InfuSystem Holdings, Inc
Form 424B1
October 19, 2010
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Filed Pursuant to Rule 424(b)(1)
Registration No. 333-169497

PROSPECTUS

2,789,203 Shares

INFUSYSTEM HOLDINGS, INC.

Common Stock

All of the shares of common stock sold in this offering are being sold by I-Flow Corporation (I-Flow), the selling stockholder identified in this prospectus. We will not receive any of the proceeds from the sale of the shares being sold by the selling stockholder.

Our common stock is quoted on the OTC Bulletin Board under the symbol INHI.OB. The last reported sales price of our common stock on the OTC Bulletin Board on October 15, 2010 was $2.50 per share.

Investing in our common stock involves a high degree of risk. See Risk Factors beginning on page 6 of this prospectus, to read about factors you should consider before buying shares of our common stock.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

	Per Share	Total
Public offering price	$ 2.05	$ 5,717,866
Underwriting discount	$ 0.123	$ 343,072
Proceeds, before expenses, to the selling stockholder	$ 1.927	$ 5,374,794

The underwriters expect that delivery of the shares offered hereby will be effected through the facilities of The Depository Trust Company on or about October 22, 2010.

Roth Capital Partners

Maxim Group LLC

The date of this prospectus is October 18, 2010.

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PROSPECTUS SUMMARY

This summary highlights certain information appearing elsewhere in this prospectus and is not intended to be complete. You should read the entire prospectus carefully, including the risk factors and the financial statements, and the notes and schedules related thereto before making an investment decision. Unless otherwise stated in this prospectus, references to we, us, our or the Company refer to InfuSystem Holdings, Inc. and its subsidiaries.

Business Concept and Strategy

We provide ambulatory infusion pump management services to oncologists in the United States. Ambulatory infusion pumps are small, lightweight electronic pumps designed to be worn by patients and which allow patients the freedom to move about while receiving chemotherapy treatments. The pumps are battery powered and attached to intravenous administration tubing, which is in turn attached to a reservoir or plastic cassette that contains the chemotherapy drug.

Our business model is currently focused on oncology chemotherapy infusion primarily for colorectal cancer. To our knowledge, we are the only national ambulatory infusion pump service provider focused on oncology.

We supply electronic ambulatory infusion pumps and associated disposable supply kits to physicians offices, infusion clinics and hospital outpatient chemotherapy clinics to be utilized by patients who receive continuous chemotherapy infusions. We obtain an assignment of insurance benefits from the patient, bill the insurance company or patient accordingly, and collect payment. We provide pump management services for the pumps and associated disposable supply kits to over 1,300 oncology practices in the United States. We retain title to the pumps during this process. In addition, we sell or rent pole-mounted or ambulatory infusion pumps for use within the oncology practice and we sell safety devices for cytotoxic drug transfer and administration.

We purchase electronic ambulatory infusion pumps from a variety of suppliers on a non-exclusive basis. Such pumps are generic in nature and are available to our competitors. The pumps are currently used primarily for continuous infusion of chemotherapy drugs for patients with colorectal cancer.

One aspect of our business strategy over the next one to three years is to expand into other treatment areas. We currently generate approximately 20% of our revenue from treatments for disease states other than colorectal cancer. There are a number of approved treatment regimens for head and neck, pancreatic, esophageal and other gastric cancers which involve the use of infusion pumps. There are also a number of other drugs currently approved by the U.S. Food and Drug Administration (the FDA), as well as agents in the pharmaceutical development pipeline, which we believe could potentially be used with continuous infusion protocols for the treatment of other diseases in addition to colorectal cancer. Drugs or protocols currently in clinical trials may also obtain regulatory approval over the next several years. If these new drugs obtain regulatory approval for use with continuous infusion protocols, we expect the pharmaceutical companies to focus their sales and marketing forces on promoting the new drugs and protocols to physicians.

Another aspect of our business strategy over the next one to three years is to actively pursue opportunities for the expansion of our business through strategic alliances, joint ventures and/or acquisitions. We believe there are opportunities to acquire smaller, regional competitors that perform similar services to us, but lack our national market access, network of third party payor contracts or operating economies of scale. We also plan to leverage our extensive networks of oncology practices and insurers by distributing complementary products and introducing key new services.

Services

We provide oncology offices, infusion clinics and hospital out-patient chemotherapy clinics with ambulatory infusion pumps in addition to related supplies for patient use, and then directly bill and collect

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payment from payors and patients for the use of these pumps. We own approximately 20,000 pumps. At any given time, we estimate that approximately 60% of our pumps are in the possession of patients. The remaining pumps are in transport for cleaning and calibration, or in oncology clinics as back-ups.

After a doctor determines that a patient is eligible for ambulatory infusion therapy, the doctor arranges for the patient to receive an infusion pump and provides the necessary chemotherapy drugs. The oncologist and nursing staff train the patient in the use of the pump and initiate service. The physician bills insurers, Medicare, Medicaid, third party payor companies or patients (collectively, payors) for the physician s professional services associated with initiating and supervising the infusion therapy, as well as the supply of drugs. We directly bill payors for the use of the pump and related disposable supplies. We have contracts with more than 200 payors that cover approximately 195 million third party payor lives. Billing to payors requires coordination with patients and physicians who initiate the therapy, as physicians offices must provide us with appropriate paperwork (patient s insurance information, physician s order and an acknowledgement of benefits that shows receipt of equipment by the patient) in order for us to bill the payors.

We believe that our business offers significant economic benefits for patients, providers and payors.

We provide patients with 24-hour service and support. We employ oncology and intravenous certified registered nurses trained on ambulatory infusion pump equipment who staff our 24-hour hotline to address questions that patients may have about their pump treatment, the infusion pumps or other medical or technical questions related to the pumps.

Physicians use our services to outsource the capital commitment, pump service, maintenance and billing and administrative burdens associated with pump ownership. Our service also allows the doctor to continue a direct relationship with the patient and to receive professional service fees for setting up treatment and administering drugs.

We believe our services are attractive to payors because they are generally less expensive than hospitalization or home care.

First Biomedical

On June 15, 2010, we acquired all of the issued and outstanding stock of First Biomedical, Inc. (First Biomedical).

First Biomedical sells, rents, services and repairs new and pre-owned infusion pumps and other medical equipment. It also sells a variety of primary and secondary tubing, cassettes, catheters and other disposable items that are utilized with infusion pumps. Headquartered in Olathe, Kansas, with additional facilities in California and Toronto, First Biomedical is a leading provider to alternate site healthcare facilities and hospitals in the United States and Canada. The acquisition of First Biomedical will allow us to expand our offerings to existing customers with the additional of biomedical service and repair, while simultaneously bolstering the growth of infusion pump sales within our existing and potential future markets.

First Biomedical s results of operations are included in our consolidated statements of operations from the acquisition date.

Background

We were formed as a Delaware blank check company in 2005 for the purpose of acquiring through a merger, capital stock exchange, asset acquisition or other similar business combination, one or more operating businesses in the healthcare sector. We completed our initial public offering on April 18, 2006. On October 25, 2007, we acquired Infusystem, Inc. (Infusystem) from I-Flow. Effective October 25, 2007, we changed our corporate name from HAPC, INC. to InfuSystem Holdings, Inc.

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Concurrently with the acquisition, I-Flow acquired the shares of our common stock offered by this prospectus in open market transactions from existing stockholders. In November, 2009, Kimberly-Clark Corporation (Kimberly-Clark) acquired I-Flow.

Corporate and Other Information

Our principal executive offices are located at 31700 Research Park Drive, Madison Heights, Michigan 48071, and our telephone number is (248) 291-1210. Our Web site is http://www.infusystem.com. The information contained in, or that can be accessed through, our Web site is not a part of this prospectus and should not be relied upon in determining whether to make an investment in our common stock.

The Offering

Selling stockholder	I-Flow Corporation
Common stock offered by the selling stockholder	2,789,203 shares.
Common stock outstanding (as of June 30, 2010)	19,869,239 shares.
Use of proceeds	We will not receive any proceeds from the sale of shares by the selling stockholder. See Use of Proceeds.
OTCBB listing	Our common stock is quoted on the OTC Bulletin Board under the symbol INHI.OB.
Risk factors	See Risk Factors on page 6 for a discussion of factors you should carefully consider before deciding to invest in our common stock.

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Summary Consolidated Financial Data

InfuSystem Holdings, Inc.

The following tables set forth our summary consolidated financial data. You should read the financial data presented below together with our consolidated financial statements included elsewhere in this prospectus, including the notes thereto, and the information presented in this prospectus under the heading Management s Discussion and Analysis of Financial Condition and Results of Operations. We have derived the statement of operations data for the years ended December 31, 2009, 2008 and 2007 and the balance sheet data as of December 31, 2009 and 2008 from our audited financial statements, which are included elsewhere in this prospectus. We have derived the statement of operations data for the year ended December 31, 2006 and the balance sheet data as of December 31, 2007 and 2006 from audited financial statements which are not included in this prospectus. We have derived the statement of operations data for the six months ended June 30, 2010 and 2009 and the balance sheet data as of June 30, 2010 from our unaudited financial statements, which are included elsewhere in this prospectus. Our historical results for any prior period are not necessarily indicative of results to be expected for any future period. On October 25, 2007, we acquired 100% of the issued and outstanding capital stock of InfuSystem from I-Flow. InfuSystem s results of operations are included in our Consolidated Statements of Operations from the date of the acquisition. On June 15, 2010, we completed our acquisition of First Biomedical, and our results include those of First Biomedical from the acquisition date. For more information, see Note 3 Acquisitions to our Consolidated Financial Statements included elsewhere in this prospectus.

	Six Months Ended June 30,		Year Ended December 31,			
	2010	2009	2009	2008	2007	2006
	in thousands, except per share amounts					
STATEMENT OF OPERATIONS DATA						
Net revenues	$ 21,421	$ 18,400	$ 38,964	$ 35,415	$ 6,582	$
Total operating expenses	(20,182)	(15,795)	(33,636)	(30,629)	(8,079)	(20,824)
Total other (loss) income	(1,514)	(2,473)	(3,577)	6,080	(189)	14,003
Income tax benefit (expense)	407	121	(977)	(907)	(1,110)	(1,038)
Net income (loss)	132	253	774	9,959	(2,796)	(7,859)
Net income (loss) per share basic	$ 0.01	$ 0.01	$ 0.04	$ 0.56	$ (0.15)	$ (0.58)
Net income (loss) per share diluted	$ 0.01	$ 0.01	$ 0.04	$ 0.53	$ (0.15)	$ (0.58)
BALANCE SHEET DATA (at period end)						
Total Assets	$ 129,458		$ 114,690	$ 116,220	$ 116,426	$ 100,298
Long-term debt, including current maturities	34,246		24,141	30,669	32,294	
Stockholders equity	84,517		81,465	80,073	68,759	65,146
OTHER DATA						
Adjusted EBITDA[(1)]	$ 6,392	$ 5,950	$ 12,907	$ 12,098		

(1) Adjusted EBITDA represents net income (loss) before income tax expense, interest expense and depreciation and amortization (EBITDA), further adjusted for the items described in the table below. Adjusted EBITDA is not a measure of performance calculated in accordance with U.S. generally accepted accounting principles (GAAP). We believe the presentation of Adjusted EBITDA is a relevant and useful measure to assist in understanding our operating performance. We likewise utilize Adjusted EBITDA as a means to measure our operating performance.

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A reconciliation of net income to Adjusted EBITDA is provided below:

	Six Months Ended June 30,		Year Ended December 31,	
	2010	2009	2009	2008
Net income	$ 132	$ 253	$ 774	$ 9,959
Interest expense	2,172	1,837	3,503	3,771
Interest income			(4)	(36)
Income tax expense (benefit)	(407)	(121)	977	907
Depreciation(a)	2,380	1,886	4,122	3,935
Amortization	991	914	1,827	1,827
EBITDA	$ 5,268	$ 4,769	$ 11,199	$ 20,363
Loss (gain) on derivatives(b)	460	636	78	(9,815)
Stock based compensation(c)	997	545	753	1,550
Termination benefits(d)			877	
Acquisition costs(e)	785			
Gain on debt extinguishment(f)	(1,118)			
Adjusted EBITDA	$ 6,392	$ 5,950	$ 12,907	$ 12,098

(a) See Note 4 to our consolidated financial statements included elsewhere in this prospectus.
(b) See Note 6 to our consolidated financial statements included elsewhere in this prospectus.
(c) Represents the cost of stock-based compensation. See Note 11 to our consolidated financial statements included elsewhere in this prospectus.
(d) Represents the expense incurred in connection with the resignation of Steve Watkins, the former Chief Executive Officer, in September 2009.
(e) Represents costs incurred in connection with the acquisition of First Biomedical. See Note 3 to our unaudited interim consolidated financial statements included elsewhere in this prospectus.
(f) Represents the gain upon the early repayment of debt in June 2010.

Predecessor InfuSystem

The following historical information was derived from the audited financial statements of InfuSystem (Predecessor InfuSystem) for the period from January 1, 2007 to October 25, 2007 and the related notes and schedules thereto, which are included elsewhere in this prospectus. Statement of operations data for fiscal years ended December 31, 2006 and 2005 and the balance sheet data as of December 31, 2006 and 2005 was derived from audited financial statements of Predecessor InfuSystem which are not included in this prospectus.

	January 1, 2007 to October 25, 2007	Year Ended December 31, 2006	Year Ended December 31, 2005
STATEMENT OF OPERATIONS DATA			
Net revenues	$ 25,001	$ 31,716	$ 28,525
Cost of revenues	6,702	8,455	7,735
Total operating expenses	15,673	15,091	12,709
Income tax expense	1,086	3,094	2,938
Net income	1,777	4,963	5,093
BALANCE SHEET DATA (at period end)			
Total assets		$ 27,628	$ 27,831
Stockholders equity		22,008	22,455

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RISK FACTORS

Any investment in our common stock involves a high degree of risk. You should consider carefully the risk factors described below, as well as the other information contained in this prospectus, before making an investment in our common stock. Any of the risk factors described below could significantly and negatively affect our business, financial condition or operating results. Moreover, we operate in a very competitive and rapidly changing environment. New risk factors emerge from time to time and it is not possible for us to predict all risk factors, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. If any of the matters described below, or other risk factors not described below, occur, you may lose all or part of your investment.

RISK FACTORS RELATING TO OUR BUSINESS AND THE INDUSTRY IN WHICH WE OPERATE.

We are dependent on our Medicare Supplier Number.

We are required to have a Medicare Supplier Number in order to bill Medicare for services provided to Medicare patients. Furthermore, all third party and Medicaid contracts require us to have a Medicare Supplier Number. In addition, we are required to comply with Medicare Supplier Standards in order to maintain such number. If we are unable to comply with the relevant standards, we could lose our Medicare Supplier Number. The loss of such identification number for any reason would prevent us from billing Medicare for patients who rely on Medicare to pay their medical expenses and, as a result, we would experience a decrease in our revenues. Without such a number, we would be unable to continue our various third party and Medicaid contracts. A significant portion of our revenue is dependent upon our Medicare Supplier Number.

The Center for Medicare and Medicaid Services (CMS) has issued a ruling that all durable medical equipment (DME) providers must be accredited by a recognized accrediting entity by September 30, 2009. On February 17, 2009, we received accreditation from Community Health Accreditation Program (CHAP), thus meeting this CMS requirement. If we lost our accredited status, our financial condition, revenues and results of operations would be materially and adversely affected.

Changes in third-party reimbursement rates may adversely impact our revenues.

Our revenues are substantially dependent on third-party reimbursement. We are paid directly by private insurers and governmental agencies, often on a fixed fee basis, for continuous infusion equipment and related disposable supplies provided to patients. If the average fees allowable by private insurers or governmental agencies were reduced, the negative impact on revenues could have a material adverse effect on our financial condition, results of operations and cash flows. Also, if amounts owed to us by patients and insurers are reduced or not paid on a timely basis, we may be required to increase our bad debt expense and/or decrease our revenues.

Any change in the overall healthcare reimbursement system may adversely impact our business.

Changes in the healthcare reimbursement system often create financial incentives and disincentives that encourage or discourage the use of a particular type of product, therapy or clinical procedure. Market acceptance of continuous infusion therapy may be adversely affected by changes or trends within the healthcare reimbursement system. Changes to the health care reimbursement system that favor other technologies or treatment regimens that reduce reimbursements to providers or treatment facilities that use our services, may adversely affect our ability to market our services profitably.

Our success is impacted by the availability of the chemotherapy drugs that are used in our continuous infusion pump systems.

We primarily derive our revenue from the rental of ambulatory infusion pumps to oncology patients through physicians offices and chemotherapy clinics. A shortage in the availability of chemotherapy drugs that are used

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in the continuous infusion pump system, could have a material adverse effect on our financial condition, results of operations and cash flows.

If future clinical studies demonstrate that oral medications are as effective or more effective than continuous infusion therapy, our business could be adversely affected.

Numerous clinical trials are currently ongoing, evaluating and comparing the therapeutic benefits of current continuous infusion-based regimens with various oral medication regimens. If these clinical trials demonstrate that oral medications provide equal or greater therapeutic benefits and/or demonstrate reduced side effects compared to prior oral medication regimens, our revenues and overall business could be materially and adversely affected. Additionally, if new oral medications are introduced to the market that are superior to existing oral therapies, physicians willingness to prescribe continuous infusion-based regimens could decline, which would adversely affect our financial condition, results of operations and cash flows.

Global financial conditions may negatively impact our business, results of operations, financial condition and/or liquidity.

The recent global financial crisis affecting the banking system and financial markets, as well as the uncertainty in global economic conditions, have resulted in a significant tightening of credit markets, a low level of liquidity in financial markets and reduced corporate profits and capital spending. As a result, our customers (patients and payors) may face issues gaining timely access to sufficient credit, which could result in an impairment of their ability to make timely payments to us. In addition, the current global financial crisis could also adversely impact our suppliers ability to provide us with materials and components, either of which may negatively impact our financial condition, results of operations and cash flows. The financial crisis could also adversely impact our ability to access the financial markets.

Although we maintain allowances for doubtful accounts for estimated losses resulting from the inability of our customers to make required payments and such losses have historically been within our expectations and the provisions established, we cannot guarantee that we will continue to experience the same loss rates that we have in the past, especially given the current turmoil of the worldwide economy.

State licensure laws for durable medical equipment, or DME , suppliers are subject to change. If we fail to comply with any state s laws, we will be unable to operate as a DME supplier in such state and our business operations will be adversely affected.

As a DME supplier operating in all 50 states of the United States, we are subject to each state s licensure laws regulating DME suppliers. State licensure laws for DME suppliers are subject to change and we must ensure that we are continually in compliance with the laws of all 50 states. In the event that we fail to comply with any state s laws governing the licensing of DME suppliers, we will be unable to operate as a DME supplier in such state until we regain compliance. We may also be subject to certain fines and/or penalties and our business operations could be adversely affected.

Our growth strategy includes expanding into treatment for cancers other than colorectal. There can be no assurance that continuous infusion-based regimens for these other cancers will become standards of care for large numbers of patients or that we will be successful in penetrating these different markets.

An aspect of our growth strategy is to expand into the treatment of other cancers, such as head, neck and gastric. Currently, relatively small percentages of these patients are treated with regimens that include continuous infusion therapy. That population will expand only if clinical trial results for new drugs and new combinations of drugs demonstrate superior outcomes for regimens that include continuous infusion therapy relative to

alternatives. No assurances can be given that these new drugs and drug combinations will be approved or will prove superior to oral medication or other treatment alternatives. In addition, no assurances can be given that we will be able to penetrate successfully any new markets that may develop in the future or manage the growth in additional resources that would be required.

The industry in which we operate is intensely competitive and changes rapidly. If we are unable to successfully compete with our competitors, our business operations may suffer.

The drug infusion industry is highly competitive. Some of our competitors and potential competitors have significantly greater resources than we do for research and development, marketing and sales. As a result, they may be better able to compete for market share, even in areas in which our services may be superior. The industry is subject to technological changes and such changes may put our current fleet of pumps at a competitive disadvantage. If we are unable to effectively compete in our market, our financial condition, results of operations and cash flows may materially suffer.

Our industry is dependent on regulatory guidelines that affect our billing practices. If our competitors do not comply with these regulatory guidelines, our business could be adversely affected.

Aggressive competitors may not fully comply with rules pertaining to documentation required by CMS and other payors for patient billing. Competitors who don t meet the same standards of compliance that we do with regards to billing regulations, can put us at a potential competitive disadvantage. We are a participating provider with Medicare and under contract with more than 200 additional insurance plans, all of which have very stringent guidelines. If our competitors do not comply with these regulatory guidelines, our business could be adversely affected.

We rely on independent suppliers for our products. Any delay or disruption in the supply of products, particularly our supply of electronic ambulatory pumps, may negatively impact our operations.

Our infusion pumps are obtained from outside vendors. The majority of our new pumps are electronic ambulatory infusion pumps which are supplied to us by three major suppliers: Smiths Medical, Inc.; Hospira Worldwide, Inc.; and WalkMed Infusion, LLC (formerly known as McKinley Medical, LLC). The loss or disruption of our relationships with outside vendors could subject us to substantial delays in the delivery of pumps to customers. Significant delays in the delivery of pumps could result in possible cancellation of orders and the loss of customers. Our inability to provide pumps to meet delivery schedules could have a material adverse effect on our reputation in the industry, as well as our financial condition, results of operations and cash flows.

Although we do not manufacture the pumps we distribute, if a pump distributed by us proves to be defective or is misused by a health care practitioner or patient, we may be subject to liability that could adversely affect our financial condition and results of operations.

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