

**IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF GEORGIA
ATLANTA DIVISION**

**SECURITIES AND EXCHANGE
COMMISSION,**

Plaintiff, : Civil Action No.

v.

**EARL C. ARROWOOD and
PARKER H. PETIT,**

Defendants.

COMPLAINT FOR INJUNCTIVE RELIEF

Plaintiff, Securities and Exchange Commission (the “Commission”), files its complaint and alleges that:

OVERVIEW

1. This matter involves insider trading by Defendant Earl C. Arrowood (“Arrowood”) based on material non-public information about the potential sale of Matria Healthcare, Inc. (“Matria”) provided by his friend and flying partner, Parker H. Petit (“Petit”), who was then Matria’s Chairman and Chief Executive Officer.
2. On two occasions, once in October 2007 and again in December 2007, Arrowood purchased common shares of Matria stock based on material non-public

information provided by Petit that Matria was actively seeking to be acquired. In these two transactions, Arrowood paid approximately \$420,000—an amount equaling about 50% of his total net worth—to acquire over 17,500 shares of Matria common stock.

3. On January 15, 2008, after the market opened, Matria publicly announced that it was pursuing a possible sale of the company. That day, Matria's common stock closed at \$29.34 per share, an increase of 20% from the previous day's close of \$24.45 per share. Matria ultimately announced an acquisition agreement on January 28, 2008.

4. Arrowood's gains as a result of his insider trading were over \$94,000.

5. Defendants have engaged and, unless restrained and enjoined by this Court, will continue to engage in acts and practices that constitute and will constitute violations of Section 10(b) of the Securities Exchange Act of 1934 ("Exchange Act") [15 U.S.C. § 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5].

JURISDICTION AND VENUE

6. The Commission brings this action pursuant to Sections 21(d) and 21(e) of the Exchange Act [15 U.S.C. §§ 78u(d) and 78u(e)] to enjoin Defendants from engaging in the transactions, acts, practices, and courses of business alleged in this

complaint, and transactions, acts, practices, and courses of business of similar purport and object, for civil penalties and for other equitable relief.

7. This Court has jurisdiction over this action pursuant to Sections 21(d), 21(e), and 27 of the Exchange Act [15 U.S.C. §§ 78u(d), 78u(e), and 78aa].

8. Defendants, directly and indirectly, made use of the mails, and the means and instrumentalities of interstate commerce in connection with the transactions, acts, practices, and courses of business alleged in this complaint.

9. Certain of the transactions, acts, practices, and courses of business constituting violations of the Exchange Act occurred in the Northern District of Georgia. Defendants reside in the Northern District of Georgia.

10. Defendants, unless restrained and enjoined by this Court, will continue to engage in the transactions, acts, practices, and courses of business alleged in this complaint, and in transactions, acts, practices, and courses of business of similar purport and object.

THE DEFENDANTS

11. Earl C. Arrowood, age 67, resides in Gainesville, Georgia and is a retired Delta Airlines pilot.

12. Parker H. Petit, age 72, maintains residences in Miramar Beach, Florida and Roswell, Georgia. Petit served as the Chairman of the Board of Matria between 1996 and 2008 and as its President and CEO between 2000 and 2008. Petit is currently the Chairman and CEO of the MiMedx Group, a manufacturer of orthopedic and spine implants. He is also the President of The Petit Group, a family-run investment management organization that invests in small and mid-cap public companies as well as private companies for family members and close friends. Petit also serves on the Board of Directors of Intelligent Systems Corporation (NYSE: INS).

RELEVANT ENTITY

13. Matria Healthcare, Inc., incorporated in Delaware, with its principal place of business in Marietta, Georgia, is a health wellness concern that provides services to companies that self-insure medical benefits to their employees. During the relevant period, Matria's common stock was listed on NASDAQ and traded under the symbol "MATR." Matria was acquired by Inverness Medical Innovations, Inc. Inverness changed its name to Alere, Inc., and Matria is currently a wholly owned subsidiary of Alere.

MATRIA'S EFFORTS TO BE ACQUIRED

14. Beginning in late 2006, Petit was contacted on multiple occasions by different entities regarding the possible acquisition of Matria. On September 27, 2007, Matria's Board of Directors hired an investment banker and decided to explore the possibility of a sale of Matria.
15. During September and October 2007, Matria identified and contacted twelve entities regarding a possible acquisition of the company.
16. Between September and November 2007, Matria had signed confidentiality agreements and made management presentations to five potential acquirers, regarding the structure and financing of a potential tender offer for Matria. These potential acquirers included Inverness Medical Innovations, Inc., the entity that eventually acquired Matria.
17. By late October 2007, each of the five potential acquirers had begun formal due diligence on Matria.
18. On December 5, 2007, Matria delivered a bid process letter to each of the five potential acquirers requesting that each submit a written acquisition proposal no later than December 17, 2007.

19. By December 19, 2007, three potential acquirers submitted preliminary, non-binding bids offering between \$26.50 and \$31.00 per share to acquire Matria. Matria's Board of Directors permitted all interested parties to continue their due diligence and submit final bid offers by January 10, 2008.

20. Matria ultimately received two acquisition bids in January 2008. On January 15, 2008, while considering the acquisition bids, Matria publicly announced that it was engaged in advanced stages of negotiations related to the pursuit of certain strategic initiatives, including a possible sale of the company.

21. Matria's common stock closed that day at \$29.34 per share, an increase of \$4.89, or 20%, from the previous day's close of \$24.45 per share. The historical average daily trading volume in Matria was 272,000 shares. On January 15, 2008, after Matria announced a possible sale of the company, trading volume was over 6,000,000 shares or 23 times the historical daily average.

22. On January 28, 2008, before the market opened, Matria and Inverness issued a joint press release announcing that Inverness would acquire Matria for a combination of cash and stock valued at \$39.00 a share.

23. As of September 2007, Petit was aware that Matria was exploring the possibility of a sale, and between September 2007 and the public announcement

that Inverness would acquire Matria, Petit was actively involved in Matria's efforts to be acquired. At all times during this period, Petit was knowledgeable about the progress of the discussions and negotiations surrounding the potential acquisition of Matria.

PETIT TIPS ARROWOOD

A. Defendants' Relationship

24. Arrowood and Petit met in 1993 at an air show sponsored by Sky Warriors, Inc., a company owned by Arrowood. Petit flew in several aerial combat simulations sponsored by Sky Warriors, and he and Arrowood became friends.

25. As the friendship developed, Arrowood began to teach Petit how to fly. Arrowood also began piloting Petit's aircraft on both personal and business trips. Arrowood was not directly compensated for these services.

26. In 2004, upon his retirement from Delta Airlines, Arrowood asked Petit to assist Arrowood with his personal investments. Petit agreed to manage actively Arrowood's retirement investments, without any direct compensation. In August 2004, Arrowood gave Petit authority to trade in Arrowood's IRA account, then consisting entirely of cash in the amount of \$212,024.

27. Between August 2004 and May 2007, only Petit traded in this account, making investment decisions without consulting Arrowood.

28. In November 2004 and December 2005, Petit made purchases of 5,700 shares of Matria common stock for Arrowood's IRA account. In May 2007, Petit liquidated all of the Matria stock in Arrowood's IRA account at a loss. Between May 2007 and July 2008, Petit did not initiate any trading in Arrowood's IRA account.

B. Arrowood's Purchase of Matria Shares in his IRA Account on October 25, 2007

29. Between September 27, 2007, when Matria formally decided to seek an acquisition partner, and October 25, 2007, when Arrowood initiated his first purchase of Matria shares, Arrowood and Petit had multiple telephone conversations and flew together on at least two occasions.

30. At some point during this period, Petit provided Arrowood with material non-public information about Matria's decision to seek an acquisition partner.

31. On October 25, 2007, after the potential acquirers of Matria had begun formal due diligence, Arrowood purchased 8,452 shares of Matria common stock at \$25.00 per share in his IRA account. This investment, totaling over \$213,000,

represented the entire cash portion of Arrowood's IRA account balance. As a result of this purchase, almost 90% of the account investment holdings were Matria shares. Arrowood purchased these shares of Matria common stock based on the material non-public information Petit provided him.

32. On the morning of October 25, 2007, Arrowood was at his condo in Panama City, Florida, which is located in the central time zone. Arrowood called Petit's home at 7:25 a.m. eastern time, 6:25 a.m. central time. Seven minutes later, at 7:32 a.m. eastern time, 6:32 a.m. central time, Arrowood received a call from a number registered to Petit's son. Eleven minutes after that call, Arrowood called the home of Petit's daughter twice.

33. On October 25, 2007, at 9:00 a.m. eastern time, 8:00 a.m. central time, Matria held its third quarter 2007 earnings call. Arrowood made his purchase of Matria stock less than 10 minutes after Matria's third quarter earnings call commenced. In the first 10 minutes of the earnings call, Matria announced that it had revised downwardly its earnings outlook for the remainder of 2007 and that it forecasted earnings to come in at the lower end of the earnings range that was provided in previous guidance.

34. Arrowood's purchase of Matria stock on October 25, 2007, was the first transaction he initiated since he granted Petit full trading authority on his IRA account. Arrowood admitted that his purchase of Matria stock on October 25, 2007 was the first equity trade he had ever made.

C. Arrowood's Purchase of Matria Shares in his Individual Brokerage Account on December 27, 2007

35. At some point prior to December 27, 2007, Petit provided Arrowood with material, non-public information about the progress made in Matria's acquisition efforts.

36. On December 27, 2007, Arrowood purchased 9,100 shares of Matria common stock at prices between \$22.78 and \$22.90 per share in an individual brokerage account for a total investment of over \$207,000. Arrowood purchased these shares of Matria common stock based on the material, non-public information provided to him by Petit.

37. Prior to the purchase of Matria shares, on December 1, 2007, Arrowood's account consisted exclusively of approximately \$282,000 of Delta Air Lines stock that Arrowood acquired as employee compensation. Arrowood sold his entire

Delta stock position at a loss of over \$70,000 to purchase the 9,100 shares of Matria.

38. Petit and Arrowood spoke on the telephone on at least 15 occasions between December 20 and December 26. On the morning of December 27, 2007, Arrowood called Petit at 9:29 a.m. and then at 9:31 a.m., Arrowood sold all 14,260 shares of Delta in his account. Petit called Arrowood two times between Arrowood's sale of the Delta shares and his purchase of Matria shares. Arrowood began purchasing Matria shares at approximately 1:00 p.m that day. Arrowood later called Petit at 3:02 p.m.

39. Based on the closing price of Matria's common stock on January 15, 2008, the date Matria publicly disclosed a possible sale of the company, and Arrowood's cost basis in the 17,552 shares of Matria he purchased based on material non-public information, Arrowood obtained \$94,019 in ill gotten gains.

COUNT I—FRAUD

Violations of Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)]and Rules 10b-5 thereunder [17 C.F.R. § 240.10b-5]

40. Paragraphs 1 through 39 are hereby re-alleged and are incorporated herein by reference.

41. Between October 2007 and December 2007, Defendants, in connection with the purchase and sale of securities described herein, by the use of the means and instrumentalities of interstate commerce and by use of the mails, directly and indirectly:

- a. employed devices, schemes, and artifices to defraud;
- b. made untrue statements of material facts and omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and
- c. engaged in acts, practices, and courses of business which would and did operate as a fraud and deceit upon the purchasers of such securities,

all as more particularly described above.

42. Defendants knowingly, intentionally, and/or recklessly engaged in the aforementioned devices, schemes and artifices to defraud, made untrue statements of material facts and omitted to state material facts, and engaged in fraudulent acts, practices and courses of business. In engaging in such conduct, Defendants acted with scienter, that is, with an intent to deceive, manipulate or defraud or with a severely reckless disregard for the truth.

43. By reason of the foregoing, Defendants, directly and indirectly, have violated and, unless enjoined, will continue to violate Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5].

PRAYER FOR RELIEF

WHEREFORE, Plaintiff Commission respectfully prays for:

I.

Findings of fact and conclusions of law pursuant to Rule 52 of the Federal Rules of Civil Procedure, finding that Defendants committed the violations alleged herein.

II.

A permanent injunction enjoining Defendants, their agents, servants, employees, and attorneys from violating, directly or indirectly, Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5].

III.

An order requiring the disgorgement by Defendants of all ill-gotten gains or unjust enrichment with prejudgment interest, to effect the remedial purposes of the federal securities laws.

IV.

An order pursuant to Section 21(d)(2) of the Exchange Act imposing an officer and director bar against Petit.

V.

An order pursuant to Section 21A of the Exchange Act [15 U.S.C. § 78u-1] imposing civil penalties against Defendants.

VI.

Such other and further relief as this Court may deem just, equitable, and appropriate in connection with the enforcement of the federal securities laws and for the protection of investors.

Dated: January 9, 2012

Respectfully submitted,



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