

UNITED STATES DISTRICT COURT
DISTRICT OF ARIZONA

JAMES V. SIRACUSANO, On Behalf of Himself and All Others Similarly Situated,)	Civ. No. 04-0886-PHX-NVW
)	(Consolidated)
)	
Plaintiff,)	<u>CLASS ACTION</u>
)	
vs.)	
)	
MATRIX INITIATIVES, INC., et al.,)	
)	
Defendants.)	
)	

NOTICE OF PROPOSED SETTLEMENT OF CLASS ACTION

If you purchased Matrixx Initiatives, Inc. (“Matrixx”) common stock or put or call options (collectively, “Matrixx Securities”) during the period between October 22, 2003 and February 6, 2004, inclusive (the “Class Period”), and are not otherwise excluded from the Class, you could get a payment from a class action settlement.

A federal court authorized this Notice. This is not a solicitation from a lawyer.

Security and Time Period: Matrixx common stock and put or call options purchased between October 22, 2003 and February 6, 2004, inclusive.

Settlement Fund: \$4,500,000 in cash.¹ Your recovery will depend on the timing of your purchases and any sales of Matrixx Securities during the Class Period. Based on the information currently available to Lead Plaintiff’s Counsel and the analysis performed by their damage consultants, it is estimated that if Class Members submit claims for 100% of the shares eligible for distribution under the Plan of Allocation (described below), the estimated average distribution will be approximately \$0.84 for each share of Matrixx common stock before deduction of the cost of settlement administration and Court-approved attorneys’ fees and expenses. Historically, actual claims rates are less than 100%, which result in higher distributions per share. Please see Question 9 for a detailed explanation of the proposed Plan of Allocation to distribute settlement proceeds among Class Members.

Reasons for Settlement: The Settlement provides the Class with a benefit now instead of years of uncertainty, including a contested trial and likely appeals with the possibility of no recovery at all.

If the Case Had Not Settled: Continuing with the case could have resulted in a loss by the Class at summary judgment, trial, or on appeal. The parties vigorously disagree on both liability and damages. The Defendants deny that they are liable in any respect or that Lead Plaintiff and the Class suffered any injury. Among the many issues on which the parties do not agree are (1) whether any of the Defendants violated the securities laws; (2) whether the facts alleged by the Lead Plaintiff were material, false, misleading, or otherwise actionable under the securities laws; (3) the extent (if any) that various facts alleged by the Lead Plaintiff influenced the trading prices of Matrixx Securities during the relevant period; (4) the method for determining whether the price of Matrixx Securities was artificially inflated between October 22, 2003 and February 6, 2004, inclusive; (5) the amount (if any) of such inflation; and (6) the amount of damages (if any) that could be recovered at trial.

Attorneys’ Fees and Expenses: Court-appointed Lead Plaintiff’s Counsel will ask the Court for attorneys’ fees of 30% of the Settlement Fund and expenses not to exceed \$200,000 to be paid from the Settlement Fund plus interest. If the above amounts are requested and approved by the Court, the average cost per share will be approximately \$0.29 for each share of Matrixx common stock.

Deadlines:

Submit Claim:	November 13, 2012
Request Exclusion:	October 12, 2012
File Objection:	October 12, 2012

¹ The complete terms and conditions of the Settlement are set forth in the Stipulation of Settlement dated as of July 27, 2012 (“Stipulation”), which can be downloaded at www.gilardi.com or requested from Lead Plaintiff’s Counsel at the telephone number and address listed on the next page.

Court Hearing on Fairness of Settlement: November 13, 2012

More Information: www.gilardi.com or

Claims Administrator:

Matrixx Securities Litigation

Claims Administrator

c/o Gilardi & Co. LLC

P.O. Box 990

Corte Madera, CA 94976-0990

1-888-213-8827

Representative of Lead Plaintiff's Counsel:

Rick Nelson

c/o Shareholder Relations

Robbins Geller Rudman

& Dowd LLP

655 West Broadway, Suite 1900

San Diego, CA 92101

1-800-449-4900

- Your legal rights are affected whether you act or do not act. Read this Notice carefully.

YOUR LEGAL RIGHTS AND OPTIONS IN THIS SETTLEMENT

SUBMIT A CLAIM FORM The only way to get a payment.

REQUEST EXCLUSION Get no payment. This is the only option that allows you to ever be part of any other lawsuit about the legal claims in this case.

OBJECT You may write to the Court if you do not like this Settlement, the request for attorneys' fees and expenses, or the Plan of Allocation.

GO TO A HEARING You may ask to speak in Court about the fairness of the Settlement.

DO NOTHING Get no payment. Give up your rights.

- These rights and options — **and the deadlines to exercise them** — are explained in this Notice.
- The Court in charge of this case must decide whether to approve the Settlement. Payments will be made if the Court approves the Settlement and, if there are any appeals, after appeals are resolved. Please be patient.

BASIC INFORMATION

1. Why did I get this notice package?

You or someone in your family may have purchased Matrixx Securities between October 22, 2003 and February 6, 2004, inclusive.

The Court directed that you be sent this Notice because you have a right to know about a proposed settlement of a class action lawsuit, and about all of your options, before the Court decides whether to approve the Settlement. If the Court approves it and after any objections or appeals (if there are any) are resolved, the Claims Administrator appointed by the Court will make the payments that the Settlement allows.

This package explains the lawsuit, the Settlement, your legal rights, what benefits are available, who is eligible for them, and how to get them.

The Court in charge of the case is the United States District Court for the District of Arizona (the "Court") and the case is known as *Siracusano v. Matrixx Initiatives, Inc., et al.*, Civ. No. 04-0886-PHX-NVW. The entity that leads the Litigation, NECA-IBEW Pension Fund (the Decatur Plan) is called the Lead Plaintiff, and the parties it sued are called Defendants. Defendants in this case are Matrixx, Carl J. Johnson, William J. Hemelt, and Timothy L. Clarot.

2. What is this lawsuit about?

Beginning on April 27, 2004, two putative class action lawsuits were filed against Matrixx and certain of its officers by Matrixx's stockholders alleging violations of the federal securities laws. These actions were captioned *Sved v. Matrixx Initiatives, Inc., et al.* (D. Ariz. Civ. No. 04-0886) and *Siracusano v. Matrixx Initiatives, Inc., et al.* (D. Ariz. Civ. No. 04-1012). The two actions were consolidated by the Court on October 27, 2004, and the consolidated action is referred to herein as the "Litigation." Thereafter, on January 14, 2005, the Court appointed NECA-IBEW as "Lead Plaintiff" pursuant to the requirements of the Private Securities Litigation Reform Act of 1995 and approved NECA-IBEW's selection of lead and liaison counsel.

On March 4, 2005, Lead Plaintiff filed a Consolidated Amended Complaint for Violation of the Federal Securities Laws ("Complaint"). On April 4, 2005, Defendants filed a motion to dismiss the Complaint. On December 15, 2005, the Court granted Defendants' motion to dismiss the Complaint. Lead Plaintiff filed a timely appeal and on October 28, 2009, the Ninth Circuit reversed the dismissal of the Complaint. *Siracusano v. Matrixx Initiatives, Inc.*, 585 F.3d 1167 (9th Cir. 2009). On June

14, 2010, the United States Supreme Court granted certiorari and on March 22, 2011 issued an opinion affirming the decision of the Ninth Circuit. *Matrixx Initiatives, Inc. v. Siracusano*, 131 S. Ct. 1309 (2011).

As a result of the Supreme Court's decision, the case was remanded to the Court on April 25, 2011. On February 27, 2012, the Court issued an order appointing Lead Plaintiff as class representative and certifying a Class that consists of:

all persons or entities who, between October 22, 2003 and February 6, 2004, inclusive, purchased the publicly traded securities of Matrixx and who were damaged thereby. Excluded from the Class are Defendants, directors and officers of Matrixx and their families and affiliates.

Defendants have filed an Answer denying all material allegations of the Complaint and have asserted numerous defenses. The parties are currently engaged in discovery, which includes, without limitation, the review and analysis of hundreds of thousands of pages of documents and the taking of depositions.

After extensive settlement discussions and several mediations during the course of the Litigation, the parties participated in a mediation session with the Honorable William J. Cahill (Ret.) on June 26, 2012. Prior to the mediation, each side submitted comprehensive mediation statements setting forth the strengths and weaknesses of their case. The parties reached an agreement-in-principle to settle the Litigation at the mediation that was set forth in a Memorandum of Understanding dated June 26, 2012. After further negotiations, the parties reached an agreement on the terms of a settlement as set forth in the Stipulation.

3. Why is this a class action?

In a class action, one or more people called class representatives (in this case, the Court-appointed Lead Plaintiff and class representative, NECA-IBEW Pension Fund) sue on behalf of those who have similar claims. All of these people and/or entities are called a class or class members. One court resolves the issues for all class members, except for those who exclude themselves from the class. In this case, United States District Court Judge Neil V. Wake is in charge of this case.

4. Why is there a settlement?

The Court did not decide in favor of Lead Plaintiff or Defendants. Instead, the lawyers for the parties of the lawsuit have negotiated a settlement that they believe is in the best interests of their respective clients. The Settlement allows all parties to avoid the risks and cost of lengthy and uncertain continued litigation and the uncertainty of a trial and appeals, and permits Class Members to be compensated now. Lead Plaintiff and its attorneys think the Settlement is best for all Class Members.

WHO IS IN THE SETTLEMENT

To see if you will get money from this Settlement, you first have to determine if you are a Class Member.

5. How do I know if I am part of the Settlement?

On February 27, 2012, the Court certified a Class that includes ***all Persons or entities who purchased Matrixx Securities between October 22, 2003 and February 6, 2004, inclusive and who were damaged thereby.***

6. Are there exceptions to being included in the Class?

Yes. Excluded from the Class are Defendants, directors and officers of Matrixx and their families and affiliates. Also excluded from the Class are those Persons who timely and validly request exclusion from the Class.

7. I'm still not sure if I am included.

If you still are not sure whether you are included, you can ask for free help. You can call the Claims Administrator at 1-888-213-8827 or visit www.gilardi.com for more information; you can call a representative of Lead Plaintiff's Counsel, Rick Nelson at 1-800-449-4900 for more information; or you can fill out and return the claim form described in Question 10 to see if you qualify.

THE SETTLEMENT BENEFITS – WHAT YOU GET

8. What does the Settlement provide?

Defendants have agreed to pay or cause to be paid \$4,500,000 in cash (the "Settlement Fund"). The Settlement Fund will be divided among all eligible Class Members who send in valid claim forms ("Authorized Claimants"), after payment of Court-approved attorneys' fees and expenses, taxes, and the costs of claims administration, including the costs of printing and mailing this Notice and the cost of publishing newspaper notice (the "Net Settlement Fund").

9. How much will my payment be?

Your share of the Net Settlement Fund will depend on the number of valid claim forms that Class Members send in, the amount of those claims, and how many Matrixx Securities you purchased during the Class Period and when you bought and sold them. The Net Settlement Fund shall be distributed to the Class Members as described in this section (the "Plan of Allocation").

In the unlikely event there are sufficient funds in the Net Settlement Fund, each Authorized Claimant will receive an amount equal to the Authorized Claimant's claim, as defined below. If, however, the amount in the Net Settlement Fund is not sufficient to permit payment of the total claim of each Authorized Claimant, then each Authorized Claimant shall be paid the percentage of the Net Settlement Fund that each Authorized Claimant's claim bears to the total of the claims of all Authorized Claimants. Payment in this manner shall be deemed conclusive against all Authorized Claimants.

A. COMMON STOCK

The allocation is based on the following closing prices:

January 30, 2004: \$ 13.55 per share

February 6, 2004: \$ 9.94 per share

Decline: \$ 3.61 per share

1. For shares of Matrixx common stock that were ***purchased from October 22, 2003 through January 30, 2004***, and

(a) sold prior to January 31, 2004, the claim per share is \$0;

(b) sold from January 31, 2004 through February 6, 2004, the claim is the purchase price per share (not to exceed \$13.55 per share) less the sales price per share;

(c) retained at the end of February 6, 2004, the claim is the purchase price per share (not to exceed \$13.55 per share) less \$9.94 per share (February 6, 2004 closing price).

2. For shares of Matrixx common stock that were ***purchased from January 31, 2004 through February 6, 2004***, and

(a) sold from January 31, 2004 through February 6, 2004, the claim per share is the purchase price per share (not to exceed \$13.55 per share) less the sales price per share;

(b) retained at the end of February 6, 2004, the claim is the purchase price per share (not to exceed \$13.55 per share) less \$9.94 per share (February 6, 2004 closing price).

B. CALL OPTIONS

1. For call options on Matrixx common stock ***purchased from October 22, 2003 through February 6, 2004***, and

(a) held at the end of any date on or between January 30, 2004 and February 6, 2004, the claim per call option is the difference between the price paid for the call option less the proceeds received upon the settlement of the call option contract;

(b) not held at the end of any date on or between January 30, 2004 and February 6, 2004, the claim per call option is \$0.

2. For call options on Matrixx common stock ***written from October 22, 2003 through February 6, 2004***, the claim per call option is \$0.

C. PUT OPTIONS

1. For put options on Matrixx common stock ***written from October 22, 2003 through February 6, 2004***, and

(a) held at the end of any date on or between January 30, 2004 and February 6, 2004, the claim per put option is the difference between the price paid upon settlement of the put option contract less the initial proceeds received upon the sale of the put option contract;

(b) not held at the end of any date on or between January 30, 2004 and February 6, 2004, the claim per put option is \$0.

2. For put options on Matrixx common stock ***purchased from October 22, 2003 through February 6, 2004***, the claim per put option is \$0.

Note: In the case the option was exercised for Matrixx common stock, the amount paid, or proceeds received, upon the settlement of the option contract equals Matrixx's common stock closing price on the date the option was exercised.

Note: The combined recovery for the put/call options shall not exceed 3% of the Net Settlement Fund.

The date of purchase or sale is the "contract" or "trade" date as distinguished from the "settlement" date.

For Class Members who held Matrixx Securities at the beginning of the Class Period or made multiple purchases or sales during the Class Period, the first-in, first-out ("FIFO") method will be applied to such holdings, purchases, and sales for purposes of calculating a claim. Under the FIFO method, the sales of Matrixx Securities during the Class Period will be matched in chronological order, first against securities held at the beginning of the Class Period. The remaining sales of securities during the Class Period will then be matched, in chronological order, against securities purchased during the Class Period.

A Class Member will be eligible to receive a distribution from the Net Settlement Fund only if a Class Member had a net loss, after all profits from transactions in Matrixx Securities during the Class Period are subtracted from all losses. However, the proceeds of sales from securities which have been matched against securities held at the beginning of the Class Period will not be used in the calculation of such net loss. No distributions will be made to Authorized Claimants who would otherwise receive a distribution of less than \$10.00.

The Court has reserved jurisdiction to allow, disallow, or adjust the claim of any Class Member on equitable grounds.

Payment pursuant to the Plan of Allocation set forth above shall be conclusive against all Class Members. No Person shall have any claim against Lead Plaintiff, Plaintiff's Counsel, or any claims administrator or other Person designated by Lead Plaintiff's Counsel or Defendants and/or their counsel based on distributions made substantially in accordance with the Stipulation and the Settlement contained therein, the Plan of Allocation, or further orders of the Court. All Class Members who fail to complete and file a valid and timely Proof of Claim shall be barred from participating in distributions from the Net Settlement Fund (unless otherwise ordered by the Court), but otherwise shall be bound by all of the terms of the Stipulation, including the terms of any judgment entered and the releases given.

HOW YOU GET A PAYMENT – SUBMITTING A PROOF OF CLAIM

10. How will I get a payment?

To qualify for a payment, you must send in a Proof of Claim. A Proof of Claim is enclosed with this Notice. Read the instructions carefully, fill out the Proof of Claim, include all the documents the form asks for, sign it, and mail it in the enclosed envelope postmarked no later than November 13, 2012.

11. When would I get my payment?

The Court will hold a hearing on November 13, 2012, at 9:30 a.m., to decide whether to approve the Settlement. If Judge Wake approves the Settlement, there may be appeals. It is always uncertain whether these appeals can be resolved favorably, and resolving them can take time, perhaps more than a year. It also takes time for all the Proofs of Claim to be processed. If there are no appeals and depending on the number of claims submitted, the Claims Administrator could distribute the Net Settlement Fund as early as nine months after the fairness hearing but likely will take longer. Please be patient.

EXCLUDING YOURSELF FROM THE SETTLEMENT

If you do not want a payment from this Settlement, but you want to keep the right to sue or continue to sue any of the Defendants on your own about the same legal issues in this case, then you must take steps to get out of the Class. This is called excluding yourself or is sometimes referred to as opting out of the Class.

12. How do I get out of the Class?

To exclude yourself from the Class, you must send a letter by mail stating that you want to be excluded from *Siracusano v. Matrixx Initiatives, Inc., et al.*, Civ. No. 04-0886-PHX-NVW. You must include your name, address, telephone number, your signature, the date you purchased Matrixx Securities and the price paid for such Matrixx Securities, and the number of Matrixx Securities you purchased during the Class Period. You must mail your exclusion request postmarked no later than October 12, 2012, to:

Matrixx Securities Litigation
Claims Administrator
c/o Gilardi & Co. LLC
P.O. Box 990
Corte Madera, CA 94976-0990

You cannot exclude yourself on the phone or by e-mail. If you ask to be excluded, you are not eligible to get any settlement payment, and you cannot object to the Settlement. You will not be legally bound by anything that happens in this lawsuit.

13. If I do not exclude myself, can I sue the Defendants for the same thing later?

No. Unless you exclude yourself, you give up any right to sue the Defendants for the claims resolved by the Settlement. If you have a pending lawsuit against any of the Defendants, speak to your lawyer in that case immediately. Remember, the exclusion deadline is October 12, 2012.

14. If I exclude myself, can I get money from this Settlement?

No. If you exclude yourself, do not send in a claim form. But, you may sue, continue to sue, or be part of a different lawsuit against any of the Defendants.

THE LAWYERS REPRESENTING YOU

15. Do I have a lawyer in this case?

The Court appointed the law firm of Robbins Geller Rudman & Dowd LLP to represent you and other Class Members. These lawyers are called Lead Plaintiff's Counsel. The Court also appointed Bonnett, Fairbourn, Friedman & Balint, P.C. as Liaison Plaintiff's Counsel. You will not be charged for these lawyers' work. If you want to be represented by your own lawyer, you may hire one at your own expense.

16. How will the lawyers be paid?

At the fairness hearing, Lead Plaintiff's Counsel will request the Court to award attorneys' fees of 30% of the Settlement Fund and for expenses up to \$200,000, which were incurred in connection with the Litigation. Class Members are not personally liable for any such fees or expenses. To date, Lead Plaintiff's counsel have not received any payment for their services in conducting this Litigation on behalf of the Lead Plaintiff and the Class, nor have counsel been paid for their expenses. The fee requested will compensate Lead Plaintiff's counsel for their work in achieving the Settlement Fund and is within the range of fees awarded to class counsel under similar circumstances in other cases of this type. The Court may award less than this amount.

OBJECTING TO THE SETTLEMENT

You can tell the Court that you do not agree with the Settlement or some part of it.

17. How do I tell the Court that I do not like the Settlement?

If you are a Class Member, you can object to the Settlement, the request for attorneys' fees and expenses, or the Plan of Allocation if you do not like any part of it. You can give reasons why you think the Court should not approve the Settlement, the request for attorneys' fees and expenses, or the Plan of Allocation. The Court will consider your views. To object, you must send a signed letter saying that you object to the proposed Settlement in *Siracusano v. Matrixx Initiatives, Inc., et al.*, Civ. No. 04-0886-PHX-NVW. Be sure to include your name, address, telephone number, your signature, the number of Matrixx Securities you purchased between October 22, 2003 and February 6, 2004, inclusive, and the reasons you object to the Settlement, the requested attorneys' fees and expenses, or the Plan of Allocation. Any objection to the Settlement, the requested attorneys' fees and expenses, or the Plan of Allocation must be mailed or delivered such that it is received by each of the following no later than October 12, 2012:

Court:

Clerk of the Court
UNITED STATES DISTRICT COURT
DISTRICT OF ARIZONA
Sandra Day O'Connor United States Courthouse
401 West Washington Street, Suite 130, SPC 1
Phoenix, AZ 85003-2118

Lead Plaintiff's Counsel:

Jeffrey D. Light
ROBBINS GELLER RUDMAN & DOWD LLP
655 West Broadway, Suite 1900
San Diego, CA 92101

Counsel for Defendants:

Amy J. Longo
O'MELVENY & MYERS LLP
400 South Hope Street
Los Angeles, CA 90071

THE COURT'S FAIRNESS HEARING

The Court will hold a hearing to decide whether to approve the proposed Settlement. You may attend, but you do not have to.

18. When and where will the Court decide whether to approve the Settlement?

The Court will hold a hearing at 9:30 a.m., on November 13, 2012, at the Sandra Day O'Connor United States Courthouse, United States District Court, District of Arizona, 401 West Washington Street, Phoenix, Arizona. At this hearing, the Court will consider whether the Settlement is fair, reasonable, and adequate. If there are objections, the Court will consider them. The Court will listen to people who have asked to speak at the hearing. The Court will also decide whether to approve the payment of fees and expenses to Lead Plaintiff's counsel and the Plan of Allocation. We do not know how long the hearing will take or whether the Court will make its decision about the Settlement, the request for the payment of fees and expenses, or the Plan of Allocation on the day of the hearing or sometime later.

19. Do I have to come to the hearing?

No. Lead Plaintiff's Counsel will answer questions Judge Wake may have. But, you are welcome to come at your own expense. If you send an objection, you do not have to come to Court to talk about it. As long as you mailed your written objection on time, the Court will consider it. You may also pay your own lawyer to attend, but it is not necessary.

20. May I speak at the hearing?

You may ask the Court to speak at the hearing. To do so, you must send a letter saying that it is your intention to appear in *Siracusano v. Matrixx Initiatives, Inc., et al.*, Civ. No. 04-0886-PHX-NVW. Be sure to include your name, address, telephone number, your signature, and the number of Matrixx Securities you purchased between October 22, 2003 and February 6, 2004, inclusive. Your notice of intention to appear must be received no later than October 12, 2012, by the Clerk of the Court and counsel at the addresses listed in Question 17.

IF YOU DO NOTHING

21. What happens if I do nothing at all?

If you do nothing, you will get no money from this Settlement because you must submit a Proof of Claim.

GETTING MORE INFORMATION

22. Are there more details about the Settlement?

This Notice summarizes the proposed Settlement. More details are in the Stipulation, which has been filed with the Court. You can get a copy of the Stipulation from the Clerk's office at the United States District Court, District of Arizona, Sandra Day O'Connor United States Courthouse, 401 West Washington Street, Suite 130, SPC 1, Phoenix, Arizona, during regular business hours, or it can be viewed or downloaded at www.gilardi.com, or you may contact the Claims Administrator at 1-888-213-8827.

23. How do I get more information?

You can call 1-800-449-4900 or write to a representative of Lead Plaintiff's Counsel, Rick Nelson, c/o Shareholder Relations, Robbins Geller Rudman & Dowd LLP, 655 West Broadway, Suite 1900, San Diego, CA 92101 or go to www.gilardi.com for additional information regarding the Settlement or the Litigation. ***Please do not call the Court or the Clerk of the Court for additional information about the Settlement.***

24. Special notice to nominees

If you hold any Matrixx Securities purchased between October 22, 2003 and February 6, 2004, inclusive as a nominee for a beneficial owner, then, within ten (10) days after you receive this Notice, you must either (1) send a copy of this Notice by First-Class Mail to all such Persons; or (2) provide a list of the names and addresses of such Persons to the Claims Administrator:

Matrixx Securities Litigation
Claims Administrator
c/o Gilardi & Co. LLC
P.O. Box 990
Corte Madera, CA 94976-0990

If you choose to mail the Notice and Proof of Claim yourself, you may obtain from the Claims Administrator (without cost to you) as many additional copies of these documents as you will need to complete the mailing.

Regardless of whether you choose to complete the mailing yourself or elect to have the mailing performed for you, you may obtain reimbursement for or advancement of reasonable administrative costs actually incurred or expected to be incurred in connection with forwarding the Notice and which would not have been incurred but for the obligation to forward the Notice, upon submission of appropriate documentation to the Claims Administrator.

DATED: JULY 30, 2012

BY ORDER OF THE COURT
UNITED STATES DISTRICT COURT
DISTRICT OF ARIZONA