a distribution to LifeMetrix common stockholders after receipt of the earn out in 2004.

However, LifeMetrix believes that a reasonable range for the closing purchase price is between $9.1 million and $16.3 million. The $9.1 million figure is based upon an assumed price of Matria stock of $6.88, which is the average closing price of Matria common stock for the ten days ending June 29, 2002. This price is also close to the 52-week low trading price of Matria's common stock. The $16.3 million price is based on an assumed Matria stock price of $15.00, which is the lowest price at which LifeMetrix will be contractually obligated to close the acquisition. LifeMetrix believes that a reasonable range for the earn out payment is $10.0 million to $40.0 million. The low end of this range assumes that Quality Oncology would not achieve positive EBITDA for 2003 but would meet conservative net revenue targets. The high end of this range is based on an amount that LifeMetrix believes Quality Oncology can achieve under very favorable market conditions and includes more optimistic operating assumptions than Matria's estimate of the high end of the range. Combining these two ranges gives a total purchase price range of $19.1 million to $56.3 million. After deducting (i) an estimated $2.0 million to satisfying reasonably anticipated debts, obligations, potential liabilities and expenses of LifeMetrix and (ii) 10% to reflect incentive bonus payments, and assuming no other significant additions or deductions, then LifeMetrix estimates that the range of possible distributions to stockholders will be approximately $15.4 million to approximately $48.9 million.

If the distributable amount were $15.4 million, LifeMetrix preferred stockholders would receive approximately 38% of their liquidation preferences and LifeMetrix common stockholders would receive nothing. If the distributable amount were $48.9 million, LifeMetrix preferred stockholders would receive the full amount of their liquidation preferences and approximately $8.1 million would be available for distribution ratably to holders of LifeMetrix common stock on an as converted basis. Based upon 25,606,723 shares of common stock being outstanding on an as converted basis, and assuming no exercise of outstanding stock options or warrants, an $8.1 million distribution would provide approximately $0.32 per share of LifeMetrix common stock. If the distributable amount were $32.2 million, the mid-point of the range, preferred stockholders would receive approximately 79% of their liquidation preferences and common stockholders would receive nothing.

THE ISSUANCE OF MATRIA SHARES UPON CLOSING OF THE ACQUISITION WILL, AND THE ISSUANCE OF MATRIA SHARES AS AN EARN OUT PAYMENT MAY, RESULT IN SUBSTANTIAL DILUTION TO MATRIA STOCKHOLDERS.

As of July 15, 2002, Matria had 9,064,217 shares of common stock outstanding. Upon the closing of the proposed acquisition, we will issue up to 887,821 shares of our common stock to LifeMetrix in the acquisition. Matria will issue all of the shares if the average closing price of Matria common stock for the ten trading days prior to the closing date is less than or equal to $19.148. In addition, LifeMetrix may be entitled to receive a significant earn out payment in mid-2004, which may be paid, in full or in part, through the issuance of additional shares of Matria common stock. The amount of the earn out payment is dependent upon the performance of Quality Oncology in 2003. The number of shares, if any, that will be issued in connection with the earn out payment will be based on the amount of the earn out and the price of Matria common stock at the time of payment, which is expected in mid-2004. The earn out payment and the number of shares of Matria common stock that may be issued can not be determined at the present time, but could be substantial. For example, if the earn out amount was $20.0 million and Matria paid 20% of the earn out in cash and the remainder of the earn out through the issuance of Matria common stock which had a price of $10.00 per share, Matria would issue an additional 1,600,000 shares of common stock. If the earn out amount was $30.0 million and Matria paid 20% of the earn out in cash and the remainder of the earn out through the issuance of Matria common stock which had a price of

$25.00 per share, Matria would issue an additional 960,000 shares of common stock.

FAILURE TO OBTAIN STOCKHOLDER APPROVAL FOR THE ISSUANCE OF OUR COMMON STOCK IN THE ACQUISITION WOULD REQUIRE US TO PAY CASH OR, IF WE DO NOT HAVE THE AVAILABLE FUNDS, TO ISSUE SHARES IN VIOLATION OF NASD RULES OR TO PAY CASH WHEN WE MAY NOT HAVE THE FUNDS AVAILABLE.

As a company listed on the Nasdaq National Market, we are subject to the NASD rules, including rules relating to stockholder approval of various corporate actions. The NASD rules require us to obtain stockholder approval for the issuance of shares amounting to 20% or more of our outstanding stock in any transaction. Upon the closing of the proposed acquisition and possibly in future earn out payments, we may issue a substantial number of shares of our common stock to LifeMetrix. In the event that we are unable to obtain stockholder approval for the issuance of our common stock in the acquisition, we will be forced to pay cash for any amount due under the earn out that would cause the total amount of our common stock issued in the acquisition to exceed 20% of our outstanding common stock or to issue shares amounting to more than 20% of our outstanding common stock without stockholder approval. If we issue shares in the acquisition amounting to more than 20% of our outstanding common stock without stockholder approval, it may be determined that we are in violation of NASD rules governing stockholder approval requirements, and we may be subject to being delisted from Nasdaq.

LIFEMETRIX MAY TERMINATE THE ACQUISITION IF THE AVERAGE CLOSING PRICE OF MATRIA COMMON STOCK AS OF THE CLOSING IS LESS THAN $15.00. FAILURE TO COMPLETE THE ACQUISITION COULD ADVERSELY AFFECT MATRIA'S STOCK PRICE, FUTURE BUSINESS AND OPERATIONS OR FINANCIAL RESULTS.

The purchase and sale agreement may be terminated if the average closing price at which Matria common stock shall have traded on the Nasdaq National Market during the ten trading day period ending three days prior to the closing date is less than $15 per share. On July 29, 2002, the closing price of Matria common stock was $7.20. The purchase and sale agreement may also be terminated for events having material adverse effects on the acquired business, breaches by Matria or LifeMetrix of representations, warranties, covenants and agreements under the purchase and sale agreement, or for other reasons, some of which are beyond the control of Matria or LifeMetrix. If the purchase and sale agreement is terminated, the acquisition will not occur or may be delayed, and each of Matria and LifeMetrix will lose the intended benefits of the acquisition.

If the acquisition is not completed for any reason, Matria may be subject to a number of material risks, including the following:

- Matria will lose the intended benefits of the acquisition;

- The price of Matria common stock may decline to the extent that the current market price reflects a market assumption that the acquisition will be completed;

- Some costs related to the acquisition, such as legal, accounting, financial advisory and financial printing fees, must be paid even if the acquisition is not completed;

- If the purchase and sale agreement is terminated because of the material breach or intentional or fraudulent misconduct of Matria, then LifeMetrix can recover from Matria its expenses relating to the purchase and sale agreement; and

- If the purchase and sale agreement is terminated, Matria may be required to make a substantial investment in LifeMetrix or either to license the Data Warehouse system from LifeMetrix or to forfeit its $500,000 deposit.

LIFEMETRIX AND ITS STOCKHOLDERS WILL BE EXPOSED TO A NUMBER OF TAX-RELATED RISKS IN CONNECTION WITH THE ACQUISITION AND, IF LIFEMETRIX IS ULTIMATELY LIQUIDATED, UPON SUCH LIQUIDATION.

The acquisition will be treated as a taxable sale of assets, and LifeMetrix will report taxable gain. The proceeds of the transaction for this purpose will include, in addition to the cash paid by Matria, the liabilities of Quality Oncology (and the liabilities of LifeMetrix to be assumed by Quality Oncology), the Matria stock issued at closing and the right to the earn out payment. In order to determine the amount of taxable gain that LifeMetrix will report, LifeMetrix must use the fair market value of the Matria stock received at closing and the fair market value of the right to the earn out payment as of the closing date. LifeMetrix will obtain an independent expert valuation of the right to the earn out payment as of the closing date for this purpose. This valuation will depend on many factors that are not yet known, and cannot now be predicted with any certainty. In addition, the actual market value of the Matria stock as of the closing could, and most likely will, differ from the price used for determining the number of shares to be issued to LifeMetrix at closing, which will be the average of the closing prices on the ten preceding consecutive trading days, subject to a minimum of $19.148 and a maximum of $28.722. This difference could arise from fluctuations in the market price of such stock, from the average of the trading prices on the ten preceding trading days being below the minimum or above the maximum specified above, or from the effect that restrictions on the sale of such stock may have on its value.

LifeMetrix currently expects that, as of the closing date, it will have not less than $25 million in net operating losses (including net operating loss carryforwards from previous years) available to offset the taxable gain that will be recognized as a consequence of the acquisition. Depending on the actual amount of these losses and the valuation of the consideration received in the transaction, LifeMetrix could have total gain exceeding the net operating losses and loss carryforwards available to offset such gains. If LifeMetrix is liquidated following the acquisition, then LifeMetrix will also recognize gain or loss on such liquidation, including gain or loss resulting from appreciation or depreciation (after the closing date) in the values of the Matria stock and the right to the earn out payment. Since the purchase and sale agreement prohibits LifeMetrix from approving or adopting a plan of liquidation for at least 30 days after the closing of the acquisition, such appreciation could be substantial. If the gains recognized by LifeMetrix as a result of the acquisition and any subsequent liquidation exceed the available losses and loss carryforwards by a substantial amount, LifeMetrix may be exposed to a tax obligation exceeding the cash available to it to pay such obligations. If this occurs, LifeMetrix may hold back some of the consideration it would otherwise distribute in liquidation. As an alternative, or in addition, LifeMetrix might have to borrow or otherwise obtain the funds required to pay its tax obligations from other sources.

The liquidation would also be taxable to the LifeMetrix stockholders, and a stockholder would be subject to tax, if the fair market value of the liquidating distributions received (or deemed received) by the stockholder exceed the stockholder's basis in its LifeMetrix stock. If a liquidating trust is used, the total value of the amount distributed to the liquidating trust, net of liabilities assumed by it, would be deemed to have been distributed to the stockholders, and each stockholder would be deemed to have received a part of such net liquidating distributions based on the number of shares of each class or series (taking into account the liquidation preferences of the different series of preferred stock) of LifeMetrix stock held by such stockholder. Stockholders would also be taxed on gains and losses realized by the liquidating trust. There can be no assurance that such a trust would distribute cash or other property to the stockholders at the same time that the stockholders are deemed to have income from LifeMetrix's distribution to the trust or because of income or gain accruing inside the trust, nor that the amount of any such distribution would be sufficient to offset the tax liabilities of the stockholders. Accordingly, stockholders may have to satisfy any such tax obligations from other resources.

LIFEMETRIX AND ITS STOCKHOLDERS MAY BE EXPOSED TO TAX AND OTHER RISKS IF LIFEMETRIX DOES NOT LIQUIDATE FOLLOWING THE ACQUISITION.

Following the consummation of the acquisition, the board of directors of LifeMetrix will consider whether LifeMetrix should adopt a plan of liquidation. Under the purchase and sale agreement, LifeMetrix may not adopt a plan of liquidation until at least 30 days following the acquisition. If LifeMetrix does not adopt a plan of liquidation, LifeMetrix and its stockholders could be exposed to significant business, tax and legal risks, including the following:

- Although LifeMetrix currently has business operations and assets that will not be acquired by Matria, those business operations are not yet self-supporting and would require substantial future investment. LifeMetrix is seeking buyers for those assets.

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- Under the terms of LifeMetrix's certificate of incorporation, the preferred stockholders have certain rights with respect to the payment of liquidation preferences that will be triggered by the acquisition.

- LifeMetrix anticipates that its principal assets following the acquisition will be the Matria common stock received at the closing of the acquisition and the contingent right to receive cash and additional Matria common stock in 2004 pursuant to the earn out payment provisions of the purchase and sale agreement. A company that has as its principal activity the holding of investment securities and has more than 100 beneficial owners is generally required to register under and comply with the reporting requirements of the Investment Company Act of 1940. Because the standstill agreement restricts the sale of the Matria shares received in connection with the acquisition, it probably will be advantageous for LifeMetrix to adopt a plan of liquidation soon after the acquisition and to distribute Matria shares soon after they are received. However, LifeMetrix is prohibited from adopting a plan of liquidation until at least 30 days after the closing of the acquisition. LifeMetrix believes that adopting a plan of liquidation would make registration under the Investment Company Act unnecessary because there is a recognized exemption under which an entity may hold securities when it is merely incidental to its liquidation and distributions made as part of a liquidation of LifeMetrix are anticipated to have more favorable tax consequences to LifeMetrix and its stockholders than if a distribution were to be made otherwise. In particular, if a distribution of Matria shares (or other assets of LifeMetrix, including cash) were made with respect to LifeMetrix stock other than as part of a liquidation of LifeMetrix, the full fair market value of the distribution, up to the greater of the current or accumulated earnings and profits of LifeMetrix, may be taxable as a dividend at ordinary income rates, without any offset for the basis of the recipients in their LifeMetrix stock.

MATRIA'S LONG-TERM DEBT AGREEMENTS MAY LIMIT MATRIA'S ABILITY TO PAY A PORTION OF THE EARN OUT PAYMENT IN CASH. IF THIS OCCURS MATRIA MAY HAVE TO SEEK ADDITIONAL FUNDING WHICH MAY NOT BE AVAILABLE ON REASONABLE TERMS, IF AT ALL.

In addition to the purchase price that is payable at closing, Matria is obligated to pay to LifeMetrix an earn out payment based upon the financial performance of Quality Oncology during 2003. Unless LifeMetrix later agrees otherwise, Matria is required to pay at least the lesser of 20% of the earn out payment or $10 million in cash, and the remainder in Matria common stock. However, LifeMetrix's rights to receive cash as a part of the earn out payment are subordinate to the terms of Matria's credit agreement and the indenture governing Matria's 11% senior notes due 2008. Although Matria currently would be able to make cash payments under the credit agreement and the indenture, it is possible that circumstances could exist in 2004 that would prevent Matria, under provisions in the credit agreement and the indenture prohibiting payments, from paying some or all of the cash portion of an earn out payment. In such an event, LifeMetrix will have the option of receiving payment in shares of Matria common stock to make up for a deficiency in cash payments. If LifeMetrix does not opt to receive shares of Matria common stock, Matria may be forced to seek additional funding, which may not be available on reasonable terms, if at all.

FAILURE TO COMPLETE THE ACQUISITION COULD ADVERSELY AFFECT LIFEMETRIX AND ITS STOCKHOLDERS.

Although LifeMetrix stockholder approval of the acquisition is assured by the fact that stockholders with voting rights sufficient for approval have signed voting agreements with Matria in which they agree to approve the acquisition, the acquisition may not be completed for a number of reasons. The purchase and sale agreement may be terminated for certain occurrences, including events having material adverse effects on Quality Oncology's business, Matria's stock price remaining below $15.00 per share, breaches by Matria or LifeMetrix of representations, warranties, covenants and agreements under the purchase and sale agreement, or for other reasons, some of which are beyond the control of Matria or LifeMetrix. If the purchase and sale agreement is terminated and the acquisition does not occur:

- LifeMetrix will lose the intended benefits of the sale;

- There is no assurance that LifeMetrix will be able to negotiate a similar transaction on favorable terms with another party;

- There is no assurance that LifeMetrix will be able to obtain the additional financing that will be needed to continue its operations;

- If LifeMetrix cannot obtain such additional financing, it will not be able to continue operations and will be forced to liquidate under circumstances that may result in its stockholders incurring a total or substantial loss of their investments in LifeMetrix;

- If LifeMetrix is able to obtain additional financing, the financing source may insist upon preferences and premiums that may significantly dilute the currently outstanding preferred and common shares of LifeMetrix; and

- Even if LifeMetrix were able to obtain additional financing and to continue operations, there is no assurance that the results of future operations would create a value or return to LifeMetrix stockholders equivalent to the value of the proposed Matria acquisition.

RISKS RELATING TO MATRIA FOLLOWING THE ACQUISITION

THE INABILITY OF QUALITY ONCOLOGY TO ACHIEVE OR SUSTAIN PROFITABLE OPERATIONS WOULD HAVE A SUBSTANTIAL ADVERSE IMPACT ON MATRIA'S RESULTS OF OPERATIONS.

The business being acquired has historically incurred significant losses. For example, for the year ended December 31, 2001, Quality Oncology had a net loss of approximately $3.2 million, on revenues of approximately $5.8 million, and an accumulated deficit of approximately $17.0 million. The acquired business will continue to incur significant sales and marketing and general and administrative expenses. Matria may be forced to fund these additional expenses from cash generated from its business, from borrowed funds or through additional sales of stock. If the benefits of the acquisition do not exceed the costs associated with the acquisition, including any dilution to Matria stockholders resulting from the issuance of shares in connection with the acquisition, our financial results, including earnings per share, could be adversely affected.

LIFEMETRIX MAY BE UNABLE TO SATISFY ITS INDEMNIFICATION OBLIGATIONS, WHICH MAY ADVERSELY AFFECT OUR RESULTS OF OPERATIONS FOLLOWING THE ACQUISITION.

The purchase and sale agreement provides that, after the acquisition of the Quality Oncology business, LifeMetrix will indemnify Matria for losses suffered or incurred by Matria and related parties arising from breaches or misrepresentations under the purchase and sale agreement, litigation arising out of pre-closing acts or circumstances or the acquisition, retained liabilities of LifeMetrix, any claims arising in connection with incentive bonuses, and certain tax liabilities. LifeMetrix's indemnification obligation with respect to breaches of representations and warranties and litigation described in the previous sentence is generally limited to the sum of 10% of the purchase price paid at closing plus the entire amount of the earn out payment. LifeMetrix may not be able to fulfill its indemnification obligations to the extent they exceed the value of the escrowed shares and the earn out. LifeMetrix may not have sufficient funds and may not be able to obtain the funds to satisfy its potential indemnification obligations to Matria. Matria may suffer impairment of its assets or have to bear the costs of a liability that exceeds the liability limitations of the purchase and sale agreement or for which it is entitled to indemnification, but which it is unable to collect.

OUR OPERATING RESULTS HAVE FLUCTUATED IN THE PAST AND ARE LIKELY TO CONTINUE TO FLUCTUATE IN THE FUTURE.

Our operating results have varied in the past and may fluctuate significantly in the future due to a variety of factors, many of which are outside of our control. For example, in June 2002, we announced lower revenues and profit expectations for the second quarter and for the full year of 2002. We revised our outlook due to several unforeseen events, including a significant price increase in one of our primary drugs for our women's health segment, increased costs due to information system constraints in our pharmacy, laboratory and supplies business, and increased costs relating to delays in implementing an automation project in our Facet Technologies subsidiary.

Similar unforeseen factors and other factors described in this document may impact our operating results in the future, which could significantly affect the price of our common stock.

In addition, we have experienced quarterly fluctuations in our results of operations. For example, revenues from our women's health services segment are historically less during the fourth and first calendar quarters than during the second and third calendar quarters. The seasonal variability of demand for these services significantly affects, and we believe will continue to affect, our quarterly operating results.

IF WE FAIL TO DEVELOP NEW RELATIONSHIPS OR MAINTAIN OUR EXISTING RELATIONSHIPS WITH ESTABLISHED HEALTH CARE INDUSTRY PARTICIPANTS, WE MAY EXPERIENCE DELAYS IN THE GROWTH OF OUR BUSINESS.

Relationships with established health care industry participants are critical to our success. These relationships include customer, vendor, distributor and co-marketer relationships. We may not be able to establish relationships with particular key participants in the health care industry if relationships have already been established with competitors, and therefore, it is important that we are perceived as independent of any particular customer or partner. If we cannot successfully establish new relationships with key health care industry participants, our business may grow slowly.

Our stock price and financial performance may suffer if the acquired business is unable to use its existing relationships to generate additional sales. If we were to lose any of our existing relationships, or if the other parties were to fail to collaborate with us to pursue additional business relationships, we would not be able to execute our business plans and our business would suffer significantly.

THROUGH THE ACQUISITION, MATRIA IS EXPANDING ITS DISEASE MANAGEMENT BUSINESS,

WHICH WILL INCREASE ITS EXPOSURE TO THE SIGNIFICANT RISKS ATTENDANT TO THIS TYPE OF BUSINESS.

Matria is a diversified disease management company whose various business segments already include obstetrics, diabetes, respiratory disease and cardiovascular disease management programs. Through the acquisition of Quality Oncology, Matria will expand its current operations to include disease management services for cancer patients. Disease management services are relatively new components of the healthcare industry. Since these aspects of disease management are relatively new and unproven, we may not be able to anticipate and adapt to a developing market. Moreover, we cannot accurately predict the future growth rate or the ultimate size of the domestic diabetes, respiratory, cardiovascular and cancer disease management markets.

The success of these components of our business plan depends on a number of factors. These factors include:

- Our ability to differentiate our products and service offerings from those of our competitors;
- The extent and timing of the acceptance of our services as a replacement for, or supplement to, traditional managed care offerings;
- Our ability to implement new and additional services beneficial to payors; and
- Our ability to effect cost savings for payors through the use of our programs.

UNLIKE LIFEMETRIX, OUR BUSINESS IS SIGNIFICANTLY DEPENDENT ON GOVERNMENT-SPONSORED PROGRAMS. THESE PAYORS MAY REDUCE PAYMENTS TO US, WHICH WOULD ADVERSELY AFFECT OUR RESULTS OF OPERATIONS.

Our revenues from continuing operations are derived from the following types of customers: approximately 42% from private third-party payors, approximately 25% from medical device manufacturers, approximately 14% from domestic government payors, approximately 12% from foreign healthcare systems and approximately 7% from employers.

Third-party and governmental payors exercise significant control over patient access and increasingly use their enhanced bargaining power to secure discounted rates and other concessions from providers. This trend, as well as other changes in reimbursement rates, policies or payment practices by third-party and governmental payors (whether initiated by the payor or legislatively mandated) could have an adverse impact on our disease management businesses.

Our sales and profitability are affected by the efforts of all payors to contain or reduce the cost of healthcare by lowering reimbursement rates and limiting the scope of covered services. Any changes that lower reimbursement levels under Medicare, Medicaid or private pay programs, including managed care contracts, could adversely affect us. Furthermore, other changes in these reimbursement programs or in related regulations could adversely affect us. These changes may include modifications in the timing or processing of payments and more stringent reimbursement procedures. Any failure to comply with Medicare or Medicaid reimbursement procedures could result in delays in, or loss of, reimbursement and other sanctions, including fines and exclusion from participation in the programs.

ONE OF OUR PRODUCT LINES AND ALL OF QUALITY ONCOLOGY'S REVENUES ARE SUBSTANTIALLY DEPENDENT ON A FEW CUSTOMERS. THE LOSS OF ANY OF THESE CUSTOMERS WOULD ADVERSELY AFFECT OUR BUSINESS.

Sales of our Facet Technologies subsidiary are substantially dependent on sales to three customers. These three diabetes supply manufacturers represented approximately 78% of Facet Technologies' revenues, which in turn represented approximately 21% of Matria's total revenues. We have multiple contracts covering various products with these customers that have expirations ranging from six months to two years. In addition, Quality Oncology received 67% of its revenues from four customers in 2001 whose contracts expire at various times through 2006. These four customers and the percentage of Quality Oncology's 2001 revenues received from each were: Carefirst of Maryland, Inc. with 29%, Blue Cross Blue Shield of Florida, Inc. with 15%, Neighborhood Health Partnership, Inc. with 12%, and Foundation Health Corporation Affiliates with 11%. There is no guarantee that these contracts will be renewed or, if renewed, that these customers will continue to purchase services at prior levels. If we do not generate as much revenue from our major customers and the major customers of Quality Oncology as we expect to or if we lose certain of them as customers, our total revenue will be significantly reduced.

SOME OF OUR BUSINESS SEGMENTS ARE HIGHLY DEPENDENT ON SUPPLIES FROM A SINGLE SOURCE. ANY INTERRUPTION OF THE SUPPLIES UNDER THESE ARRANGEMENTS COULD HAVE A MATERIAL ADVERSE EFFECT ON THESE BUSINESSES.

Our Facet Technologies and women's health businesses are highly dependent on single sources of supply. For example, Facet Technologies purchases virtually all of its products from Nipro Corporation. Similarly, there currently is only one domestic manufacturer of the injectable form of terbutaline sulfate, a drug frequently prescribed by physicians as a tocolytic for the treatment of preterm labor and used in large supply in our women's health business. Because the sources for these products are limited, these businesses are vulnerable to any interruption in the supply of these products or to any significant increase in price for these products. Any interruption or significant increase in price could have a material adverse effect on the operations of these businesses.

A SIGNIFICANT PORTION OF QUALITY ONCOLOGY'S CONTRACTS CONTAIN SAVINGS GUARANTEES AND A PORTION OF QUALITY ONCOLOGY'S FEES MAY HAVE TO BE REFUNDED.

Many of Quality Oncology's existing disease management agreements with health plans contain a savings guarantee, which typically provides that Quality Oncology will repay to a client all or some of Quality Oncology's fees if the cost savings achieved during the period that the Quality Oncology Program operates do not at least equal Quality Oncology's fees for such period. Some contracts also provide that Quality Oncology will receive bonus compensation by meeting certain performance criteria. There is no guarantee that the cost savings experienced by the acquired business' clients will be sufficient to allow the acquired business to make a profit, and there is no guarantee that the acquired business will meet the performance criteria necessary to receive the designated bonus compensation or to avoid repayment of fees.

UNLIKE LIFEMETRIX, WHICH DOES NOT HAVE A STOCKHOLDERS RIGHTS AGREEMENT, WE HAVE A STOCKHOLDER RIGHTS AGREEMENT AND OTHER ANTI-TAKEOVER DEFENSES THAT COULD DELAY OR PREVENT AN ACQUISITION OF OUR COMPANY.

In January of 1996 we adopted a stockholder rights agreement. Under the rights agreement, when one person or group acquires a certain percentage of Matria common stock, current stockholders have right to purchase additional common stock of Matria. In certain situations the rights agreement gives Matria stockholders the right to purchase shares of the acquiring company at a discounted price. Although the plan is intended not to prevent a takeover but to protect and maximize the value of stockholders' interests in the event of unsolicited attempts to acquire Matria, it may make it more difficult for a third party to acquire us. In addition, our bylaws provide for a staggered board of directors and certain provisions of Delaware law may also delay or deter attempts to secure control of Matria without the consent of Matria's management. These laws, the staggered board, and the provisions of the rights plan could make it more difficult for a third party to acquire us, even if doing so would be beneficial to our stockholders.

RECENTLY THE PRICE OF OUR COMMON STOCK HAS BEEN HIGHLY VOLATILE. FOLLOWING THE ACQUISITION OUR STOCK MAY CONTINUE TO BE HIGHLY VOLATILE. AS A RESULT OF THIS VOLATILITY WE MAY BE SUBJECT TO LITIGATION.

The healthcare market in particular, and the stock market in general, have experienced volatility that often has been unrelated to the operating performance of particular companies. These broad market and industry fluctuations may significantly affect the trading price of our common stock, regardless of our actual operating performance. In recent periods, the price of our common stock has fluctuated significantly. Volatility in the market price of a company's securities may make it vulnerable to securities class action litigation. If this were to happen to us, litigation could be expensive and could divert management's attention.

AS A RESULT OF RECENT ACCOUNTING PRONOUNCEMENTS, WE ARE REQUIRED TO WRITE DOWN OUR GOODWILL AS IT BECOMES IMPAIRED RATHER THAN ON A STRAIGHT-LINE BASIS. ANY IMPAIRMENT OF OUR GOODWILL COULD SIGNIFICANTLY AFFECT OUR RESULTS OF OPERATIONS FOR THE PERIOD IN WHICH OUR GOODWILL BECOMES IMPAIRED AND COULD MATERIALLY IMPAIR OUR NET WORTH.

In June 2001, the Financial Accounting Standards Board, or FASB, issued Statement of Financial Accounting Standards (SFAS) No. 141, "Business Combinations" and SFAS No. 142, "Goodwill and Other Intangible Assets." SFAS No. 141 requires that all business combinations be accounted for under the purchase method only and that certain acquired intangible assets in a business combination be recognized as assets apart from goodwill. SFAS No. 142 requires that purchased goodwill, including the goodwill arising from the transaction, should not be amortized, but rather, it should be periodically reviewed for impairment. Such impairment could be caused by internal factors as well as external factors beyond our control. The FASB has further determined that at the time goodwill is considered impaired an amount equal to the impairment loss should be charged as an operating expense in the statement of operations. The timing of such an impairment (if any) of goodwill acquired in past and future acquisitions is uncertain and difficult to predict. Our results of operations in periods of any such impairment could be materially adversely affected.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS IN THIS DOCUMENT

This document and the documents incorporated by reference herein contain forward-looking statements. Such forward-looking statements include statements relating to the business, results of operations, and financial condition of Matria and the business being acquired. Words such as will, would, may, could, anticipates, expects, intends, plans, believes, seeks, estimates, and similar expressions often identify forward-looking statements.

These forward-looking statements involve risks and uncertainties, and are not guarantees of the future performance of Matria or the business being acquired. Many factors, some of which are included in this document or incorporated by reference into this document, could cause actual results to differ materially from those contemplated by the forward-looking statements. In addition to the specific factors described in the section entitled "Risk Factors," other factors include the following:

- changes in reimbursement rates, policies or payment practices by third-party payors, whether initiated by the payor or legislatively maintained;
- the loss of a major customer or failure to receive recurring orders from customers of Matria's mail-order supply business;
- inability to achieve price concessions or develop alternatives to address recent increases in Matria's costs of supplies;
- the ability of Matria to effectively integrate new technologies such as those in its health enhancement infrastructure project and automated packing systems;
- technology failures causing delayed, incomplete or inaccurate data or flawed data analysis;
- new technologies that render obsolete or non-competitive products and services offered by Matria, including the development of improved glucose monitoring products that eliminate the need for consumable testing supplies;
- the impact of future state and federal healthcare laws and regulations applicable to Matria or failure to comply with existing laws and regulations;
- future healthcare or budget legislation or other health reform initiatives;
- impairment of rights in intellectual property;
- increased or more effective competition;
- increased exposure to professional negligence liability;
- the impact of litigation involving Matria;
- difficulties in successfully integrating recently acquired or to be acquired businesses into Matria's operations and uncertainties related to the future performance of these businesses;
- losses due to foreign currency exchange rate fluctuations or deterioration of economic or political conditions in foreign markets;
- the effectiveness of Matria's advertising, marketing and promotional programs and changes in patient therapy mix;
- market acceptance of Matria's and Quality Oncology's current and future disease management products;
- inability to effect estimated cost savings and clinical outcomes improvements or to reach agreement with disease management customers with respect to the same;
- inability to accurately forecast performance under disease management contracts;

- the failure of disease management customers to provide timely and accurate data that is essential to the operation and measurement of Matria's and Quality Oncology's performance under their disease management contracts;
- increases in interest rates; and
- general economic conditions.

The forward-looking statements in this document are made as of the date of this document, and Matria assumes no obligation to update the forward-looking statements or to update the reasons why actual results could differ from those projected in the forward-looking statements.

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THE MATRIA ANNUAL MEETING

This document is being furnished to Matria stockholders in connection with the solicitation of proxies by Matria's board of directors. On April 29, 2002, Matria, LifeMetrix, Inc., and Quality Oncology, Inc., a wholly owned subsidiary of LifeMetrix, entered into a purchase and sale agreement. The purchase and sale agreement contemplates the acquisition by Matria of assets of LifeMetrix, including all of the issued and outstanding stock of Quality Oncology.

Matria will hold its annual meeting of stockholders to vote upon the issuance of Matria common stock in connection with the proposed acquisition. At the annual meeting, stockholders will also elect directors, vote upon the Matria 2002 Stock Incentive Plan and vote upon the Matria 2002 Stock Purchase Plan. Matria's board of directors is soliciting proxies in connection with the matters to be voted upon at the annual meeting.

DATE, TIME AND PLACE OF THE ANNUAL MEETING

___________, 2002
11:00 am local time
1850 Parkway Place
Suite 320
Marietta, Georgia 30067

MATTERS TO BE CONSIDERED AT THE ANNUAL MEETING

The purpose of Matria's annual meeting is for Matria stockholders to approve the issuance of shares of Matria common stock in connection with the acquisition, to elect three Class I directors, to approve the Matria 2002 Stock Incentive Plan and to approve the Matria 2002 Stock Purchase Plan. In addition, stockholders of Matria may transact any other business that may properly come before the Matria annual meeting or any adjournment or postponement of the annual meeting. Examples of other business that could be transacted at the meeting would be a motion to adjourn to a later date to permit further solicitation of proxies, if necessary, or to establish a quorum.

RECOMMENDATIONS OF THE BOARD OF DIRECTORS

The board of directors of Matria and a committee thereof have concluded that the purchase and sale agreement, the acquisition and the issuance of shares of Matria common stock in connection with the acquisition are fair to, and in the best interests of, Matria and its stockholders. THE MATRIA BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT STOCKHOLDERS OF MATRIA VOTE FOR THE PROPOSALS TO APPROVE THE ISSUANCE OF SHARES OF MATRIA COMMON STOCK IN CONNECTION

WITH THE