

MATRIA HEALTHCARE INC
Form 10-Q/A
March 20, 2007

**SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

**Form 10-Q/A
(Amendment No. 1)**

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED **September 30, 2006**

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM _____ TO _____

Commission file number **0-20619**

MATRIA HEALTHCARE, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

20-2091331

(I.R.S. Employer
Identification No.)

1850 Parkway Place

Marietta, Georgia 30067

(Address of principal executive
offices)(Zip Code)

(770) 767-4500

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer (as defined by Rule 12b-2 of the Exchange Act).

Large accelerated filer Accelerated filer Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

The number of shares outstanding of the issuer's only class of common stock, \$.01 par value, as of November 1, 2006, was 21,442,346.

EXPLANATORY NOTE

Matria Healthcare, Inc. (the "Company") is filing this Amendment No. 1 on Form 10-Q/A (this "Amendment") to its Quarterly Report on Form 10-Q for the quarter ended September 30, 2006, which was originally filed with the Securities and Exchange Commission (the "SEC") on November 8, 2006 (the "Original Filing"), to amend and restate the Company's consolidated financial statements (the "Restatement") for the three and nine months ended September 30, 2006. The Company is amending and restating its consolidated financial statements to record income tax expense adjustments related to the quarterly period ended September 30, 2006. In addition, the Company is restating its consolidated financial statements to record adjustments to its Accrued liabilities and Goodwill as of September 30, 2006.

In 1999, the Company acquired substantially all of the assets of Gainor Medical Management, LLC ("Gainor"), including its wholly owned subsidiary Facet Technologies, LLC ("Facet"). In connection with the purchase of Gainor, the Company incorrectly calculated the purchase price allocation made for tax purposes in 1999. As a result, when the Company disposed of Facet in September 2006, it incorrectly calculated the after-tax gain on the disposition of Facet because the original purchase price allocation made in 1999 was incorrect. For the three months and nine months ended September 30, 2006, the Company's income tax expense on the gain on disposal of Facet was overstated by approximately \$7.3 million. Accordingly, the effects of the adjustments on the Company's financial statements for the three and nine months ended September 30, 2006 are an increase of \$5.5 million to the long-term portion of deferred tax assets, a decrease of \$1.8 million to income taxes payable, and a corresponding decrease of \$7.3 million in income tax expense, which results in an increase to gain on disposal of Facet, net of income taxes, and an increase in diluted earnings per share from discontinued operations of \$7.3 million and \$0.34, respectively, for the three and nine months ended September 30, 2006. These adjustments do not affect the Company's earnings from continuing operations for these periods as previously reported.

In addition, the Company recorded adjustments to eliminate the contingent consideration liability, included in Accrued liabilities on the consolidated condensed balance sheet, for the acquisition of WinningHabits, Inc. ("WinningHabits") as the contingency was not resolved and additional consideration was not issuable as of September 30, 2006. The effects of the adjustments on the Company's consolidated balance sheet as of September 30, 2006, were decreases in Goodwill and Accrued liabilities of \$23.3 million.

For the convenience of the reader, this Amendment sets forth the Original Filing in its entirety. However, this Amendment amends and restates Items 1, 2 and 4 of Part I, in each case as a result of, and to reflect, the Restatement and related matters. For a description of the Restatement, see Note 2, "Restatement of Financial Statements," to the accompanying interim consolidated financial statements contained in this Amendment. In addition, Exhibits 31.1, 31.2, 32.1 and 32.2 of the Original Filing have been amended to contain currently dated certifications from the Company's Chief Executive Officer and Chief Financial Officer. No other information in the Original Filing is amended hereby. The foregoing items have not been updated to reflect other events occurring after the filing of the Original Filing or to modify or update those disclosures affected by subsequent events. Except for the amended information related to the Restatement, the information in this Amendment is as of the date of the Original Filing and the Company has not updated the disclosure contained herein to reflect events that occurred as of a later date.

MATRIA HEALTHCARE, INC.
QUARTERLY REPORT ON FORM 10-Q/A
SEPTEMBER 30, 2006

TABLE OF CONTENTS

PART I - FINANCIAL INFORMATION

Item 1.	Financial Statements	4
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	23
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	36
Item 4.	Controls and Procedures	37

PART II - OTHER INFORMATION

Item 1A.	Risk Factors	38
Item 5.	Other Information	38
Item 6.	Exhibits	39

SIGNATURES		40
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PART I - FINANCIAL INFORMATION**Item 1. Financial Statements**

Matria Healthcare, Inc. and Subsidiaries
Consolidated Condensed Balance Sheets
(Amounts in thousands, except per share amounts)
(Unaudited)

	September 30,	December 31,
	2006	2005
	(as restated)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 28,178	\$ 22,758
Restricted cash	1,344	550
Trade accounts receivable, less allowances of \$4,086 and \$3,886 at September 30, 2006 and December 31, 2005, respectively	55,888	33,996
Assets held for sale	30,322	132,455
Prepaid expenses and other current assets	8,631	6,588
Deferred income taxes	10,447	8,629