MATRIA HEALTHCARE INC
Form S-4/A
August 19, 2002

As filed with the Securities and Exchange Commission on August 19, 2002

Registration No. 333-90944

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Amendment No. 2 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
Troutman Sanders LLP
Bank of America Plaza, Suite 5200
600 Peachtree Street, N.E.
Atlanta, Georgia 30308-2216
(404) 885-3111

Lowell D. Turnbull, Esquire
Garvey, Schubert and Barer
Fifth Floor
1000 Potomac Street, N.W.
Washington, D.C. 20007
(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. o

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. o

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. o

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered(2)	Proposed Maximum Offering Price Per Share	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee
Common stock, $0.01 par value(1)	3,000,000 Shares	$11.27(3)	$33,810,000(3)	$3,110.52(3)(4)
Common stock, $0.01 par value(1)	1,000,000 Shares	$7.28(5)	$7,280,000(5)	$669.76(5)

(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 for the 3,000,000 shares covered by the original filing 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.

(5) Pursuant to Rule 457(f)(1) and Rule 457(c) under the Securities Act of 1933, as amended, the registration fee for the 1,000,000 shares added by Amendment No. 2 has been calculated based on the average of the high and low prices per share of Matria s common stock on August 12, 2002 as reported on the Nasdaq National Market.

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.

TABLE OF CONTENTS

MATRIA HEALTHCARE, INC.	**LIFEMETRIX, INC.**
1850 Parkway Place	**1430 Spring Hill Road, Suite 106**
Marietta, Georgia 30067	**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 August 16, 2002, the closing price of a share of Matria common stock was $7.55. 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 *President and Chief Executive Officer Matria Healthcare, Inc.*	Edmund C. Bujalski *Chairman and Chief Executive Officer 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 August 19, 2002

and it was first mailed to stockholders on or about August 22, 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 September 26, 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 September 16, 2002 to ensure timely delivery of the documents.**

See Where You Can Find More Information on page 101.

1850 Parkway Place
Marietta, Georgia 30067

NOTICE OF 2002 ANNUAL MEETING OF STOCKHOLDERS

To Be Held on September 26, 2002

NOTICE IS HEREBY GIVEN THAT the 2002 Annual Meeting of Stockholders of Matria Healthcare, Inc. will be held on September 26, 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
August 19, 2002

TABLE OF CONTENTS

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*™. 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 August 16, 2002, Matria had made advances to LifeMetrix totaling $2.0 million (including the $500,000 deposit).

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 August 16, 2002, the closing price of Matria common stock was $7.55. 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 $6.7 million, and 104,450 of those shares would be deposited into escrow. Based on the number of shares of Matria outstanding as of August 9, 2002, and assuming that Matria issued 887,821 shares at the closing, Matria s current stockholders would hold 91.2% of the outstanding Matria common stock and LifeMetrix would hold 8.8%, 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 41) 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 42). 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 46). 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 47). 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 August 16, 2002, Matria had made aggregate advances to LifeMetrix of $2.0 million (including the $500,000 deposit).

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 49). 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 49). 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 49). 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 50). 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.

Non-Competition Agreements (See page 50). 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 the matters stated in the full text of its opinion, the consideration to be paid by Matria in the acquisition was fair, from a financial point of view, to Matria. We have attached the full text of 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.

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 Disclosure Under Recently Issued Accounting Standards appearing on page 54 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 June 30, 2001 and 2002 and for the six month periods ended June 30, 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,					Six Months Ended June 30,	
	1997	1998	1999	2000	2001	2001	2002
						(Unaudited)	
	(In thousands, except per share data)						
Consolidated statement of operations data:							
Revenues	$144,533	$ 128,572	$231,739	$225,767	$263,983	$126,206	$134,591
Earnings (loss) from continuing operations	(20,902)	(100,406)	31,366	13,694	7,925	5,401	897
Net earnings (loss) from continuing operations per common share:							
Basic	$ (2.29)	$ (10.98)	$ 3.05	$ 1.10	$ 0.78	$ 0.62	$ 0.10
Diluted	(2.29)	(10.98)	2.82	1.05	0.76	0.61	0.10

	December 31,					June 30,	
	1997	1998	1999	2000	2001	2001	2002
						(Unaudited)	
	(In thousands)						
Consolidated balance sheet data:							
Total assets	$191,132	$97,034	$285,713	$268,850	$260,623	$248,519	$276,252
Long-term debt (including current portion)	2,596	19,103	101,452	88,811	115,190	89,857	118,773
Common shareholders equity	153,169	49,881	99,244	98,850	104,897	103,034	114,712

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 June 30, 2001 and 2002 and for the six month periods ended June 30, 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, 2001	Six Months Ended June 30, 2001	Six Months Ended June 30, 2002
		(Unaudited)	
		(In thousands)	
Statement of operations data:			
Revenues	$ 5,751	$ 2,369	$ 3,885
Net loss	(3,245)	(2,146)	(1,462)

	December 31, 2001	June 30, 2002
		(Unaudited)
	(In thousands)	
Balance sheet data:		
Total assets	$ 3,606	$ 3,787
Due to LifeMetrix	19,138	20,309

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 June 30, 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	Six Months Ended June 30, 2002
Pro forma combined statement of operations data:		
Total revenues	$269,734	$138,476
Earnings (loss) from continuing operations	6,114	(4)
Net earnings (loss) from continuing operations per common share		
Basic	$ 0.52	$ 0.00
Diluted	0.51	0.00
Weighted average common shares outstanding		
Basic	9,636	9,900
Diluted	9,880	10,117

	June 30, 2002
Pro forma combined balance sheet data:	
Total assets	$297,935
Long-term debt (including current portion)	121,795
Common shareholders equity	131,419

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 August 16, 2002, the closing price of Matria common stock was $7.55. 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 $6.7 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 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 August 16, 2002, the closing price of Matria s common stock was $7.55. 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 $6.7 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 $9.4 million and $16.3 million. The $9.4 million figure is based upon an assumed price of Matria stock of $7.25, which is the average closing price of Matria common stock for the ten days ending August 16, 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 $19.4 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 $15.7 million to approximately $48.9 million.

If the distributable amount were $15.7 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 $32.3 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 August 9, 2002, Matria had 9,161,319 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 to occur 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 August 16, 2002, the closing price of Matria common stock was $7.55. 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.

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 indenture, it is possible that circumstances could exist in 2004 that would prevent Matria, under provisions in the indenture prohibiting payments, from paying some or all of the cash portion of an earn out payment. In addition, Matria is currently in default of the fixed charge ratio and leverage ratio covenants of its existing credit agreement, although there are no outstanding borrowings under this facility. Accordingly, under the subordination agreement, Matria currently would not be able to make any cash payment of the earn out because it is in default under the credit agreement. Matria is in discussions with its lenders and is considering alternatives to its credit agreement. If Matria does not obtain a waiver of its non-compliance with the existing agreement on favorable terms or find an alternative to the existing credit agreement, Matria may be unable to pay the cash portion of any 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 unit. 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 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;
- 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.

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

September 26, 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 acquisition, to elect three Class I directors, to approve Matria s 2002 Stock Incentive Plan and to approve Matria s 2002 Stock Purchase Plan.**

Voting of Proxies; Revocability of Proxies

When a properly signed and dated proxy card is returned, the shares represented thereby will be voted in accordance with the instructions on the proxy card. If a stockholder does not attend the annual meeting and does not return the signed and dated proxy card, such stockholder s shares will not be voted. If a stockholder returns a signed and dated proxy card but does not indicate how his or her shares are to be voted, the shares will be voted FOR the issuance of Matria common stock to LifeMetrix in connection with the acquisition, FOR the election of the three Class I directors named herein, FOR the adoption of the 2002 Stock Incentive Plan and FOR the adoption of the 2002 Stock Purchase Plan. As of the date of this proxy statement, the board of directors does not know of any other matters that are to come before the annual meeting. If any other matters are properly presented at the annual meeting for consideration, the persons named in the enclosed form of proxy and acting thereunder will have discretion to vote on such matters in accordance with their best judgment.

Any proxy given may be revoked by the person giving it at any time before it is voted. Proxies may be revoked by (i) filing with the Secretary of Matria, at or before the taking of the vote at the annual meeting, a written notice of revocation bearing a later date than the proxy, (ii) duly executing a later dated proxy relating to the same shares of Matria common stock and delivering it to the Secretary of Matria at or before the taking of the vote at the annual meeting or (iii) attending the annual meeting and voting in person (although attendance at the annual meeting will not in and of itself constitute a revocation of a proxy). Any written notice of revocation or subsequent proxy should be sent so as to be delivered to Matria Healthcare, Inc., 1850 Parkway Place, Marietta, Georgia 30067, Attention: Secretary, or hand delivered to the Secretary of Matria at or before the taking of the vote at the annual meeting.

Matria will bear the cost of the solicitation of proxies from its stockholders. In addition to solicitation by use of the mails, proxies may be solicited by directors, officers and employees of Matria in person or by telephone or other means of communication. Such directors, officers and employees will not be additionally compensated, but may be reimbursed for out-of-pocket expenses incurred in connection with such solicitation. Arrangements also will be made with custodians, nominees and fiduciaries for the forwarding of proxy solicitation materials to beneficial owners of shares held of record by such custodians, nominees and fiduciaries, and Matria will reimburse such custodians, nominees and fiduciaries for reasonable expenses incurred in connection therewith. In addition, D.F. King & Co. will assist in the solicitation of proxies by Matria for a fee of $5,500, plus reimbursement of reasonable out-of-pocket expenses.

Record Dates and Outstanding Shares

Stockholders of record who owned Matria common stock at the close of business on August 9, 2002 will be entitled to attend and vote at the annual meeting. On the record date, Matria had approximately 9,161,319 shares of common stock issued and outstanding. Matria had 1,599 stockholders of record on the record date and believes that its common stock is held by approximately 5,200 beneficial owners.

Quorum

The presence, either in person or by properly executed proxies, of the holders of a majority of the outstanding shares of Matria s common stock is necessary to constitute a quorum at the annual meeting. Abstentions and shares held by a broker as nominee (i.e., in street name) that are represented by proxies at the annual meeting, but that the broker fails to vote on one or more matters as a result of incomplete instructions from the beneficial owner of the shares (broker non-votes), also will be treated as present for quorum purposes.

Votes Required

Matria s stockholders are entitled to one vote at the annual meeting for each share of common stock held of record by them on the record date. The affirmative vote of a majority of the shares having voting power, present in person or represented by proxy at the annual meeting, is required to approve the issuance of Matria common stock in connection with the acquisition, to approve and adopt the 2002 Stock Incentive Plan and to approve and adopt the 2002 Stock Purchase Plan. The affirmative vote of the holders of a plurality of the shares of common stock present in person or represented by proxy at the annual meeting is required to elect the Class I directors. Votes may be cast for, against or withheld from voting on the issuance of Matria common stock in connection with the acquisition, for or withheld from each nominee for Class I director, for, against or withheld from voting on approval of the 2002 Stock Incentive Plan and for, against or withheld from voting on approval of the 2002 Stock Purchase Plan. Under applicable Delaware law, broker non-votes represented at the meeting, but with respect to which such broker or nominee is not empowered to vote on a particular proposal, and abstentions will have no effect on the vote for the election of Class I directors. Abstentions will have the effect of a vote against approval of the issuance of the Matria common stock in connection with the acquisition, approval of the 2002 Stock Incentive Plan and approval of the 2002 Stock Purchase Plan, while broker non-votes will have no effect on the outcome of these proposals.

MATRIA PROPOSAL 1:

APPROVAL BY MATRIA STOCKHOLDERS OF THE ISSUANCE OF

SHARES OF MATRIA COMMON STOCK IN THE ACQUISITION

We are furnishing this document to the stockholders of Matria in connection with the solicitation of proxies by the Matria board of directors for use at the annual meeting. At the annual meeting, which will be held on September 26, 2002, one of the proposals that Matria stockholders will be asked to approve is the issuance of shares of Matria common stock in connection with the acquisition of assets of LifeMetrix, including all of the issued and outstanding stock of Quality Oncology, Inc., a wholly owned subsidiary of LifeMetrix.

The board of directors of Matria has agreed to acquire assets of LifeMetrix, including the stock of Quality Oncology, in exchange for a combination of cash and Matria common stock including a possible earn out, based on the future performance of the assets being acquired.

The approval of the Matria stockholders for the issuance of stock in the acquisition is only required if Matria issues shares in the acquisition amounting to more than 20% of Matria s outstanding common stock. The failure of Matria s stockholders to approve the issuance of stock in the acquisition will not affect Matria s obligation to close the acquisition and issue shares of common stock at the closing. In the event that Matria is unable to obtain stockholder approval for the issuance of Matria common stock in the acquisition, Matria will be forced to pay cash for any amount due under the earn out that would cause the total amount of Matria common stock issued in the acquisition to exceed 20% of Matria s outstanding common stock or to issue shares amounting to more than 20% of Matria s outstanding common stock without stockholder approval. If Matria issues shares in the acquisition amounting to more than 20% of Matria s 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.

We have attached a copy of the purchase and sale agreement as Appendix A to this document.

CONSENT OF LIFEMETRIX STOCKHOLDERS

General

This document is being furnished to holders of LifeMetrix stock in connection with the solicitation by LifeMetrix of stockholder consent to approve the acquisition. Each LifeMetrix stockholder who is not already obligated by a voting agreement should review carefully the purchase and sale agreement and the information contained in this document when formulating his or her decision to sign the consent relating to the acquisition. The purchase and sale agreement is the principal legal document governing the acquisition and is attached to this document as Appendix A.

This document also is being furnished to stockholders and option holders of LifeMetrix and to employees of LifeMetrix and Quality Oncology who may receive shares of Matria common stock as an incentive bonus from LifeMetrix as a prospectus for the shares of Matria common stock that they may receive as a result of the acquisition.

Record Date and Outstanding Shares

Stockholders of record who own LifeMetrix common stock or preferred stock as of the record date shall be entitled to approve the acquisition. LifeMetrix anticipates that the record date will be on or about August 29, 2002. As of July 31, 2002, LifeMetrix had approximately 4,488,918 shares of common stock issued and outstanding and 17,607,177 shares of preferred stock issued and outstanding. As of July 31, 2002 LifeMetrix had approximately 84 stockholders of record of its common stock and 23 stockholders of record of its preferred stock.

Consent Required

Approval of the acquisition requires the consent 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 consent 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 in which they have agreed to approve the acquisition. Consequently, approval of the acquisition by LifeMetrix stockholders is assured.

LifeMetrix is seeking approval of the acquisition from its stockholders by soliciting a written consent. LifeMetrix stockholders will find a form of consent in the materials accompanying this document. It is important that shares of LifeMetrix common and preferred stock are represented in this matter. LifeMetrix stockholders are encouraged to sign, date and return the enclosed consent form as soon as possible. If the acquisition is approved by less than unanimous written consent, LifeMetrix will send notice of the action taken to stockholders not consenting to the acquisition in accordance with Section 228(e) of the Delaware General Corporation Law.

DESCRIPTION OF THE ACQUISITION

Background of the Acquisition

The Matria board of directors and management continually review strategic options to enhance stockholder value, including joint ventures, strategic investments, acquisitions and dispositions. Throughout its history, Matria has been involved in several acquisitions and joint ventures.

In early 2001, Matria began implementing a strategy to become a one stop shop for disease management. As part of this strategy, Matria began to pursue strategic relationships with providers of disease management services other than diabetes, women s health and respiratory services. In August 2001, Matria identified Quality Oncology as a potential strategic partner for cancer disease management. Jeffrey Koepsell, Matria s Executive Vice President and Chief Operating Officer, contacted Frederick C. Lee, Vice-Chairman of Quality Oncology, by telephone to discuss the potential for Quality Oncology s working with Matria on several prospective requests for disease management proposals.

Throughout early August, Matria and Quality Oncology collaborated on a joint proposal to an employer that was interested in a broad spectrum of disease management services, including cancer disease management. The proposal was submitted on August 13, 2001.

On September 19, 2001, Matria and Quality Oncology entered into a mutual Confidentiality Agreement.

On September 27, 2001, Mr. Koepsell met with Mr. Lee at a restaurant in Alpharetta, Georgia, to discuss an expanded working relationship.

On October 3, 2001, Matria and Quality Oncology entered into a letter of intent with respect to the joint proposal referenced above and agreed that their relationship would be formalized in a vendor management agreement to be negotiated between the parties. Since that time, Matria and Quality Oncology have collaborated on a number of proposals to provide disease management services to insurers and employer groups. Their intention with respect to each insurer and employer group is set forth in separate letters of intent.

On October 10, 2001, Matria and LifeMetrix (Quality Oncology s parent corporation) signed a mutual Confidentiality Agreement to allow further mutual disclosures about their respective businesses.

On December 11, 2001, Parker H. Petit, Matria s Chairman, President and CEO, Mr. Koepsell and other members of Matria s executive and divisional management met with Edmund C. Bujalski, Chairman and CEO of LifeMetrix, and Frederick C. Lee, Vice Chairman of Quality Oncology, at Matria s headquarters in Marietta, Georgia, to discuss potential strategic relationships. Subsequently, Mr. Petit placed a telephone call to Mr. Bujalski. In that call he expressed an interest in an investment in LifeMetrix or an investment in Quality Oncology. Mr. Petit reiterated Matria s interest in a letter to Mr. Bujalski dated December 14, 2001.

On December 20, 2001, Mr. Bujalski and a representative of LifeMetrix s systems group visited Matria s headquarters to demonstrate LifeMetrix s Data Warehouse software. Matria personnel attending the meeting included Mr. Petit, Mr. Koepsell and several members of Matria s systems group. At that meeting, Mr. Bujalski and Mr. Petit had further discussions about the possibility of Matria s making an investment in LifeMetrix or acquiring Quality Oncology.

On December 28, 2001, Matria forwarded LifeMetrix a draft vendor management agreement pursuant to which Quality Oncology would provide cancer disease management services as a subcontractor to Matria with respect to certain agreed opportunities. Under the vendor management agreement, Matria is entitled to a percentage of Quality Oncology s fees for services provided by Quality Oncology to the various contracted payors identified in the vendor management agreement.

Beginning in January, 2002, Mr. Bujalski and Mr. Petit had numerous telephone conversations regarding the vendor management agreement and a possible acquisition.

On January 11, 2002, Mr. Petit sent Mr. Bujalski a non-binding expression of interest in two alternative proposals for Matria to make an investment in LifeMetrix or acquire Quality Oncology.

On January 16, 2002, LifeMetrix s board of directors held their regularly scheduled meeting. At the meeting the board discussed Matria s proposals and discussed the status of other possible strategic relationships that Quality Oncology was pursuing at that time. It was the consensus of the directors that Mr. Bujalski should continue discussions with Matria.

On January 24, 2002, Matria s and LifeMetrix s systems personnel had a meeting at Matria s headquarters to discuss LifeMetrix s Data Warehouse software.

On February 13, 2002, Mr. Petit met with Mr. Bujalski at LifeMetrix s headquarters in McLean, Virginia, for purposes of further discussion of a proposed acquisition. Eugene N. Langan, Executive Vice President and Chief Administrative Officer of LifeMetrix, was present for part of the meeting.

On February 15, 2002, Mr. Petit sent a memo to Matria s board of directors outlining a proposal to make an investment in LifeMetrix, license certain technology, acquire an option to purchase Quality Oncology and enter into an exclusive two-year strategic alliance. Mr. Petit also included certain informational materials regarding LifeMetrix.

On February 19, 2002, Matria s board of directors held their regularly scheduled meeting. At the meeting Mr. Petit recounted his discussions with Mr. Bujalski regarding a possible acquisition of Quality Oncology and discussed the strategic rationale for pursuing the acquisition. The board directed Mr. Petit to continue discussions.

On February 22, 2002, Mr. Bujalski sent Mr. Petit a non-binding counterproposal to Mr. Petit s letter of January 11, 2002 and enclosed certain historical and projected financial data of LifeMetrix.

On February 26, 2002, Mr. Petit sent Matria s board of directors Mr. Bujalski s letter of February 22, 2002 along with the enclosed financial data of LifeMetrix.

On March 7, 2002, Mr. Petit sent Matria s board of directors a memorandum detailing the various alternatives Matria s management had considered relative to LifeMetrix and Quality Oncology and reiterating the strategic reasons for pursuing an acquisition. He enclosed a draft letter of intent. That same day Mr. Petit forwarded the draft letter of intent to Mr. Bujalski.

On March 22, 2002, LifeMetrix s board of directors held a telephonic board meeting to approve the letter of intent with Matria relating to the acquisition.

On March 26, 2002, Matria, LifeMetrix and Quality Oncology signed the vendor management agreement and a letter of intent outlining the proposed acquisition, and Matria advanced LifeMetrix a deposit of $500,000 to obtain an option to purchase, if the purchase and sale agreement is terminated prior to closing, a perpetual, nonexclusive, nontransferable license to use LifeMetrix s Data Warehouse system.

On March 27, 2002, Mr. Petit contacted JPMorgan about rendering an opinion with respect to the proposed acquisition. Over the next several days, representatives of JPMorgan and Matria had numerous telephone conversations to discuss the acquisition and the financial information that Matria and LifeMetrix had provided to JPMorgan.

On March 27 and 28, 2002, George W. Dunaway, Vice President-Finance and Chief Financial Officer, Roberta L. McCaw, Vice President Legal, General Counsel and Secretary, and a representative of Troutman Sanders LLP, an outside law firm representing Matria in connection with the proposed acquisition, conducted a due diligence investigation at LifeMetrix s office in McLean, Virginia. On March 28, 2002, Ms. McCaw and Mr. Dunaway were joined by Mr. Petit, Mr. Koepsell and Thomas M. Robbins, President of Matria s Health Enhancement division. Participating in these meetings representing Quality Oncology were Mr. Bujalski and other financial, operating and systems personnel of LifeMetrix and Quality Oncology, as well as a representative of Simon, Turnbull & Martin, an outside law firm.

On April 1, 2002, representatives of JPMorgan conducted a due diligence review of LifeMetrix and its subsidiaries at LifeMetrix s headquarters in McLean, Virginia.

On April 2, 2002, Mr. Koepsell and certain members of Matria s divisional management conducted an on-site due diligence review of Quality Oncology s operations in Sunrise, Florida, where they met with Mr. Kanach and certain representatives of Quality Oncology s operational management.

From April 2, 2002, until the purchase and sale agreement was signed, representatives of LifeMetrix, Simon, Turnbull & Martin, Troutman Sanders LLP and Matria negotiated the purchase and sale agreement and related acquisition documents.

On April 10, 2002, representatives of JPMorgan met with Matria management at Matria s headquarters in Marietta, Georgia, to gather financial information relating to Quality Oncology and the acquisition.

On April 11 and 12, 2002, representatives of LifeMetrix conducted a due diligence investigation of Matria at Matria s offices in Marietta, Georgia. Among the personnel representing LifeMetrix at the due diligence sessions were Mr. Bujalski, Mr. Kanach, Carolyn Lowstuter, LifeMetrix s Vice President Finance, Treasurer and Assistant Secretary, and Mr. Langan. Matria s representatives participating in these meetings included Mr. Petit, Mr. Koepsell, Yvonne V. Scoggins, Matria s Vice President Financial Planning and Analysis, and other operating and systems personnel of Matria. Also present were representatives of JPMorgan, who reviewed financial projections and potential synergies from the proposed acquisition.

Throughout the period of negotiations, Mr. Bujalski communicated regularly with the individual directors of LifeMetrix to discuss the status of the negotiations, the advantages and disadvantages of the acquisition, and the negotiating positions of Matria and LifeMetrix.

On April 17, 2002, LifeMetrix s board of directors held their regularly scheduled meeting. At the meeting, Mr. Bujalski updated the board on the status of his negotiations with Matria. Following its discussion and analysis, the board authorized Mr. Bujalski to continue his discussions with Matria and to bring to the board for review the final terms reached through the negotiations.

On April 18, 2002, Matria s board of directors held a special meeting for the purpose of approving the proposed acquisition. At the meeting, Mr. Petit again reviewed the strategic and business rationale for the proposed acquisition. Representatives of JPMorgan then reviewed the financial analyses JPMorgan had prepared in connection with its evaluation of the proposed consideration to be paid in the acquisition. After discussion and deliberation the Matria board unanimously:

- Determined that the acquisition was in the best interests of Matria and its stockholders;
- Approved the acquisition as presented to the meeting;
- Established a committee to act on behalf of the board of directors in further considering the proposed acquisition and, subject to receipt by the committee, on behalf of the board of directors of an opinion from JPMorgan, ultimately approving such acquisition on such final terms deemed necessary, appropriate or advisable by the committee; and
- Authorized and reserved for issuance the shares of Matria common stock necessary or desirable to pay the consideration in the acquisition.

On the morning of April 23, 2002, Mr. Bujalski met with Mr. Petit at Matria s offices in Marietta, Georgia. Later that day and the next, Mr. Petit and Mr. Bujalski and their respective counsel met at the offices of Troutman Sanders LLP in Atlanta, Georgia, to negotiate the remaining key issues in the purchase and sale agreement.

On April 25, 2002, Matria s board of directors held their regularly scheduled meeting. At the meeting, Mr. Petit updated the board of directors on the status of negotiations surrounding the acquisition, highlighting the material changes that had been made to the purchase and sale agreement since the draft that had been distributed to the board of directors prior to its April 18, 2002 meeting.

On April 26, 2002, LifeMetrix s board of directors held a special meeting by telephone for the purpose of approving the proposed acquisition. At that meeting, the board concluded ongoing business discussions regarding the proposed acquisition, the proposed agreement, and the rationale therefor. After discussion, the LifeMetrix board unanimously:

Approved the acquisition as presented to the meeting; and

Determined that the acquisition was fair to and in the best interests of LifeMetrix and its stockholders.

On April 29, 2002, the committee appointed by Matria s board at its April 18th meeting met by telephone to consider the approval of the purchase and sale agreement. As part of this approval process, representatives of JPMorgan rendered JPMorgan s oral opinion, which was confirmed in its written opinion dated April 29, 2002, to the effect that as of that date and subject to certain matters stated therein, the consideration to be paid by Matria in the acquisition was fair to Matria from a financial point of view. For a more detailed discussion of JPMorgan s analysis and opinion, you should review the section captioned Opinion of Financial Advisor beginning on page 37 and the text of JPMorgan s opinion attached as Appendix B to this document.

After discussion and deliberation, the committee unanimously:

Determined that the acquisition was fair to and in the best interests of Matria and its stockholders;

Approved the acquisition and the purchase and sale agreement;

Resolved to submit to Matria s stockholders for approval the issuance of Matria common stock in connection with the acquisition; and

Authorized the filing of a Form S-4 Registration Statement in connection with the registration of the Matria common stock to be issued in the acquisition.

By unanimous written consent acting without a meeting, effective as of April 29, 2002, the LifeMetrix board:

Ratified and approved execution and delivery of the purchase and sale agreement;

Approved the sale of substantially all of the assets of LifeMetrix;

Determined that the acquisition was fair to and in the best interests of LifeMetrix and its stockholders;

Determined that the purchase price for the acquisition represented full and adequate consideration for the sale of Quality Oncology and the other assets of LifeMetrix being sold to Matria; and

Resolved to submit the acquisition to LifeMetrix s stockholders for approval of the acquisition under the terms of the purchase and sale agreement.

Upon the conclusion of the Matria committee meeting, Matria and LifeMetrix finalized the purchase and sale agreement. That same day JPMorgan delivered its written opinion to Matria, the purchase and sale agreement and an amended and restated vendor management agreement were executed and delivered, voting agreements were executed and delivered by certain stockholders of LifeMetrix and a press release was issued announcing the acquisition.

Matria Reasons for the Acquisition

The Matria board of directors believes that the acquisition will further its strategic objective of becoming a one-stop shop for disease management services. Specifically, Matria believes that, to effectively compete with other disease management service providers, Matria must broaden the scope of services provided. Expanding its service offerings should enhance Matria s ability to contract with and provide services to managed care organizations and employers.

The Matria board of directors further believes that the terms of the acquisition are fair to and in the best interests of Matria.

In determining to approve the acquisition and recommend it to its stockholders, the Matria board of directors considered a number of factors, including the following:

The benefits to be derived in negotiating contracts with third-party payors. The board considered the trend in the industry to contract with a single service provider for disease management services covering multi-disease states. The board concluded that the addition of cancer disease management to our product offerings would better position Matria to respond to this trend.

The potential for cross-selling opportunities. The board concluded that there is the potential for each of Matria and Quality Oncology to expand their relationships with their existing customers to include the disease management services offered by the other of them.

The financial, management and operational strengths of Matria and Quality Oncology. The Matria board of directors believe that Quality Oncology will be in a better position to exploit its strong operational and sales skills with the support of Matria s financial resources and strategic sales experience.

The corporate cultures of Matria and Quality Oncology will be compatible.

The financial presentation and opinion of JPMorgan to the effect that, as of the date of its opinion and subject to certain matters stated therein, the consideration to be paid by Matria in the acquisition was fair to Matria from a financial point of view. The board of directors considered the various financial, comparative, pro forma and contribution analyses of Matria and Quality Oncology included in JPMorgan s presentation and felt that such analyses, taken as a whole, supported the conclusion that the consideration was fair, from a financial point of view, to the Matria stockholders (See Opinion of Financial Advisor). Although the board did not specifically adopt the opinion, it relied upon the opinion, and the presentation of JPMorgan was one of a number of key factors in the Matria board s decision to recommend approval of the acquisition.

The terms and conditions of the purchase and sale agreement and the fact that Matria will be entitled to amortize the goodwill acquired in the acquisition for federal income tax purposes. The Matria board of directors concluded that the nature of the closing conditions and termination provisions of the purchase and sale agreement provided Matria with reasonable assurance that the acquisition, once announced, would ultimately be consummated. In addition, the Matria board of directors believed that structuring a part of the consideration as an earn out minimizes the risk to Matria s stockholders.

In deciding to recommend the acquisition to its stockholders, the Matria board of directors also considered several potentially unfavorable factors. The most significant of these were:

The number of shares of Matria common stock to be issued in connection with the acquisition will be affected, possibly significantly, by fluctuations in the trading price of Matria common stock;

The earn out payment has no upper limit and a large earn out payment could result in substantial dilution to Matria stockholders;

Failure to obtain stockholder approval for the issuance of common stock in the acquisition could force Matria to seek alternative financing, which may be unavailable on favorable terms or at all; and

LifeMetrix and Quality Oncology had a history of significant financial losses and substantial cash needs.

Overall, Matria s board of directors concluded that these factors were substantially outweighed by the benefits expected to result from the acquisition.

No one factor was the reason for any individual director s decision, and each director attached his or her own weight to the many factors considered. However, based on the total mix of information available to them, all directors determined to approve the acquisition and recommend to Matria stockholders that they approve the issuance of shares of Matria common stock in the acquisition. They concluded that the strategic, operational and financial opportunities the acquisition presents should enhance Matria stockholder value and that stockholders should stand to benefit in the future by holding ownership interests in the combined entity.

Recommendation of the Matria Board

The Matria board of directors believes that the terms of the acquisition are fair to and in the best interests of Matria and its stockholders and recommends to its stockholders that they vote FOR the issuance of shares of Matria common stock in the acquisition.

This recommendation is based primarily on the board of directors conclusions that the acquisition (1) will fulfill the strategic objectives described above under Matria Reasons for the Acquisition and (2) will be favorable financially to Matria and its stockholders. This second conclusion, in turn, is the product of substantial financial analysis by Matria. In addition, in arriving at its recommendations, Matria s board of directors relied upon the opinion of its financial advisor, which is described more fully under Opinion of Financial Advisor starting on page 37.

LifeMetrix Reasons for the Acquisition

In determining to approve the acquisition and recommend it to its stockholders, the directors of LifeMetrix considered a number of factors, including the following:

Due to continuing negative cash flow from operations, LifeMetrix was in need of significant additional financing in order to continue its operations. It was uncertain whether LifeMetrix would be able to obtain additional financing upon any reasonable terms, if at all. If LifeMetrix were able to obtain additional financing, it was doubtful that LifeMetrix could obtain such financing without significantly diluting the ownership of existing stockholders.

Although Quality Oncology was making significant progress in signing new contracts, success by Quality Oncology in obtaining this new business would only increase its short-term need for cash due to the expenditures required for the start-up phases of new business.

The agreement with Matria provides Quality Oncology a source of working capital and therefore gives LifeMetrix a reasonable chance to receive significant value for its stockholders through the earn out. The earn out offers an opportunity, depending on the performance of Quality Oncology in 2003, to satisfy its obligations (including to employees under the incentive bonus arrangement), pay the liquidation preferences on the preferred stock of approximately $41 million, and distribute some additional amounts to the preferred and common stockholders of LifeMetrix.

The combination of working capital from Matria, joint sales and marketing activities, and potential for combining call center operations will enhance Quality Oncology s ability to accelerate its growth through 2003, protecting its industry leadership position. In addition, the ability of Quality Oncology to join Matria in selling to health plans seeking a one stop shop for disease management services and otherwise to benefit from Matria s marketing support will help Quality Oncology expand its market and increase the value of the earn out.

LifeMetrix had limited opportunities to pursue alternative transactions. For more than two years, LifeMetrix had sought to obtain further equity investment by approaching numerous prospective institutional and corporate investors. These efforts did not result in any investment proposal acceptable to LifeMetrix. During this period, LifeMetrix had to obtain significant funding from its existing preferred stockholders on several occasions to continue its operations. In addition, LifeMetrix held discussions about potential strategic relationships involving LifeMetrix with two companies other than Matria that managed multiple diseases. This process did not result in a proposal to LifeMetrix for a strategic relationship. In initial discussions with Matria, LifeMetrix proposed that Matria negotiate a strategic relationship with LifeMetrix but Matria responded that it was interested in acquiring Quality Oncology.

The purchase price to be paid by Matria for Quality Oncology was substantially greater than the valuation that Quality Oncology likely would realize in any additional financing.

The transaction with Matria does not include the Data Warehouse system or the business of LifeMetrix Information Services, for which LifeMetrix might realize additional value in a sale to a third party.

The commitment of Matria to retain key personnel of Quality Oncology enhances the probability that the operations of Quality Oncology during 2003 will maximize the amount of any earn out payment.

The ability of LifeMetrix s review committee to exclude new contracts of Quality Oncology that are entered into subsequent to the closing of the transaction from the calculation of the earn out payment and the limitations on allocation of overhead by Matria to Quality Oncology enhances the potential for a significant earn out payment.

In deciding to recommend the acquisition to its stockholders, the directors of LifeMetrix also considered several potentially unfavorable factors. The most significant of these were:

Most of the purchase price would be paid by Matria through the issuance of shares of Matria common stock; none of the shares could be sold for a year after issuance; the price of Matria common stock could decline significantly during the period in which they cannot be sold; and once the shares could be sold, Matria stock could be thinly traded and therefore it might be difficult to dispose of shares without materially affecting the price.

Depending on the value of the earn out right as of the relevant date, LifeMetrix might have taxable income in excess of its available net operating loss carryforwards and therefore might have a significant tax liability, with limited liquidity available to satisfy that liability.

Matria s balance sheet is highly leveraged and it could be at risk if its operating margins deteriorate significantly.

The form of the purchase price, largely in restricted Matria common stock, is highly illiquid.

Overall, the directors of LifeMetrix concluded that these factors were substantially outweighed by the benefits expected to result from the acquisition.

No one factor was the reason for any individual director s decision, and each director attached his own weight to the many factors considered. However, based on the total mix of information available to them, all directors determined to approve the acquisition and recommend to LifeMetrix stockholders that they approve the acquisition. They concluded that the acquisition offered the best foreseeable option for enhancing LifeMetrix stockholder value in the future.

Recommendation of the LifeMetrix Board

The LifeMetrix board of directors believes that the terms of the acquisition are fair to and in the best interests of LifeMetrix and its stockholders and unanimously recommends to its stockholders that they consent to the acquisition.

This recommendation is based primarily on the directors conclusions that the acquisition (1) offers the best foreseeable opportunity for obtaining value and liquidity for LifeMetrix stockholders; (2) negates the substantial risk that LifeMetrix would fail to obtain sufficient financing to continue operations until its cash flow turns positive; and (3) eliminates the further dilution of existing stockholders that would occur in another round of financing.

Interests of LifeMetrix Directors and Executive Officers in the Acquisition

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 LifeMetrix directors and executive officers have or may have interests in the acquisition that are different from, or in addition to, the interests of LifeMetrix stockholders as a whole.

Edmund C. Bujalski is a director, Chairman of the Board, Chief Executive Officer, President and common stockholder of LifeMetrix. He owns or has vested options to acquire 13.1% of the shares of LifeMetrix common stock that are outstanding or that are issuable upon the exercise of vested options and warrants. In addition, Mr. Bujalski currently receives from LifeMetrix an annual salary of $239,485. Under the purchase and sale agreement, Matria is obligated to offer employment to Mr. Bujalski with Quality Oncology following the closing of the acquisition. In addition, Mr. Bujalski will be eligible to receive an incentive bonus to be paid by LifeMetrix to key personnel in connection with the acquisition. The incentive bonus plan is described below. Mr. Bujalski s potential incentive bonus will be 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 distributable to LifeMetrix stockholders. Mr. Bujalski will forfeit his eligibility for the portion of the incentive bonus based upon the earn out payment if he voluntarily terminates his employment with Quality Oncology prior to the December 31, 2003 end of the earn out period.

Frederick C. Lee is a director, employee and common and preferred stockholder of LifeMetrix. He owns or has vested options to acquire 4.6% of the shares of LifeMetrix common stock that are outstanding or that are issuable upon the exercise of vested options and warrants, and he owns approximately 0.8% of the outstanding shares of preferred stock of LifeMetrix. In addition, Mr. Lee currently receives from LifeMetrix an annual salary of $135,000 plus additional compensation under a compensation plan applicable to sales staff of LifeMetrix. Under the purchase and sale agreement Matria is obligated to offer Mr. Lee employment with Quality Oncology following the closing of the acquisition. In addition, Mr. Lee will be eligible to receive an incentive bonus in connection with the acquisition equal to 1.2% of the portion of the closing purchase price and 1% of the portion of the earn out payment that would otherwise be distributable to LifeMetrix stockholders. Mr. Lee will forfeit his eligibility for the portion of the incentive bonus based upon the earn out payment if he voluntarily terminates his employment with Quality Oncology prior to December 31, 2003. As a holder of preferred stock of LifeMetrix, Mr. Lee will be entitled to preferential distributions of $403,767 upon a liquidation of LifeMetrix. Under LifeMetrix s certificate of incorporation, the consummation of the acquisition will be deemed to be a liquidation for purposes of the preferred stockholders preferential distribution rights.

Richard B. Weininger, M.D. is a director and preferred stockholder of LifeMetrix and a consultant to Quality Oncology. He owns approximately 0.8% of the outstanding preferred stock of LifeMetrix and has vested options and warrants to acquire 1.5% of the shares of LifeMetrix common stock that are outstanding or issuable upon the exercise of vested options and warrants. As a holder of preferred stock of LifeMetrix, Dr. Weininger will be entitled to preferential distributions of $200,999 upon a liquidation of LifeMetrix. In addition, Dr. Weininger is expected to continue to serve as a paid consultant to Quality Oncology after the acquisition by Matria.

Larry H. Coleman and Charles W. Newhall, III, are directors of LifeMetrix who have been appointed by, represent, and have ownership interests in, institutional investors that are large preferred stockholders of LifeMetrix. Under the LifeMetrix stockholders agreement, Dr. Coleman has been designated a director of LifeMetrix by Franklin Capital Associates III, L.P. (Franklin), and Mr. Newhall has been designated as a director of LifeMetrix by New Enterprise Associates VII, L.P. (NEA). NEA and its affiliated entities own 21.5% of the outstanding shares of LifeMetrix preferred stock and are entitled to liquidation preferences totaling $7,480,199. Franklin and its affiliated entities own 24.2% of the outstanding shares of LifeMetrix preferred stock and are entitled to liquidation preferences totaling $7,568,080.

In addition, the following executive officers will or may have a financial interest in the acquisition through participation in incentive bonuses that will be paid by LifeMetrix in connection with the acquisition: Eugene N. Langan, Executive Vice President, Chief Administrative Officer and Secretary; Daniel T. McCrone, M.D., Senior Vice President; Gregory M. Jungles, Senior Vice President; and Carolyn Lowstuter, Vice President Finance and Treasurer. The incentive bonus plan is described below. Under the purchase and sale agreement, Matria also has agreed to offer employment in Quality Oncology to Dr. McCrone after the acquisition. LifeMetrix believes that Mr. Jungles also will be offered employment by Quality Oncology after the acquisition.

Dr. McCrone has vested options to acquire 2.8% of the shares of LifeMetrix common stock that are outstanding or issuable upon the exercise of vested options and warrants. He will be eligible to receive an incentive bonus equal to 0.5% of the portion of the closing purchase price and 0.5% of the earn out payment that otherwise would be distributable to LifeMetrix stockholders. Dr. McCrone will forfeit his eligibility for the portion of the incentive bonus based upon the earn out payment if he voluntarily terminates his employment with Quality Oncology prior to December 31, 2003.

Mr. Jungles has vested options to acquire 2.3% of the shares of LifeMetrix common stock that are outstanding or issuable upon the exercise of vested options and warrants. He will be eligible to receive an incentive bonus equal to 0.6% of the portion of the closing purchase price and 0.6% of the earn out payment that otherwise would be distributable to LifeMetrix stockholders. Mr. Jungles will forfeit his eligibility for the portion of the incentive bonus based upon the earn out payment if he voluntarily terminates his employment with Quality Oncology prior to December 31, 2003.

Mr. Langan owns or has vested options to acquire 7.1% of the shares of LifeMetrix common stock that are outstanding or issuable upon the exercise of vested options and warrants. He will be eligible to receive an incentive bonus equal to 1% of the portion of the closing purchase price and 0.5% of the earn out payment that otherwise would be distributable to LifeMetrix stockholders.

Ms. Lowstuter has vested options to acquire 1.5% of the shares of LifeMetrix common stock that are outstanding or issuable upon the exercise of vested options and warrants. She will be eligible to receive an incentive bonus equal to 0.7% of the portion of the closing purchase price that otherwise would be distributable to LifeMetrix stockholders.

Description of the incentive bonus plan for LifeMetrix key management personnel. In January, 2002, on a motion made and seconded by directors who are not members of LifeMetrix management, the LifeMetrix board of directors unanimously approved a proposal under which key management personnel of LifeMetrix would be paid incentive bonuses equal to 10% of the amount that otherwise would be distributable to stockholders upon a merger or sale of LifeMetrix. The board of directors directed the chief executive officer of LifeMetrix, Mr. Bujalski, to develop the details of an incentive bonus plan for approval by LifeMetrix s compensation committee. The purpose of the incentive bonus policy is to ensure that key employees have the same interests as the stockholders of LifeMetrix generally, thus giving these employees an incentive to remain with LifeMetrix and to seek to maximize the amount available for distribution to stockholders as a result of any merger or sale. Following the execution of the purchase and sale agreement, Mr. Bujalski made a proposal, which was approved by the compensation committee, under which thirteen management employees of LifeMetrix and Quality Oncology would be paid an aggregate of 10% of the amount that would otherwise be payable to the stockholders of LifeMetrix as a result of the payment by Matria on closing of its acquisition of Quality Oncology, and twelve management employees would be paid an aggregate of 10% of the amount that would otherwise be payable to the stockholders of LifeMetrix as a result of the earn out payment by Matria in 2004. The incentive bonus payments for individual employees range between 0.1% and 3.2% of the portion of the closing purchase price that otherwise would be distributable to stockholders and between 0.4% and 2.7% of the portion of the earn out payment that otherwise would be distributable to stockholders. For the eleven employees whom LifeMetrix expects to continue to work for Quality Oncology after the acquisition, it is a condition of receiving their share of the earn out payment that they do not voluntarily leave the employment of Quality Oncology and that they are not terminated for cause before the end of the earn out period. Any forfeited incentive bonus will be reallocated by Mr. Bujalski or the review committee to other employees. Thus, the incentive bonus plan provides an incentive to key employees to remain with LifeMetrix through closing of the acquisition and to key employees who will be retained by Matria to work for Quality Oncology after the acquisition, an incentive to maximize the performance of Quality Oncology during the earn out period.

Accounting Treatment

The acquisition will be accounted for under the purchase method for financial reporting and accounting purposes, pursuant to the newly issued SFAS No. 141 *Business Combinations* and SFAS No. 142 *Goodwill and Other Intangible Assets.* The purchase price will be allocated to LifeMetrix s assets and liabilities based upon the fair values of the assets acquired and liabilities assumed by Matria. Goodwill and intangible assets will be subject to SFAS No. 142, which changes the accounting for goodwill and intangible assets with indefinite lives from an amortization method to an impairment-only approach. A portion of the purchase price may be allocated to identifiable intangible assets. Any excess of the cost over the fair values of the net tangible and identifiable intangible assets acquired from LifeMetrix will be recorded as goodwill. Goodwill and intangible assets with indefinite lives will not be amortized. Amortization will be required for identifiable intangible assets with finite lives. We have included unaudited pro forma financial information in this document under the caption Unaudited Pro Forma Combined Condensed Financial Information beginning on page P-1. The pro forma adjustments and the resulting unaudited pro forma combined condensed financial statements were prepared based on available information and assumptions and estimates described in notes to the unaudited pro forma combined condensed financial statements. Matria has not made a final determination of required purchase accounting adjustments, including the allocation of the purchase price to the assets acquired and liabilities assumed, and you should consider the allocation reflected in the unaudited pro forma combined condensed financial information preliminary.

Regulatory Matters

The parties have concluded that, at this time, no regulatory filing must be made, and no consents or approvals from governmental agencies must be obtained, in order to consummate the acquisition (including any filings under the Hart-Scott-Rodino Antitrust Improvements Act of 1976).

Appraisal Rights

Under the Delaware General Corporation Law, appraisal rights will not be available to stockholders of Matria or stockholders of LifeMetrix in connection with the acquisition.

Material Federal Income Tax Consequences

The discussion set forth below is a summary of all material U.S. federal income tax considerations that may be relevant to Matria stockholders and to stockholders of LifeMetrix in connection with the transaction. This discussion is based on the provisions of the Internal Revenue Code of 1986, as amended, final, temporary and proposed Treasury regulations thereunder, and administrative and judicial interpretations of the Internal Revenue Code and such regulations, all as in effect on the date hereof and all of which are subject to change (possibly on a retroactive basis).

Tax consequences which are different from or in addition to those described in this discussion may apply to stockholders who are subject to special treatment under the U.S. federal income tax laws, such as foreign individuals or entities, tax-exempt organizations, financial institutions, insurance companies, broker-dealers, stockholders who hold their shares as part of a hedge, straddle, wash sale, synthetic security, conversion transaction, or other integrated investment comprised of their shares and one or more other investments, and persons who obtained their shares as compensation for services or otherwise. This discussion does not address foreign, state or local tax considerations.

In addition, this discussion only addresses the tax consequences of the acquisition for stockholders who hold their shares as capital assets within the meaning of Section 1221 of the Internal Revenue Code.

We use the term U.S. stockholder to mean a beneficial owner of a share who or that is for U.S. federal income tax purposes (i) a citizen or individual resident of the United States, (ii) a corporation, partnership or other entity created or organized in or under the laws of the United States or of any political subdivision thereof, (iii) an estate the income of which is subject to U.S. federal income taxation regardless of its source, or (iv) a trust if both: (A) a United States court is able to exercise primary supervision over the administration of the trust, and (B) one or more United States persons have the authority to control all substantial decisions of the trust. We use the term foreign stockholder to mean a beneficial owner of a share that is not a U.S. stockholder.

This discussion is not a substitute for an individual stockholder s own analysis of what tax consequences the acquisition will have for him or her. We urge each stockholder to consult a tax adviser regarding the particular federal, foreign, state and local tax consequences of the acquisition in light of such holder s own situation.

Tax Consequences of the Acquisition to Existing Matria Stockholders

The acquisition will have no material tax consequences to Matria s existing stockholders directly, but Matria will have corporate-level tax consequences as discussed below.

Corporate-Level Tax Consequences to Matria

The acquisition will be treated as a taxable asset acquisition, with LifeMetrix and Quality Oncology as the sellers, and Matria as the buyer. Although for state law purposes Matria will acquire the stock of Quality Oncology, rather than its assets, the parties have agreed to make a special tax election under Section 338(h)(10) of the Internal Revenue Code that will treat that portion of the acquisition as a taxable sale by Quality Oncology of all its assets to a new subsidiary of Matria.

Matria will not have the same tax basis in the acquired assets that LifeMetrix and Quality Oncology had, but instead will take an aggregate stepped up tax basis in the acquired assets equal to the total consideration paid by Matria in the acquisition. Going forward, Matria will be able to take depreciation or amortization deductions with respect to the acquired assets based on this stepped up tax basis. Any amounts ultimately paid pursuant to the earn out arrangement will increase Matria s basis in these assets and will create subsequently larger depreciation and amortization deductions available to Matria. The use of Matria common stock as part of the consideration for the acquisition will not trigger any taxable gain or loss to Matria.

Tax Consequences of the Acquisition to LifeMetrix Stockholders

The acquisition itself will have no significant tax consequences to LifeMetrix s existing stockholders directly, but LifeMetrix will have corporate-level tax consequences as discussed below.

Corporate Level Tax Consequences to LifeMetrix and Quality Oncology

LifeMetrix and Quality Oncology will generally recognize taxable gains or losses in the acquisition, computed in each case as (1) the fair market value of the consideration (including liabilities assumed) allocable to the assets deemed sold by each such corporation less (2) the aggregate tax basis of the assets deemed sold by each such company. Quality Oncology expects that it will recognize gain on the deemed sale of all its assets to Matria, but that all or most of such gain will be offset by its net operating loss carryforwards. LifeMetrix also expects to recognize gain on the sale of assets to Matria, but expects to have sufficient net operating loss carryforwards and/or cash to offset and/or pay such tax liability.

Tax Consequences to LifeMetrix Stockholders After the Acquisition

Following the consummation of the acquisition, the board of directors of LifeMetrix will consider whether LifeMetrix should adopt a plan of liquidation. A plan of liquidation adopted by LifeMetrix would likely provide for LifeMetrix distributing all of its assets (including the Matria stock received at closing and the right to receive the earn out payment) to a liquidating trust. The trustee of the liquidating trust would use the assets of the trust to pay the liabilities of LifeMetrix and to wind up its business, would receive the earn out payment, and would distribute the remaining net assets of the trust to the stockholders of LifeMetrix in accordance with the provisions of the certificate of incorporation of LifeMetrix.

In any liquidation, LifeMetrix would recognize gain or loss equal to the difference between the adjusted bases and the fair market values of the assets distributed in liquidation. In the event of any liquidation discussed above, the principal assets of LifeMetrix would consist of the Matria stock received at closing of the acquisition, and the right to receive the earn-out payment, which would have been issued to LifeMetrix at closing, and would have adjusted bases equal to their fair market values on the date of closing. Any change in the fair market values of these assets between the date of closing and the date of any liquidation would be included in the gain or loss recognized by LifeMetrix upon liquidation. If LifeMetrix recognizes gain and does not have sufficient net operating losses to offset such gains, it would be required to pay the resulting tax in cash.

The distribution of the assets and liabilities of LifeMetrix to any liquidating trust will be treated for tax purposes as if the assets and liabilities had been distributed to the stockholders of LifeMetrix and then contributed by them to the liquidating trust. This deemed distribution to stockholders would be treated as a distribution in exchange for their LifeMetrix stock, and the stockholders would recognize gain or loss equal to the (i) fair market value of the amounts received in liquidation (including the fair market value of assets other than cash, and net of liabilities assumed by the liquidating trust) minus (ii) the adjusted bases of such stockholders in their LifeMetrix preferred or common stock, as the case may be. The gain or loss would be capital gain or loss for each stockholder holding LifeMetrix stock as a capital asset, and would be long term capital gain or loss if, as of the date of any liquidation, the holding period for such shares is more than one year. The stockholders would not be required to recognize any additional gain or loss on the deemed contribution of these assets and liabilities to the liquidating trust. The liquidating trust would be treated as a grantor trust for tax purposes, and gains or losses realized by the trust in the course of its administration (including gains and losses attributable to receipt of the earn out payment or to sale of Matria stock) would be passed through to the stockholders, who would be taxed on their respective shares of such gains and losses on their own tax returns.

If LifeMetrix does not adopt a plan of liquidation, it may nevertheless distribute various assets, including but not limited to Matria shares, to its stockholders. If such distributions are made, LifeMetrix would recognize gain (but not loss) on such distributions. In addition, if such distributions are made in a taxable year in which LifeMetrix has either current or accumulated earnings and profits, such distributions could be treated in whole or in part as dividends, taxable in full at ordinary income rates without regard to the recipients basis in the LifeMetrix stock. Although the amount taxable as a dividend would not exceed the current and accumulated earnings and profits of LifeMetrix, the acquisition is expected to generate significant amounts of current earnings and profits in the current year.

Tax Consequences to LifeMetrix Stockholders from Ownership of Matria Common Stock

Stockholders who receive Matria common stock as a stock dividend, in a liquidation of LifeMetrix, or otherwise, will have additional tax consequences from holding such shares beyond the tax consequences they incur in receiving such shares. Generally, any distributions made with respect to shares of the Matria common stock will be treated as ordinary income to the extent of Matria s current and accumulated earnings and profits. Only some corporate stockholders may claim a dividends-received deduction to offset a portion of such income. Amounts in excess of such earnings and profits are treated as a tax-free return of capital to the extent of a stockholder s tax basis in the Matria common stock, and any amount in excess of such tax basis is treated as proceeds from the sale of such stock.

Generally, holders of Matria common stock will recognize gain or loss on a sale or other disposition of such shares equal to the difference between the value of the consideration received for such shares and the tax basis of such shares. Such gain or loss will generally be capital gain or loss, assuming the Matria common stock is held as a capital asset.

Stockholders of Matria common stock may be subject, under certain circumstances, to backup withholding with respect to payments received with respect to the Matria common stock. This withholding generally applies if:

a stockholder fails to furnish a social security or other taxpayer identification number in the manner required by the applicable tax regulations;

a stockholder furnishes an incorrect taxpayer identification number;

Matria is notified by the IRS that a stockholder has failed to properly report payments of interest or dividends and the IRS has notified Matria that such stockholder is subject to backup withholding; or

a stockholder fails, under certain circumstances, to provide a certified statement, signed under penalty of perjury, that the taxpayer identification number provided is the stockholder s correct taxpayer identification number and that the stockholder is not subject to backup withholding.

Any amount withheld from a payment to a stockholder under the backup withholding rules is allowable as a refundable credit against the stockholder s U.S. federal income tax liability, provided that the required information is timely furnished to the IRS. Under recently enacted legislation, the backup withholding rate for the remainder of year 2002 is 30% and will remain 30% through 2003, and then will be reduced to 29% for years 2004 and 2005, and 28% for 2006 through 2010. Some holders are not subject to back-up withholding, including corporations and foreign stockholders who have certified their foreign status on properly executed IRS forms or have otherwise established an exemption (provided that neither Matria nor its agent has actual knowledge that any such holder is a U.S. stockholder or that the conditions of any other exemption are not in fact satisfied).

We urge stockholders to consult with their tax advisors as to their ability to qualify for an exemption from backup withholding and the procedure for obtaining an exemption from backup withholding. In addition, we urge foreign stockholders to consult with their tax advisors as to whether they are subject to other withholding rules because of their foreign status, whether they qualify for a full or partial exemption from such withholding and the procedure for obtaining such an exemption.

We urge each stockholder to consult a tax advisor as to the particular tax consequences to such stockholder of the acquisition, including the applicability and effect of any foreign, state or local tax laws and any recent or prospective changes in applicable tax laws.

Opinion of Financial Advisor

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 such date and based upon and subject to the matters stated in the full text of JPMorgan s opinion, which is attached hereto as Appendix B and incorporated herein by reference, the consideration to be paid by Matria in the acquisition was fair, from a financial point of view, to Matria.

The full text of JPMorgan s opinion, which sets forth the assumptions made, factors considered and limitations upon the review undertaken by JPMorgan in rendering its opinion, is included as Appendix B. JPMorgan s written opinion was addressed to the Matria board of directors, was directed only to the consideration to be paid by Matria in the acquisition and did not constitute a recommendation to any Matria stockholder as to how such stockholder should vote on the acquisition or any other matter related thereto. Matria stockholders are urged to read this opinion in its entirety.

JPMorgan s opinion was necessarily based on economic, market and other conditions as in effect on, and the information made available to JPMorgan as of, the date of its opinion. Subsequent developments may affect the written opinion dated April 29, 2002, and JPMorgan does not have any obligation to update, revise, or reaffirm that opinion. JPMorgan s opinion was limited to the fairness, from a financial point of view, to Matria of the consideration to be paid by Matria in the proposed acquisition. JPMorgan expressed no opinion as to the underlying decision by Matria to engage in the acquisition or the manner, timing or form of payment by Matria of the consideration. JPMorgan also expressed no opinion as to the terms of the Matria Investment referred to in section 3.11 of the agreement. JPMorgan expressed no opinion as to the price at which Matria s common stock will trade at any future time.

JPMorgan was not engaged to and generally did not provide advice concerning the structure, the specific amount of, or manner, timing or form of payment of, the consideration, or any other aspects of the acquisition, or to provide services other than the delivery of its opinion. JPMorgan did not participate in negotiations with respect to the terms of the acquisition or any related acquisitions. Consequently, JPMorgan expressed no opinion as to whether such terms were the most beneficial terms from Matria s perspective that could under the circumstances be negotiated among the parties to those acquisitions.

In accordance with customary investment banking practice, JPMorgan employed generally accepted valuation methods in reaching its opinion. The following is a summary of the material financial analyses utilized by JPMorgan in connection with its presentation to Matria s board of directors on April 18, 2002, its oral opinion delivered to Matria s board of directors on April 29, 2002, and its written opinion dated April 29, 2002.

Discounted Cash Flow Analysis. JPMorgan performed a discounted cash flow analysis for Quality Oncology using Matria management s projections. The discounted cash flow analysis was calculated assuming discount rates ranging from 10% to 12% and perpetuity free cash flow growth rates ranging from 2% to 4%. This analysis indicated a range of implied values of Quality Oncology of approximately $82 million to $135 million, or up to $152 million including the present value of potential tax savings and synergies estimated by Matria management, compared to the present value of the consideration to be paid by Matria based upon these projections of approximately $61 million. For purposes of this comparison, the present value of the consideration to be paid by Matria in the earn-out was calculated assuming a discount rate of 11%.

JPMorgan also performed a discounted cash flow analysis for Quality Oncology using an alternative set of projections (the Alternative Case). The Alternative Case assumed lower 2003 revenues and earnings before interest, taxes, depreciation and amortization, which is referred to as EBITDA, for Quality Oncology than Matria s management s projections as well as lower revenue growth beyond 2003. Specifically, 2003 EBITDA and revenue growth beyond 2003 in the Alternative Case were assumed to be less than two thirds of these variables in Matria management s projections for Quality Oncology. Using the same discount rates and perpetuity growth rates described above, this analysis indicated a range of implied values of Quality Oncology of approximately $27 million to $45 million, or up to $62 million including the present value of potential tax savings and synergies estimated by Matria management, compared to the present value of the consideration to be paid by Matria based upon these projections of approximately $48 million.

Selected Public Companies Trading Multiple Analysis. Using publicly available information, including analyst consensus estimates provided by I/ B/ E/ S, JPMorgan calculated selected financial and operating information and ratios for the following three disease management companies:

American Healthways, Inc.

Matria

Q-Med, Inc.

Using the closing prices per share as of April 12, 2002, this analysis indicated that:

the ratio of the equity market value, calculated based on diluted shares outstanding using the Treasury Stock method, plus total long-term debt minus cash, which is referred to as the enterprise value of those companies, to projected EBITDA in 2003 ranged from 7.7x to 15.4x, with a median of 11.6x;

- the ratio of the enterprise value of those companies to EBITDA in 2004 ranged from 6.8x to 10.5x, with a median of 8.7x;
- the ratio of the per share market price of those companies to projected earnings per share in 2002 ranged from 16.3x to 41.9x, with a median of 35.0x;
- the ratio of the per share market price of those companies to projected earnings per share in 2003 ranged from 13.4x to 21.4x, with a median of 21.3x; and
- the ratio of the per share market price of those companies to projected 2003 earnings per share divided by 5 year estimated annual earnings per share growth rate ranged from 0.5x to 0.7x, with a median of 0.6x.

Using Matria management s projections for Quality Oncology and applying a range of 0.6x to 0.7x of the multiple of net income relative to the projected 5-year growth rate of net income, this analysis indicated a range of implied values of Quality Oncology of approximately $58 million to $68 million, or up to $85 million including the present value of potential tax savings and synergies estimated by Matria management, compared to the present value of the consideration to be paid by Matria based upon these projections of approximately $61 million. Using a lower revenue growth rate of 2003 revenues and EBITDA projected by Matria management for Quality Oncology and the same multiple, this analysis indicated a range of implied values of Quality Oncology of approximately $42 million to $49 million, or up to $66 million including the present value of potential tax savings and synergies estimated by Matria management, compared to the present value of the consideration to be paid by Matria based upon these projections of approximately $48 million.

Historical Stock Performance. JPMorgan reviewed historical trading prices for Matria s common stock. This stock price performance review indicated that for the three year period ended April 12, 2002, the low, high and average closing prices for Matria common stock were $7.63, $38.78 and $18.91 per share, respectively, and the closing price on April 12, 2002 was $24.40 per share. JPMorgan also reviewed for the same period historical trading prices for the common stock of American Healthways, Inc. and Q-Med, Inc.

Pro Forma Merger Analysis. JPMorgan also analyzed the pro forma effects of the acquisition on the projected earnings per share of Matria for fiscal years 2002 through 2005 based on projections provided by the management of Matria, as well as based on consensus analyst estimates. Incorporating assumptions with respect to various structural considerations, acquisition and financing costs and estimated annual synergies, this analysis indicated that the merger would be dilutive to earnings per share of Matria common stock in 2002, 2003 and 2004 and accretive in 2005 with an 80% stock earn-out and accretive in 2003, 2004 and 2005 with an all cash earn-out, using the assumptions of Matria management. Based on consensus analyst estimates, this analysis indicated that the merger would be dilutive in 2002 and 2003 and accretive in 2004 and 2005 with an 80% stock earn-out and dilutive in 2002 and accretive in 2003, 2004 and 2005 using consensus analyst estimates and an all cash earn-out.

The summary set forth above does not purport to be a complete description of the analyses or data presented by JPMorgan. The preparation of an opinion regarding fairness is a complex process and is not necessarily susceptible to partial analysis or summary description. JPMorgan believes that the summary set forth above and its analyses must be considered as a whole and that selecting portions thereof, without considering all of its analyses, could create an incomplete view of the processes underlying its analyses and opinion. JPMorgan based its analyses on assumptions that it deemed reasonable, including assumptions concerning general business and economic conditions and industry-specific factors. The other principal assumptions upon which JPMorgan based its analyses are set forth above under the description of each such analysis. JPMorgan s analyses are not necessarily indicative of actual values or actual future results that might be achieved, which values may be higher or lower than those indicated. Moreover, JPMorgan s analyses are not and do not purport to be appraisals or otherwise reflective of the prices at which businesses actually could be bought or sold.

None of the comparable companies used in the comparable public companies analysis described above is identical to Matria. Accordingly, an analysis of publicly traded comparable companies and acquisitions is not exclusively mathematical; rather it involves complex considerations and judgments concerning differences in financial and operating characteristics of the comparable companies and other factors that could affect the public trading value of the comparable companies or company to which they are being compared.

As a part of its investment banking business, JPMorgan and its affiliates are continually engaged in the valuation of businesses and their securities in connection with mergers and acquisitions, investments for passive and control purposes, negotiated underwritings, secondary distributions of listed and unlisted securities, private placements, and valuations for estate, corporate and other purposes. JPMorgan was selected to deliver an opinion to Matria s board of directors with respect to the acquisition on the basis of such experience and JPMorgan s familiarity with Matria.

For services rendered in connection with the delivery of its opinion, Matria has agreed to pay JPMorgan a fee in the amount of $750,000, of which $100,000 has been paid to JPMorgan and the remainder is contingent upon consummation of the acquisition. Matria also has agreed to reimburse JPMorgan for its expenses incurred in connection with its services, including the fees and disbursements of counsel, and will indemnify JPMorgan against selected liabilities, including liabilities arising under the federal securities laws.

JPMorgan has no other financial advisory or other relationships with Matria, Quality Oncology or LifeMetrix, but in the future may perform financial advisory and other commercial and investment banking services for these companies for which it would receive customary compensation. These services may include the issuance of equity or debt securities, a merger, sale, acquisition, divestiture, joint venture or similar business combination.

In addition, in the ordinary course of their businesses, JPMorgan and its affiliates may actively trade the debt and equity securities and loans of Matria for their own account or for the accounts of customers and, accordingly, they may at any time hold long or short positions in such securities or loans.

THE PURCHASE AND SALE AGREEMENT

General

The following summary of the material terms of the purchase and sale agreement is subject to, and qualified in its entirety by, the complete text of the purchase and sale agreement. A copy of the purchase and sale agreement is attached as Appendix A to this document and is incorporated in this document by reference. You should read the full text of the purchase and sale agreement, because it, and not this document, is the legal document that governs the acquisition. In the event of any discrepancy between the terms of the purchase and sale agreement and the following summary, the purchase and sale agreement will control.

The Acquisition

On the terms and subject to the conditions of the purchase and sale agreement, Matria will acquire assets of LifeMetrix, including its cancer disease management business, all of the issued and outstanding stock of Quality Oncology (which is the subsidiary of LifeMetrix that primarily engages in the cancer disease management business), and LifeMetrix s Integrated Care Management System and its rights in *Cancerpage.com*™, and other items of personal property and contract rights used in connection with the cancer disease management business and the transferred intellectual property. Prior to the date of the purchase and sale agreement, Matria advanced LifeMetrix a deposit of $500,000 toward an option to purchase, if the purchase and sale agreement is terminated prior to the closing, a perpetual, nonexclusive, nontransferable license to use LifeMetrix s Data Warehouse system in Matria s care management and disease management businesses, as described in more detail on page 51. Upon the closing, the deposit will be applied as a reduction of the cash portion of the purchase price otherwise payable by Matria. LifeMetrix will retain its Data Warehouse and TrialMatch systems and existing data, its shares in all other LifeMetrix subsidiaries, and other assets of LifeMetrix and its subsidiaries (other than Quality Oncology) that are not a part of the cancer disease management business or the transferred intellectual property. In addition, Matria will assume certain contractual and payroll liabilities related to the acquired business and assets.

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 August 16, 2002, Matria had made advances to LifeMetrix totaling $2.0 million (including the $500,000 deposit). Matria will pay the remaining portion of the purchase price due at the closing in shares of Matria common stock. The number of shares that Matria will issue at the closing is based on an assumed value of 17.0 million as of the date of the purchase and sale agreement. On April 26, 2002, the trading day prior to the announcement of the acquisition, the closing price of a share of Matria Common Stock was $23.25. 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 for the ten trading days prior to the closing date, subject to a minimum price of $19.148 and a maximum price of $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 August 16, 2002, the closing price of Matria common stock was $7.55. 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. 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.

LifeMetrix will also receive an earn out payment during 2004 equal to a total of one-half of the adjusted net revenues of Quality Oncology for the year ending December 31, 2003 plus six times the adjusted EBITDA of Quality Oncology for the year ending December 31, 2003. At Matria s election, the earn out payment can be paid in cash or Matria common stock, or some combination, provided that, unless LifeMetrix agrees otherwise, at least the lesser of 20% of the earn out payment or $10.0 million must be paid in cash. If payment includes Matria common stock, the number of shares to be issued will be determined based on the average of the last prices at which Matria common stock shall have been sold on each trading day during the ten consecutive trading days immediately preceding the date of payment. Matria will make the earn out payment by the later of (i) the first business day after 45 days after the earn out payment is finally determined, and (ii) June 30, 2004. Matria s ability to pay cash may be limited by agreements with its lenders, and LifeMetrix will have the option of acquiring additional shares of Matria common stock in lieu of any deficiency in cash payments.

Closing of the Acquisition

The acquisition will close on the latest of (i) August 15, 2002; (ii) the third business day following the satisfaction of all closing conditions set forth in the purchase and sale agreement; and (iii) a date designated by Matria within 10 days after the Matria 2002 Annual Stockholders Meeting.

Representations and Warranties

Matria, LifeMetrix and Quality Oncology each made a number of representations and warranties in the purchase and sale agreement regarding aspects of their respective businesses, structure and other facts pertinent to the acquisition.

LifeMetrix and Quality Oncology Representations and Warranties

The most significant representations and warranties made by LifeMetrix and Quality Oncology as they relate to LifeMetrix, Quality Oncology, and the business and assets being acquired were as to:

- authorization, execution and delivery of the purchase and sale agreement;
- organization standing, power and qualification to do business;
- certificates of incorporation and bylaws;
- capitalization;
- title to Quality Oncology shares and transferred assets;
- taxes;
- financial statements;
- balance sheet items;
- absence of certain changes in the business being acquired since December 31, 2001;
- litigation;
- customers and accounts;
- permits and compliance with laws;
- environmental;
- insurance;
- contracts, agreements and arrangements;
- licenses and intellectual property;
- title to the properties LifeMetrix or Quality Oncology owns and leases;
- employees and benefits; and
- information supplied by LifeMetrix in this proxy statement/ prospectus and the related Registration Statement.

The majority of the representations and warranties of LifeMetrix and Quality Oncology expire at the earlier of (i) the date the earn out payment is made by Matria, or (ii) June 30, 2004. Others survive indefinitely.

Matria Representations and Warranties

The most significant representations and warranties given by Matria as they relate to Matria were as to:

- organization, standing and power;
- certificate of incorporation and bylaws;
- capitalization;
- Exchange Act reports and financial statements; and
- information supplied by Matria in this proxy statement/ prospectus and the related Registration Statement.

The representations and warranties of Matria survive indefinitely, except for the representations and warranties relating to Exchange Act reports and financial statements and information supplied by Matria in this proxy statement/ prospectus and the related Registration Statement, which expire on the earlier of (i) the date the earn out payment is made by Matria, or (ii) June 30, 2004.

The representations and warranties in the purchase and sale agreement are complicated and not easily summarized. You are urged to carefully read the articles of the purchase and sale agreement entitled Representations and Warranties of Seller and Quality Oncology starting on page 35 thereof and Representations and Warranties of Matria starting on page 58 thereof.

Covenants Relating to Conduct of Business of LifeMetrix and Quality Oncology

LifeMetrix and Quality Oncology have agreed that until the closing of the acquisition, unless Matria consents otherwise, each of LifeMetrix and Quality Oncology will carry on its business in the usual and ordinary course. In addition, without prior consent from Matria, LifeMetrix and Quality Oncology have agreed as follows:

Neither LifeMetrix nor Quality Oncology will sell, issue, purchase or propose the sale, issuance or purchase of, any shares of capital stock or any securities convertible into or which give the right to acquire shares of capital stock of (i) Quality Oncology or (ii) LifeMetrix, to the extent such sale, issuance or purchase would or could result in the need to obtain the vote or consent of LifeMetrix s stockholders generally;

Neither LifeMetrix nor Quality Oncology will amend its certificate of incorporation, bylaws or other organizational documents;

LifeMetrix will maintain the properties and assets to be acquired in good operating condition;

LifeMetrix and Quality Oncology will maintain and keep in full force and effect all insurance;

No dividend, distribution or payment in respect of the capital stock of Quality Oncology will be made, and Quality Oncology will not redeem, purchase or otherwise acquire any of its capital stock;

Quality Oncology will not acquire any business or its assets that are material to Quality Oncology or the business being acquired by Matria;

Neither LifeMetrix nor any of its subsidiaries will transfer or dispose of any of the assets being acquired;

Subject to certain exceptions consistent with past practice, there will be no increases in the compensation or bonuses of any director or officer of Quality Oncology or certain other employees of LifeMetrix and Quality Oncology, and no employee of LifeMetrix or any of its other subsidiaries will be transferred to Quality Oncology;

Quality Oncology will not incur any indebtedness for borrowed money, purchase money indebtedness or capital lease obligations;

Quality Oncology will not pay any obligation or liability other than in the ordinary course of its business or as required by the terms of any instrument governing the same;

Except for incentive bonuses that may be paid by LifeMetrix under the terms of the purchase and sale agreement, neither LifeMetrix nor any of its subsidiaries will enter into any bonus, incentive compensation, deferred compensation, severance, profit sharing, retirement, pension, group insurance or other benefit plan, or any union, employment or consulting agreement or arrangement;

Neither LifeMetrix nor any of its subsidiaries will generally enter into any contract related to the assets or business to be acquired, except in the ordinary course of business consistent with past practice;

The books and records of LifeMetrix and Quality Oncology will be maintained in the usual, regular and ordinary course of business consistent with past practice; and

LifeMetrix shall promptly advise Matria in writing of any change or event having, or which can reasonably be foreseen to have, a material adverse effect on Quality Oncology or the business being acquired.

Additional Agreements

Investor Consents. LifeMetrix stockholders having sufficient voting power to approve the purchase and sale agreement and the acquisition have entered into voting agreements with Matria to vote or execute and deliver a written consent in favor of the approval of the purchase and sale agreement and the acquisition. LifeMetrix is obligated to deliver to Matria at the closing a certificate of its Chief Executive Officer certifying that all necessary approvals to the purchase and sale agreement with respect to LifeMetrix have been obtained.

Matria Deposit. Prior to the date of the purchase and sale agreement, Matria deposited $500,000 with LifeMetrix toward an option to purchase a perpetual, non-exclusive, non-transferable license to use LifeMetrix s Data Warehouse system in Matria s care management and disease management business if the closing is not consummated. Upon the closing of the acquisition, the deposit shall be applied against and reduce the cash portion of the purchase price otherwise payable by Matria. If the purchase and sale agreement is terminated prior to closing, LifeMetrix is entitled to retain the deposit, unless such termination results from a breach of the no shop provisions discussed below, and Matria may, at its option, purchase the Data Warehouse license for a one-time fee of $875,000, with the amount payable by Matria being reduced by the amount of the deposit. However, if, under the circumstances described below under Matria Investment , Matria invests $2.0 million in LifeMetrix following the termination of the purchase and sale agreement, such deposit shall reduce the amount otherwise payable by Matria with respect to such investment, and Matria may purchase the Data Warehouse license for a one-time fee of only $375,000.

No Shop Provision. Until the closing or the termination of the purchase and sale agreement, LifeMetrix and Quality Oncology shall not sell or agree to sell to any person or entity other than Matria the business or assets to be acquired by Matria under the purchase and sale agreement (or participate in any discussions or provide any information in connection with any such proposed transaction).

Matria Advances. As required by the purchase and sale agreement, Matria loaned LifeMetrix $1.0 million on July 1, 2002 and $500,000 on August 1, 2002. Any advances will bear no interest until the closing or the termination of the purchase and sale agreement. If the closing occurs, any advances will be deducted from the cash portion of the closing purchase price. If the purchase and sale agreement is terminated, LifeMetrix will repay the advances within six months after termination with interest at the rate of ten percent per annum; provided that if Matria makes an investment in LifeMetrix pursuant to the purchase and sale agreement (see next paragraph), any advances shall be applied against this investment.

Matria Investment. If the purchase and sale agreement is terminated because Matria s stock price is below $15 a share or because the shares of Matria common stock to be issued to LifeMetrix are not registered pursuant to an effective registration statement, then Matria shall invest $2.0 million in LifeMetrix by purchasing shares of a new series of LifeMetrix preferred stock (with rights and preferences on par with LifeMetrix s Series D Preferred Stock, subject to adjustment for a higher valuation of LifeMetrix than the valuation reflected in the liquidation preference of the Series D Preferred Stock). The amount paid by Matria in respect to such investment would be $2.0 million less the $500,000 deposit previously paid by Matria and less any and all advances made by Matria to LifeMetrix prior to the termination of the purchase and sale agreement. If the purchase and sale agreement is terminated by either Matria or LifeMetrix due to a material breach of a representation, warranty, covenant or agreement of the other party, then the terminating party shall have the option, but not the obligation, to consummate the investment. Also, upon termination of the purchase and sale agreement and consummation of the investment, Matria shall have the right to acquire a license to LifeMetrix s Data Warehouse system for a

one-time fee of $375,000 (as opposed to a one-time fee of $875,000 if Matria has not made the investment).

Review Committee. LifeMetrix has established a review committee for purposes of representing LifeMetrix after the closing for monitoring Matria s compliance with the earn out payment and other matters that may arise in connection with the acquisition. The members of the review committee are Edmund Bujalski, Charles Newhall, III and Larry Coleman.

Employment. Matria may hire or cause Quality Oncology to hire or retain certain LifeMetrix employees, performing services in connection with the acquired business and will use its reasonable efforts for Matria or Quality Oncology to hire or retain Edmund Bujalski, Frederick Lee, Charles Kanach, Daniel McCrone and Jude Gallagher at their existing compensation levels and, for those employees residing in Virginia, without relocation, until December 31, 2003. LifeMetrix may pay certain incentive bonuses specified in the purchase and sale agreement to LifeMetrix and Quality Oncology employees, including employees hired by Matria or Quality Oncology after the closing. For a description of the incentive bonuses payable by LifeMetrix after the closing see Interests of LifeMetrix Directors and Executive Officers in the Acquisition on p. 32.

Protective Covenants. LifeMetrix has agreed not to disclose any confidential information or trade secrets of Quality Oncology or the assets or business being acquired (i) with respect to confidential information that is not a trade secret, for a period of five years after closing; and (ii) with respect to trade secrets, for as long as such information is a trade secret under applicable law. LifeMetrix has also agreed for a period of five years after the closing not to (i) compete with Matria or Quality Oncology in the areas of diabetes, cancer, women s health or other disease or healthcare management services within the United States; (ii) solicit any client or customer of LifeMetrix or any of its subsidiaries for the purpose of providing any competing products or services for on behalf of any competing business; (iii) solicit any key or material employee, consultant, contractor or other personnel of Matria or Quality Oncology to terminate, alter or lessen such person s relationship with Matria or Quality Oncology; or (iv) make any statement that impugns or attacks the reputation or character or damages the goodwill of Matria, Quality Oncology or the business or assets being acquired.

Indemnification. Under the purchase and sale agreement, LifeMetrix shall indemnify Matria against any losses arising from breaches of the representations, warranties, agreements and covenants of LifeMetrix or Quality Oncology, any action or claim in any court, governmental agency, arbitration or mediation against LifeMetrix or any of its subsidiaries (including Quality Oncology) arising out of actions taken or facts existing prior to the closing or arising out of the transactions contemplated by the purchase and sale agreement, any claim relating to incentive bonuses or liabilities not assumed by Matria and any tax incurred as a result of the Section 338(h)(10) election and certain other tax liabilities. Matria shall indemnify LifeMetrix for losses arising from breaches of its representations, warranties, agreements and covenants. However, neither Matria nor LifeMetrix shall generally be entitled to indemnification until its indemnifiable losses exceed $200,000, after which the other party shall be obligated for all indemnifiable losses. The indemnification liability of each party with respect to most representations, warranties, covenants and agreements and litigation is subject to a limit equal to ten percent of the closing purchase price plus the amount of any earn out payment, with certain exceptions. Matria is entitled to recover indemnifiable losses out of the escrowed shares and may exercise a right of set off against any earn out payment for such losses.

Access to Information; Confidentiality. LifeMetrix has agreed to provide to Matria and its representatives with reasonable access to the properties, books, records, customers and employees of or relating to Quality Oncology or the assets or business being acquired. Matria has agreed that, following the closing, it will permit and cause Quality Oncology to permit LifeMetrix and its representatives to have access to assets, books, records and information of Quality Oncology as requested by LifeMetrix for reasonable business purposes that are not adverse to Matria s or Quality Oncology s interests. Until December 31, 2002, Quality Oncology will permit LifeMetrix to use Quality Oncology s computer system and network in Northern Virginia to support the business activities maintained by LifeMetrix, which will consist generally of Data Warehouse, TrialMatch and websites retained by LifeMetrix. Each party generally has agreed to hold such other party s confidential information in strict confidence.

Conditions Precedent to the Acquisition

Matria is required to complete the acquisition only if each of the following conditions is met:

Approvals. Matria shall have obtained all consents and waivers with respect to the acquisition required under its credit agreement and Quality Oncology shall have obtained all third party consents required in connection with the acquisition.

Employment. Each LifeMetrix key employees Edmund C. Bujalski, Frederick C. Lee, Charles Kanach, Daniel T. McCrone and Jude Gallagher shall have accepted employment (or continued employment, as applicable) with Matria or Quality Oncology.

Resignations. Matria shall have received resignation from all directors and officers of Quality Oncology other than those designated by Matria at or prior to the closing.

LifeMetrix and Quality Oncology are required to complete the acquisition only if the common stock of Matria shall not have been delisted from the Nasdaq National Market System, and Matria shall have filed with Nasdaq a Notification Form for Listing of Additional Shares with respect to the shares of Matria common stock to be issued and delivered to LifeMetrix at the closing of the acquisition.

Additionally, the agreement obligates Matria, on the one hand, and LifeMetrix and Quality Oncology on the other hand, to complete the acquisition only if, before the acquisition, the following additional conditions are satisfied or waived:

Each of the representations and warranties of the other party in the purchase and sale agreement is true and correct in all material respects as of the closing date, except for representations and warranties made as of a specific date (other than the date of the purchase and sale agreement).

The other party has performed or complied in all material respects with all agreements and conditions required by the purchase and sale agreement to be performed or complied with prior to the closing date.

All deliveries required by the purchase and sale agreement shall have been made.

There must be no injunction or order preventing the completion of the acquisition in effect.

The Registration Statement on Form S-4 of which this proxy statement/ prospectus is a part shall have been declared effective under the Securities Act and no stop order suspending the effectiveness of the Form S-4 has been initiated or issued by the SEC and no similar proceedings with respect to this proxy statement/ prospectus shall be pending or threatened in writing by the SEC.

Termination, Amendment and Waiver

Conditions to Termination. The purchase and sale agreement may be terminated prior to the closing of the acquisition under the following circumstances:

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 shall not have 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 prices at which Matria common stock shall have traded on the Nasdaq National Market during the ten day period ending three days prior to closing date is less than $15 per share.

Effect of Termination. In the event of termination of the purchase and sale agreement by either Matria or LifeMetrix, the purchase and sale agreement will become void; provided, however, that (a) the provisions regarding the deposit by Matria, repayment of any advances made by Matria, the investment to be made by Matria under certain circumstances and confidentiality will survive, and (b) in the event of a termination as a result of a material breach or intentional or fraudulent misconduct of another party, the terminating party shall be entitled to pursue all rights and remedies available to it. Also, upon termination, Matria shall have the right to acquire the Data Warehouse system license for a one-time fee of $875,000 (unless Matria has made the investment discussed above, in which case the one-time fee shall 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.

Termination Fees. Each party will pay its own costs and expenses associated with the acquisition whether or not the acquisition is consummated; provided, however, that in the event the purchase and sale agreement is terminated because of the material breach or intentional or fraudulent misconduct of the other party, than the terminating party can recover from the other party its expenses relating to the purchase and sale agreement.

Amendment. The purchase and sale agreement may not be amended or modified except by a writing executed by all of the parties to the purchase and sale agreement.

Extension; Waiver. At any time prior to the closing of the acquisition, any party to the purchase and sale agreement may, in writing:

waive or extend the time for fulfillment of any obligations of the other party under the purchase and sale agreement; and

waive any conditions precedent to such party s obligation under the purchase and sale agreement.

OTHER AGREEMENTS RELATED TO THE ACQUISITION

This section describes ancillary agreements related to the purchase and sale agreement. While Matria and LifeMetrix believe that these descriptions cover the material terms of these agreements, these summaries may not contain all of the information that is important to you.

Voting Agreements

As a condition to Matria s entering into the purchase and sale agreement, stockholders of LifeMetrix having sufficient voting power to approve the purchase and sale agreement have entered into voting agreements with Matria. By entering into the voting agreements, these LifeMetrix stockholders have agreed to vote or execute a written consent in favor of the approval of the purchase and sale agreement and the acquisition and against any other acquisition proposal and any other matter related to any other acquisition proposal. These LifeMetrix stockholders have irrevocably appointed Matria as their lawful attorney and proxy for the purpose of giving Matria the limited right to vote all of the shares of LifeMetrix stock beneficially owned by these LifeMetrix stockholders on all such matters.

Also, under these voting agreements, each of these LifeMetrix stockholders have agreed not to sell or dispose of LifeMetrix stock until the earlier of the termination of the purchase and sale agreement or the closing of the acquisition. These voting agreements will terminate upon the earlier to occur of September 30, 2002, the termination of the purchase and sale agreement or the closing of the acquisition.

Escrow Agreement

At the closing of the acquisition, Matria shall place $2.0 million of Matria common stock in escrow pursuant to an escrow agreement to be entered into by Matria, LifeMetrix and SunTrust Bank, as escrow agent. The number of shares of Matria common stock in escrow shall be subject to adjustment in the case of any dividend, distribution, stock split or similar event in respect of Matria s common stock. The escrowed shares shall be available to (i) satisfy the indemnification obligations of LifeMetrix pursuant to the purchase and sale agreement, (ii) compensate Matria for any post-closing downward adjustment to the purchase price, or (iii) compensate Matria for any other amounts it is owed pursuant to the escrow agreement. Any amounts not so paid to Matria shall be released to LifeMetrix on March 31, 2003.

Standstill Agreement

As a condition to Matria s obligation to close, LifeMetrix has agreed to deliver to Matria a standstill agreement executed by LifeMetrix and LifeMetrix preferred stockholders owning at least 70% of the fully-diluted equity of LifeMetrix. Pursuant to the standstill agreement, LifeMetrix and these preferred stockholders (and, generally, their permitted transferees) will agree not to acquire Matria voting securities or assets, seek to place a representative on Matria s board of directors, or take certain other actions indicative of an attempt to gain control of Matria, for a period of five years from the date the earn out payment is made; provided that this shall not prevent these stockholders from indirectly acquiring Matria voting securities in the ordinary course of their business through the acquisition of shares of a privately-held entity that owns Matria voting securities or in a acquisition in which shares of an entity owned by a LifeMetrix stockholder are sold or exchanged for consideration including Matria voting securities. These restrictions shall not apply to certain permitted transferees of LifeMetrix preferred stockholders owing less than two percent of Matria s voting securities.

Also, LifeMetrix and its stockholders (and permitted transferees) cannot sell or transfer (except in connection with a liquidation of LifeMetrix, in distributions by stockholders to their equity holders, in gifts or in privately-negotiated acquisitions after which the transferee would not own five percent or more of Matria s outstanding common stock) 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 its stockholders (and permitted transferees) 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 for certain permitted transfers as described above and transfers by persons or entities receiving one percent or less of the total number of outstanding shares of Matria common stock). LifeMetrix and 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

As a condition to the closing of the purchase and sale agreement, Matria has agreed to grant LifeMetrix and certain of its preferred stockholders piggyback registration rights with respect to the shares of Matria common stock that LifeMetrix will receive in the acquisition and which can be transferred to its preferred stockholders under certain circumstances. If Matria proposes to register under the Securities Act any class of its stock for sale to the public on Form S-1, S-2 or S-3, then Matria shall give LifeMetrix and its preferred stockholders who are parties to the registration rights agreement the right to include their shares of Matria common stock in the offering. If Matria is registering shares in an underwritten public offering, then the number of shares LifeMetrix and the preferred stockholders shall be entitled to include in the offering may be reduced pro rata in the underwriter s discretion.

The term of the registration rights granted in the registration rights agreement shall be as follows: (i) for shares of Matria common stock issued at the closing, for two years from the date of the closing;

and (ii) for shares of Matria common stock issued in connection with the earn out payments, if any, for two years from the date of issuance of such shares (or in either case until such earlier time as such shares are eligible for resale pursuant to Rule 145(d)(2) under the Securities Act). Registration rights can be transferred to parties whom shares of Matria common stock may be transferred pursuant to the standstill agreement so long as the transferee agrees in writing to be bound by the registration rights agreement.

Non-Competition Agreements

As a condition to the closing of the purchase and sale agreement, Edmund Bujalski, Frederick Lee, Eugene Langan, Charles Kanach, Gregory Jungles, Daniel McCrone and Jude Gallagher shall enter into non-competition agreements with Matria. In the non-competition agreements, each of these individuals will agree not to disclose any confidential information or trade secrets of Matria, Quality Oncology or the assets or business being acquired (i) with respect to confidential information that is not a trade secret, for a period of five years after closing; and (ii) with respect to trade secrets, for as long as such information is a trade secret under applicable law. Each of these individuals shall agree, for differing periods of as short as one year from the closing for Eugene Langan to as long as five years from the closing for Edmund Bujalski, not to compete with Matria or Quality Oncology in the area of cancer disease management services within the United States. Each of these individuals shall also agree not to, for a period of five years after the closing of the acquisition, (i) solicit any customer or actively sought prospective customer of Matria or Quality Oncology for disease or healthcare management services similar to those provided by Matria or Quality Oncology on behalf of any businesses providing cancer disease management services in the U.S.; (ii) solicit any employee, consultant or contractor of Matria or Quality Oncology to terminate, alter or lessen such person s relationship with Matria or Quality Oncology; or (iii) make any statement that impugns or attacks the reputation or character or damages the good will of Matria, Quality Oncology or the business or assets acquired by Matria.

Data Warehouse License Agreement

At the closing of the acquisition, Matria, LifeMetrix and LifeMetrix Systems, Inc., a Delaware corporation and wholly owned subsidiary of LifeMetrix, shall enter into a Data Warehouse system license agreement pursuant to which LifeMetrix and LifeMetrix Systems shall grant Matria and its affiliated parties a license to use their Data Warehouse system and all of its existing data as of the closing date solely for purposes of the licensees respective case and care management and disease management businesses. This license shall be perpetual, royalty-free, non-exclusive and generally non-transferable. Pursuant to this license agreement, Matria will grant LifeMetrix a royalty-free license to use data developed by Matria after the closing date from which patient-identifying information has been removed, provided that such data shall not be used by LifeMetrix in the cancer disease management business.

ICMS License Agreement

At the closing, Quality Oncology will acquire all rights to the Integrated Care Management System (ICMS) developed by LifeMetrix and LifeMetrix Systems. Also at the closing, Quality Oncology, LifeMetrix and LifeMetrix Information Systems, Inc., a Delaware corporation and wholly owned subsidiary of LifeMetrix, shall enter into an ICMS license agreement whereby Quality Oncology grants to LifeMetrix and LifeMetrix Information Systems a license to use the ICMS for specified purposes, but not for purposes of providing any diabetes, cancer, women s health or other disease or healthcare management services. This license shall be perpetual, royalty-free, non-exclusive and generally non-transferable.

INFORMATION ABOUT THE COMPANIES

Matria

Matria Healthcare, Inc., a Delaware corporation, is a leading comprehensive, integrated disease management company, offering its 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. Matria s strategy is to focus on providing 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 disease. Matria s disease management programs seek to lower healthcare costs and improve patient outcomes through a broad range of disease management, mail-order supply and clinical services. Matria contracts with managed care organizations and self-insured employers for the provision of its services for which Matria is generally compensated on a fee-for-service basis.

Matria was incorporated on October 4, 1995 for the purpose of the merger of Tokos Medical Corporation and Healthdyne Maternity Management. The effective date of the merger was March 8, 1996. Matria s headquarters are located in Marietta, Georgia.

For additional information about Matria, see Where You Can Find More Information on page 101.

Matria Selected Consolidated Financial Data

The following selected consolidated financial data should be read in conjunction with Matria s historical consolidated financial statements and related notes incorporated by reference into this document and the information set forth under the heading Matria Transitional Disclosures Under Recently Issued Accounting Standards appearing on page 55 of this document. The selected consolidated financial data as of and for each of the years ended December 31, 1997, 1998, 1999, 2000 and 2001 set forth below have been derived from Matria s audited consolidated financial statements. The selected consolidated financial data as of and for the six months ended June 30, 2001 and 2002 set forth below have been derived from Matria s unaudited consolidated condensed financial statements. In the opinion of management, the unaudited consolidated condensed financial statements from which the data below is derived contain all adjustments, which consist only of normal recurring adjustments, necessary to present fairly Matria s 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,					Six Months Ended June 30,	
	1997	1998	1999	2000	2001	2001	2002
						(Unaudited)	
			(In thousands, except for per share amounts)				
Statement of operations data							
Revenues	$144,533	$ 128,572	$231,739	$225,767	$263,983	$126,206	$134,591
Cost of revenues	57,610	51,278	118,305	116,179	145,685	68,475	77,810
Selling and administrative expenses	65,020	60,613	73,653	68,468	76,249	36,606	44,604
Provision for doubtful accounts	6,599	6,342	7,193	7,043	7,575	3,773	3,928
Amortization of intangible accounts	36,604	27,700	9,439	9,803	9,827	4,913	280
Restructuring charges			4,241	1,599			
Asset impairment charges		82,885					
Operating earnings (loss) from continuing operations	(21,300)	(100,246)	18,908	22,675	24,647	12,439	7,969
Interest income (expense), net	483	(608)	(7,711)	(8,156)	(10,008)	(3,225)	(6,501)
Other income (expense), net	(85)	448	16,169	8,275	(639)	(738)	29
Earnings (loss) from continuing operations before income taxes	(20,902)	(100,406)	27,366	22,794	14,000	8,476	1,497
Income tax benefit (expense)			4,000	(9,100)	(6,075)	(3,400)	600
Earnings (loss) from continuing operations	(20,902)	(100,406)	31,366	13,694	7,925	5,076	897
Earnings (loss) from discontinued operations, net of income taxes		(1,136)	2,640		(455)		
Loss on disposal of discontinued operations, net of income taxes					(785)		
Net earnings (loss)	(20,902)	(101,542)	34,006	13,694	6,685	5,076	897
Redeemable preferred stock dividends			(3,049)	(3,200)	(1,638)	(1,596)	
Accretion of Series B redeemable preferred stock			(420)	(441)	(225)	(218)	
Net gain on repurchases of preferred stock					739	2,139	
Net earnings (loss) available to common shareholders	$ (20,902)	$(101,542)	$ 30,537	$ 10,053	$ 5,561	$ 5,401	$ 897
Net earnings (loss) per common share							
Basic:							
Continuing operations	$ (2.29)	$ (10.98)	$ 3.05	$ 1.10	$ 0.78	$ 0.62	$ 0.10
Discontinued operations		(0.12)	0.29		(0.14)		
	$ (2.29)	$ (11.10)	$ 3.34	$ 1.10	$ 0.64	$ 0.62	$ 0.10

Diluted:							
Continuing operations	$ (2.29)	$ (10.98)	$ 2.82	$ 1.05	$ 0.76	$ 0.61	$ 0.10
Discontinued operations		(0.12)	0.26		(0.14)		
	$ (2.29)	$ (11.10)	$ 3.08	$ 1.05	$ 0.62	$ 0.61	$ 0.10
Weighted average shares outstanding(1):							
Basic	9,132	9,145	9,151	9,139	8,748	8,735	9,012
Diluted	9,132	9,145	10,036	9,946	8,992	9,003	9,229

	December 31,					June 30,	
	1997	1998	1999	2000	2001	2001	2002
						(Unaudited)	
			(In thousands)				
Balance sheet data							
Cash and cash equivalents	$ 9,086	$ 9,109	$ 9,548	$ 3,915	$ 1,983	$ 959	$ 2,526
Working capital	41,152	36,341	58,404	51,603	56,614	23,354	57,035
Total assets	191,132	97,034	285,713	268,850	260,623	248,519	276,252
Long-term debt (including current portion)	2,596	19,103	101,452	88,811	115,190	89,857	118,773
Stockholders equity	153,169	49,881	99,244	98,850	104,897	103,034	114,712

(1) Adjusted to reflect a one-for-four reverse stock split, effective in December 2000, under which every four shares of our common stock were converted into one new share of common stock.

Matria Transitional Disclosures Under Recently Issued Accounting Standards

In June 2001, the Financial Accounting Standards Board, or FASB, issued Statement of Financial Accounting Standards No. 141, *Business Combinations,* or SFAS 141, and Statement of Financial Accounting Standards No. 142, *Goodwill and Other Intangible Assets,* or SFAS 142. SFAS 141 requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001 and specifies criteria intangible assets acquired in a purchase method business combination must meet to be recognized and reported apart from goodwill. SFAS 142 requires that goodwill and intangible assets with indefinite useful lives no longer be amortized, but instead be tested for impairment at least annually in accordance with the provisions of SFAS 142. SFAS 142 also requires that intangible assets with finite useful lives be amortized over their respective estimated useful lives to their estimated residual values, and reviewed for impairment in accordance with Statement of Financial Accounting Standards No. 121, *Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of,* or SFAS 121.

Matria adopted the provisions of SFAS 141 in 2001 and SFAS 142 effective January 1, 2002. Upon adoption of these provisions, Matria evaluated the fair values of the business segments and concluded that no impairment of recorded goodwill exists. Matria also reassessed the useful lives, residual values and the classification of its identifiable intangible assets and determined that they continue to be appropriate.

A reconciliation of reported net earnings adjusted for the adoption of SFAS 142 is as follows:

	Year Ended December 31,					Six Months Ended June 30,	
	1997	1998	1999	2000	2001	2001	2002
						(Unaudited)	
			(In thousands, except for per share amounts)				
Earnings (loss) from continuing operations							
As reported	$ (20,902)	$ (100,406)	$ 31,366	$ 13,694	$ 7,925	$ 5,401	$ 897
Add back Goodwill amortization, net of tax	33,937	25,583	8,879	5,553	5,246	2,775	
Adjusted earnings (loss) from continuing operations	$ 13,035	$ (74,823)	$ 40,245	$ 19,247	$ 13,171	$ 8,176	$ 897
Net earnings (loss) from continuing operations per common share							
Basic:							
As reported	$ (2.29)	$ (10.98)	$ 3.05	$ 1.10	$ .78	$ 0.62	$ 0.10

Add back: Goodwill amortization, net of tax	3.72	2.80	0.97	0.61	0.60	0.32	
Adjusted net earnings (loss) per common share	$ 1.43	$ (8.18)	$ 4.02	$ 1.71	$ 1.38	$ 0.94	$0.10
Diluted:							
As reported	$ (2.29)	$ (10.98)	$ 2.82	$ 1.05	$ 0.76	$ 0.61	$0.10
Add back: Goodwill amortization, net of tax	3.72	2.80	0.88	0.56	0.58	0.31	
Adjusted net earnings (loss) per common share	$ 1.43	$ (8.18)	$ 3.70	$ 1.61	$ 1.34	$ 0.92	$0.10

LifeMetrix and Quality Oncology

History of LifeMetrix and Quality Oncology. LifeMetrix was organized in November 1996 as a Delaware business corporation under the name Oncology Affiliates, Inc. with the principal business objective of managing oncology physician practices. Its founders were a team of experienced health care executives headed by Edmund Bujalski, its Chairman and Chief Executive Officer. In March 1997, the company received equity funding of $10.2 million from a group of investors comprised of several venture capital funds and two healthcare companies. During its first six months, the company engaged in start-up and developmental efforts, during the course of which the company began to explore and evaluate cancer care management models and information and to identify and negotiate possible affiliations with managed care organizations, disease management practitioners, and other disease care management organizations.

In March 1998, LifeMetrix acquired Accountable Oncology Associates, Inc., or AOA, in a merger through which AOA became a wholly owned subsidiary of LifeMetrix. LifeMetrix simultaneously received additional equity funding of $6.1 million from its existing investors and the preferred stockholders of AOA.

AOA had been formed in 1995, with funding principally provided by three venture capital funds. Prior to its acquisition by LifeMetrix, AOA had created a cancer data base from claims data, had developed proprietary algorithms for measuring cancer spending from claims data, and had begun to test its care management program under a developmental contract with The Hitchcock Clinic in New Hampshire, under which AOA provided cancer care management to patients covered under the Matthew Thornton Health Plan and Blue Cross.

In April 1998, after the acquisition of AOA, LifeMetrix acquired (through a wholly owned subsidiary) substantially all of the assets of Quality Oncology, Inc., or Old Quality Oncology. Old Quality Oncology was a company in Florida founded in 1994 by a group of radiation oncologists who had concluded that cost-effective improvements in the treatment of cancer could only be achieved by the development of integrated treatment guidelines and standardized outcome monitoring systems, and that the physicians involved in this development should include all major oncological specialties. Old Quality Oncology therefore established a multi-disciplinary team to develop integrated, comprehensive and standardized cancer treatment guidelines and a care management process, and developed a cancer care management information system to support its care management process. In addition, Old Quality Oncology obtained contracts to provide cancer care management services to the Florida members of two national managed care organizations.

Shortly after its acquisition of Old Quality Oncology, LifeMetrix changed the name of AOA to Quality Oncology, Inc. and combined the cancer care management businesses, proprietary systems, and key personnel resources of AOA and Old Quality Oncology to form the basis of the current business operated by Quality Oncology. LifeMetrix and Quality Oncology then redesigned the AOA and Old Quality Oncology information and care management systems to create an integrated system that combined and enhanced the best features of the two systems that LifeMetrix had acquired.

Since becoming a LifeMetrix subsidiary in 1998, Quality Oncology has continued to focus on cancer care management, has refined and enhanced its systems and procedures, and has obtained a number of contracts under which it manages the cancer care provided to patients of various health care plans. Revenues for cancer care management contracts increased from $837,000 in 1998 to $5.1 million in 2001. LifeMetrix obtained an additional $15.3 million in equity funding provided primarily by certain of its preferred stockholders in 2000 and 2001. During this period, Quality Oncology continued its developmental activities, focusing on expanding and enhancing the proprietary software used in the Quality Oncology cancer care management program so that it could be used for other disease care programs and on developing other products and markets for the large cancer treatment data base that had been initiated by AOA and expanded by Quality Oncology. Two of these developments, the Integrated Care Management System (ICMS) and *Cancerpage.com*™, will be transferred to Quality Oncology prior to its acquisition by Matria and are discussed below under The Business of Quality Oncology. A third development, the Data Warehouse, will be licensed to Matria and Quality Oncology for use in their care management and disease management businesses and is also described below.

The Business of Quality Oncology   Cancer Care Management. Quality Oncology is the nation s largest and most experienced provider of a cancer disease management program, having provided care management and support for approximately 11,000 cancer patients. Quality Oncology provides a systematic approach to managing cancer, using its proprietary, Web-based integrated system with embedded evidence-based cancer treatment guidelines and experienced oncology nurses and physicians. Quality Oncology s cancer care management system coordinates and facilitates cancer care across the entire delivery system, from tissue diagnosis through follow-up. Quality Oncology assigns each patient a care manager, who is a nurse averaging ten years of experience in the field of cancer care. The care manager coordinates treatments and procedures, provides emotional support to the patient and family members, recommends specific patient support groups, and educates the patient and family members regarding diagnosis, treatment options and symptoms management. The care manager is in contact as needed with the patient and family members and the patient s physicians. Compliance with treatment guidelines is tracked, and the Quality Oncology care team works with the physicians and other providers to help them address appropriate changes in treatment patterns. Through peer-to-peer consultations, Quality Oncology s medical directors facilitate communication among the many specialists involved in the patient s treatment.

During 2001, Quality Oncology provided cancer care management services to fourteen health care plans. Covered lives under these plans totaled approximately 2.6 million and produced revenues of $5.1 million. The largest of these health care plans, whose contract extends through March 2006, but can be terminated on 180 days prior notice, accounted for $1.7 million of these revenues. Revenues of approximately $2.1 million were derived from three other health plans. These four health plans comprised 75% of the revenues from cancer care management in 2001.

Most of Quality Oncology s cancer care contracts are for one-year or three-year terms, with automatic renewal provisions (normally for additional one-year terms) unless advance written notice is given. Most of the contracts permit termination by the customer upon advance notice, ranging from 30 to 180 days. Quality Oncology s ability to sustain and increase its revenues is dependent upon its ability to extend existing contracts and obtain new contracts. During the first seven months of 2002, Quality Oncology has signed six new contracts to manage cancer care for health care plans with approximately two million covered lives. Also, three existing contracts were amended to expand the service areas adding approximately 485,000 covered lives. Three customers have terminated contracts involving 534,000 covered lives, effective in July and August of 2002 and January of 2003. These contracts represented approximately 12% of Quality Oncology s total revenues for the six months ended June 30, 2002.

Of the twelve existing disease management agreements with health plans, six contracts contain a form of savings guarantee, which varies contract to contract but 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 does not at least equal Quality Oncology s fees for such period, subject to the requirement that the client provides a sufficient number of cases and sufficiently accurate and complete patient and claims data for the Quality Oncology Program to operate in accordance with its design. Six contracts contain shared savings provisions, by which Quality Oncology is entitled to share, in a percentage determined on a contract-by-contract basis, in the savings achieved for such period. Three contracts contain a performance bonus by which Quality Oncology may receive additional compensation by meeting certain performance criteria. Of the six new disease management contracts signed in 2002, three contain savings guarantees and shared savings provisions, one contains a shared savings provision, and two contain performance bonuses.

Integrated Care Management System (ICMS). LifeMetrix will transfer ownership of ICMS to Quality Oncology prior to Matria s acquisition of Quality Oncology, and Quality Oncology will grant LifeMetrix a perpetual, fully-paid license to use ICMS in business activities that do not compete with Quality Oncology s and Matria s disease management and case and care management businesses. ICMS is a set of software programs based upon the software programs used in Quality Oncology s cancer care management system, but the ICMS can be used to support disease care management programs other than cancer care. For example, ICMS can be used as the basis for the non-cancer disease care management programs such as asthma and diabetes. ICMS also can be licensed for use by managed care organizations that do not want to utilize a disease care management company. LifeMetrix s past licensing of the ICMS has been limited. There are currently four outstanding licenses to use ICMS and total licensing revenues in 2001 were approximately $600,000.

ICMS is a fully integrated care management system that enables users to track the treatment of chronic disease patients by integrating disease management treatment guidelines with a web-based data collection system. Data collected as a result of performing disease management with the ICMS provide detailed information about all material care provided to a patient. ICMS is designed to make data readily accessible for the purpose of (i) monitoring compliance with clinical treatment guidelines; (ii) providing proactive care management tools; (iii) prompting regular interaction with health care providers, patients and their family members; (iv) measuring and analyzing clinical performance; (v) increasing accountability and narrowing the extent of practice variation among health care providers; (vi) tracking patient satisfaction with treatment and care management; (vii) producing reports on utilization cost and quality information to providers and its clients; and (viii) assisting ongoing physician education geared toward addressing changes in clinical treatment patterns.

LifeMetrix believes that the benefits of ICMS are greater compliance with best practice treatment patterns, measurable cost reductions, and increased patient and provider satisfaction.

Data Warehouse. The Data Warehouse is a data aggregation, storage and analysis system used primarily with claims and clinical data. It is separate from the ICMS, but is able to use, on a de-identified basis (i.e., without identification to individual patients) the information generated in ICMS from interaction with patients and health care providers. The Data Warehouse combines, on a de-identified aggregated basis, clinical and outcomes data with the corresponding claims and other financial data as they are processed, thereby forming a data base that enables the user to track the efficacy of its disease management program as well as the patterns of care of health care providers. Patient compliance, critical to most disease management programs, as well as health care provider actions that vary from best practice guidelines, can be readily identified. The Data Warehouse system also has enabled Quality Oncology to project actual cancer spending and prevalence of the disease for clients and the flexibility of the system has allowed Quality Oncology to reconfigure its cancer data according to payor specifications in order to achieve the greatest utility for Quality Oncology s clients. The Data Warehouse is used by Quality Oncology in conjunction with its cancer care management program and is not a separate source of revenue for Quality Oncology. The Data Warehouse system is not restricted to cancer claims and clinical data and is capable of handling similar types of data relating to other diseases.

Simultaneously with Matria s acquisition of Quality Oncology, Matria and Quality Oncology will be granted a perpetual, full-paid license to use the proprietary architectural designs and software that form the Data Warehouse system, as well as the existing data base, in connection with their disease management businesses.

Cancerpage.com™. *Cancerpage.com*™, which was established in 1999 by a LifeMetrix subsidiary, is a consumer web site for tumor-specific cancer treatment information. Through *Cancerpage.com*™, patients and their family members can find readily available information on appropriate treatment approaches, locate relevant specialists, and find community support groups and information on diet and health practices. *Cancerpage.com*™ generates virtually no revenue.

Business Competition. Quality Oncology is the nation s largest and most experienced provider of a general cancer disease management program marketed to managed care plans. Quality Oncology is aware of only one other company, CorSolutions Medical, Inc., that currently markets a general cancer disease management program to managed care plans and Quality Oncology is aware of one cancer disease management contract held by this competitor. Various companies and institutions offer programs to manage particular aspects of cancer care, such as radiation, chemotherapy, and stem cell transplants, and some managed care plans also have internal cancer disease management programs. Health care plans in general have been slow in seeking outside expertise to manage cancer disease treatment in a systematic and comprehensive way. Quality Oncology estimates that contracts under which managed care plans are operated for general cancer disease management programs cover less than 5% of the beneficiaries of managed care plans.

Business Locations and Employees. Quality Oncology s headquarters are located at 1430 Spring Hill Road, Suite 106, McLean, Virginia, where it occupies two suites, including one located at 1420 Spring Hill Road, totalling 10,376 square feet of office space under a five-year lease that expires September 30, 2005. Quality Oncology also occupies 10,691 square feet of office space in Sunrise, Florida under a lease that expires October 31, 2003. Quality Oncology recently subleased 2,080 square feet of office space in Los Angeles, California; this sublease may be terminated by Quality Oncology, upon ninety days notice, at the end of any month after April 2003.

On August 16, 2002, Quality Oncology had 86 full time employees and two part time employees; the LifeMetrix subsidiary responsible for ICMS had 11 full time employees; another LifeMetrix subsidiary had one full time and one part time employee who support *Cancerpage.com;* and approximately 7 employees who work for LifeMetrix provided corporate overhead services to Quality Oncology, the ICMS, and *Cancerpage.com*™.

Intellectual Property, Patents, and Trademarks. LifeMetrix has sought to protect the proprietary architectural designs and software that make up ICMS and the proprietary procedures and processes used in Quality Oncology s cancer care management system by filing certain patent applications. A patent application filed by LifeMetrix on July 13, 2000 for the Integrated Care Management System is pending before the United States Patent and Trademark Office (USPTO). LifeMetrix has unregistered trademarks in the Integrated Care Management System and ICM. *Cancerpage.com*™, *Cancerpage.net,* and *Cancerpage.org* are registered internet domain names of LifeMetrix. *Cancerpage.com*™ is registered as a trademark of LifeMetrix with the USPTO. A trademark application for *CancerPage.com and Design* is pending with the USPTO and similar applications are pending in Australia, Canada and the European Union.

Disposition of Remaining LifeMetrix Assets. LifeMetrix is retaining ownership of the Data Warehouse and TrialMatch systems and existing data, as well as other assets that are not part of the cancer disease management business and intellectual property being acquired by Matria. In addition, LifeMetrix will retain a license to use the ICMS for purposes that do not compete with Matria or Quality Oncology. LifeMetrix is currently attempting to find a buyer or buyers for these retained assets and businesses.

Quality Oncology Selected Financial Data

You should read the following selected financial data in conjunction with our financial statements, including the disclosure setting forth pro forma financial results consistent with new accounting principles as disclosed in the financial statements, and Management s Discussion and Analysis of Financial Condition and Results of Operations included elsewhere in this proxy statement/ prospectus. The statement of operations data for the year ended December 31, 2001 and the balance sheet data as of December 31, 2001 have been derived from financial statements of Quality Oncology, Inc. that have been audited by KPMG LLP, independent auditors. The financial statements as of and for the year ended December 31, 2001 are included elsewhere in this document. The statement of operations data for the years ended December 31, 1998, 1999 and 2000 and the six months ended June 30, 2001 and 2002, and the balance sheet data as of December 31, 1998, 1999 and 2000 and as of June 30, 2001 and 2002 are unaudited but are presented on the same basis of accounting as the financial information for the audited period.

	Year Ended December 31,				Six Months Ended June 30,	
	1998	1999	2000	2001	2001	2002
	(Unaudited)	(Unaudited)	(Unaudited)			
			(Unaudited) (In thousands)			
Statement of operations data:						
Revenues	$ 847	$ 1,291	$ 2,591	$ 5,751	$ 2,369	$ 3,885
Net loss	(2,676)	(5,647)	(5,469)	(3,245)	(2,146)	(1,462)

	December 31,				June 30,	
	1998	1999	2000	2001	2001	2002
	(Unaudited)	(Unaudited)	(Unaudited)			
			(Unaudited) (In thousands)			
Balance sheet data:						
Total assets	$5,466	$ 5,461	$ 3,379	$ 3,606	$ 3,450	$ 3,787
Due to LifeMetrix, Inc.	5,588	11,057	16,456	19,138	18,125	20,309

MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND

RESULTS OF OPERATIONS OF QUALITY ONCOLOGY

You should read the following in conjunction with Quality Oncology s financial statements and the related notes thereto and the description of Quality Oncology s business included elsewhere in this document.

Results of Operations

General

Quality Oncology is a leading cancer care management company, providing integrated, comprehensive and standardized cancer treatment guidelines and care management processes for cancer patients. Since becoming a LifeMetrix subsidiary in 1998, Quality Oncology has focused on cancer care management, has refined and enhanced its systems and procedures and has obtained an increasing number of contracts under which it manages the cancer care provided to patients of various health care plans.

Three Months Ended June 30, 2002 as Compared to Three Months Ended June 30, 2001

Total revenues increased approximately $534,000 or 34.8% for the three-month period ended June 30, 2002 as compared to the same period in 2001. The revenue growth was mainly due to the strong increase in disease management revenues, which accounted for 85.8% of the total increase in revenue.

Disease management revenue increased approximately $458,000 or 33.0% for the three-month period ended June 30, 2002 as compared to the same period in 2001. The increase in disease management revenue was due to the addition of four new contracts and expansion into additional regions for existing clients. In late 2001, Quality Oncology terminated one contract which produced approximately $39,000 of revenue in the second quarter of 2001.

Operating expenses increased approximately $596,000 or 32.2% for the three-month period ended June 30, 2002 as compared to the same period in 2001. The increase was due to the increase in the number of clinical staff needed to provide disease management services to patients enrolled with the new contracts signed after the second quarter of 2001 and the opening of a new location in California in the second quarter of 2002 to service one of the new clients.

General and administrative expenses decreased approximately $1,000 or .3% for the three-month period ended June 30, 2002 as compared to the same period in 2001.

The net loss of approximately $804,000 for the three-month period ended June 30, 2002 was 5.1% lower than in the same period of 2001. This improvement in the net loss is the result of adding new contracts with operating margins consistent with earlier contracts while holding expenses relatively flat.

Six Months Ended June 30, 2002 as Compared to Six Months Ended June 30, 2001

Total revenues increased approximately $1.5 million or 64.0% for the six-month period ended June 30, 2002 as compared to the same period in 2001. The revenue growth was mainly due to the strong increase in disease management revenues, which accounted for 87.5% of the total increase in revenue.

Disease management revenue increased approximately $1.3 million or 63.1% for the six-month period ended June 30, 2002 as compared to the same period in 2001. The increase in disease management revenue was due to the addition of four new contracts and expansion into additional regions for existing clients. Approximately $754,000 or 56.8% of the increase in disease management revenue was due to the addition of a large new client. In 2001, Quality Oncology terminated one contract which produced approximately $87,000 of revenue for the six months ended June 30, 2001.

Operating expenses increased approximately $958,000 or 26.9% for the six-month period ended June 30, 2002 as compared to the same period in 2001. The increase was due to the increase in the number of clinical staff needed to provide disease management services to patients enrolled with the new contracts signed after the second quarter of 2001 and the opening of a new location in California in the second quarter of 2002 to service one of the new clients.

General and administrative expenses increased approximately $13,000 or 1.9% for the six-month period ended June 30, 2002 as compared to the same period in 2001.

The net loss of approximately $1.5 million for the six-month period ended June 30, 2002 was 31.9% lower than in the same period of 2001. This improvement in the net loss is the result of adding new contracts with operating margins consistent with earlier contracts while holding expenses relatively flat.

2001 as Compared to 2000

Total revenues increased approximately $3.2 million or 121.9% for the year ended December 31, 2001 as compared to the year ended December 31, 2000. Disease management revenues increased approximately $3.1 million or 151.9%, primarily resulting from providing care management services to a large health plan that began operations in April 2001, providing care management services to additional health plans and expanding the services area for an existing client. System licensing revenue increased approximately $78,000 or 13.9%.

Operating expenses increased approximately $1.6 million or 29.0% for the year ended December 31, 2001 as compared to the same period in 2000. The increase was due to the increase in the number of clinical staff needed to provide disease management services to patients enrolled with the new contracts signed during 2001.

General and administrative expenses decreased approximately $557,000 or 31.4% for the year ended December 31, 2001 as compared to the same period in 2000. The decrease was due to the elimination of one executive management position in 2000 and a reduction in marketing expenses during 2001.

The net loss of approximately $3.2 million represents a decrease of approximately $2.2 million or 40.7% as compared to the year ended December 31, 2000. The improvement in the net loss is a result of the increased revenue attributable to adding new contracts with operating margins consistent with earlier contracts while decreasing general and administrative expenses.

2000 as Compared to 1999

Total revenues increased approximately $1.3 million or 100.7% for the year ended December 31, 2000 as compared to the year ended December 31, 1999. Cancer disease management revenues increased approximately $750,000 or 58.6%, primarily resulting from the addition of a large contract that began operations in July 2000, receiving a savings performance bonus for a contract that began operations in late 1999, and providing cancer care management services to several additional health plans. In addition, the Company began licensing the ICMS in 2000, resulting in increased revenues of approximately $550,000.

Operating expenses increased approximately $834,000 or 17.4% for the year ended December 31, 2000 as compared to the same period in 1999. The increase was due to the increase in the number of clinical staff needed to provide disease management services to patients enrolled with the new contracts and technical staff and office space needed to support the systems license and development contracts signed during 2000.

General and administrative expenses increased approximately $82,000 or 4.9% for the year ended December 31, 2000 as compared to the same period in 1999.

The net loss decreased approximately $178,000 or 3.2% to approximately $5.5 million as a result of the increased revenue attributable to adding new contracts with operating margins consistent with earlier contracts while keeping general and administrative expenses relatively flat.

Liquidity and Capital Resources

LifeMetrix has financed its operations principally through private placements of preferred stock resulting in cash proceeds, before offering expenses, totaling $31.6 million as of June 30, 2002. Quality Oncology s activities are financed through a cash concentration account with LifeMetrix. All cash receipts and disbursements are recorded through this account and applied to or against intercompany receivable and payable accounts. At June 30, 2002, Quality Oncology had a net balance due to LifeMetrix of $20.3 million as compared to $19.1 million at December 31, 2001, resulting from these activities. The increase of $1.2 million was primarily due to additional cash required to finance Quality Oncology s operations. No interest is charged on the intercompany debt balance. The acquisition agreement requires that at or prior to closing, there be no amounts due to LifeMetrix or any subsidiary of LifeMetrix. It is expected that LifeMetrix will forgive the net balance due from Quality Oncology to LifeMetrix as a contribution to the capital of Quality Oncology before the closing of the acquisition.

Net cash used in operating activities was $2.5 million for the year ended December 31, 2001 and $1.0 million and $1.6 million for the six-month periods ended June 30, 2002 and 2001, respectively. The decrease in cash used for the six months ended June 30, 2002 was primarily the result of improved operating results as compared with the comparable period in 2001. Improved operating results during the six months ended June 30, 2002 were attributable to the addition of four new contracts as well as expansion into additional regions for existing clients.

Net cash provided by financing activities was $2.7 million for the year ended December 31, 2001 and $1.2 million for the six-month period ended June 30, 2002 as compared to $1.7 million for the comparable period in 2001. The decrease in amounts provided by LifeMetrix for the six months ended June 30, 2002 was primarily due to less cash required to finance Quality Oncology s operations as a result of the addition of new contracts and expansion into additional regions for existing clients.

Critical Accounting Policies

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States, which require that management make numerous estimates and assumptions. Actual results could differ from those estimates and assumptions, impacting our reported results of operations and financial position. Quality Oncology s significant accounting policies are described in Note 2 to the financial statements included elsewhere in this document. The critical accounting policies described here are those that are most important to the depiction of Quality Oncology s financial condition and results of operations and their application requires management s most subjective judgment in making estimates about the effect of matters that are inherently uncertain.

Revenue Recognition

Quality Oncology s compensation for providing cancer disease management services to managed care organizations under service agreements is generally stipulated to be on the basis of per patient per month or per case managed. Revenue is recognized in the month the member is entitled to receive services (for contracts stipulated on a per patient per month basis) or ratably as services are provided (for contracts stipulated on a per case basis). Quality Oncology may also receive an initial set up fee for each member who enters the care management program. These fees are recognized as revenue over the average period a member receives services under the care management program, which is currently estimated to be five months.

The service arrangements contain risk-sharing provisions targeted to the achievement of certain agreed upon cost savings. The managed care organization may receive a refund of payments depending upon the annual results of the contract. Quality Oncology periodically reviews its contract experience to determine whether or not a provision for contract losses is required. If the actual results at the end of a contract year are materially different than its periodic reviews indicate, Quality Oncology may be required to refund a part or all of the revenues it has recorded during the contract year. Quality Oncology may receive additional payments from managed care organizations under these risk-sharing provisions if cost savings exceed defined minimum amounts. Quality Oncology records amounts due under these provisions when they are fixed and determinable. Quality Oncology considers the additional payments due under risk-sharing arrangements to be fixed and determinable when it has received the claims cost data for the program year from the managed care organizations, has analyzed the data, and has calculated the cost savings under the terms of the contract. Claims cost data is due from the managed care organizations within periods ranging from 180 to 210 days following the end of the program year. The calculations of the cost savings for the program year under the terms of the contract are completed shortly thereafter.

Intangible Assets

If facts and circumstances indicate goodwill may be impaired, Quality Oncology performs a recoverability evaluation. Prior to the adoption of SFAS No. 142, *Goodwill and Other Intangible Assets,* on January 1, 2002, Quality Oncology s policy was to compare undiscounted estimated future cash flows to the carrying amount of our net assets, including goodwill, to determine if the carrying amount was not recoverable and a write-down to fair value was required. Effective January 1, 2002, in accordance with SFAS No. 142, Quality Oncology began performing the recoverability analysis based on fair value rather than undiscounted cash flows. An analysis of the fair value of the Quality Oncology reporting unit as of January 1, 2002 indicated that no impairment charge was required.

Principal Stockholders of LifeMetrix

The following table sets forth certain information regarding the beneficial ownership of LifeMetrix stock as of July 31, 2002, by (i) all persons and entities known by LifeMetrix to be beneficial owners of more than 5% of its outstanding common stock or preferred stock (ii) each current director and each current executive officer of LifeMetrix, and (iii) all current directors and executive officers of LifeMetrix as a group. Unless otherwise indicated, each of the shareholders listed below has sole voting and investment power with respect to the shares beneficially owned.

Common Stock

Name of Beneficial Owner	Amount of Beneficial Ownership	Percent of Class(1)
Executive officers and directors:		
Edmund C. Bujalski(2)	590,000	13.1%
Eugene N. Langan(2)	320,000	7.1%
Frederick C. Lee(2)(3)	208,229	4.6%
Daniel T. McCrone, M.D.(2)	125,000	2.8%
Gregory M. Jungles(2)	105,460	2.3%
Carolyn Lowstuter(2)	66,000	1.5%
Richard B. Weininger, M.D.(2)(3)	42,742	*
Larry H. Coleman		*
Charles W. Newhall, III		*
All executive officers and directors as a group (9 persons)	1,457,431	32.5%
Five percent stockholders:		
Coleman Swenson Hoffman Booth IV, L.P.(5)	459,410	10.2%
237 Second Avenue South		
Franklin, TN 37064		
New Enterprise Associates VII, L.P.(4)	444,912	9.9%
1119 St. Paul Street		
Baltimore, MD 21202		
Larry House	400,000	8.9%
Seven Montagel		
Shoal Creek, AL 35242		
James G. Schwade	333,010	7.4%
P.O. Box 96-0193		
Miami, FL 33296-0193		
Cerner Corporation	290,923	6.5%
2800 Rockcreek Parkway		
Kansas City, MO 64117		
Venrock Associates(11)	256,496	5.7%
30 Rockefeller Plaza		
Room 5508		
New York, NY 10112		
Acacia Venture Partners, L.P.(12)	256,494	5.7%
101 California Street		
Suite 3160		
San Francisco, CA 94111		
Steven Prelack	250,000	5.6%
7 Wheelright Road		
Medfield, MA 02052		

* Less than 1%.

Preferred Stock

Name and Address of Beneficial Owner	Amount of Beneficial Ownership	Percent of Class(6)
Coleman Swenson Hoffman Booth IV, L.P.(8)	4,255,994	24.2%
237 Second Avenue South		
Franklin, TN 37064		
New Enterprises Associates VII, L.P.(7)	3,790,158	21.5%
1119 St. Paul Street		
Baltimore, MD 21202		
Venrock Associates(9)	2,020,427	11.5%
30 Rockefeller Plaza		
Room 5508		
New York, NY 10112		
Acacia Venture Partners, L.P.(10)	2,019,633	11.5%
101 California Street		
Suite 3160		
San Francisco, CA 94111		
Johnson & Johnson Development Corp.	1,545,928	8.8%
One Johnson & Johnson Plaza		
New Brunswick, NJ 08933		
North Bridge Venture Partners, L.P.	1,326,390	7.5%
950 Winter Street		
Suite 4600		
Waltham, MA 02451		

(1) Based on 4,488,918 shares of common stock outstanding on July 31, 2002.

(2) Includes shares issuable upon exercise of vested stock option within 60 days of July 31, 2002 held by the following executive officers and directors of LifeMetrix: Mr. Bujalski, 240,000; Mr. Langan, 150,000; Dr. McCrone, 125,000; Mr. Jungles, 105,460; Ms. Lowstuter, 66,000; Mr. Lee, 15,000; and Dr. Weininger, 24,000.

(3) Includes shares of common stock issuable upon exercise of warrants held by the following directors: Mr. Lee, 17,347 and Dr. Weininger, 18,742.

(4) Includes 444,912 shares of common stock issuable upon exercise of warrants held by New Enterprise Associates VII, L.P. The warrants to purchase common stock that are held by New Enterprise Associates VII, L.P. and by the other preferred stockholders shown in these tables (except for Dr. Weininger) have an exercise price of $1.447 per share of common stock. By comparison, the most recently issued stock options to LifeMetrix employees have exercise prices of $.05 per share of common stock. The warrants held by Dr. Weininger have an exercise price of $3.805 per share of common stock.

(5) Includes 239,534 shares of common stock issuable upon exercise of warrants held by Coleman Swenson Hoffman Booth IV, L.P., in which Mr. Coleman is a general partner, and 219,876 shares of common stock issuable upon exercise of warrants held by Franklin Capital Associates III L.P., an affiliate of Mr. Coleman.

(6) Based on 17,607,177 shares of preferred stock outstanding on July 31, 2002.

(7) Includes 18,364 shares held by NEA President s Fund, L.P. and 1,225 shares held by NEA Ventures 1997, L.P., each of which is a limited partnership. Certain of the general partners of NEA President s Fund, L.P. are also general partners of New Enterprises Associates VII, L.P. The general partner of NEA Ventures 1997, L.P. is an employee of an entity that is owned by some of the general partners of New Enterprise Associates VII, L.P.

(8) Includes 1,252,927 shares held by Franklin Capital Associates III L.P., which is a limited partnership. Certain of the general partners of Coleman Swenson Hoffman Booth IV, L.P. are also general partners of Franklin Capital Associates III L.P.

(9) Includes 1,157,911 shares held by Venrock Associates II, L.P. and 33,180 shares held by Venrock Entrepreneurs Fund, L.P., each of which is a limited partnership. Certain of the general partners of Venrock Associates II, L.P. and Venrock Entrepreneurs Fund, L.P. are also general partners of Venrock Associates.

(10) Includes 78,961 shares held by South Pointe Venture Partners, L.P., a limited partnership. Certain of the general partners of Acacia Venture Partners, L.P. are also general partners of South Point Venture Partners, L.P.

(11) Includes 256,496 shares of common stock issuable upon exercise of warrants held by Venrock Associates, Venrock Associates II, L.P. and Venrock Entrepreneurs Fund, L.P. Certain of the general partners of Venrock Associates II, L.P. and Venrock Entrepreneurs Fund, L.P. are also general partners of Venrock Associates.

(12) Includes 256,494 shares of common stock issuable upon exercise of warrants held by Acacia Venture Partners, L.P. and South Pointe Venture Partners, L.P. Certain of the general partners of Acacia Venture Partners, L.P. are also general partners of South Pointe Venture Partners, L.P.

PER SHARE MARKET PRICE AND DIVIDEND INFORMATION

Matria

Matria s common stock is traded in the over-the-counter market and is quoted on the Nasdaq National Market under the symbol MATR. The approximate number of stockholders of record of Matria common stock as of August 9, 2002 was 1,599 record holders, with approximately 5,200 street holders.

Matria has not paid any cash dividends with respect to its common stock and does not intend to declare any dividends in the near future. Matria is a party to a Loan and Security Agreement and an Indenture, each of which contains covenants restricting the payment of dividends on and repurchases of Matria s common stock.

The following table sets forth, for the calendar quarters indicated, the high and low sales prices of Matria common stock as quoted on Nasdaq from January 1, 2000 through August 16, 2002:

Quarter	Low	High
2000		
First	$16.24	$26.24
Second	11.75	21.00
Third	13.00	18.24
Fourth	7.25	14.24
2001		
First	$ 9.25	$16.63
Second	12.25	16.10
Third	15.05	25.15
Fourth	21.45	36.67
2002		
First	$15.75	$40.00
Second	7.00	25.59
Third (through August 16, 2002)	5.89	8.75

Share prices have been adjusted to reflect a one-for-four reverse stock split that took effect on December 5, 2000.

LifeMetrix

As of July 31, 2002, shares of LifeMetrix common stock were held by approximately 84 stockholders of record and shares of LifeMetrix preferred stock were held by approximately 23 stockholders of record.

Neither LifeMetrix common stock nor LifeMetrix preferred stock is traded on an established trading market. There are, however, occasional exercises of employee stock options for LifeMetrix common stock. The last known sale of the LifeMetrix common stock by exercise of an employee stock option occurred in March 2002, at a price of $.05 per share.

COMPARISON OF STOCKHOLDERS RIGHTS

This section of the proxy statement/ prospectus describes certain differences between the rights of holders of LifeMetrix common stock and LifeMetrix Series A through D preferred stock on the one hand and holders of Matria common stock on the other. After the completion of the acquisition and the subsequent dissolution of LifeMetrix, holders of LifeMetrix common stock may and holders of LifeMetrix Series A through D preferred stock will become stockholders of Matria. As a result, former LifeMetrix stockholders rights will be governed by Matria s certificate of incorporation and bylaws.

Because both LifeMetrix and Matria are organized under the laws of Delaware, the differences in stockholders rights arise from various provisions of LifeMetrix s certificate of incorporation, the LifeMetrix Stockholders Agreement and the LifeMetrix bylaws, and Matria s certificate of incorporation and the Matria bylaws. While we believe that the description covers the material differences between the two, this summary may not contain all of the information that is important to Matria stockholders and LifeMetrix stockholders. Matria stockholders and LifeMetrix stockholders should read this entire document and the other documents referred to carefully for a more complete understanding of the differences between Matria common stock and LifeMetrix common and preferred stock.

Authorized Shares; Shares Outstanding

Matria s certificate of incorporation authorizes the issuance of up to 25,000,000 shares of common stock, par value $.01 per share, of which 9,161,319 shares were issued and outstanding as of August 9, 2002. Matria s certificate of incorporation also authorizes the issuance of up to 50,000,000 shares of preferred stock, par value $.01 per share. Matria s common stock is the only class or series of Matria stock issued and outstanding.

LifeMetrix s certificate of incorporation authorizes the issuance of up to 32,000,000 shares of common stock, par value $.001 per share, of which 4,488,918 shares were issued and outstanding as of July 31, 2002. LifeMetrix s certificate of incorporation also authorizes the issuance of up to 18,000,000 shares of preferred stock, par value $.001 per share, of which 3,055,646 shares have been designated as Series A Preferred Stock, 2,550,085 shares have been designated as Series B Preferred Stock, 8,039,477 shares have been designated as Series C Preferred Stock, and 3,962,000 shares have been designated as Series D Preferred Stock. As of July 31, 2002, 3,055,646 shares of such Series A Preferred Stock, 2,550,085 shares of such Series B Preferred Stock, 8,039,477 shares of such Series C Preferred Stock, and 3,961,969 shares of such Series D Preferred Stock were issued and outstanding.

Voting Rights; Cumulative Voting

Under Delaware law, each stockholder is entitled to one vote per share unless the certificate of incorporation provides otherwise. In addition, the certificate of incorporation may provide for cumulative voting at all elections of directors of the corporation. Each holder of Matria common stock is entitled to one vote for each share held of record. Holders of Matria common stock are not allowed to cumulate votes for the election of directors. Matria s certificate of incorporation also authorizes Matria to issue preferred stock in one or more series, with such voting powers, designations, preferences, rights, qualifications, limitations or restrictions as Matria s board of directors may determine. The Matria bylaws provide that a quorum consists of a majority of the issued and outstanding shares of common stock entitled to vote, present in person or represented by proxy; provided, however that the stockholders present at a duly called or held meeting at which a quorum is present may continue to transact business until adjournment notwithstanding the withdrawal of enough stockholders to leave less than a quorum, if any action taken is approved by at least a majority of the shares required to constitute a quorum.

Each holder of LifeMetrix common stock is entitled to one vote for each share held of record. Each holder of Series A, Series B, Series C, and Series D preferred stock is entitled to the number of votes equal to the number of shares of common stock into which such shares are convertible. Unless otherwise required by Delaware law, holders of Series A, Series B, Series C and Series D preferred stock vote together with holders of common stock as a single class on all matters submitted to a vote of stockholders, provided however:

The holders of at least a majority of the outstanding Series A, Series B, Series C, and Series D preferred stock, voting together as a single class, must approve the following:

Amendment of the certificate of incorporation or bylaws

Redemption, acquisition or repurchase of any capital stock or rights to acquire capital stock (other than in accordance with the redemption and conversion provisions of the certificate of incorporation)

Sale, lease, transfer or other disposition of all or substantially all of the assets of the corporation;

Merger, statutory share exchange, consolidation, or other reorganization of the corporation with or into another corporation or entity;

Liquidation, winding up, dissolution or adoption of any plan for the same;

Reclassification or other change of any capital stock or any recapitalization of the corporation

Sale of stock of any wholly owned subsidiary (other than to the corporation)

Increase or decrease in total number of authorized shares of preferred stock (other than through authorized redemption)

Increase or decrease in number of authorized shares of common stock

The holders of at least a majority of the outstanding Series D preferred stock, voting as a separate class, must approve the following:

Authorization or issuance of any stock or equity security with preference or priority over, or on parity with Series D Preferred Stock

Modification of any of the rights of Series D preferred stock related to liquidation or redemption

Making Series D preferred stock redeemable at option of corporation

The holders of at least a majority of the outstanding Series A, Series B, and Series C preferred stock, voting together as a single class, must approve the following:

Authorization or issuance of any stock or equity security with preference or priority over, or on parity with Series A, Series B, or Series C preferred stock

Modification of any of the rights of Series A, Series B, or Series C preferred stock related to liquidation or redemption

Making Series A, Series B, or Series C preferred stock redeemable at the option of the corporation

In addition, the corporation may not modify any of the conversion rights or other special rights and preferences (other than those relating to redemption and liquidation) of Series A, Series B, Series C, or Series D preferred stock without approval of a majority of the outstanding Series A, Series B, Series C, and Series D preferred stock, voting together as a single class.

LifeMetrix s certificate of incorporation also authorizes the board of directors to issue the remaining shares of authorized preferred stock in one or more series, with such voting powers, designations, preferences, rights, qualifications, limitations or restrictions as the board of directors may determine, subject to the approval of a majority of the outstanding shares of Series A, Series B and Series C preferred stock, voting as a single class, if such new series of preferred stock has preferences or priorities over, or is on parity with, the Series A, Series B or Series C preferred stock, and subject to the approval of a majority of the outstanding shares of Series D preferred stock, voting as a separate class, if such new series of preferred stock has preferences or priorities over, or is on parity with, the Series D preferred

67

stock. The LifeMetrix bylaws provide that a quorum consists of a majority of the issued and outstanding shares of stock entitled to vote, present in person or represented by proxy.

Special Rights of LifeMetrix Preferred Stock

In addition to the rights discussed above, LifeMetrix s certificate of incorporation grants certain rights to the holders of LifeMetrix preferred stock. Holders of Series A, Series B, Series C and Series D preferred stock may at any time, at their option, convert their shares into shares of LifeMetrix common stock. In addition, each share of Series A, Series B, Series C, and Series D preferred stock will be automatically converted into shares of LifeMetrix common stock upon:

Firm commitment underwritten public offering with gross proceeds of at least $15.0 million and with company market valuation of at least $50.0 million; or

Vote of holders of a majority of the outstanding Series A, Series B, Series C and Series D preferred stock, voting together as a single class.

LifeMetrix s certificate of incorporation provides that Series D preferred stock is redeemable by the corporation at a price of $0.631 per share upon the written consent or affirmative vote of holders of a majority of Series D preferred stock. If all Series D preferred stock has been redeemed, Series A, Series B, and Series C preferred stock is redeemable as follows upon majority approval of Series A, Series B, and Series C preferred stock, voting together as a single class:

Series A $3.334 per share;

Series B $6.00 per share;

Series C $1.594 per share

Redemption Date Series A, Series B, Series C or Series D preferred stock may be redeemed as described above beginning on March 24th (the Redemption Date) of any year subsequent to 2003. The Series A, Series B and Series C preferred stock are to be redeemed in annual 25% increments over a four year period beginning on the first Redemption Date.

LifeMetrix s certificate of incorporation provides that a merger, statutory share exchange, or consolidation in which the holders of the corporation s outstanding shares do not retain a majority of the voting power of the surviving corporation, or the sale of all or substantially all the assets of the corporation, is deemed a liquidation. It also provides that, in the event of any liquidation, dissolution or winding up of the corporation, the holders of Series D preferred stock shall be first entitled to receive, prior and in preference to any distribution to holders of common stock, Series A, Series B or Series C preferred stock, an amount per share in addition to declared but unpaid dividends equal to $0.631 per share. After the payment of all amounts due holders of Series D preferred stock and before any payment to common stock or other junior stock, the holders of Series A, Series B, and Series C preferred stock shall be entitled to receive an amount per share in addition to declared but unpaid dividends equal to:

$3.334 per share for each share of Series A preferred stock

$6.00 per share for each share of Series B preferred stock

$1.594 per share for each share of Series C preferred stock

After the payment of all preferential amounts due to holders of Series A, Series B, Series C and Series D preferred stock, the remaining assets and funds of LifeMetrix available for distribution shall be distributed among the holders of common stock and Series A, Series B, Series C and Series D preferred stock pro rata based upon the number of shares of common stock held by each, assuming conversion of all such preferred stock.

Pre-emptive Rights

Unless the certificate of incorporation expressly provides otherwise, stockholders of a Delaware corporation do not have pre-emptive rights. Neither Matria s nor LifeMetrix s certificate of incorporation provides for pre-emptive rights. Under the LifeMetrix stockholders agreement the preferred stock holders of LifeMetrix have pro rata rights, based upon their holdings of preferred shares, to purchase any new shares of debt or equity securities of LifeMetrix.

Source and Payment of Dividends

Delaware law provides that, unless restricted by the corporation s certificate of incorporation, dividends may be declared from the corporation s surplus or, if there is no surplus, from its net profits for the fiscal year in which the dividend is declared and the preceding fiscal year. However, if the corporation s capital has been diminished to an amount less than the aggregate amount of the capital represented by the issued and outstanding stock of all classes having a preference upon the distribution of assets, dividends may not be declared and paid out of net profits until the deficiency in the capital has been repaired. Matria s bylaws provide that dividends on the capital stock may be declared by the board at any regular or special meeting, pursuant to Delaware law, and may be paid in cash, in property or in shares of capital stock.

LifeMetrix s certificate of incorporation provides that holders of capital stock of the corporation are entitled to receive dividends when declared by the board of directors out of funds of the corporation legally available therefore. LifeMetrix s certificate of incorporation further provides that no dividends shall be paid on the common stock or any other stock ranking on liquidation junior to the Series A, Series B, Series C, or Series D preferred stock unless an equal or greater dividend is paid for each such share of Series A, Series B, Series C and Series D preferred stock. All dividends on common stock shall be declared pro rata per share of common stock. All dividends declared upon Series A, Series B, Series C and Series D preferred stock shall be declared pro rata per share, based upon the number of shares of common stock into which each such share could be converted. The LifeMetrix bylaws provide that dividends may be declared by the board of directors at any regular or special meeting, and may be paid in cash, in property, or in shares of capital stock.

Record Date for Determining Stockholders

Both Matria s and LifeMetrix s bylaws provide that the board of directors may fix a record date that is no more than 60 days, nor less than 10 days, before the date of the annual or special meeting, nor more than 60 days prior to any other action taken in lieu of a meeting.

Special Meetings of Stockholders

Under Delaware law, a special meeting of stockholders may be called by the board of directors or any other person authorized to do so in the certificate of incorporation or the bylaws. Matria s bylaws authorize the board of directors and any committee of the board of directors given such powers to call a special meeting. In addition, the bylaws authorize the President or Secretary to call a special meeting at the request in writing of a majority of the board of directors, or at the request in writing of stockholders owning 75% of the entire outstanding capital stock of the corporation entitled to vote.

The LifeMetrix bylaws authorize the President to call a special meeting. In addition, the bylaws authorize the President or Secretary to call a special meeting at the request in writing of a majority of the board of directors or at the request in writing of the majority of the holders of outstanding stock entitled to vote.

Number and Term of Directors

Matria s bylaws provide that the board of directors shall consist of nine members. The number of directors may be changed exclusively by resolutions adopted by the board of directors. Matria directors are elected to a term of three years and until their successors are elected and qualified or until their earlier resignation.

The LifeMetrix bylaws provide that the board of directors shall consist of not less than three persons, the exact number to be determined by action of a majority of the board of directors. The LifeMetrix Stockholders Agreement provides that the stockholders will take such action as required to cause the board of directors to set the number of the board at seven members. LifeMetrix directors are elected annually and until their successors are elected and qualified.

According to the LifeMetrix Stockholders Agreement, the seven directors of LifeMetrix are designated as follows:

- One member by a majority of the shares held by certain preferred stockholders (Group I Institutional Investors and Group IV Institutional Investors)
- One member by Franklin Capital Associates III, L.P.
- One member by New Enterprise Associates VII, L.P.
- One member by Venrock Associates
- One of whom shall be Edmund C. Bujalski (as long as employee of company)
- One of whom shall be Frederick C. Lee (as long as employee of company); and
- One member by a majority of the shares held by former AOA stockholders who acquired LifeMetrix shares in the 1998 merger (Group II Institutional investors and such other investors that acquired common stock pursuant to the 1998 Merger Agreement, who are collectively designated as the AOA Investors.)

Any replacement of Frederick C. Lee is to be designated by the holders of a majority of the shares, on an as-converted basis, held by AOA Investors. Any replacement of Edmund C. Bujalski is to be designated by the holders of a majority of the shares, on an as-converted basis, held by all investors other than the AOA Investors.

Classified Board of Directors

Delaware law provides that a corporation s board of directors may be divided into various classes with staggered terms of office. Under Matria s bylaws the board of directors of Matria is divided into three classes, as nearly equal in number as possible, with one class being elected annually.

The LifeMetrix bylaws do not provide for a classified board of directors.

Removal of Directors

Under Delaware law, any director or the entire board of directors generally may be removed, with or without cause, by a majority of the shares then entitled to vote at an election of directors. Except as otherwise provided in the corporation s certificate of incorporation, a director of a corporation that has a classified board of directors may be removed only with cause. Matria s certificate of incorporation is silent as to removal of directors.

The LifeMetrix bylaws provide that its directors may be removed, with or without cause, by the holders of a majority of shares entitled to vote at an election of directors. In addition, the LifeMetrix Stockholders Agreement provides that any director may be removed, with or without cause, by the investor or investors which designated such director, and such investor or investors shall thereafter have the right to designate a replacement for such director.

Board of Director Vacancies

Under Delaware law, vacancies and newly created directorships may be filled by a majority of the directors then in office, even though less than a quorum, unless otherwise provided in the certificate of incorporation or the bylaws. Matria s bylaws provide that any vacancy on the board of directors, including any newly created directorship resulting from an increase in the number of directors, may be filled by a majority of the board of directors then in office.

The LifeMetrix bylaws provide that vacancies on the board of directors and newly created directorships resulting from any increase in the authorized number of directors may be filled by a majority of the directors then in office, though less than a quorum, or by a sole remaining director. If, at the time of filling any vacancy or any newly created directorship, the directors then in office constitute less than a majority of the whole board (as constituted immediately prior to any such increase), the Court of Chancery may, upon application of any stockholder or stockholders holding at least ten percent of the shares having the right to vote for such directors, summarily order an election to be held to fill any such vacancies or newly created directorships, or to replace the directors chosen by the directors then in office.

Committees of the Board of Directors

Matria s bylaws provide that the board of directors may by resolution designate one or more individuals to constitute a committee having the powers and authority of the board of directors to the extent provided by the board of directors. However, no committee shall have power or authority in reference to:

Amending the certificate of incorporation

Adopting an agreement of merger or consolidation

Recommending to the stockholders the sale, lease or exchange of all or substantially all of the corporation s property and assets; or

Amending the bylaws of the corporation

Matria s bylaws provide for an Audit Committee, Compensation Committee, Nominating Committee, and such other committees as may be designated by the board or directors.

The LifeMetrix bylaws provide that the board of directors may, by resolution passed by a majority of the board, designate one or committees consisting of one or more directors of the corporation. The committees shall have the power and authority of the board of directors to the extent provided by the board. However, no committee shall have power or authority in reference to:

Amending the certificate of incorporation

Adopting an agreement of merger or consolidation

Recommending to the stockholders the sale, lease or exchange of all or substantially all of the corporation s property and assets

Recommending to the stockholders a dissolution of the corporation or a revocation of a dissolution; or

Amending the bylaws of the corporation

Appraisal and Dissenters Rights

Under Delaware law, holders of common stock of a Delaware corporation who follow prescribed statutory procedures are entitled to dissent from a merger or consolidation of the corporation and instead demand payment of the fair value of their shares. Unless the certificate of incorporation provides otherwise, dissenters do not have rights of appraisal with respect to their shares in the case of:

(a) A merger or consolidation, if the shares owned by the dissenters are:

Listed on a national securities exchange designated as a national market system security on an inter-dealer quotation system by the NASD; or

Held of record by more than 2,000 stockholders;

Provided that, in such case, the stockholders shall be entitled to rights of appraisal if the stockholders of the constituent corporation are required to accept anything in exchange for their shares other than:

shares in the surviving corporation;

shares of another corporation that are publicly listed or held by more than 2,000 stockholders

cash in lieu of fractional shares; or

any combination of the above; or

(b) A merger where the corporation in which they own shares is the corporation that survives the merger if no vote of its stockholders is required to approve the merger.

Action by Written Consent in Lieu of a Stockholders Meeting

Under Delaware law, stockholders may take action by written consent in lieu of voting at a stockholders meeting. Delaware law permits a corporation, pursuant to a provision in such corporation s certificate of incorporation, to eliminate the ability of stockholders to act by written consent. Matria s certificate of incorporation eliminates the ability of stockholders to act by written consent, except (i) as permitted by resolutions of the board, or (ii) for the purposes of approving, authorizing or adopting any action or proposal which has been approved, authorized and adopted by the board of directors.

The LifeMetrix bylaws provide that action by written consent may be taken by a number of shares sufficient to approve an action at a meeting. Prompt notice of the taking of stockholder action without a meeting by less than unanimous written consent must be given to those stockholders who have not consented in writing to the action.

Amendment of Charter Documents

Certificate of Incorporation. In accordance with Delaware law, both Matria s and LifeMetrix s certificate of incorporation may be amended by a majority of the outstanding shares entitled to vote on the proposed amendment.

Bylaws. Under Delaware law, stockholders entitled to vote always have the power to adopt, amend or repeal bylaws. A corporation may, in its certificate of incorporation, confer such power upon the board of directors (although such power may not interfere with the power of the stockholders to adopt, amend or repeal bylaws). Matria s bylaws provide that its bylaws may be amended, repealed or new bylaws adopted by (i) the affirmative vote of a majority of the holders of at least a majority of the outstanding common stock of the corporation, or (ii) the board of directors at any regular or special meeting.

The LifeMetrix bylaws provide that its bylaws may be altered, amended or appealed or new bylaws may be adopted by the stockholders or by the board of directors at any regular or special meeting.

Board and Stockholders Approval of Certain Reorganizations

Delaware law requires the approval of the board of directors and the holders of a majority of the outstanding shares entitled to vote thereon for mergers or consolidations.

72

Delaware law does not, however, unless otherwise provided in the certificate of incorporation, require a vote of the stockholders of the corporation surviving the merger if:

The merger agreement does not amend the surviving corporation s certificate of incorporation; and

Each share of the surviving common stock outstanding immediately prior to the effective date of the merger is identical to an outstanding or treasury share of the surviving corporation after the merger; and

Any authorized but unissued shares or treasury shares of the surviving common stock to be issued or delivered under the plan of merger plus those initially issuable upon conversion of any other securities or obligations to be issued or delivered under such plan do not exceed 20% of the shares of the surviving common stock outstanding immediately prior to the effective date of the merger.

Any sale, lease or exchange of all or substantially all of a corporation s assets requires authorization by a majority vote of the outstanding stock entitled to vote.

In addition, the LifeMetrix Stockholders Agreement requires that any merger, consolidation, statutory share exchange or acquisition must be approved by the directors then sitting designated by Franklin Capital Associates III, L.P., New Enterprise Associates VIII, L.P., and Venrock Associates.

Specific Provisions Relating to Share Acquisitions

Section 203 of the Delaware General Corporate Law prevents a corporation from entering into certain business combinations, including mergers, consolidations and sales of assets, with an interested common stockholder or its affiliates. An interested stockholder is one who beneficially owns or has the right to vote 15% or more of a company s outstanding shares. Section 203 does not apply in the following situations:

Prior to the person or entity becoming an interested stockholder, the business combination or the acquisition pursuant to which such person or entity became an interested stockholder was approved by the corporation s board of directors,

Upon consummation of the acquisition in which he or she became an interested stockholder, the interested stockholder holds at least 85% of the corporation s common stock outstanding at the time the acquisition commenced (excluding shares held by persons who are both officers and directors and shares held by employee stock plans); or

Following the acquisition in which such person became an interested stockholder, the business combination is approved by the corporation s board of directors and by the holders of at least two-thirds of the outstanding shares of common stock (excluding shares owned by the interested stockholder) at an annual or special meeting of the corporation s stockholders (and not by written consent).

These restrictions imposed on interested stockholders do not apply under limited circumstances where a company proposes, with the approval of the majority of the directors who were directors before any person became an interested stockholder, a merger or sale of at least 50% of its assets or supports (or does not oppose) a tender offer for at least 50% of its voting stock.

Section 203 only applies to Delaware corporations which have a class of voting stock that is listed on a national securities exchange, is authorized for quotation on The Nasdaq Stock Market or is held by record by more than 2,000 stockholders. However, a Delaware corporation may elect not to be governed by this statute in its certificate of incorporation or its bylaws. The authorization of this provision must be approved by a majority of the shares entitled to vote and, in the case of a bylaw amendment, may not be further amended by the board of directors. Currently, Section 203 applies to Matria but not to LifeMetrix.

If the statute applies, then for three years after a person becomes an interested stockholder, the following acquisitions between the company and the interested stockholder or persons related to that stockholder are prohibited:

Sale, lease, exchange, mortgage, pledge, transfer or acquisition (other than proportionately to stockholders) of any interest in assets worth more than 10% of the market value of the company s assets;

Mergers and similar acquisitions;

Loans or guarantees; and

Subject to certain exceptions, the issuance or transfer of stock or any rights to acquire stock of the company s outstanding stock or the stock of its subsidiaries.

Director Liability and Indemnification

Delaware law permits a corporation to indemnify any director, officer, employee or agent made or threatened to be made a party to any threatened, pending or completed proceeding if the person acted in good faith and in a manner such person reasonably believed to be in the best interests of the corporation, and, with respect to any criminal proceeding, had no reasonable cause to believe that his or her conduct was unlawful. Delaware corporations must indemnify the individuals in connection with successful defenses of those actions.

Matria s bylaws require Matria to indemnify directors and officers of the corporation to the fullest extent permitted by Delaware law; provided, however that the corporation will indemnify a person in connection with a proceeding brought by them only if the board has authorized such proceeding. The LifeMetrix bylaws require LifeMetrix to indemnify directors, officers, employees and agents of the corporation to the fullest extent permitted by Delaware law.

Both the Matria and the LifeMetrix bylaws provide, in accordance with Delaware law, that the corporation may advance expenses incurred by its directors or officers in defending a civil or criminal action, suit or proceeding covered under its indemnification provisions. However, such payment will be made only if the corporation receives an undertaking by or on behalf of that director or officer to repay all amounts advanced if it is ultimately determined that he or she is not entitled to be indemnified by the corporation.

Limitation on Directors Liabilities

Delaware law permits a corporation to include a provision in its certificate of incorporation eliminating or limiting the personal liability of a director to the corporation or its stockholders for damages for a breach of the director s fiduciary duty. Both the Matria s and LifeMetrix s certificate of incorporation include a provision limiting such liability to the fullest extent permitted by law.

Stockholders Rights Plan

In January of 1996, Matria designated certain rights to its stockholders in connection with the adoption of a stockholder rights agreement. The rights plan contains provisions that are designed to protect stockholders in the event of unsolicited attempts to acquire Matria. Under the terms of the rights agreement, a common stock purchase right is attached to each outstanding share of Matria common stock. If a person or group acquires beneficial ownership of 15% or more of Matria s outstanding common stock or announces a tender offer or exchange that would result in the acquisition of beneficial ownership of 20% or more of Matria s outstanding common stock, the rights detach from the common stock and are distributed to stockholders as separate securities. Each right entitles its holder to purchase one one-hundredth of a share (a unit) of common stock, at a purchase price of $244 per unit. If Matria is acquired in a merger or other business combination acquisition, or 50% of its assets or earnings power are sold at any time after the rights become exercisable, the rights entitle a holder to buy a number of common shares of the acquiring company having a market value of twice the exercise price of the right. If a person acquires 20% of Matria s common stock or if a 15% or larger holder merges with Matria and the common stock is not changed or exchanged in such merger, or engages in self-dealing acquisitions with Matria, each right not owned by such holder becomes exercisable for the number of common shares of Matria having a market value of twice the exercise price of the right. The rights, which do not have voting power, expire on March 9, 2006 unless previously distributed and may be redeemed by Matria in whole at a price of $0.01 per right any time before and within ten days after their distribution.

LifeMetrix has no stockholder rights plan.

MATRIA PROPOSAL 2:

ELECTION OF CLASS I DIRECTORS

Background

Under Matria s Certificate of Incorporation, the board of directors is divided into three classes, with approximately one-third of the directors standing for election each year. The three nominees for election this year are Guy W. Millner, Carl E. Sanders and Thomas S. Stribling. Each has consented to serve for an additional term. If any director is unable to stand for election, the board of directors may, by resolution, provide for a lesser number of directors or designated substitute. In the latter event, shares represented by proxies may be voted for a substitute director.

The board of directors recommends a vote FOR the Class I nominees set forth below

Class I Nominees for the Term Expiring in 2005

Guy W. Millner, age 66, has been a director of Matria since October 4, 2000. Mr. Millner is Chairman of MI Holdings, a private investment firm. Until the fall of 1997 he was Chairman of Norrell Corporation, a staffing services and outsourcing firm, which he founded in 1961. From 1997 until July 1999 he served as a director of Norrell Corporation, at which time Norrell Corporation merged with Spherion Corporation.

Carl E. Sanders, age 77, has served as a director of Matria since the formation of Matria on March 8, 1996 and previously served as a director of Healthdyne, Inc., a predecessor to Matria, from 1986 until 1996. Mr. Sanders, a former governor of the State of Georgia, is Chairman of Troutman Sanders LLP, an Atlanta based law firm that provides legal services to Matria.

Thomas S. Stribling, age 59, has served as a director of Matria since May 18, 2000. Mr. Stribling has been President and Chief Executive Officer of DermaCo, Inc., a development stage dermatology company since September 1, 2001 and was an entrepreneur and private investor from September 1999 to September 2001. From 1998 to September 1999, he was President, Chief Executive Officer and a board member of Scandipharm, Inc., a privately held pharmaceutical company. Prior thereto, he was Vice Chairman and Chairman of the Advisory board of Legacy Securities Corporation, an investment banking and securities group, from 1997 to 1998, and from 1994 to 1996, he was President of UCB Pharma, Inc., a division of a Belgian-based pharmaceutical company.

Class III Directors Continuing in Office Until 2004

Parker H. Petit, age 63, has served as Chairman of the board of Matria since the formation of Matria through the Tokos/ Healthdyne merger and as President and Chief Executive Officer since October 5, 2000. In addition, he served as a member of the three-person Office of the President during a brief period in 1997. Mr. Petit was the founder of Healthdyne, Inc., and served as its Chairman of the board of directors and Chief Executive Officer from 1970 until the formation of Matria in 1996. Mr. Petit is also a director of Intelligent Systems Corp. and Logility, Inc.

Jeffrey D. Koepsell, age 55, has served as a director of Matria and as Executive Vice President and Chief Operating Officer since May 17, 2000. From 1992 to 1998, he was President and Chief Executive Officer of CardioLogic Systems, Inc., a venture capital-backed company in the cardiopulmonary market segment formed in cooperation with Johns Hopkins University and Medical Center. Prior thereto, he served as President and Chief Executive Officer of Physiologic Diagnostic Services, Inc., a women s health service provider acquired by Tokos Medical Corporation in 1992. Mr. Koepsell is also a former executive of Healthdyne, Inc.

Donald W. Weber, age 65, has served as a director of Matria since May 18, 2000. Mr. Weber is a private investor. He was President and Chief Executive Officer of Viewstar Entertainment Services, Inc., a distributor of satellite entertainment systems, from August 1993 until November 1997. Prior thereto, from 1987 to 1991 he was President and Chief Executive Officer of Contel Corporation, a telecommunications supplier, which was sold in 1991 to GTE Corp. Mr. Weber is also a director of Knology Holdings, Inc.

Morris S. Weeden, age 82, has served as a director of Matria since the Tokos/ Healthdyne merger and previously served as a director of Healthdyne from 1987 until the merger. Mr. Weeden, who is retired, was Vice Chairman board of directors of Morton Thiokol Inc., a salt, chemical, household and aerospace products manufacturer, from March 1980 to December 1984. Previous positions held by Mr. Weeden include Executive Vice President of Morton Norwich Products, Inc. in charge of pharmaceutical operations, President of Morton International, a pharmaceutical division of Morton Norwich Products, Inc., and President of Bristol Laboratories, a pharmaceutical division of Bristol Myers Corp. Mr. Weeden is also a director of Stat-Chem, Inc.

Class II Directors Continuing in Office Until 2003

Jackie M. Ward, age 64, has served as a director of Matria since the Tokos/ Healthdyne merger. Ms. Ward was Founder, Chairman and Chief Executive Officer of Computer Generation Incorporated, which she founded in 1968, until December 2000. In December 2000, Computer Generation Incorporated was purchased by Intec Telecom Systems. She currently serves in the capacity of Outside Managing Director of Intec, a British based corporation engaged in designing and producing computer software systems for telecommunications and other specialized applications. Ms. Ward is also a former Chairperson of the board of Regents of the University System of Georgia and former Chairman of the Metro Atlanta Chamber of Commerce, as well as a director of Bank of America, Equifax, Inc., Flower Foods, Inc., PTEK Holdings, Inc., PRG-Schultz International, Inc., Sanmina-SCI Corporation, SYSCO Corporation and Trigon Healthcare, Inc. and a member of several other civic and government organizations.

Frederick P. Zuspan, M.D., age 80, has served as a director of Matria since the Tokos/ Healthdyne merger and previously served as a director of Healthdyne from 1993 until the merger. Dr. Zuspan, who has been a physician since 1951, has been Professor and Chairman Emeritus, Department of Obstetrics and Gynecology at the Ohio State University College of Medicine since July 1991 and Editor-in-Chief of the American Journal of Obstetrics and Gynecology since 1991 and as an editor since 1969. Dr. Zuspan was previously Professor of the Ohio State University College of Medicine from 1987 to 1991 and Professor and Chairman of the Department of Obstetrics and Gynecology at the Ohio State University College of Medicine from 1975 to 1987, at the University of Chicago, Pritzker School of Medicine from 1966 to 1975, and at the Medical College of Georgia from 1960 to 1966.

Security Ownership of Certain Beneficial Owners and Management

The following table sets forth certain information as to the beneficial ownership of shares of Matria s common stock as of July 15, 2002 by (i) all stockholders known by Matria to be the beneficial owners of more than five percent of its common stock, (ii) each director of Matria, (iii) each executive officer named in the Executive Compensation section below, and (iv) all executive officers and directors as a group. Unless otherwise indicated, the holders listed below have sole voting and investment power with respect to all shares beneficially owned by them.

Name of Beneficial Owner	Amount and Nature of Beneficial Ownership(1)	Percent of Class(2)
FMR Corp.(3)	1,011,800	11.1%
Edward C. Johnson, III(3)	1,011,800	11.1%
Abigail P. Johnson(3)	1,011,800	11.1%
Safeco Corporation(4)(5)	956,075	10.5%
Safeco Asset Management Company(6)(5)	956,075	10.5%
Wellington Management Company, LLP(7)	896,100	9.9%
Lord, Abbett & Co.(8)	663,550	7.5%
Safeco Common Stock Trust(9)	657,575	7.3%
Fidelity Small Cap Stock Fund(3)	550,900	6.1%
Fidelity Management & Research Company(3)	300,200	3.3%
Dimensional Fund Advisors, Inc.(10)	568,150	6.3%
Vanguard Explorer Fund(11)	553,200	6.1%
Gruber and McBaine Capital Management, LLC(12)	514,020	5.7%
John D. Gruber(12)	514,020	5.7%
J. Patterson McBaine(12)	514,020	5.7%
Thomas O. Lloyd-Butler(12)	514,020	5.7%
Eric B. Swergold(12)	514,020	5.7%
Parker H. Petit(13)	535,409	5.9%
Jeffrey D. Koepsell(14)	10,500	*
Frank D. Powers	52,385	*
George W. Dunaway(15)	14,705	*
James P. Reichmann(16)	40,338	*
Guy W. Millner	17,053	*
Carl E. Sanders(17)	22,946	*
Thomas S. Stribling (18)	10,660	*
Jackie M. Ward(19)	18,750	*
Donald W. Weber(20)	10,000	*
Morris S. Weeden(21)	21,250	*
Frederick P. Zuspan(22)	22,879	*
All current executive officers and directors as a group (13 persons)	747,658	8.2%

* Less than 1%

(1) Under the rules of the SEC, a person is deemed to be a beneficial owner of a security if he or she has or shares the power to vote or to direct the voting of such security (voting power) or the power to dispose or to direct the disposition of such security (investment power). A person is also deemed to be a beneficial owner of any securities of which that person has the right to acquire beneficial ownership within 60 days as well as any securities owned by such person s spouse, children or relatives living in the same house. Accordingly, more than one person may be deemed to be a beneficial owner of the same securities.

(2) Based on 9,064,217 shares of common stock outstanding on July 15, 2002. With respect to each person or group in the table, assumes that such person or group has exercised all options, warrants and other rights to purchase common stock which he or she beneficially owns and which are exercisable within 60 days and that no other person has exercised any such rights.

(3) The address of these beneficial owners is 82 Devonshire Street, Boston, Massachusetts 02109. According to a Schedule 13G/ A filed March 11, 2002 by FMR Corp., Edward C. Johnson, III, Abigail P. Johnson, Fidelity Management & Research Company and Fidelity Small Cap Stock Fund, FMR possesses sole voting power with respect to 260,800 shares and sole investment power as to 1,011,800 shares. FMR is the parent company of Fidelity Management and Research Company, an investment advisor registered under the Investment Advisors Act of 1940, which beneficially owns 754,400 shares, or 8.613% of the shares outstanding, as a result of acting as investment advisor to various investment companies. One of these investment companies, Fidelity Small Cap Stock Fund, is the beneficial owner of 550,900 shares or 6.29% of the shares outstanding. Edward C. Johnson 3rd and FMR, through its control of Fidelity, and the funds each has sole power to dispose of 754,400 shares owned by the funds. Neither FMR nor Edward C. Johnson 3rd has the sole power to vote or direct the voting of the shares owed directly by the funds, which power resides with the funds boards of trustees. Fidelity Management Trust Company, a wholly owned subsidiary of FMR, is the beneficial owner of 257,400 shares as a result of serving as investment manager to institutional accounts, and Edward C. Johnson 3rd and FMR each has sole dispositive power over 257,400 shares and sole voting power as to 257,400 shares owned by such institutional accounts. Members of the Edward C. Johnson 3rd family are the predominant owners of the Class B shares of common stock of FMR, which class holds approximately 49% of the voting power of FMR. Through their stock ownership and the operation of a stockholders voting agreement to which they are parties, members of the Johnson family may be deemed to form a controlling group with respect to FMR under the Investment Company Act of 1940.

(4) The number of shares owned is based on information contained in a report on Schedule 13G/ A filed with the SEC on January 22, 2002. The address of Safeco Corporation is Safeco Plaza, Seattle WA 98101.

(5) The reporting person disclaims any beneficial ownership of 942,325 of the shares reported. Those reported shares are owned beneficially by registered investment companies for which the reporting person serves as an adviser, and include the shares reported in this proxy statement/ prospectus by Safeco Common Stock Trust.

(6) The number of shares owned is based on information contained in a report on Schedule 13G/ A filed with the SEC on January 22, 2002. Safeco Asset Management Company is the subsidiary on which Safeco Corporation reports as the parent holding company. Safeco Asset Management Company is an investment adviser, and its reported shares are owned beneficially by registered investment companies for which Safeco Asset Management Company serves as investment adviser. The address of Safeco Asset Management Company is 601 Union Street, Suite 2500, Seattle, WA 98101.

(7) The number of shares owned is based on information contained in a report on Schedule 13G/ A filed with the SEC on April 10, 2002. The address of Wellington Management Company, LLP is 75 State Street, Boston, Massachusetts 02109. According to its Schedule 13G, Wellington, in its capacity as investment adviser, may be deemed to beneficially own 896,100 shares of Matria s common stock, which shares are held of record by clients of Wellington. Wellington reports that it has no power to vote or direct the vote of such shares and shared power to dispose or direct the disposition of such shares, while its clients have the right to receive, or direct the receipt of, dividends from, or proceeds from the sale of, such shares.

(8) The number of shares owned is based on information contained in a report on Schedule 13G/ A filed with the SEC on January 28, 2002. The address of Lord, Abbett & Co. is 90 Hudson Street, Jersey City, New Jersey 07302.

(9) The number of shares owned is based on information contained in a report on Schedule 13G/ A filed with the SEC on January 22, 2002. The address of Safeco Common Stock Trust is 10865 Willows Road NE, Redmond, WA 98052.

(10) The number of shares owned is based on information contained in a report on Schedule 13G/ A filed with the SEC on February 12, 2002. The address of Dimensional Fund Advisors, Inc. is 1299 Ocean Avenue, 11th Floor, Santa Monica, California 90401.

(11) The number of shares owned is based on information contained in a report on Schedule 13G/ A filed with the SEC on January 31, 2002. According to its Schedule 13G, Vanguard Explorer Fund has the sole power to vote or direct the vote of such shares and shared power to dispose or direct the disposition of such shares. The address of Vanguard Explorer Fund is Post Office Box 2600, Valley Forge, Pennsylvania 19482.

(12) The address of these beneficial owners is 50 Osgood Place, Penthouse, San Francisco, CA 94133. According to a Schedule 13G filed February 27, 2002 by Gruber and McBaine Capital Management, LLC, Jon D. Gruber, J. Patterson McBaine, Thomas O. Lloyd-Butler, and Eric B. Swergold, Gruber and McBaine Capital Management, LLC possesses shared voting and investment power with respect to 514,020 shares. Jon D. Gruber has the sole voting power with respect to 66,350 shares and shared voting and investment power with respect to 514,020 shares. J. Patterson McBaine has sole voting power with respect to 50,675 shares and shared voting and investment power with respect to 514,020 shares. Each of Thomas O. Lloyd-Butler and Eric B. Swergold has shared voting and investment power with respect to 514,020 shares.

(13) Represents 465,214 shares owned by Mr. Petit, 2,904 shares owned by Mr. Petit