UNITED STATES DISTRICT COURT

DISTRICT OF ARIZONA

[redacted] Individually and On Behalf Of All Others Similarly Situated, Plaintiff, vs. MATRIXX INITIATIVES, INC., WILLIAM J. HEMELT, SAMUEL C. COWLEY, TIMOTHY L. CLAROT, and CARL J. JOHNSON, Defendants.	No. **Class Action Complaint for Violation of the Federal Securities Laws** **Jury Trial Demanded**

Plaintiff [redacted] ("Plaintiff") alleges upon personal knowledge as to allegations specifically pertaining to Plaintiff and Plaintiff's counsel, and upon information and belief and in reliance on the investigation of counsel as to all other matters, as follows:

NATURE OF THE ACTION

1. This is a federal securities class action brought on behalf of all purchasers of the common stock of Matrixx Initiatives, Inc. ("Matrixx" or the "Company") who purchased the Company's common stock between December 22, 2007 and June 15, 2009, inclusive (the "Class Period"), seeking to pursue remedies under the Securities Exchange Act of 1934 (the "Exchange Act").

2. Matrixx is a nutrient and drug delivery company that develops, manufactures and markets delivery systems for bioactive compounds. The Company, through its subsidiary, produces, markets and sells, among other pharmaceutical products, Zicam Cold Remedy nasal gel, Zicam Cold Remedy gel swabs, and Zicam Cold Remedy children's swabs ("Zicam Cold Remedy Products").

3. During the Class Period, Matrixx sold the Zicam Cold Remedy Products over-the-counter without a prescription for the purpose of combating the symptoms and duration of the common cold. As detailed below, the Zicam Cold Remedy Products are nonprescription drugs subject to certain U.S. Food and Drug Administration ("FDA") regulations requiring the Company to submit to the FDA any reports of serious adverse events involving the products.

4. Unbeknownst to investors, Matrixx had received hundreds of consumer reports of serious adverse events involving the Zicam Cold Remedy Products, and the Company failed to submit these reports to the FDA in violation of FDA regulations. The investing public did not become aware of this adverse material information until the Company disclosed that it had received a warning letter from the FDA (the "FDA Warning Letter") in which the FDA informed Matrixx of several violations involving the Zicam Cold Remedy Products, as detailed below.

5. The Complaint alleges that, throughout the Class Period, Defendants failed to disclose material adverse facts about the Company's operational well-being and future prospects. Specifically, Defendants failed to disclose or indicate (1) that Matrixx had received notice of hundreds of serious adverse events regarding the Zicam Cold Remedy

Products; (2) that Matrixx failed to report these incidents to the FDA despite having an obligation to do so; (3) that the Company failed to comply with FDA regulations despite repeated assurances of its compliance; and (4) that, as a result of the foregoing, the Company's statements about its meeting FDA regulations were false and misleading when made.

6. As a result of Defendants' wrongful acts, false and misleading statements and omissions, and the precipitous decline in the market value of the Company's securities, Plaintiff and other Class members have suffered significant losses and damages.

JURISDICTION AND VENUE

7. The claims asserted herein arise under and pursuant to §§10(b) and 20(a) of the Exchange Act, 15 U.S.C. §§78(i)(b), 78(t) and 78t-1(a) and pendent common law claims.

8. This Court has jurisdiction over the subject matter of this action pursuant to 28 U.S.C. §§1331 and 1307 and Section 27 of the Exchange Act, 15 U.S.C. § 78aa.

9. The Court has personal jurisdiction over this action because Matrixx does business in this District and maintains its corporate headquarters in this District.

10. In connection with the acts and omissions alleged in this complaint, Defendants, directly or indirectly, used the means and instrumentalities of interstate commerce, including, but not limited to, the mails, interstate telephone communications, and the facilities of the national securities markets.

PARTIES

11. Plaintiff, as set forth in the accompanying certification and incorporated by reference herein, purchased the publicly traded securities of Matrixx at artificially inflated prices during the Class Period and has been damaged thereby.

12. Defendant Matrixx is a Delaware corporation and maintains its principal executive offices at 8515 East Anderson Drive, Scottsdale, AZ 85255. Matrixx engages in the development, production, marketing, and sale of over-the-counter ("OTC")

healthcare products. The Company's common stock traded on the NASDAQ exchange under the symbol "MTXX" at all relevant times during the Class Period.

13. Defendant William J. Hemelt ("Hemelt") has served as the Acting President, Chief Operating Officer and Chief Financial Officer of the Company since October 2008. Hemelt joined the Company in June 1998 as Chief Financial Officer, Treasurer, and Secretary. He served as Secretary until February 2005 and Treasurer until July 2007.

14. Defendant Samuel C. Cowley ("Cowley") has served as the Executive Vice President, Business Development, General Counsel and Secretary of the Company since May 2008. Cowley has served as a member of the Board of Directors of the Company since July 2005.

15. Defendant Timothy L. Clarot ("Clarot") has served as Vice President, Research and Development of the Company since January 2004. Clarot previously served as Director, Research and Development from June 2003 through January 2004, and as Director of Operations from 2001 through June 2003. He joined the Company in 1999.

16. Defendant Carl J. Johnson ("Johnson") served as President and Chief Executive Officer of the Company from July 2001 until his retirement on October 31, 2008. Johnson served as a consultant of the Company following his retirement.

17. Defendants Hemelt, Cowley, Clarot and Johnson are collectively referred to herein as the "Individual Defendants."

18. During the Class Period, the Individual Defendants, as senior executive officers and/or directors of Matrixx, were privy to confidential, proprietary and material adverse non-public information concerning Matrixx, its operations, finances, financial condition and present and future business prospects via access to internal corporate documents, conversations and connections with other corporate officers and employees, attendance at management and/or board of directors meetings and committees thereof, and via reports and other information provided to them in connection therewith. Because

of their possession of such information, the Individual Defendants knew or recklessly disregarded that the adverse facts specified herein had not been disclosed to, and were being concealed from, the investing public.

19. The Individual Defendants are liable as direct participants in the wrongs complained of herein. In addition, the Individual Defendants, by reason of their status as senior executive officers and/or directors, were "controlling persons" within the meaning of §20(a) of the Exchange Act and had the power and influence to cause the Company to engage in the unlawful conduct complained of herein. Because of their positions of control, the Individual Defendants were able to and did, directly or indirectly, control the conduct of Matrixx's business.

20. The Individual Defendants, because of their positions with the Company, controlled and/or possessed the authority to control the contents of its reports, press releases and presentations to securities analysts and through them, to the investing public. The Individual Defendants were provided with copies of the Company's reports and publicly disseminated documents alleged herein to be misleading, prior to or shortly after their issuance and had the ability and opportunity to prevent their issuance or cause them to be corrected. Thus, the Individual Defendants had the opportunity to commit the fraudulent acts alleged herein.

21. As senior executive officers and/or directors and as controlling persons of a publicly traded company whose common stock was, and is, registered with the Securities Exchange Commission ("SEC") pursuant to the Exchange Act, and were traded on the NASDAQ and governed by the federal securities laws, the Individual Defendants had a duty to disseminate promptly accurate and truthful information with respect to Matrixx's financial condition and performance, growth, operations, financial statements, business, products, markets, management, earnings, and present and future business prospects, to correct any previously issued statements that had become materially misleading or untrue, so the market price of Matrixx's securities would be based on truthful and

accurate information. The Individual Defendants' misrepresentations and omissions during the Class Period violated these specific requirements and obligations.

22. The Individual Defendants are liable as participants in a fraudulent scheme and course of business that operated as a fraud or deceit on purchasers of Matrixx's publicly traded securities by disseminating materially false and misleading statements and/or concealing material adverse facts.

SUBSTANTIVE ALLEGATIONS

Background of the Company and the Zicam Cold Remedy Products

23. Matrixx, through its subsidiaries, engages in the development, production, marketing, and sale of OTC healthcare products. The Company sells products directly to food, drug, mass market, and wholesale warehouse retailers in the United States, as well as to distributors that sell to retail establishments under the Zicam, Nasal Comfort, and Xcid brands. The Company was formerly known as Gum Tech International, Inc. and changed its name to Matrixx Initiatives, Inc. in June 2002. Matrixx was founded in 1991 and is based in Scottsdale, Arizona.

24. During the Class Period, Matrixx sold the Zicam Cold Remedy Products without a prescription. These products contained zinc gluconate (identified as zincum gluconicum on their labels) as their active ingredient. All are administered by direct application to the nasal cavity and, as described in the labeling, are intended for use in "adults and children 3 years of age and older (with adult supervision)."

25. The labeling accompanying the Zicam Cold Remedy Products claims that each of these products "reduces" the "duration of the common cold" and the "severity of cold symptoms," including specifically "sore throat, stuffy nose, sneezing, coughing and congestion." According to the FDA Warning Letter, these claims "make these products drugs, as defined by section 201(g)(1) of the Federal Food, Drug, and Cosmetic Act (the Act), 21 U.S.C. § 321(g)(1), because they are intended for use in the diagnosis, cure, mitigation, treatment, or prevention of disease or to affect the structure or function of the

body of man or other animals." Because these products are sold OTC without a prescription, they are considered "nonprescription drugs."

26. In the Company's Form 10-K filed with the SEC on March 15, 2007, Matrixx provided the following regarding its compliance with FDA regulations:

> ***We are subject to various federal, state and local laws and regulations affecting our business. All of our products are subject to regulation by the FDA, including regulations with respect to the approval of manufacturing processes and procedures, ingredients in the products, labeling and claims made.*** All of our Zicam Cold Remedy products, the three oral delivery products, and Zicam Allergy Relief, are further subject to the requirements of the Homeopathic Pharmacopeia of the United States. Zicam Extreme Congestion Relief, Zicam Sinus Relief, the seven Zicam Cough Mist products, and four new Zicam Flu relief products are subject to the requirements of the FDA as allopathic drugs. All of our claims and advertising are subject to the rules of the Federal Trade Commission (FTC). Although ***we believe that our products and claims comply in all material respects with the regulatory requirements***, if the FDA or FTC were to determine that we are in violation of any such requirement, either agency could restrict our ability to market the products, change the claims that we make or cause us to remove the products from the market.[1]

Background of the Dietary Supplement and Nonprescription Drug Consumer Protection Act

27. On December 22, 2006, Congress passed the Dietary Supplement and Nonprescription Drug Consumer Protection Act (the "Act"), which requires manufacturers of nonprescription drugs to submit to the FDA any report received of a serious adverse event associated with such drug within 15 business days after the report is received. The Act took effect on December 22, 2007.

28. The Act defines a "serious adverse event" as follows:

> SERIOUS ADVERSE EVENT.—The term 'serious adverse event' is an adverse event that—
>
> (A) results in—
>
> (i) death;
> (ii) a life-threatening experience;
> (iii) inpatient hospitalization;
> (iv) a persistent or significant disability or incapacity; or
> (v) a congenital anomaly or birth defect; or

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[1] Unless indicated otherwise, all emphasis is added.

(B) requires, based on reasonable medical judgment, a medical or surgical intervention to prevent an outcome described under subparagraph (A).

29. The Act describes the reporting requirement for a manufacturer as follows:

(b) REPORTING REQUIREMENT.—

(1) IN GENERAL.—The ***manufacturer, packer, or distributor whose name*** (pursuant to section 502(b)(1)) ***appears on the label of a nonprescription drug marketed in the United States*** (referred to in this section as the 'responsible person') ***shall submit to the Secretary any report received of a serious adverse event associated with such drug when used in the United States***, accompanied by a copy of the label on or within the retail package of such drug.

30. The Act describes the requirement regarding submission of reports as follows:

(c) SUBMISSION OF REPORTS.—

(1) TIMING OF REPORTS.—***The responsible person shall submit to the Secretary a serious adverse event report no later than 15 business days after the report is received*** through the address or phone number described in section 502(x).

31. Accordingly, because Matrixx is the manufacturer of the Zicam Cold Remedy Products, and because the Zicam Cold Remedy Products are nonprescription drugs, the Company was under an obligation to submit to the FDA any reports of serious adverse events involving these products.

Serious Adverse Events Involving the Zicam Cold Remedy Products

32. According to the FDA Warning Letter, a "***significant and growing body of evidence substantiates that the Zicam Cold Remedy [Products] may pose a serious risk to consumers who use them***." Specifically, the FDA informed the Company that it had received over 130 reports of consumers losing their sense of smell and/or taste in conjunction with their use of the Zicam Cold Remedy Products:

FDA has received more than 130 reports of anosmia (loss of sense of smell, which in some cases can be long-lasting or permanent), associated with use of these products; some individuals also report loss of sense of taste. By comparison, FDA has received few reports of anosmia associated with other widely-used intranasal products for treatment of the common cold that are marketed subject to approved NDAs or according to an OTC drug monograph. Further, there is evidence in the published scientific

literature that various salts of zinc can damage olfactory function in animals and humans.

33. The FDA Warning Letter also stated the following regarding the safety of the Zicam Cold Remedy Products and the requirements with which Matrixx had failed to comply:

> ***We are not aware of any data establishing that the Zicam Cold Remedy [Products] are generally recognized as safe and effective for the uses identified in their labeling. On the contrary . . . there is evidence that these products pose a serious safety risk to consumers***. Because they are not generally recognized as safe and effective for their labeled uses, these products are new drugs, as defined by section 201(p) of the Act, 21 U.S.C. § 321(p).
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> Under sections 301(d) and 505(a) of the Act, 21 U.S.C. §§ 331(d) and 355(a), a new drug may not be introduced or delivered for introduction into interstate commerce unless an FDA-approved application is in effect for it. ***There are no approved new drug applications (NDAs) on file with FDA for any of the Zicam Cold Remedy [Products]; you market them without FDA approval.***
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> * * *
>
> A homeopathic drug product marketed without an approved NDA is not subject to the enforcement discretion set forth in the CPG when there is evidence of a safety risk associated with the product, as is the case for the Zicam Cold Remedy intranasal products. ***Under these circumstances, the Agency enforces the Act's new drug approval requirement, a provision that is essential to protect the public health*** by holding firms responsible for demonstrating, based on adequate and well-controlled clinical investigations, that a product is safe and effective for each of its intended uses before marketing it. Therefore, ***an approved NDA is required for the Zicam Cold Remedy [Products], regardless of their homeopathic status. Your introduction of the Zicam Cold Remedy intranasal products into interstate commerce, without an approved application, violates sections 301(d) and 505(a) of the Act, 21 U.S.C. §§ 331(d) and 355(a).***

34. The FDA Warning Letter also informed the Company that the Zicam Cold Remedy Products "are misbranded under section 502(f)(2) of the Act, 21 U.S.C. § 352(f)(2), because ***their labeling does not bear adequate warnings regarding the risk of anosmia associated with the product***. In light of this failure to bear adequate warnings, these products are also misbranded under section 502(a) of the Act, 21 U.S.C. § 352(a)."

35. The FDA Warning Letter further states that "[i]n addition to the reports FDA has received directly from consumers, ***the agency is aware that Matrixx appears to***

have more than 800 reports related to loss of sense of smell associated with Zicam Cold Remedy [Products]. These reports were not submitted to the FDA.

False and Misleading Statements

36. The Class Period begins on December 22, 2007, the date on which the Act went into effect. Despite having an obligation under the Act and FDA regulations to submit to the FDA any report regarding a serious adverse event involving one of its nonprescription drugs, Matrixx failed to do so throughout the Class Period while emphasizing to the investing public that the Company complied with all applicable federal laws and government regulations.

37. On January 16, 2008, Matrixx filed a Form 8-K with the SEC ("1/16/08 Form 8-K") announcing that the season-to-date incidence of illness for the 2007/2008 cold season was the lowest since Zicam was introduced in 1999, which affected the amount of reorders the Company received in the quarter ended December 31, 2007, resulting in lower net sales and net income guidance. The Company failed to disclose receiving any reports of serious adverse events involving the Zicam Cold Remedy Products in the 1/16/08 Form 8-K.

38. On January 30, 2008, Matrixx filed a Form 8-K with the SEC ("1/30/08 Form 8-K") announcing financial results for its fiscal 2008 third quarter and nine months ended December 31, 2007. The 1/30/08 Form 8-K reported a decline in revenue due to "extreme weakness in the cold season through December." The Company failed to disclose receiving any reports of serious adverse events involving the Zicam Cold Remedy Products in the 1/30/08 Form 8-K.

39. On February 7, 2008, Matrixx filed a Form 10-Q with the SEC ("2/7/08 Form 10-Q"), which included the financial results released in the 1/30/08 Form 8-K. The 2/7/08 Form 10-Q included certifications by Defendants Johnson and Hemelt certifying that the "report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by

this report," that these Defendants "are responsible for establishing and maintaining disclosure controls and procedures," and that they "designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to [Matrixx], including its consolidated subsidiaries, is made known to [them] by others within those entities." In addition, the 2/7/08 Form 10-Q included certifications by Defendants Johnson and Hemelt made pursuant to the Sarbanes-Oxley Act of 2002 ("SOX"). The Company failed to disclose receiving any reports of serious adverse events involving the Zicam Cold Remedy Products in the 2/7/08 Form 10-Q.

40. On April 3, 2008, Matrixx filed a Form 8-K with the SEC ("4/3/08 Form 8-K") in which the Company provided a product liability litigation update regarding a favorable jury verdict in one of several lawsuits alleging that the Zicam Cold Remedy nasal gel product caused the permanent loss or diminishment of the sense of smell or smell and taste. The Company failed to disclose receiving any reports of serious adverse events involving the Zicam Cold Remedy Products in the 4/3/08 Form 8-K.

41. On May 13, 2008, Matrixx filed a Form 8-K with the SEC ("5/13/08 Form 8-K") in which the Company announced its financial results for the fiscal quarter and year ended March 31, 2008. The Company failed to disclose receiving any reports of serious adverse events involving the Zicam Cold Remedy Products in the 5/13/08 Form 8-K.

42. On June 13, 2008, Matrixx filed its annual report on a Form 10-K with the SEC ("6/13/08 Form 10-K"). The 6/13/08 Form 10-K included certifications by Defendants Johnson and Hemelt that the "report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report," that these Defendants "are responsible for establishing and maintaining disclosure controls and procedures," and that they "designed such disclosure controls and procedures, or caused such disclosure controls and

procedures to be designed under [their] supervision, to ensure that material information relating to [Matrixx], including its consolidated subsidiaries, is made known to [them] by others within those entities." The 6/13/08 Form 10-K also included SOX certifications by Defendants Johnson and Hemelt.

43. In the 6/13/08 Form 10-K, Matrixx reiterated that the Company believes it is in compliance with FDA regulatory requirements:

> ***We are subject to various federal, state and local laws and regulations that affect our business. All of our products are subject to regulation by the FDA, including regulations with respect to manufacturing processes and procedures, ingredients in the products, labeling and claims made.*** Our drug products are commercially distributed by following the Homeopathic Pharmacopeia or FDA's OTC monographs. The OTC monographs classify certain drug ingredients as safe and effective for specified uses and establish categorical requirements for the marketing of drugs containing such ingredients without pre-approval. All of our Zicam Cold Remedy products and Zicam Allergy Relief are subject to the requirements of the Homeopathic Pharmacopeia of the United States. Zicam Extreme Congestion Relief, Zicam Sinus Relief, the Zicam cough products, and the Zicam multi-symptom relief products are subject to the requirements of the FDA as allopathic drugs. All of our claims and advertising are subject to the rules of the Federal Trade Commission (FTC). Although ***we believe that our products and claims comply in all material respects with the regulatory requirements***, if the FDA or FTC were to determine that we are in violation of any such requirement, either agency could restrict our ability to market the products, require us to change the claims that we make or cause us to remove the products from the market.

44. The Company failed to disclose receiving any reports of serious adverse events involving the Zicam Cold Remedy Products in the 6/13/08 Form 10-K.

45. On July 1, 2008, Matrixx filed a Form 8-K with the SEC ("7/1/08 Form 8-K") in which the Company announced a manufacturer product recall for certain of its Zicam products. The 7/1/08 Form 8-K stated that the Company's manufacturer conducted "the limited recall because of concern that the product in some lots may contain small metal fragments," and that there had been "no reports of injury or illness involving the affected products." The Company failed to disclose receiving any reports of serious adverse events involving the Zicam Cold Remedy Products in the 7/1/08 Form 8-K.

46. On July 24, 2008, Matrixx filed a Form 8-K with the SEC ("7/24/08 Form 8-K") in which the Company announced its financial results for the first quarter of fiscal 2009 ended June 30, 2008. The Company failed to disclose receiving any reports of serious adverse events involving the Zicam Cold Remedy Products in the 7/24/08 Form 8-K.

47. On August 7, 2008, Matrixx filed a Form 10-Q with the SEC ("8/7/08 Form 10-Q"), which included the financial results reported in the 7/24/08 Form 8-K. The 8/7/08 Form 10-Q included certifications by Defendants Johnson and Hemelt that the "report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report," that these Defendants "are responsible for establishing and maintaining disclosure controls and procedures," and that they "designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under [their] supervision, to ensure that material information relating to [Matrixx], including its consolidated subsidiaries, is made known to [them] by others within those entities." The 8/7/08 Form 10-Q also included SOX certifications by Defendants Johnson and Hemelt. The Company failed to disclose receiving any reports of serious adverse events involving the Zicam Cold Remedy Products in the 8/7/08 Form 10-Q.

48. On October 22, 2008, Matrixx filed a Form 8-K with the SEC ("10/22/08 Form 8-K") in which the Company announced its financial results for the fiscal quarter ended September 30, 2008 and announcing the retirement of Defendant Johnson from the Company effective October 31, 2008, with Defendant Hemelt replacing Johnson as Acting President and Chief Operating Officer until the completion of the Company's search for a permanent replacement for Johnson. The Company failed to disclose receiving any reports of serious adverse events involving the Zicam Cold Remedy Products in the 10/22/08 Form 8-K.

49. On November 6, 2008, Matrixx filed a Form 10-Q with the SEC ("11/6/08 Form 10-Q"), which included the financial results reported in the 10/22/08 Form 8-K. The 11/6/08 Form 10-Q included a certification by Defendant Hemelt that the "report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report," that Hemelt is "responsible for establishing and maintaining disclosure controls and procedures," and that Hemelt "designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under [their] supervision, to ensure that material information relating to [Matrixx], including its consolidated subsidiaries, is made known to [them] by others within those entities." The 11/6/08 Form 10-Q also included a SOX certification by Defendant Hemelt. The Company failed to disclose receiving any reports of serious adverse events involving the Zicam Cold Remedy Products in the 11/6/08 Form 10-Q.

50. On January 27, 2009, Matrixx filed a Form 8-K with the SEC ("1/27/09 Form 8-K") in which the Company reported its financial results for the fiscal quarter and nine months ended December 31, 2008. The Company failed to disclose receiving any reports of serious adverse events involving the Zicam Cold Remedy Products in the 1/27/09 Form 8-K.

51. On February 6, 2009, Matrixx filed a Form 10-Q with the SEC ("2/6/09 Form 10-Q"), which included the financial results reported in the 1/27/09 Form 8-K. The 2/6/09 Form 10-Q included a certification by Defendant Hemelt that the "report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report," that Hemelt is "responsible for establishing and maintaining disclosure controls and procedures," and that Hemelt "designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under [their] supervision, to ensure that material

information relating to [Matrixx], including its consolidated subsidiaries, is made known to [them] by others within those entities." The 2/6/09 Form 10-Q also included a SOX certification by Defendant Hemelt. The Company failed to disclose receiving any reports of serious adverse events involving the Zicam Cold Remedy Products in the 2/6/09 Form 10-Q.

52. On May 12, 2009, Matrixx filed a Form 8-K with the SEC ("5/12/09 Form 8-K") in which the Company reported its financial results for the fiscal quarter and year ended March 31, 2009. The Company failed to disclose receiving any reports of serious adverse events involving the Zicam Cold Remedy Products in the 5/12/09 Form 8-K.

53. On June 8, 2009, Matrixx filed its annual report on Form 10-K with the SEC ("6/8/09 Form 10-K"), which included the financial results reported in the 5/12/09 Form 8-K. The 6/8/09 Form 10-K included a certification by Defendant Hemelt that the "report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report," that Hemelt is "responsible for establishing and maintaining disclosure controls and procedures," and that Hemelt "designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under [their] supervision, to ensure that material information relating to [Matrixx], including its consolidated subsidiaries, is made known to [them] by others within those entities." The 6/8/09 Form 10-K also included a SOX certification by Defendant Hemelt.

54. In the 6/8/09 Form 10-K, Matrixx reiterated that the Company believes it is in compliance with FDA regulatory requirements:

> ***We are subject to various federal, state and local laws and regulations that affect our business. All of our products are subject to regulation by the FDA, including regulations with respect to manufacturing processes and procedures, ingredients in the products, labeling and claims made.*** Our drug products are commercially distributed by following the Homeopathic Pharmacopeia or FDA's OTC monographs. The OTC monographs classify certain drug ingredients as safe and effective for specified uses and establish categorical requirements for the marketing of drugs containing such ingredients without pre-approval. All of our Zicam

> Cold Remedy, Zicam Allergy Relief, and Zicam Cold Sore products are subject to the requirements of the Homeopathic Pharmacopeia of the United States. Zicam Extreme Congestion Relief, Zicam Sinus Relief, the Zicam cough product, and the Zicam multi-symptom relief products are subject to the requirements of the FDA as allopathic drugs. All of our claims and advertising are subject to the rules of the Federal Trade Commission (FTC). Although ***we believe that our products and claims comply in all material respects with the regulatory requirements***, if the FDA or FTC were to determine that we are in violation of any such requirement, either agency could restrict our ability to market the products, require us to change the claims that we make or cause us to remove the products from the market.

55. The Company failed to disclose receiving any reports of serious adverse events involving the Zicam Cold Remedy Products in the 6/8/09 Form 10-K.

The Truth Comes To Light

56. On June 16, 2009, Matrixx filed a Form 8-K with the SEC ("6/16/09 Form 8-K") in which it announced that it had received the FDA Warning Letter. The 6/16/09 Form 8-K stated that the "FDA has asserted that the Company is in violation of its regulations by failing to file a new drug application for its Zicam Cold Remedy [Products] and that those products are misbranded under their regulations for failing to adequately warn of risks. The FDA referred to numerous complaints it has received of anosmia associated with the use of these products."

57. Also on June 16, 2009, Matrixx issued a press release confirming that it had received the FDA Warning Letter and announcing the withdrawal of the Zicam Cold Remedy Products from the market.

58. Following the filing of the 6/16/09 Form 8-K, the disclosure of the FDA Warning Letter, the recall of the Zicam Cold Remedy Products, and the existence of over 800 serious adverse incidents in the Company's possession that went unreported to the FDA, Matrixx's stock price plummeted on June 16, 2009 from a $19.24 closing price the previous day to close at $5.78—a massive one-day drop of approximately 70%.

59. On June 18, 2009, Matrixx held a conference call to discuss the FDA Warning Letter. In response to a question regarding the over 800 reports of serious adverse events that the Company failed to submit to the FDA, Defendant Hemelt stated the following:

> There were new regulations that went into effect in 2007, I believe, with regard to the reporting of what are called serious adverse events, and we in May – actually when the FDA came in for their – for a normal routine inspection, they suggested for the first time that their interpretation was to report all complaints of diminishment of smell under these new regulations, rather than just having those complaints available for inspection . . . ***So the 800 is – we have complaints here, clearly, but we weren't required to send them to them. At least we didn't believe they were required to send them under the new regulations***.

60. Defendant Hemelt provided this explanation for why the Company failed to submit to the FDA ***over 800*** reports of serious adverse events involving the Zicam Cold Remedy Products despite the fact that the Act—on its face—clearly indicates that a "manufacturer, packer or distributer . . . ***shall submit to the Secretary any report received of a serious adverse event associated with such drug when used in the United States***, accompanied by a copy of the label on or within the retail package of such drug."

61. Thereafter, on June 23, 2009, Matrixx filed a Form 8-K with the SEC ("6/23/09 Form 8-K") in which it announced that on June 19, 2009, the Company had received an informal inquiry from the SEC requesting certain documents and information relating to the FDA Warning Letter. Upon release of this information, Matrixx's stock price declined even further to close on June 23, 2009 at $4.83.

DEFENDANTS' FAILURE TO REVEAL THE TRUTH

62. Notably absent from Matrixx's financial results during the Class Period was any mention of that the Company had received reports from consumers regarding any serious adverse events involving the Zicam Cold Remedy Products. Indeed, the Company had represented to the investing public throughout the Class Period that it believed it was in compliance with FDA regulatory requirements even though the Act, on its face, requires Matrixx to report any serious adverse events involving nonprescription drugs to the FDA within 15 business days of receipt of such reports.

63. Matrixx's statements and filings during the Class Period were materially false and misleading because Defendants failed to disclose (1) that Matrixx had received notice of over 800 serious adverse events regarding the Zicam Cold Remedy Products; (2) that Matrixx failed to report these incidents to the FDA despite having an obligation

to do so; (3) that the Company failed to comply with FDA regulations despite repeated assurances of its compliance; and (6) that, as a result of the foregoing, the Company's statements about its meeting FDA regulations were false and misleading when made.

UNDISCLOSED ADVERSE INFORMATION

64. The market for Matrixx's securities was an open, well-developed and efficient market at all relevant times. As a result of the materially false and misleading statements and failures to disclose described herein, Matrixx's securities traded at artificially inflated prices during the Class Period. Plaintiff and the other members of the Class purchased or otherwise acquired Matrixx's common stock relying upon the integrity of the market price of Matrixx's securities and market information related to Matrixx, and have been damaged thereby.

65. During the Class Period, Defendants materially misled the investing public, thereby inflating the price of Matrixx's securities, by publicly issuing false and misleading statements and omitting to disclose material facts necessary to make Defendants' statements, as set forth herein, not false and misleading. Such statements and omissions were materially false and misleading in that they failed to disclose material adverse non-public information and misrepresented the truth about the Company, its business and operations, as alleged herein.

66. At all relevant times, the material misrepresentations and omissions particularized herein directly or proximately caused or were a substantial contributing cause of the damages sustained by Plaintiff and the other members of the Class. As described herein, during the Class Period, Defendants made or caused to be made a series of materially false and misleading statements about Matrixx's business, prospects and operations.

67. These material misstatements and omissions had the cause and effect of creating in the market an unrealistically positive assessment of Matrixx and its business, prospects and operations, thus causing the Company's securities to be overvalued and artificially inflated at all relevant times. Defendants' false and misleading statements

during the Class Period resulted in Plaintiff and other members of the Class purchasing the Company's securities at artificially inflated prices, thus causing the damages complained of herein.

SCIENTER ALLEGATIONS

68. As alleged herein, Defendants acted with scienter in that Defendants knew that the public documents and statements issued or disseminated in the name of the Company during the Class Period were materially false and misleading; knew that such statements or documents would be issued or disseminated to the investing public; and knowingly and substantially participated or acquiesced in the issuance or dissemination of such statements or documents as primary violations of the federal securities laws.

69. As set forth herein, Defendants, by virtue of their receipt of information reflecting the true facts regarding Matrixx, their control over, receipt and/or modification of Matrixx's allegedly materially misleading statements and omissions, and/or their positions with the Company which made them privy to confidential information concerning Matrixx, participated in the fraudulent scheme alleged herein.

70. The ongoing fraudulent scheme described in this complaint could not have been perpetrated over a substantial period of time, as has occurred, without the knowledge and complicity of the personnel at the highest level of the Company, including the Individual Defendants.

CLASS ACTION ALLEGATIONS

71. Plaintiff brings this action as a class action pursuant to Federal Rule of Civil Procedure 23(a) and (b)(3) on behalf of all persons who purchased or otherwise acquired Matrixx common stock on the NASDAQ during the Class Period and who were damaged thereby (the "Class"). Excluded from the Class are Defendants, members of the immediate family of each of the Individual Defendants, any subsidiary or affiliate of Matrixx and the directors, officers and employees of the Company or its subsidiaries or affiliates, or any entity in which any excluded person has a controlling interest, and the legal representatives, heirs, successors and assigns of any excluded person.

72. The members of the Class are so numerous that joinder of all members is impracticable. While the exact number of Class members is unknown to Plaintiff at this time and can only be ascertained through appropriate discovery, Plaintiff believes that there are thousands of members of the Class located throughout the United States. Throughout the Class Period, Matrixx common stock was actively traded on the NASDAQ, an open and efficient market. As of June 8, 2009, the Company had over 9 million shares of common stock outstanding. Record owners and other members of the Class may be identified from records maintained by Matrixx and/or its transfer agents and may be notified of the pendency of this action by mail, using a form of notice similar to that customarily used in securities class actions.

73. Plaintiff's claims are typical of the claims of the other members of the Class as all members of the Class were similarly affected by Defendants' wrongful conduct in violation of federal law that is complained of herein.

74. Plaintiff will fairly and adequately protect the interests of the members of the Class and have retained counsel competent and experienced in class and securities litigation.

75. Common questions of law and fact exist as to all members of the Class and predominate over any questions solely affecting individual members of the Class. Among the questions of law and fact common to the Class are:

a. whether the federal securities laws were violated by Defendants' acts and omissions as alleged herein;

b. whether Defendants participated in and pursued the common course of conduct complained of herein;

c. whether documents, press releases, and other statements disseminated to the investing public and the Company's shareholders during the Class Period misrepresented material facts about the business, finances, financial condition and prospects of Matrixx;

d. whether statements made by Defendants to the investing public during the Class Period misrepresented and/or omitted to disclose material facts about the business, finances, value, performance and prospects of Matrixx;

e. whether the market price of Matrixx common stock during the Class Period was artificially inflated due to the material misrepresentations and failures to correct the material misrepresentations complained of herein; and

f. the extent to which the members of the Class have sustained damages and the proper measure of damages.

76. A class action is superior to all other available methods for the fair and efficient adjudication of this controversy since joinder of all members is impracticable. Furthermore, as the damages suffered by individual Class members may be relatively small, the expense and burden of individual litigation make it impossible for members of the Class to individually redress the wrongs done to them. There will be no difficulty in the management of this suit as a class action.

STATUTORY SAFE HARBOR

77. The federal statutory safe harbor provided for forward-looking statements under certain circumstances does not apply to any of the allegedly false statements pleaded in this Complaint. Furthermore, many of the statements pleaded herein were not identified as "forward-looking statements" when made, or indicated that actual results "could differ materially from those projected." Nor were there any meaningful cautionary statements identifying important factors that could cause actual results to differ materially from the statements made therein.

78. Defendants are liable for the forward-looking statements pleaded because, at the time each of those forward-looking statements was made, Defendants knew the forward-looking statement was false and the forward-looking statement was authorized and/or approved by an executive officer of Matrixx who knew that such statement was false when made.

LOSS CAUSATION

79. During the Class Period, as detailed herein, Defendants engaged in a scheme to deceive the market and a course of conduct that artificially inflated the prices of Matrixx's securities and operated as a fraud or deceit on Class Period purchasers of Matrixx's securities by failing to disclose to investors that the Company's operational statements were materially misleading and misrepresented material information. When Defendants' misrepresentations and fraudulent conduct were disclosed and became apparent to the market, the prices of Matrixx's securities fell precipitously as the prior inflation came out of the Company's stock price. As a result of their purchases of Matrixx's securities during the Class Period, Plaintiff and the other Class members suffered economic loss.

80. By failing to disclose that the Company had received hundreds of reports of serious adverse events involving the Zicam Cold Remedy Products and violated the Act by failing to submit these reports to the FDA, investors were not aware of the true state of the Company's financial and operational status. Therefore, Defendants presented a misleading picture of Matrixx's business and prospects. Thus, instead of disclosing during the Class Period the true state of the Company's business, Defendants caused Matrixx to conceal the truth.

81. Defendants' false and misleading statements had the intended effect and caused Matrixx's common stock to trade at artificially inflated levels throughout the Class Period. However, as a direct result of the Company's problems coming to light, Matrixx's common stock price fell nearly 70% percent immediately following the announcement of the Company's receipt of the FDA Warning Letter and the disclosure of the hundreds of serious adverse events involving the Zicam Cold Remedy Products, and continued to decrease over the following days and months. This drop removed the inflation from the price of Matrixx's securities, causing real economic loss to investors who purchased the Company's securities during the Class Period.

82. The decline in the price of Matrixx's common stock after the truth came to light was a direct result of the nature and extent of Defendants' fraud finally being revealed to investors and the market. The timing and magnitude of Matrixx's stock price decline negates any inference that the loss suffered by Plaintiff and the other Class members was caused by changed market conditions, macroeconomic or industry factors or Company-specific facts unrelated to the Defendants' fraudulent conduct. The economic loss suffered by Plaintiff and the other Class members was a direct result of Defendants' fraudulent scheme to artificially inflate the prices of Matrixx's securities and the subsequent decline in the value of Matrixx's securities when Defendants' prior misrepresentations and other fraudulent conduct were revealed.

APPLICABILITY OF PRESUMPTION OF RELIANCE: FRAUD ON THE MARKET DOCTRINE

83. At all relevant times, the market for Matrixx stock was an efficient market for the following reasons, among others:

a. Matrixx securities met the requirements for listing, and were listed and actively traded on the NASDAQ, a highly efficient market;

b. As a regulated issuer, Matrixx filed periodic public reports with the SEC and the NASDAQ;

c. Matrixx securities were followed by securities analysts employed by major brokerage firms who wrote reports which were distributed to the sales force and certain customers of their respective brokerage firms. Each of these reports was publicly available and entered the public marketplace; and

d. Matrixx regularly issued press releases which were carried by national newswires. Each of these releases was publicly available and entered the public marketplace.

84. As a result, the market for Matrixx securities promptly digested current information with respect to the Company from all publicly-available sources and reflected such information in Matrixx's stock price. Under these circumstances, all

purchasers of Matrixx securities during the Class Period suffered similar injury through their purchase of stock at artificially inflated prices and a presumption of reliance applies.

COUNT I
For Violations Of §10(b) Of The Exchange Act And Rule 10b-5 Promulgated Thereunder Against All Defendants

85. Plaintiff repeats and realleges the allegations set forth above as though fully set forth herein. This claim is asserted against all Defendants.

86. During the Class Period, Matrixx and the Individual Defendants, and each of them, carried out a plan, scheme and course of conduct which was intended to and, throughout the Class Period, did: (i) deceive the investing public, including Plaintiff and other Class members, as alleged herein; (ii) artificially inflate and maintain the market price of Matrixx securities; and (iii) cause Plaintiff and other members of the Class to purchase Matrixx securities at artificially inflated prices. In furtherance of this unlawful scheme, plan and course of conduct, Defendants Matrixx and the Individual Defendants, and each of them, took the actions set forth herein.

87. These Defendants: (a) employed devices, schemes, and artifices to defraud; (b) made untrue statements of material fact and/or omitted to state material facts necessary to make the statements not misleading; and (c) engaged in acts, practices and a course of business which operated as a fraud and deceit upon the purchasers of the Company's securities in an effort to maintain artificially high market prices for Matrixx securities in violation of §10(b) of the Exchange Act and Rule 10b-5. Defendants are sued as primary participants in the wrongful and illegal conduct charged herein. The Individual Defendants are also sued herein as controlling persons of Matrixx, as alleged herein.

88. In addition to the duties of full disclosure imposed on Defendants as a result of their making of affirmative statements and reports, or participation in the making of affirmative statements and reports to the investing public, they each had a duty to promptly disseminate truthful information that would be material to investors in compliance with the integrated disclosure provisions of the SEC as embodied in SEC

Regulation S X (17 C.F.R. § 210.01 et seq.) and S-K (17 C.F.R. § 229.10 et seq.) and other SEC regulations, including accurate and truthful information with respect to the Company's operations, financial condition and performance so that the market prices of the Company's publicly traded securities would be based on truthful, complete and accurate information.

89. Matrixx and the Individual Defendants, individually and in concert, directly and indirectly, by the use of means or instrumentalities of interstate commerce and/or of the mails, engaged and participated in a continuous course of conduct to conceal adverse material information about the business, business practices, performance, operations and future prospects of Matrixx as specified herein. These Defendants employed devices, schemes and artifices to defraud, while in possession of material adverse non-public information and engaged in acts, practices, and a course of conduct as alleged herein in an effort to assure investors of Matrixx's value and performance and substantial growth, which included the making of, or the participation in the making of, untrue statements of material facts and omitting to state material facts necessary in order to make the statements made about Matrixx and its business, operations and future prospects, in light of the circumstances under which they were made, not misleading, as set forth more particularly herein, and engaged in transactions, practices and a course of business which operated as a fraud and deceit upon the purchasers of Matrixx's securities during the Class Period.

90. Each of the Individual Defendants' primary liability, and controlling person liability, arises from the following facts: (i) each of the Individual Defendants was a high-level executive and/or director at the Company during the Class Period; (ii) each of the Individual Defendants, by virtue of his responsibilities and activities as a senior executive officer and/or director of the Company, was privy to and participated in the creation, development and reporting of the Company's operational and financial projections and/or reports; (iii) the Individual Defendants enjoyed significant personal contact and familiarity with each other and were advised of and had access to other members of the

Company's management team, internal reports, and other data and information about the Company's financial condition and performance at all relevant times; and (iv) the Individual Defendants were aware of the Company's dissemination of information to the investing public which they knew or recklessly disregarded was materially false and misleading.

91. These Defendants had actual knowledge of the misrepresentations and omissions of material facts set forth herein, or acted with reckless disregard for the truth in that they failed to ascertain and to disclose such facts, even though such facts were readily available to them. Such Defendants' material misrepresentations and/or omissions were done knowingly or recklessly and for the purpose and effect of concealing Matrixx's operating condition, business practices and future business prospects from the investing public and supporting the artificially inflated price of its securities. As demonstrated by their overstatements and misstatements of the Company's financial condition and performance throughout the Class Period, the Individual Defendants, if they did not have actual knowledge of the misrepresentations and omissions alleged, were reckless in failing to obtain such knowledge by deliberately refraining from taking those steps necessary to discover whether those statements were false or misleading.

92. As a result of the dissemination of the materially false and misleading information and failure to disclose material facts, as set forth above, the market price of Matrixx securities was artificially inflated during the Class Period. In ignorance of the fact that the market price of Matrixx shares was artificially inflated, and relying directly or indirectly on the false and misleading statements made by Defendants, upon the integrity of the market in which the securities trade, and/or on the absence of material adverse information that was known to or recklessly disregarded by Defendants but not disclosed in public statements by Defendants during the Class Period, Plaintiff and the other members of the Class acquired Matrixx securities during the Class Period at artificially inflated high prices and were damaged thereby.

93. At the time of said misrepresentations and omissions, Plaintiff and other members of the Class were ignorant of their falsity, and believed them to be true. Had Plaintiff and the other members of the Class and the marketplace known of the true performance, business practices, future prospects and intrinsic value of Matrixx, which were not disclosed by Defendants, Plaintiff and other members of the Class would not have purchased or otherwise acquired Matrixx securities during the Class Period, or, if they had acquired such securities during the Class Period, they would not have done so at the artificially inflated prices which they paid.

94. By virtue of the foregoing, Matrixx and the Individual Defendants each violated §10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder.

95. As a direct and proximate result of Defendants' wrongful conduct, Plaintiff and the other members of the Class suffered damages in connection with their purchases of the Company's securities during the Class Period.

COUNT II
For Violations of §20(a) of the Exchange Act
Against the Individual Defendants

96. Plaintiff repeats and realleges the allegations set forth above as if set forth fully herein. This claim is asserted against the Individual Defendants.

97. The Individual Defendants were and acted as controlling persons of Matrixx within the meaning of §20(a) of the Exchange Act as alleged herein. By virtue of their high-level positions with the Company, participation in and/or awareness of the Company's operations and/or intimate knowledge of the Company's actual performance, the Individual Defendants had the power to influence and control and did influence and control, directly or indirectly, the decision-making of the Company, including the content and dissemination of the various statements which Plaintiff contends are false and misleading. Each of the Individual Defendants was provided with or had unlimited access to copies of the Company's reports, press releases, public filings and other statements alleged by Plaintiff to be misleading prior to and/or shortly after these

statements were issued and had the ability to prevent the issuance of the statements or cause the statements to be corrected.

98. In addition, each of the Individual Defendants had direct involvement in the day-to-day operations of the Company and, therefore, is presumed to have had the power to control or influence the particular transactions giving rise to the securities violations as alleged herein, and exercised the same.

99. As set forth above, Matrixx and the Individual Defendants each violated §10(b) and Rule 10b-5 by their acts and omissions as alleged in this Complaint. By virtue of their controlling positions, the Individual Defendants are liable pursuant to §20(a) of the Exchange Act. As a direct and proximate result of Defendants' wrongful conduct, Plaintiff and other members of the Class suffered damages in connection with their purchases of the Company's securities during the Class Period.

PRAYER FOR RELIEF

WHEREFORE, Plaintiff, individually and on behalf of the Class, prays for judgment as follows:

a) Declaring this action to be a class action pursuant to Rule 23(a) and (b)(3) of the Federal Rules of Civil Procedure on behalf of the Class defined herein;

b) Awarding Plaintiff and the other members of the Class damages in an amount which may be proven at trial, together with interest thereon;

c) Awarding Plaintiff and the members of the Class pre-judgment and post-judgment interest, as well as their reasonable attorneys' and experts' witness fees and other costs; and

d) Awarding such other relief as this Court deems appropriate.

JURY DEMAND

Plaintiff demands a trial by jury.

DATED: July 17, 2009.

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