

InfuSystem Holdings, Inc  
Form 10-Q/A  
December 12, 2016  
Table of Contents

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**WASHINGTON, D.C. 20549**

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

**Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934  
for the quarterly period ended June 30, 2016**

**or**

**Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934  
for the transition period from \_\_\_\_\_ to \_\_\_\_\_**

**Commission File Number: 001-35020**

**INFUSYSTEM HOLDINGS, INC.**  
**(Exact name of registrant as specified in its charter)**

**Delaware**  
**(State or Other Jurisdiction of**  
**Incorporation or Organization)**

**20-3341405**  
**(I.R.S. Employer**  
**Identification No.)**

**31700 Research Park Drive**

**Madison Heights, Michigan 48071**

**(Address of Principal Executive Offices)**

**(248) 291-1210**

**(Registrant's Telephone Number, including Area Code)**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer

Accelerated Filer

Non-Accelerated Filer (Do not check if smaller reporting company)

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of August 4, 2016, 22,633,972 shares of the registrant's common stock, par value \$0.0001 per share, were outstanding.



**Table of Contents****EXPLANATORY NOTE**

On November 1, 2016, the Audit Committee of the Board of Directors of InfuSystem Holdings, Inc. (the Company) concluded, after review and discussion with management, that the Company's audited financial statements for the fiscal year ended December 31, 2015, and the Company's unaudited financial statements for each of the fiscal quarters ended March 31, 2015 through June 30, 2016 (collectively, the Financial Statements) should no longer be relied upon. This Amendment No. 1 to the Company's Quarterly Report on Form 10-Q (this Form 10-Q/A) for the three and six months ended June 30, 2016, which was filed with the U.S. Securities and Exchange Commission (SEC) on August 10, 2016 (the Original Form 10-Q), restates the Company's consolidated financial statements as of and for the three and six months ended June 30, 2016, and amends the related Notes and disclosures thereto, including the Company's controls and procedures. The impact on the Company's financial statements for the three and six months ended June 30, 2016 and 2015, is to increase the provision for contractual allowance (thereby reducing accounts receivable as shown on the balance sheet) and other items as follows:

<i>(in thousands)</i>	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
	<b>June 30, 2016</b>	<b>June 30, 2015</b>	<b>June 30, 2016</b>	<b>June 30, 2015</b>
Unaudited quarterly impact	\$ 943	\$ 234	\$ 1,693	\$ 407

The impact of these amounts are included in the following items on the Company's condensed consolidated financial statements for the three and six months ended June 30, 2016 and 2015:

Consolidated Balance Sheet:	Consolidated Statement of Operations:
Accounts receivable, net	Rental revenues
Total Current Assets	Net revenues
Deferred income taxes	Gross profit
Total Assets	Operating income
Retained deficit	Income before income taxes
Total Stockholders' Equity	Income tax (expense) benefit
Total Liabilities and Stockholders' Equity	Net income
	Net income per basic and diluted share

See the Company's Current Report on Form 8-K filed with the SEC on November 7, 2016 and Amendment No. 2 to the Company's Annual Report on Form 10-K/A filed with the SEC on December 12, 2016 for additional details.

The items amended in the Original Form 10-Q are listed under Items Amended by this Filing below. Other than the Items Amended by this Filing, disclosures in the Original Form 10-Q remain unchanged. However, for the convenience of the reader, this Form 10-Q/A restates in its entirety, as amended, the Company's Original Form 10-Q. The Company has not modified or updated disclosures presented in the Original Form 10-Q, except as required to reflect the effects of the restatement. Accordingly, this Form 10-Q/A does not reflect events occurring after the filing of the Original Form 10-Q and no attempt has been made in this Form 10-Q/A to modify or update other disclosures as presented in the Original Form 10-Q, except as specifically referenced herein. Accordingly, this Form 10-Q/A should be read in conjunction with the Company's filings with the SEC subsequent to the filing of the Original Form 10-Q.

***Background of Restatement***

The calculation error affects only the Company's rentals of infusion pumps to patients, which are paid for by third-party insurance payors. Revenue resulting from sales, service and rentals directly billed to health care providers is not impacted by this calculation error.

A summary of the restatement and its effects to the Company's financial statements for the three and six months ended June 30, 2016 and 2015, respectively, included within this Form 10-Q/A, is presented in Note 2 in the accompanying Notes to the unaudited condensed consolidated financial statements.

***Internal Control Over Financial Reporting***

Under the supervision and with the participation of the Company's Chief Executive Officer and Chief Financial Officer, management conducted a reassessment of the effectiveness of the Company's disclosure controls and procedures as of June 30, 2016. As a result of that reassessment, management concluded that the Company's disclosure controls and procedures were not effective due to a material weakness.

For a description of the material weakness, see Part I – Item IV – Controls and Procedures.

**Table of Contents**

***Items Amended by this Filing***

The following items included in the Original Form 10-Q are amended by this Form 10-Q/A:

Part I, Item I - Financial Statements;

Part I, Item II - Management's Discussion and Analysis of Financial Condition and Results of Operations;

Part I, Item IV - Controls and Procedures; and

Part II, Item 1A - Risk Factors.

As required by Rule 12b-15 under the Securities Exchange Act of 1934, as amended, new certifications by the Company's principal executive officer and principal financial officer are filed as exhibits 31.1, 31.2, 32.1 and 32.2 to this Form 10-Q/A.

The Company is concurrently filing an amended Quarterly Report on Form 10-Q/A for the quarter ended March 31, 2016 to reflect the effects of the restatement therein.

**Table of Contents**

**INFUSYSTEM HOLDINGS, INC. AND SUBSIDIARIES**

**Index to Form 10-Q/A**

	<b>PAGE</b>
<b><u>PART I - FINANCIAL INFORMATION</u></b>	
Item 1. <u>Financial Statements</u>	5
-Condensed Consolidated Balance Sheets as of June 30, 2016 (unaudited) (Restated) and December 31, 2015	5
-Unaudited Condensed Consolidated Statements of Operations (Restated) for the three and six months ended June 30, 2016 and 2015	6
-Unaudited Condensed Consolidated Statements of Cash Flows for the six months ended June 30, 2016 and 2015	7
-Notes to the Unaudited Condensed Consolidated Financial Statements (Restated)	8
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	18
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	23
Item 4. <u>Controls and Procedures</u>	23
<b><u>PART II - OTHER INFORMATION</u></b>	
Item 1. <u>Legal Proceedings</u>	24
Item 1A. <u>Risk Factors</u>	24
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	26
Item 3. <u>Defaults Upon Senior Securities</u>	26
Item 4. <u>Mine Safety Disclosures</u>	26
Item 5. <u>Other Information</u>	26
Item 6. <u>Exhibits</u>	27
<u>Signatures</u>	28

**Table of Contents****PART I FINANCIAL INFORMATION****Item 1. Financial Statements****INFUSYSTEM HOLDINGS, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED BALANCE SHEETS**

<i>(in thousands, except share data)</i>	<b>June 30, 2016 (Unaudited) (Restated)</b>	<b>As of December 31, 2015</b>
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 805	\$ 818
Accounts receivable, less allowance for doubtful accounts of \$4,485 and \$4,737 at June 30, 2016 and December 31, 2015, respectively	13,675	12,622
Inventory	2,096	1,916
Other current assets	1,207	861
Deferred income taxes	2,743	2,743
<b>Total Current Assets</b>	<b>20,526</b>	<b>18,960</b>
Medical equipment held for sale or rental	1,524	2,277
Medical equipment in rental service, net of accumulated depreciation	29,805	27,837
Property & equipment, net of accumulated depreciation	2,236	2,370
Intangible assets, net	31,855	31,534
Deferred income taxes	12,116	12,128
Other assets	222	251
<b>Total Assets</b>	<b>\$ 98,284</b>	<b>\$ 95,357</b>
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>		
Current Liabilities:		
Accounts payable	\$ 5,346	\$ 6,586
Current portion of long-term debt	5,939	5,060
Other current liabilities	2,560	3,641
<b>Total Current Liabilities</b>	<b>13,845</b>	<b>15,287</b>
Long-term debt, net of current portion	33,482	29,750
<b>Total Liabilities</b>	<b>\$ 47,327</b>	<b>\$ 45,037</b>
Stockholders Equity:		
Preferred stock, \$.0001 par value: authorized 1,000,000 shares; none issued		



Edgar Filing: InfuSystem Holdings, Inc - Form 10-Q/A

Common stock, \$.0001 par value: authorized 200,000,000 shares; issued and outstanding 22,821,647 and 22,623,987, respectively, as of June 30, 2016 and 22,739,550 and 22,541,890, respectively, as of December 31, 2015	2	2
Additional paid-in capital	91,681	91,238
Retained deficit	(40,726)	(40,920)
<b>Total Stockholders Equity</b>	<b>50,957</b>	<b>50,320</b>
<b>Total Liabilities and Stockholders Equity</b>	<b>\$ 98,284</b>	<b>\$ 95,357</b>

See accompanying notes to unaudited condensed consolidated financial statements.

**Table of Contents**

**INFUSYSTEM HOLDINGS, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

(UNAUDITED)

(RESTATED)

<i>(in thousands, except share and per share data)</i>	Three Months Ended June 30		Six Months Ended June 30	
	2016	2015	2016	2015
Net revenues:				
Rentals	\$ 16,242	\$ 15,382	\$ 32,730	\$ 30,348
Product Sales	1,881	1,554	3,687	3,140
Net revenues	18,123	16,936	36,417	33,488
Cost of revenues:				
Cost of revenues Product, service and supply costs	4,789	3,656	8,295	6,671
Cost of revenues Pump depreciation and disposals	2,191	1,660	4,422	3,281
Gross profit	11,143	11,620	23,700	23,536
Selling, general and administrative expenses:				
Provision for doubtful accounts	1,067	1,143	2,814	2,337
Amortization of intangibles	922	713	1,834	1,344
Selling and marketing	2,324	2,687	5,139	5,424
General and administrative	6,392	5,994	13,061	11,969
Total selling, general and administrative	10,705	10,537	22,848	21,074
Operating income	438	1,083	852	2,462
Other income (expense):				
Interest expense	(327)	(387)	(632)	(1,059)
Loss on extinguishment of long term debt				(1,599)
Other income	7		27	19
Total other expense	(320)	(387)	(605)	(2,639)
Income (loss) before income taxes	118	696	247	(177)
Income tax benefit (loss)	35	(54)	(53)	299
Net income	\$ 153	\$ 642	\$ 194	\$ 122
Net income per share:				
Basic	\$ 0.01	\$ 0.03	\$ 0.01	\$ 0.01
Diluted	\$ 0.01	\$ 0.03	\$ 0.01	\$ 0.01
Weighted average shares outstanding:				

Edgar Filing: InfuSystem Holdings, Inc - Form 10-Q/A

Basic	22,620,386	22,381,487	22,584,462	22,345,309
Diluted	23,109,870	22,824,965	23,069,900	22,743,948

See accompanying notes to unaudited condensed consolidated financial statements.

Table of Contents

**INFUSYSTEM HOLDINGS, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(UNAUDITED)**

<i>(in thousands)</i>	<b>Six Months Ended June 30</b>	
	<b>2016</b>	<b>2015</b>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	\$ 1,869	\$ 3,787
<b>INVESTING ACTIVITIES</b>		
Acquisition of business		(3,786)
Purchase of medical equipment and property	(7,187)	(9,474)
Proceeds from sale of medical equipment and property	1,827	1,876
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	(5,360)	(11,384)
<b>FINANCING ACTIVITIES</b>		
Principal payments on revolving credit facility, term loans and capital lease obligations	(29,190)	(43,586)
Cash proceeds from revolving credit facility	32,575	51,546
Debt issuance costs		(157)
Common stock repurchased to satisfy statutory withholding on employee stock based compensation plans	(33)	(48)
Cash proceeds from stock plans	126	118
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>	3,478	7,873
<b>Net change in cash and cash equivalents</b>	(13)	276
<b>Cash and cash equivalents, beginning of period</b>	818	515
<b>Cash and cash equivalents, end of period</b>	\$ 805	\$ 791

See accompanying notes to unaudited condensed consolidated financial statements.

---

**Table of Contents**

**INFUSYSTEM HOLDINGS, INC. AND SUBSIDIARIES**

**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**1. Basis of Presentation, Nature of Operations and Summary of Significant Accounting Policies**

The terms InfuSystem, the Company, we, our and us are used herein to refer to InfuSystem Holdings, Inc. and its subsidiaries. InfuSystem Holdings, Inc. is a leading provider of infusion pumps and related services. The Company services hospitals, oncology practices and other alternative site healthcare providers. Headquartered in Madison Heights, Michigan, the Company delivers local, field-based customer support, and also operates pump repair Centers of Excellence in Michigan, Kansas, California, Texas, Georgia and Ontario, Canada.

The accompanying unaudited condensed consolidated financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission ( SEC ) for interim financial information. Accordingly, the unaudited condensed consolidated financial statements do not include all of the information and notes required by U.S. Generally Accepted Accounting Principles ( GAAP ) for complete financial statements. The accompanying unaudited condensed consolidated financial statements include all adjustments, composed of normal recurring adjustments, considered necessary by management to fairly state the Company's results of operations, financial position and cash flows. The operating results for the interim periods are not necessarily indicative of results that may be expected for any other interim period or for the full year. These unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and Notes thereto included in the Company's Amendment No. 2 to its Annual Report on Form 10-K/A for the year ended December 31, 2015 as filed with the SEC.

The unaudited condensed consolidated financial statements are prepared in conformity with GAAP, which requires the use of estimates, judgments and assumptions that affect the amounts of assets and liabilities at the reporting date and the amounts of revenue and expenses in the periods presented. The Company believes that the accounting estimates employed are appropriate and the resulting balances are reasonable; however, due to the inherent uncertainties in making estimates, actual results could differ from the original estimates, requiring adjustments to these balances in future periods.

**2. Restatement of Previously Issued Consolidated Financial Statements**

Subsequent to the filing of the Company's Quarterly Report on Form 10-Q for the three and six months ended June 30, 2016 with the SEC on August 10, 2016, management identified historical accounting errors principally related to a calculation error resulting in an overstatement of estimated accounts receivable collections. Due to the nature of the industry and the reimbursement environment in which the Company operates, certain estimates are required to record net revenues and accounts receivable at their net realizable value. Accounts receivable are reported at the estimated net realizable amounts from patients, third-party payors and other direct pay customers for goods provided and services rendered. The Company performs periodic analyses to assess the accounts receivable balances. The Company records an allowance for doubtful accounts and contractual allowance (to reduce gross billed charges to a contractual or estimated net realizable value from third-party payors) based on management's assessment of historical and expected estimated collectability of the accounts such that the recorded amounts reflect estimated net realizable value. Upon determination that an account is uncollectible, the account is written-off and charged to the allowance for doubtful accounts for patients or the contractual allowance for third-party payors. The Company's allowance for doubtful accounts and contractual allowance are a reduction to accounts receivable on the Company's consolidated

financial position. Additions to the contractual allowance each period offset gross billed charges, which are not publicly reported in the Company's filings, to arrive at net revenue, which is publicly reported in the Company's consolidated results of operations. Additions to the allowance for doubtful accounts, however, impact the bad debt expense line item of the Company's consolidated results of operations. The Company discovered that it has been applying an incorrect cash collection percentage due to a calculation error when calculating the historical collection percentage from certain billings to third-parties. This calculation error resulted in an overstatement of historical cash collection percentages from this revenue, which was then used to estimate future cash collections relative to an outstanding accounts receivable balance.

The calculation error affects only the Company's rentals of infusion pumps to patients, which are paid for by third-party insurance payors. Revenue resulting from sales, service and rentals directly billed to health care providers is not impacted by this calculation error.

The impact on the Company's financial statements for the three and six months ended June 30, 2016 and 2015 is to increase the provision for contractual allowance (thereby reducing accounts receivable as shown on the balance sheet):

**Table of Contents**

<i>(in thousands)</i>	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
	<b>June 30, 2016</b>	<b>June 30, 2015</b>	<b>June 30, 2016</b>	<b>June 30, 2015</b>
Unaudited quarterly impact	\$ 943	\$ 234	\$ 1,693	\$ 407

The impact of these amounts were included in the following items on the Company's consolidated financial statements for the three and six months ended June 30, 2016 and 2015:

Consolidated Balance Sheet:	Consolidated Statement of Operations:
Accounts receivable, net	Rental revenues
Total Current Assets	Net revenues
Deferred income taxes	Gross profit
Total Assets	Operating income
Retained deficit	Income before income taxes
Total Stockholders' Equity	Income tax (expense) benefit
Total Liabilities and Stockholders' Equity	Net income
	Net income per basic and diluted share

The following tables present the effect of the correction discussed above and other adjustments on selected line items of our previously reported consolidated statement of operations for the three and six months ended June 30, 2016 and 2015, respectively.

**Table of Contents**

	Three months ended					
	June 30, 2016			June 30, 2015		
	As Previously Reported	Adjust	As Restated	As Previously Reported	Adjust	As Restated
<b>Statement of Operations:</b>						
Net revenues:						
Rentals	\$ 17,185	\$ (943)	\$ 16,242	\$ 15,616	\$ (234)	\$ 15,382
Net revenues	19,066	(943)	18,123	17,170	(234)	16,936
Gross profit	12,086	(943)	11,143	11,854	(234)	11,620
Operating income	1,381	(943)	438	1,317	(234)	1,083
Income (loss) before income taxes	1,061	(943)	118	930	(234)	696
Income tax (expense) benefit	(337)	372	35	(147)	93	(54)
Net income (loss)	724	(571)	153	783	(141)	642
Net income (loss) per share:						
Basic	\$ 0.03	\$ (0.02)	\$ 0.01	\$ 0.03	\$	\$ 0.03
Diluted	\$ 0.03	\$ (0.02)	\$ 0.01	\$ 0.03	\$	\$ 0.03

	Six months ended					
	June 30, 2016			June 30, 2015		
	As Previously Reported	Adjust	As Restated	As Previously Reported	Adjust	As Restated
<b>Statement of Operations:</b>						
Net revenues:						
Rentals	\$ 34,423	\$ (1,693)	\$ 32,730	\$ 30,755	\$ (407)	\$ 30,348
Net revenues	38,110	(1,693)	36,417	33,895	(407)	33,488
Gross profit	25,393	(1,693)	23,700	23,943	(407)	23,536
Operating income	2,545	(1,693)	852	2,869	(407)	2,462
Income (loss) before income taxes	1,940	(1,693)	247	230	(407)	(177)
Income tax (expense) benefit	(721)	668	(53)	138	161	299
Net income (loss)	1,219	(1,025)	194	368	(246)	122
Net income (loss) per share:						
Basic	\$ 0.05	\$ (0.04)	\$ 0.01	\$ 0.02	\$ (0.01)	\$ 0.01
Diluted	\$ 0.05	\$ (0.04)	\$ 0.01	\$ 0.02	\$ (0.01)	\$ 0.01



**Table of Contents**

The following tables present the effect of the correction discussed above and other adjustments on selected line items of our previously reported consolidated balance sheet at June 30, 2016 and 2015, respectively.

	June 30, 2016			June 30, 2015		
	As		As Restated	As		As Restated
	Previously Reported	Adjust		Previously Reported	Adjust	
<b>Balance Sheet:</b>						
Accounts receivable, net	\$ 16,953	\$ (3,278)	\$ 13,675	\$ 12,304	\$ (407)	\$ 11,897
Total Current Assets	23,804	(3,278)	20,526	18,289	(407)	17,882
Deferred income taxes	10,821	1,295	12,116	13,878	161	14,039
Total Assets	100,267	(1,983)	98,284	91,779	(246)	91,533
Retained deficit	(38,743)	(1,983)	(40,726)	(43,336)	(246)	(43,582)
Total Stockholders Equity	52,940	(1,983)	50,957	47,508	(246)	47,262
Total Liabilities and Stockholders Equity	\$ 100,267	\$ (1,983)	\$ 98,284	\$ 91,779	\$ (246)	\$ 91,533

**3. Business Combination**

On April 20, 2015 (the Closing Date), the Company acquired substantially all of the assets of Ciscura Holding Company, Inc. and its subsidiaries (Ciscura) for \$6.2 million in cash, based on the final number of pumps acquired and the associated treatments, which were generated during the 90-day period post-closing from the approximately 100 medical facility relationships Ciscura had prior to the acquisition. The Company acquired approximately 1,800 infusion pumps, its four-person field sales team, as well as its facilities management personnel, which have become the foundation of the Company's new Southeast facility. Ciscura, based in Alpharetta, GA, was a privately-held Southeastern regional provider of ambulatory infusion pumps and services to medical facilities and provides the Company with a new regional warehouse and service facility that are in close proximity to a number of our largest existing customers, in addition to new customers previously serviced by Ciscura, enabling same day service for equipment and supplies to much of the Southeast region. The Company used available borrowings under its Credit Facility to finance the acquisition and associated expenses.

*Final Purchase Price Allocation*

Pursuant to Accounting Standards Codification (ASC) 805, Business Combinations, the final purchase price was allocated to the assets acquired and liabilities assumed based upon their fair values as of the Closing Date. The final purchase price allocation was primarily based upon a valuation using income and cost approaches and management's estimates and assumptions. The allocation of the final purchase price to the fair values of the assets acquired and liabilities assumed as of the Closing Date is presented below (in thousands):

	<b>Amount</b>
Medical equipment in rental service	\$ 2,289
Trade names and Trademarks	23
Customer relationships	3,393
Furniture and fixtures	20
Leasehold improvements	185
Non-competition agreements	246

Total - final purchase price	\$ 6,156
------------------------------	----------

Acquired property and equipment are being depreciated on a straight-line basis with estimated remaining lives ranging from 1 year to 7 years.

**Table of Contents***Unaudited Pro Forma Financial Information*

The unaudited pro forma financial information in the table below summarizes the combined results of operations of the Company and Ciscura as though the companies had been combined as of the beginning of the three and six month periods ended June 30, 2015. The pro forma financial information is presented for informational purposes only and is not indicative of the results of operations that would have been achieved if the acquisition had taken place at the beginning of the period presented nor is it indicative of future results. The Company did not disclose the revenue and income of Ciscura separately as it is not practical due to the fact that the operations are substantially integrated. The following pro forma financial information presented also includes the pro forma depreciation and amortization charges from acquired tangible and intangible assets, and related tax effects for the three and six months ended June 30, 2015 (in thousands):

	<b>Three months ended June 30, 2015 (Restated)</b>	<b>Six months ended June 30, 2015 (Restated)</b>
Revenue	\$ 17,332	\$ 34,750
Net income	\$ 688	\$ 258

**4. Medical Equipment and Property**

Medical equipment consisted of the following as of June 30, 2016 and December 31, 2015 (in thousands):

	<b>June 30, 2016</b>	<b>December 31, 2015</b>
Medical Equipment held for sale or rental	\$ 1,524	\$ 2,277
Medical Equipment in rental service	58,268	53,681
Medical Equipment in rental service - pump reserve	(394)	(232)
Accumulated depreciation	(28,069)	(25,612)
Medical Equipment in rental service - net	29,805	27,837
Total	\$ 31,329	\$ 30,114

Depreciation expense for medical equipment for the three and six months ended June 30, 2016 was \$1.6 million and \$3.1 million, respectively, compared to \$1.1 million and \$2.1 million for the same prior year periods, which was recorded in cost of revenues - pump depreciation and disposals, for each period.

Depreciation expense for property and equipment for the three and six months ended June 30, 2016 was \$0.1 million and \$0.3 million, respectively, compared to \$0.1 million and \$0.2 million for the same prior year periods. This expense was recorded in general and administrative expenses.



**Table of Contents****5. Intangible Assets**

The carrying amount and accumulated amortization of intangible assets as of June 30, 2016 and December 31, 2015, are as follows (in thousands):

	<b>Gross Assets</b>	<b>June 30, 2016 Accumulated Amortization</b>	<b>Net</b>
<b>Nonamortizable intangible assets</b>			
Trade names	\$ 2,000	\$	\$ 2,000
<b>Amortizable intangible assets</b>			
Trade names	23	23	
Physician and customer relationships	32,865	18,041	14,824
Physician and customer relationships - Ciscura	3,393	198	3,195
Non-competition agreements	1,094	992	102
Software	12,663	929	11,734
<b>Total nonamortizable and amortizable intangible assets</b>	<b>\$ 52,038</b>	<b>\$ 20,183</b>	<b>\$ 31,855</b>

	<b>Gross Assets</b>	<b>December 31, 2015 Accumulated Amortization</b>	<b>Net</b>
<b>Nonamortizable intangible assets</b>			
Trade names	\$ 2,000	\$	\$ 2,000
<b>Amortizable intangible assets</b>			
Trade names	23	15	8
Physician and customer relationships	32,865	16,946	15,919
Physician and customer relationships - Ciscura	3,393	103	3,290
Non-competition agreements	1,094	930	164
Software	11,942	1,789	10,153
<b>Total nonamortizable and amortizable intangible assets</b>	<b>\$ 51,317</b>	<b>\$ 19,783</b>	<b>\$ 31,534</b>

Amortization expense for the three and six months ended June 30, 2016 was \$0.9 million and \$1.8 million, respectively, compared to \$0.7 million and \$1.3 million, respectively, for the three and six months ended June 30, 2015. Expected annual amortization expense for intangible assets recorded as of June 30, 2016, is as follows (in thousands):

	<b>7/1-12/31/2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021 and thereafter</b>
Amortization expense	\$ 3,318	\$ 6,383	\$ 6,018	\$ 4,150	\$ 2,590	\$ 7,396

## **6. Debt**

On March 23, 2015, the Company and its direct and indirect subsidiaries (the Borrowers ) entered into a credit agreement (the Credit Agreement ) with JPMorgan Chase Bank, N.A., as lender (the Lender ). The Credit Agreement consists of a \$27.0 million Term Loan A, up to an \$8.0 million Term Loan B and a \$10.0 million revolving credit facility (the Revolver ), all of which mature on March 23, 2020 (collectively, the Credit Facility ).

On March 23, 2015, the Borrowers drew \$27.0 million under the Term Loan A to repay and terminate the previously existing credit facility under the credit agreement dated November 30, 2012, as amended, by and among the Company, its direct and indirect subsidiaries, Wells Fargo Bank, National Association, as administrative agent, and certain lenders party thereto (the WF Facility ). As of June 30, 2016, Term Loan B had a balance of \$5.9 million. As of June 30, 2016, interest on the Credit Facility is payable at the

**Table of Contents**

Borrower's choice as a (i) Eurodollar Loan, which bears interest at a per annum rate equal to LIBOR plus a margin ranging from 2.00% to 2.50% or (ii) CBFR Loan, which bears interest at a per annum rate equal to (a) the Lender's prime rate or (b) LIBOR for a 30-day interest period plus 2.50%, in each case, plus a margin ranging from -0.75% to -0.25%. The actual rate at June 30, 2016 was 2.95% (LIBOR of 0.45% plus 2.50%) on both Term Loan A and B and 3.25% (JPM Chase Prime Rate of 3.5% less 0.25%) on the Revolver.

The availability under the Revolver is based upon the Borrowers' eligible accounts receivable and eligible inventory and is comprised as follows (in thousands):

	<b>June 30, 2016</b>	<b>December 31, 2015</b>
<b>Revolver:</b>		
Gross Availability	\$ 10,000	\$ 10,000
Outstanding Draws	(6,618)	
Letter of Credit		(81)
Landlord Reserves	(45)	(37)
Availability on Revolver	\$ 3,337	\$ 9,882

To secure repayment of the obligations of the Borrowers, each Borrower has granted to the Lender, for the benefit of various secured parties, a first priority security interest in substantially all of the personal property assets of each of the Borrowers. In addition, the Company has pledged the shares of InfuSystem Holdings USA, Inc. ( Holdings USA ) and Holdings USA has pledged the shares of each of InfuSystem, Inc. and First Biomedical, Inc. and the equity interests of IFC, LLC to the Lender, for the benefit of the secured parties, to further secure the obligations under the Credit Agreement.

In addition, the Credit Agreement requires the Borrowers to maintain the following financial covenant obligations:

- (i) a minimum fixed charge coverage ratio of 1.25:1.00;
- (ii) a maximum total leverage ratio ranging from 3.00:1.00 to 2.25:1.00 during specified periods; and
- (iii) a minimum net worth of \$37.5 million.

The restatement error and the Company's decision to prepay debt, would have resulted in the Company being non-compliant with its fixed charge coverage ratio covenant as of March 31, 2016, however, as of June 30, 2016, the Company would have been in compliance. As a result of the Company's restatement of prior consolidated financial statements described herein, the following Events of Default occurred:

- (i)

## Edgar Filing: InfuSystem Holdings, Inc - Form 10-Q/A

an Event of Default that results from breach of the Fixed Charge Coverage covenant as of March 31, 2016 as required under Section 6.12(b); and

- (ii) an Event of Default that results from the unintentional misrepresentations made prior to the date of the First Amendment in connection with the certification as to the accuracy of the financial statements and compliance certificate delivered pursuant to Section 5.01 as they relate solely to the source of the error that has necessitated the restatement discussed herein.

In order to cure these violations, the Company entered into the First Amendment to Credit Agreement and Waiver on December 5, 2016. This First Amendment amends the Credit Agreement in the following material respects:

- (i) a waiver of the Event of Default that results from the failure to timely deliver the unaudited financial statements for the fiscal quarter ended September 30, 2016 as required under Section 5.01(b) and (c);
- (ii) a waiver of the Event of Default that results from breach of the Fixed Charge Coverage covenant as of March 31, 2016 as required under Section 6.12(b);
- (iii) a waiver of the Event of Default that results from the unintentional misrepresentations made prior to the date of the First Amendment in connection with the certification as to the accuracy of the financial statements and compliance certificate delivered pursuant to Section 5.01 as they relate solely to the source of the error that has necessitated the restatement discussed herein;
- (iv) a restructuring of the credit facility that will effectively consolidate Term Loan A and Term Loan B into a single Term Loan resulting in a new total drawn amount of \$32 million under the Term Loan with the approximately \$5 million excess over the current aggregate drawn amounts under Term Loan A and Term Loan B to be available to reduce the Company's drawings under the revolving credit line;
- (v) set the maturity of the new Term Loan described in item (iv) and the revolving credit line to five years from the effective date of the First Amendment;
- (vi) set the quarterly mandatory principal payment due on the Term Loan to \$1.3 million due on the last business day of each fiscal quarter with any remaining unpaid and outstanding amount due at maturity;
- (vii) amend the deadline for delivery of consolidated financial statements to allow for the delivery of such statements for the quarter ended September 30, 2016 by December 16, 2016;
- (viii) amend the deadline for delivery of the Company's annual financial plan and forecast to 30 days after the end of each fiscal year;
- (ix) amend the Leverage Ratio covenant to provide for the following schedule of maximum permitted ratios: (i) 3.0 to 1.0 at any time on or after the effective date but prior to December 31, 2015, (ii) 2.75



to 1.0 at any time on or after December 31, 2015 but prior to March 31, 2017, (iii) 2.50 to 1.0 at any time on or after March 31, 2017 but prior to March 31, 2018 or (iv) 2.25 to 1.00 at any time on or after March 31, 2018;

- (x) amend the definition of EBITDA to provide for the exclusion of certain one-time expenses directly related to the financial restatement described herein;

(xi) amend Section 8.01(a) to replace references to Jonathan Foster with Christopher Downs .  
As a result of the waivers of Events of Default contained within the First Amendment to Credit and Waiver Agreement described herein, as of June 30, 2016, the Company was in compliance with all such covenants.

**Table of Contents**

The Company had approximate future maturities of loans and capital leases as of June 30, 2016 as follows (in thousands):

	2016	2017	2018	2019	2020	Total
Term Loan A (a)	\$	\$ 3,860	\$ 3,860	\$ 3,860	\$ 9,630	\$ 21,210
Term Loan B	454	908	1,136	1,136	2,261	5,895
Unamortized value of the debt issuance costs (b)	(17)	(31)	(31)	(31)	(8)	(118)
Revolver					6,618	6,618
Capital Leases	1,650	2,591	1,393	166	16	5,816
Total	\$ 2,087	\$ 7,328	\$ 6,358	\$ 5,131	\$ 18,517	\$ 39,421

(a) The Company has prepaid its Term Loan A principal payments due on September 30, 2016 and December 31, 2016. Each of these payments is \$965, representing a total prepayment of \$1,930

(b) Includes the reclassification of the debt issuance costs as a result of the Company adopting ASU 2015-03 (see Note 11)

The following is a breakdown of the Company's current and long-term debt (including capital leases) as of June 30, 2016 and December 31, 2015 (in thousands):

	June 30, 2016			December 31, 2015			
	Current Portion of Long-Term Debt	Long-Term Debt	Total	Current Portion of Long-Term Debt	Long-Term Debt	Total	
Term Loans	\$ 2,838	\$ 24,267	\$ 27,105	Term Loans	\$ 1,873	\$ 26,651	\$ 28,524
Unamortized value of the debt issuance costs (a)	\$	\$ (118)	(118)	Unamortized value of the debt issuance costs (a)	\$	\$ (134)	(134)
Revolver		6,618	6,618	Revolver			
Capital Leases	3,101	2,715	5,816	Capital Leases	3,187	3,233	6,420
Total	\$ 5,939	\$ 33,482	\$ 39,421	Total	\$ 5,060	\$ 29,750	\$ 34,810

(a) Includes the reclassification of the debt issuance costs as a result of the Company adopting ASU 2015-03 (see Note 11)

**7. Income Taxes**

During the three and six months ended June 30, 2016, the Company recorded income tax benefit of \$0.1 million and tax expense of \$0.1 million, respectively. During the three and six months ended June 30, 2015, the Company

recorded income tax expense of \$0.1 million and an income tax benefit of \$0.3 million, respectively. During the quarter, the Company recognized a benefit from research and development credits ( R&D Credits ) of \$0.3 million pertaining to its development of software that enables third parties to interact, initiate functions or review data on the Company's system. In computing its income tax provision, the Company estimates its effective tax rate for the full year and applies that rate to income earned through the reporting period. The Company's effective income tax rate for the six months ended June 30, 2016 was 21.5%.

**Table of Contents****8. Commitments, Contingencies and Litigation**

From time to time in the ordinary course of its business, the Company may be involved in legal proceedings, the outcomes of which may not be determinable. The Company has insurance policies covering potential losses where such coverage is cost effective. The Company is not, at this time, involved in any legal proceedings that the Company believes could have a material effect on the Company's financial condition, results of operations or cash flows.

**9. Earnings Per Share**

Basic income per share is computed by dividing net income by the weighted average number of common shares outstanding during the period. Diluted income per share assumes the issuance of potentially dilutive shares of common stock during the period. The following table reconciles the numerators and denominators of the basic and diluted income per share computations:

	Three Months Ended June 30 (Restated)		Six Months Ended June 30 (Restated)	
	2016	2015	2016	2015
<b>Numerator:</b>				
Net income ( <i>in thousands</i> )	\$ 153	\$ 642	\$ 194	\$ 122
<b>Denominator:</b>				
Weighted average common shares outstanding:				
Basic	22,620,386	22,381,487	22,584,462	22,345,309
Dilutive effect of non-vested awards	489,484	443,478	485,438	398,639
Diluted	23,109,870	22,824,965	23,069,900	22,743,948
<b>Net income per share:</b>				
Basic	\$ 0.01	\$ 0.03	\$ 0.01	\$ 0.01
Diluted	\$ 0.01	\$ 0.03	\$ 0.01	\$ 0.01

For the three and six months ended June 30, 2016, less than 0.1 million of stock options were not included in the calculation because they would have an anti-dilutive effect, compared to 0.1 million for the same prior year periods.

**10. Subsequent Events**

The Company has evaluated subsequent events through the date of issuance for the unaudited condensed consolidated financial statements as of June 30, 2016.

**11. Recent Accounting Pronouncements and Developments**

In April 2015, the Financial Accounting Standards Board ( FASB ) issued Accounting Standards Update ( ASU ) No. 2015-03, Interest Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs

( ASU 2015-03 ), and, in August 2015, the FASB issued ASU No. 2015-15, Interest Imputation of Interest (Subtopic 835-30): Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements - Amendments to SEC Paragraphs Pursuant to Staff Announcement at June 18, 2015 EITF Meeting ( ASU 2015-15 ). ASU 2015-03 requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. ASU 2015-15 then clarified that debt issuance costs related to a line-of-credit arrangement can be presented as an asset on the balance sheet, regardless of whether there are any outstanding borrowings on the line-of-credit arrangement. These ASUs are effective for fiscal years beginning after December 15, 2015, and for interim periods within those fiscal years. The Company adopted this guidance as of January 1, 2016, and as a result, has recast the December 31, 2015 consolidated balance sheet to conform to the current period presentation. The adoption of this standard reduced previously presented other assets and long-term debt by \$0.1 million, based upon the balance of unamortized debt issuance costs relating to its Credit Facility as of December 31, 2015.

**Table of Contents**

On May 28, 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers ( ASU 2014-09 ), which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. ASU 2014-09 will supersede the existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a retrospective or cumulative effect transition method. In August 2015, the FASB issued ASU No. 2015-14, deferring the effective date of ASU 2014-09 by one year, from January 1, 2017 to January 1, 2018. The Company plans to adopt ASU 2014-09 on January 1, 2018. The Company is evaluating the effect that ASU 2014-09 will have on its financial position, results of operations, cash flows and/or disclosures and has not yet selected a transition method.

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842) ( ASU 2016-02 ). Under ASU 2016-02, an entity will be required to recognize right-of-use assets and lease liabilities on its balance sheet and disclose key information about leasing arrangements. ASU 2016-02 offers specific accounting guidance for a lessee, a lessor and sale and leaseback transactions. Lessees and lessors are required to disclose qualitative and quantitative information about leasing arrangements to enable a user of the financial statements to assess the amount, timing and uncertainty of cash flows arising from leases. For public companies, ASU 2016-02 is effective for annual reporting periods beginning after December 15, 2018, including interim periods within that reporting period, and requires a modified retrospective adoption, with early adoption permitted. The Company is currently evaluating the impact, if any, that the adoption of this guidance will have on its financial position, results of operations, cash flows and/or disclosures.

---

**Table of Contents**

**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**

The terms InfuSystem, the Company, we, our and us used herein refer to InfuSystem Holdings, Inc. and its subsidiaries.

**CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS**

Certain statements contained in this quarterly report on Form 10-Q/A are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the Securities Act) and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act). The words believe, may, will, estimate, anticipate, intend, should, plan, expect, strategy, future, likely, variations of such words, and other similar words as they relate to the Company, are intended to identify forward-looking statements. However, the absence of these words or similar expressions does not mean that a statement is not forward-looking. In connection with the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, the Company is identifying certain factors that could cause actual results to differ, perhaps materially, from those indicated by these forward-looking statements. Those factors, risks and uncertainties include, but are not limited to, potential changes in overall healthcare reimbursement, including the Centers for Medicare and Medicaid Services (CMS) competitive bidding and fee schedule reductions, sequestration, concentration of customers, increased focus on early detection of cancer, competitive treatments, dependency on Medicare Supplier Number, availability of chemotherapy drugs, global financial conditions, changes and enforcement of state and federal laws, natural forces, competition, dependency on suppliers, risks in acquisitions & joint ventures, U.S. Healthcare Reform, relationships with healthcare professionals and organizations, technological changes related to infusion therapy, the Company's ability to implement information technology improvements and to respond to technological changes, the ability of the Company to successfully integrate acquired businesses, dependency on key personnel, dependency on banking relations and the ability to comply with Credit Facility (as defined below) covenants, and other risks associated with its common stock, as well as any litigation to which the Company may be involved in from time to time; and other risk factors as discussed in the Company's Annual Report on Form 10-K/A for the year ended December 31, 2015 and in other filings made by the Company from time to time with the Securities and Exchange Commission (SEC). Our Amendment No. 2 of our Annual Report on Form 10-K/A is available on the SEC's EDGAR website at [www.sec.gov](http://www.sec.gov), and a copy may also be obtained by contacting the Company. All forward-looking statements made in this Form 10-Q/A speak only as of the date of this report. We do not intend, and do not undertake any obligation, to update any forward-looking statements to reflect future events or circumstances after the date of such statements, except as required by law.

**All of the financial information presented in this Item 2 has been revised to reflect the restatement of our consolidated financial statements, as more fully described in Note 2 to our consolidated financial statements, included in Part I, Item 1 of this Form 10-Q/A**

**Overview**

We are a leading provider of infusion pumps and related services. We service hospitals, oncology practices and other alternative site healthcare providers. Headquartered in Madison Heights, Michigan, we deliver local, field-based customer support, and also operate Centers of Excellence in Michigan, Kansas, California, Texas, Georgia and Ontario, Canada.

We supply electronic ambulatory infusion pumps and associated disposable supply kits to oncology practices, infusion clinics and hospital outpatient chemotherapy clinics. These pumps and supplies are utilized mostly by colorectal cancer patients who receive a standard of care treatment that utilizes continuous chemotherapy infusions delivered via electronic ambulatory infusion pumps. Our products and services are also utilized by patients in other disease states such as pancreatic, esophageal, stomach, and other head and neck and gastro intestinal tract cancers, as well as in the

management of post-operative pain. 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 1,700 cancer therapy sites in the United States, and except in rare circumstances where the patient has met a payment cap, retain title to the pumps during this process.

We sell or rent new and pre-owned pole mounted and ambulatory infusion pumps to, and provide biomedical recertification, maintenance and repair services for, oncology practices as well as other alternative site settings including home care and home infusion providers, skilled nursing facilities, pain centers and others.

Additionally, we sell, rent, service and repair new and pre-owned infusion pumps and other medical equipment. We also sell a variety of primary and secondary tubing, cassettes, catheters and other disposable items that are utilized with infusion pumps. Our rental and sales revenues come from three different revenue streams: provider to patient, supplier to supplier, and supplier to provider.

Since 2013, we have made significant investments in our Information Technology ( IT ). These efforts have primarily been focused on increasing electronic connectivity with our customers via electronic medical integration, pump portal, and asset tracking. Since 2014, we have invested in supporting uses of our ambulatory pumps in pain management for outpatient orthopedic surgeries utilizing continuous peripheral nerve block and collecting patient pain scores.



## Table of Contents

### *Recent Developments*

#### *CMS*

On April 25, 2016, CMS released the Medical Learning Network ( MLN ) Matters Number SE1609 Medicare Policy Clarified for Prolonged Drug and Biological Infusions Started Incident to a Physician s Service Using an External Pump clarification article ( SE1609 ). This clarification article is intended for all physicians and hospital outpatient departments submitting claims to Medicare Administrative Contractors ( MACs ) for prolonged drug and biological infusions started incident to a physician s service using an external pump. It should be noted that this article does not apply to suppliers claims submitted to Durable Medical Equipment ( DME ) MACs.

We interpret SE1609 as no longer permitting DME suppliers to submit billings to the DME MACs for the infusion pumps and supplies provided to Medicare patients in the circumstances described in SE1609. More particularly, SE1609 provides that when a drug is provided incident to physicians services rendered to patients while in the physician s office or hospital outpatient department, the external pump is not separately billable as DME. This applies to any DME supplier, home infusion company, hospital outpatient clinic or physician office that provides ambulatory infusion pumps in a setting where treatment is initiated in the infusion setting prior to the patient being sent home for long term infusion. SE1609 states that an ambulatory infusion pump and supplies are not separately reimbursable as DME when a Medicare patient leaves an infusion setting and goes home with a pump. SE1609 indicates that the administration of the drug billed to the local Medicare Contractor should also include payment for the DME used in furnishing the service. Under existing laws, in order for Medicare to cover the cost of the drug and external pump, a physician, hospital, clinic, home infusion therapy company or DME supplier must incur a cost for the drug and pump.

We have historically submitted billings directly to DME MACs for our infusion pumps and portfolio of related services in the circumstances described above. In this regard, Medicare accounted for 18% and 19% of our total revenues for the six-month period ended June 30, 2016 and fiscal year ended December 31, 2015, respectively, and 21% and 23% of our consolidated accounts receivable, net as of June 30, 2016 and as of December 31, 2015, respectively. As a result of SE1609, we will now submit these billings, effective July 1, 2016, directly to physicians or hospitals who, in turn, will seek reimbursement from Medicare. In these cases, the providing physicians or hospitals, rather than Medicare, will be the primary obligor to us for payments for our infusion pumps and portfolio of related services.

It is important to note that SE1609 applies only to Medicare patients and, therefore, we currently expect that SE1609 will have no direct material impact on the majority of patients of our customers who are insured by private commercial carriers. In these cases, which currently represent a substantial majority of our revenues, we already submit billings directly to these private commercial carriers.

We estimate that the transition to the alternative direct billing arrangement and other recent announcements regarding commercial billing will in aggregate have a gross reduction to our net revenue due exclusively to the pricing impact of approximately \$1.3 million per quarter. However, our response to this change as well as the expected changes in the competitive dynamics in the marketplace stemming from this change could mitigate this decline in revenue. These include:

In the near term, we are aligning processes with the new billing model, which we expect to reduce costs;

In the near term, we expect our asset utilization to normalize;

In the intermediate term, we are pursuing additional strategies to further improve financial performance, including (i) conducting new analyses to identify facilities which may have unreported treatments, and (ii) implementing cost savings initiatives;

In the long term, SE1609 will not only impact us, but will reshape the entire market, which we expect to create additional opportunities; and

Our on-going third-party payor contracting effort has resulted in several contracts which we expect to materially improve collections on billings to these payors.

The ultimate impact of SE1609 will vary as we make internal changes in the short-term and as the market is reshaped in the long term. We believe that the reduction in revenue resulting from the pricing decrease could ultimately be mitigated by 2018 through our response as well as potential benefits gained from the competitive changes in the marketplace.

In addition to restoring profitability, we are committed to achieving the accelerated reduction of debt outstanding through dramatically reduced capital investment in both IT systems and pump fleet.

Finally, however, there can be no assurance that SE1609 and the associated competitive dynamics in the marketplace will not further impact future revenues and net income or implicate other risks referred to in the Risk Factors section of our Annual Report on Form 10-K/A for 2015. The estimates provided above are our best estimates of future events that may or may not be obtainable and there can be no assurance that we will achieve such results.

### **InfuSystem Holdings, Inc. Results of Operations for the Three and Six Months Ended June 30, 2016 Compared to the Three and Six Months Ended June 30, 2015**

#### *Net Revenues*

Our net revenues for the quarter ended June 30, 2016 were \$18.1 million, an increase of \$1.2 million, or 7%, compared to \$16.9 million for the quarter ended June 30, 2015. During the period, net revenues from rentals increased \$0.9 million, or 6%, compared to the same prior year period. Our restatement resulted in a decrease in net revenues and rentals of \$0.7 million compared to the prior year period. Net revenues from product sales were \$1.9 million, an increase of \$0.3 million compared to the same prior year period.

Our net revenues for the six months ended June 30, 2016 were \$36.4 million, an increase of \$3.0 million, or 9%, over the same prior year period. During the period, net revenues from rentals increased \$2.4 million, or 8%, compared to the same prior year period. Our restatement impacted net revenues and rentals with a decrease of \$1.3 million compared to the same prior year period. The remaining increase in net revenues for both 2016 periods can be attributed to greater rental volume with new and existing sites of therapy, partially offset by a higher mix of Medicaid and patient payors in our rental business, which generally have lower net revenue rates than commercial payors.

---

**Table of Contents***Gross Profit*

Gross profit for the quarter ended June 30, 2016 was \$11.1 million, a decrease of \$0.5 million, or 4%, compared to \$11.6 million for the quarter ended June 30, 2015. Gross profit, as a percentage of net revenues, for the quarter ended June 30, 2016 was 61%, down from 69% for the same prior year period partially due to our restatement that resulted in a decrease in gross profit of \$0.7 million compared to the prior year period. The remaining decrease in gross profit as a percentage of net revenues for the period was largely attributed to an increase of \$1.7 million in supply costs and depreciation.

Gross profit for the six months ended June 30, 2016 was \$23.7 million, an increase of \$0.2 million, or 1%, compared to the six months ended June 30, 2015. Gross profit, as a percentage of net revenues, for the six months ended June 30, 2016 was 65%, down from 70% for the same prior year period partially due to our restatement of revenue that directly impacted gross profit with no associated costs, resulting in a decrease of \$1.3 million compared to the same prior year period. The remaining decrease in gross profit as a percentage of net revenues for the period was largely due to the increase of \$2.8 million in supply costs and depreciation associated with the increase in rental revenues and the deployment of pumps to new therapy sites.

*Provision for Doubtful Accounts*

Provision for doubtful accounts for the quarter ended June 30, 2016 was \$1.1 million, a decrease of \$0.1 million, or 7%, compared to the quarter ended June 30, 2015. The provision for doubtful accounts was 6% of net revenues at June 30, 2016, compared to 7% for the same prior year period. This change is the result of the Company's increased number of third-party payor contracts that are now being billed at in-network rates with lower rates of bad debt whereby previous insurance billings were billed at higher out-of-network rates with higher rates of bad debt. Bad debt is primarily associated with rental revenues.

Provision for doubtful accounts for the six months ended June 30, 2016 was \$2.8 million, an increase of \$0.5 million, or 20%, compared to \$2.3 million for the six months ended June 30, 2015. The provision for doubtful accounts was 7% of net revenues at June 30, 2016, which was consistent with the same prior year period. This increase is due (i) mainly to a change in a payor that was billing the Company as in-network without a contract to out-of-network, thereby resulting in an increase in bad debt and the Company has recently signed a contract with this payor whereby the billing will resort back to in-network; and (ii) a higher mix of Medicaid and patient payors in our rental business, which generally have higher uncollectible rates than commercial payors.

*Amortization of Intangible Assets*

Amortization of intangible assets for the quarter ended June 30, 2016 was \$0.9 million, an increase of \$0.2 million compared to the same prior year period. Amortization of intangible assets for the six months ended June 30, 2016 was \$1.8 million, an increase of \$0.5 million compared to the same prior year period. These increases were largely attributable to the intangible assets acquired from our Ciscura acquisition and the completion of several IT projects that were placed into service and the resulting amortization.

*Selling and Marketing Expenses*

During the quarter ended June 30, 2016, selling and marketing expenses were \$2.3 million, a decrease of \$0.4 million, or 14%, compared to \$2.7 million for the quarter ended June 30, 2015. During the six months ended June 30, 2016, selling and marketing expenses were \$5.1 million, a decrease of \$0.3 million, compared to \$5.4 million for the same prior year period. These decreases were largely attributable to reductions in sales and marketing personnel

costs. Selling and marketing expenses during these periods consisted of sales personnel salaries, commissions and associated fringe benefit and payroll-related items, marketing, share-based compensation, travel and entertainment and other miscellaneous expenses.

*General and Administrative Expenses*

During the quarter ended June 30, 2016, General and Administrative ( G&A ) expenses were \$6.4 million, an increase of \$0.4 million, or 7%, from \$6.0 million for the quarter ended June 30, 2015. The increase in G&A expenses versus the same prior year period was mainly attributable to increases in spending on IT of \$0.9 million and decreases in stock compensation expense and professional fees of \$0.5 million. During the six months ended June 30, 2016, G&A expenses were \$13.1 million, an increase of 9%, from \$12.0 million for the six months ended June 30, 2015. The increase in G&A expense versus the same prior year period was mainly attributable to increases in spending on IT and Pain Management initiatives of \$1.1 million.

*Other Income and Expenses*

During the quarter ended June 30, 2016, we recorded interest expense of \$0.3 million, a decrease of \$0.1 million, or 16%, compared to \$0.4 million for the same prior year period. During the six months ended June 30, 2016, we recorded interest expense of

**Table of Contents**

\$0.6 million, a decrease of \$0.4 million, or 40%, compared to \$1.0 million for the same prior year period. This is a direct result of the lower interest rates with our new Credit Facility, which we entered into on March 23, 2015, consisting of a \$27.0 million Term Loan A, up to an \$8.0 million Term Loan B and a \$10.0 million revolving credit facility (the Revolver), all of which mature on March 23, 2020, collectively (the Credit Facility). In addition, during the six months ended June 30, 2015, we had other expenses of \$1.6 million, primarily related to the write-off of deferred financing costs as a result of the early extinguishment of debt.

*Income Taxes*

During the three and six months ended June 30, 2016, we recorded income tax benefit of \$0.1 million and a tax expense of \$0.1 million, respectively. During the period, our restatement resulted in an income tax benefit of \$0.3 million. During the three and six months ended June 30, 2015, the Company recorded income tax expense of \$0.1 million and a tax benefit of \$0.3 million, respectively. During the period, our restatement resulted in an income tax benefit of \$0.5 million. Our effective income tax rate for the six months ended June 30, 2016 was 21.5%.

**Liquidity and Capital Resources**

As of June 30, 2016, we had cash and cash equivalents of \$0.8 million and \$3.3 million of net availability under the Revolver compared to \$0.8 million of cash and cash equivalents and \$9.9 million of net availability under our Revolver at December 31, 2015.

As of June 30, 2016, the Company has prepaid its Term Loan A principal payments due on September 30, 2016 and December 31, 2016. Each of these payments is approximately \$1.0 million, representing a total prepayment of \$1.9 million.

Cash provided by operating activities for the six months ended June 30, 2016 was \$1.9 million compared to cash provided by operating activities of \$3.8 million for the six months ended June 30, 2015. This decrease is mainly due to increases in accounts receivable and decreases in other current liabilities.

Cash used in investing activities was \$5.4 million for the six months ended June 30, 2016 compared to cash used of \$11.4 million for the six months ended June 30, 2015. The decrease in cash used was due to \$3.8 million of cash used during the six months ended June 30, 2015 related to our Ciscura asset acquisition. The Company has spent approximately \$2.5 million on Information Technology capital projects for the year. There was also a decrease in spending on non-pump assets of \$0.1 million and a \$0.9 million increase in cash used to purchase medical equipment.

Cash proceeds in financing activities for the six months ended June 30, 2016 was \$3.5 million compared to cash proceeds of \$7.9 million for the six months ended June 30, 2015. This decrease is primarily attributable to the cash proceeds received as a result of our decision to refinance our debt in the first quarter of 2015.

The availability under the Revolver is based upon our eligible accounts receivable and eligible inventory and is computed as follows (in thousands):

	<b>June 30, 2016</b>	<b>December 31, 2015</b>
Revolver:		

Edgar Filing: InfuSystem Holdings, Inc - Form 10-Q/A

Gross Availability	\$ 10,000	\$ 10,000
Outstanding Draws	(6,618)	
Letter of Credit		(81)
Landlord Reserves	(45)	(37)
Availability on Revolver	\$ 3,337	\$ 9,882

Our Credit Facility is collateralized by substantially all of our assets and shares of our subsidiaries and requires us to comply with covenants, including but not limited to, financial covenants relating to the satisfaction, on a quarterly and annual basis for the duration of the Credit Facility, of a total leverage ratio, a fixed charge coverage ratio and a net worth level. As a result of the restatement described in Note 6, the following Events of Default occurred:

- (i) an Event of Default that results from breach of the Fixed Charge Coverage covenant as of March 31, 2016 as required under Section 6.12(b); and
- (ii) an Event of Default that results from the unintentional misrepresentations made prior to the date of the First Amendment in connection with the certification as to the accuracy of the financial statements and compliance certificate delivered pursuant to Section 5.01 as they relate solely to the source of the error that has necessitated the restatement discussed herein.

In order to cure these violations, we entered into the First Amendment to Credit Agreement and Waiver on December 5, 2016. This First Amendment amends the Credit Agreement in the following material respects:

- (i) a waiver of the Event of Default that results from the failure to timely deliver the unaudited financial statements for the fiscal quarter ended September 30, 2016 as required under Section 5.01(b) and (c);
- (ii) a waiver of the Event of Default that results from breach of the Fixed Charge Coverage covenant as of March 31, 2016 as required under Section 6.12(b);
- (iii) a waiver of the Event of Default that results from the unintentional misrepresentations made prior to the date of the First Amendment in connection with the certification as to the accuracy of the financial statements and compliance certificate delivered pursuant to Section 5.01 as they relate solely to the source of the error that has necessitated the restatement discussed herein;
- (iv) a restructuring of the credit facility that will effectively consolidate Term Loan A and Term Loan B into a single Term Loan resulting in a new total drawn amount of \$32 million under the Term Loan with the approximately \$5 million excess over the current aggregate drawn amounts under Term Loan A and Term Loan B to be available to reduce the Company's drawings under the revolving credit line;
- (v) set the maturity of the new Term Loan described in item (iv) and the revolving credit line to five years from the effective date of the First Amendment;

## Edgar Filing: InfuSystem Holdings, Inc - Form 10-Q/A

- (vi) set the quarterly mandatory principal payment due on the Term Loan to \$1.3 million due on the last business day of each fiscal quarter with any remaining unpaid and outstanding amount due at maturity;
- (vii) amend the deadline for delivery of consolidated financial statements to allow for the delivery of such statements for the quarter ended September 30, 2016 by December 16, 2016;
- (viii) amend the deadline for delivery of the Company's annual financial plan and forecast to 30 days after the end of each fiscal year;
- (ix) amend the Leverage Ratio covenant to provide for the following schedule of maximum permitted ratios: (i) 3.0 to 1.0 at any time on or after the effective date but prior to December 31, 2015, (ii) 2.75 to 1.0 at any time on or after December 31, 2015 but prior to March 31, 2017, (iii) 2.50 to 1.0 at any time on or after March 31, 2017 but prior to March 31, 2018 or (iv) 2.25 to 1.00 at any time on or after March 31, 2018;
- (x) amend the definition of EBITDA to provide for the exclusion of certain one-time expenses directly related to the financial restatement described herein;

- (xi) amend Section 8.01(a) to replace references to Jonathan Foster with Christopher Downs .

As a result of the waivers of Events of Default contained within the First Amendment to Credit and Waiver Agreement described in Note 6 to the unaudited condensed consolidated financial statements, as of June 30, 2016, we were in compliance with all such covenants and expect to remain in compliance for the next 12 months.

### **Critical Accounting Policies and Estimates**

The unaudited condensed consolidated financial statements are prepared in conformity with U.S. GAAP, which require the use of estimates, judgments and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses in the periods presented. We believe that the accounting estimates employed are appropriate and resulting balances are reasonable; however, due to inherent uncertainties in making estimates, actual results could differ from the original estimates, requiring adjustments to these balances in

**Table of Contents**

future periods. The critical accounting estimates that affect the unaudited condensed consolidated financial statements and the judgments and assumptions used are consistent with those described in the MD&A section in our annual report on Form 10-K/A for the year ended December 31, 2015.



## **Table of Contents**

### **Item 3. Quantitative and Qualitative Disclosures About Market Risk**

InfuSystem is a smaller reporting company as defined by Rule 12b-2 of the Exchange Act and is not required to provide the information required under this item.

### **Item 4. Controls and Procedures Restatement of Previously Issued Financial Statements**

An evaluation was performed under the supervision and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of June 30, 2016. The evaluation of our disclosure controls and procedures by our Chief Executive Officer and Chief Financial Officer included a review of the restatement described in the filing of this Form 10-Q/A and the Amendment No. 2 to our Form 10-K/A for the fiscal year ended December 31, 2015, where we restated our consolidated balance sheet, consolidated statements of operations consolidated statements of cash flows, and notes to our consolidated financial statements. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were not effective as of June 30, 2016 at the reasonable assurance level, to enable us to record, process, summarize and report information required to be disclosed by us in reports that we file or submit within the time periods specified in the SEC rules or forms due to the material weakness described below.

#### **Material Weakness in Internal Control over Financial Reporting**

A material weakness is defined as a deficiency or combination of deficiencies in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of annual or interim consolidated financial statements will not be prevented or detected on a timely basis. In connection with the restatement of our condensed consolidated financial statements and revised management's assessment of our internal controls over financial reporting at December 31, 2015, and evaluation of our disclosure controls and procedures as of June 30, 2016, we identified a material weakness in our internal control over financial reporting associated with a calculation error in our statistical method of calculating collectible accounts receivable and corresponding revenue.

Specifically, the Company did not design and maintain effective internal control over the assessment of the accounting for significant estimates associated with collections of accounts receivable and corresponding revenue. This material weakness resulted in the restatement described in Note 2 of our prior period financial statements including the years ended December 31, 2015 and the interim periods therein and the quarterly periods ended March 31, 2016, June 30, 2016, which is included in this Quarterly Report on Form 10-Q/A, and September 30, 2016 (three and nine months ended September 30, 2015 only). Additionally, this material weakness could result in a misstatement in the financial statements that would result in a material misstatement in the annual or interim consolidated financial statements that would not be prevented or detected.

#### **Changes in Internal Control over Financial Reporting**

Other than the material weakness as set forth above during the quarter ended June 30, 2016, there have been no changes in our internal controls over financial reporting as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act, during the quarter ended June 30, 2016 identified in connection with our evaluation that has materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

#### **Management's Remediation Initiatives**

We have taken, and continue to take, the actions described below to remediate the identified material weakness. As we continue to evaluate and work to improve our internal controls over financial reporting, our senior management may determine to take additional measures to address control deficiencies or modify the remediation efforts, or in appropriate circumstances not to complete, certain of the remediation measures described in this section. While the Audit Committee and senior management are closely monitoring the implementation, until the remediation efforts discussed in this section, including any additional remediation efforts that our senior management identifies as necessary, are completed, tested, and determined effective, the material weakness described above will continue to exist.

To address this material weakness, our management has implemented new procedures and internal controls surrounding the use of our statistical method of calculating collections of accounts receivable and corresponding revenue. These include, but are not limited to, simplifying the calculation to reduce potential opportunities for error; establishing a more formalized process of review for the calculation by members of the Company's senior management, including establishing key controls and control design, and implementing a quarterly review of the estimated receivables collection calculation against other possible quantitative/qualitative methods to validate conclusions.

**Table of Contents**

**PART II OTHER INFORMATION**

**Item 1. Legal Proceedings**

We are, from time to time, a party to legal proceedings that may arise in the ordinary course of our business. Currently, there are no legal proceedings that management believes would have a material adverse effect on our consolidated financial condition or results of operations.

**Item 1A. Risk Factors**

For information regarding factors that could affect our results of operations, financial condition and liquidity, refer to the section entitled "Risk Factors" in Part I, Item 1A in our Annual Report on Form 10-K/A for the year ended December 31, 2015.

Except as updated below, there have been no material changes from the risk factors previously disclosed in our Annual Report on Form 10-K/A for the year ended December 31, 2015 as filed with the SEC.

***We have restated our prior consolidated financial statements, which may lead to additional risks and uncertainties, including loss of investor confidence, stockholder litigation and negative impacts on our stock price.***

As discussed in Note 3 to our audited consolidated financial statements included in Part II, Item 8-Financial Statements and Supplementary Data of our Form 10-K/A, we have restated our consolidated financial statements as of and for the fiscal year ended December 31, 2015 and for each of the fiscal quarters ended March 31, 2015 through June 30, 2016 (the "Restated Periods"). The determination to restate the financial statements for the Restated Periods was made by our Audit Committee upon management's recommendation following the identification of errors principally related to an overstatement of estimated accounts receivable collections. Due to the errors, our management concluded that the Company's previously issued financial statements for the Restated Periods should no longer be relied upon.

As a result of these events, we have become subject to a number of additional costs and risks, including unanticipated costs for accounting and legal fees in connection with or related to the restatement. We are also the subject of stockholder litigation that has been filed relating to the restatement. We may incur additional substantial defense costs regardless of the outcome of such litigation. Likewise, such events might cause a diversion of our management's time and attention. If we do not prevail in any such litigation, we could be required to pay substantial damages or settlement costs. In addition, the restatement may lead to a loss of investor confidence and have negative impacts on the trading price of our common stock.

***Our business is substantially dependent on estimates of collectible revenue from third-party reimbursement.***

Our revenues are substantially dependent on estimates of collectible revenue from third-party reimbursement. Due to the complex nature of third-party reimbursement for the use of continuous infusion equipment and related disposable supplies provided to patients, we must estimate, based upon historical averages, the amount of collectible revenue that may be derived from each patient treatment. If average reimbursement diverges from historical levels, the estimates of such revenue may diverge from actual collections.

We utilize statistical methods to account for such changes, but there can be no assurance that the revenue reported in any period will ultimately be collected. Any recognized revenue related to third-party reimbursement from prior periods, which remains uncollected until written off from accounts receivable, will negatively impact revenues in the

period in which it is written off. Thus, over time, recognized revenue net of bad debt expense will approximate total collections.

***We have identified a material weakness in our internal control over financial reporting which has and in the future could, if not remediated, result in material misstatements in our financial statements.***

We are responsible for establishing and maintaining adequate internal controls over its financial reporting, as defined in Rule 13a-15(f) and 15d-15(f) under the Securities Exchange Act. As disclosed in Item IV of Part I of this Form 10-Q/A and Item 9A of Part II in our Form 10-K/A filed with the SEC on December 12, 2016, we identified a material weakness in our internal control over financial reporting related to a calculation error in our statistical method of calculating collectible accounts receivable and corresponding revenue. A material weakness is defined as a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis. As a result of this material weakness, our management concluded that our internal control over financial reporting was not effective as of the last day of the period covered by this Form 10-Q/A.

## **Table of Contents**

We are actively engaged in developing a remediation plan designed to address this material weakness. As disclosed in Item IV of Part I of this Form 10-Q/A because of the material weakness identified by the Company, our consolidated financial statements contained material misstatements that required restatement of the Company's financial results in this report. We have taken, and continue to take, the actions discussed in Item 4 - Controls and Procedures - Management's Remediation Initiatives of this Form 10-Q/A. As we continue to evaluate and work to improve our internal controls over financial reporting, our senior management may determine to take additional measures to address control deficiencies or modify the remediation efforts described in this report. While the Audit Committee and senior management are closely monitoring the implementation, until the remediation efforts discussed in this report, including any additional remediation efforts that our senior management identifies as necessary, are completed, tested, and determined effective, the material weakness described in this report could continue to exist. If in the future, the measures are insufficient to address the material weakness or if additional material weaknesses or significant deficiencies in the internal control are discovered or occur in the future, the consolidated financial statements may contain material misstatements and we could be required to restate our financial results, which could materially and adversely affect the Company's business and results of operations or financial condition, restrict its ability to access the capital markets, require the Company to expend significant resources to correct the weaknesses or deficiencies, subject it to fines, penalties or judgments, harm its reputation or otherwise cause a decline in investor confidence.

***Our business is substantially dependent on third-party reimbursement. Any change in the overall health care reimbursement system may adversely impact our business.***

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 the use of 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 effect on our business, 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. Additionally, any regulatory changes that restrict our ability to seek reimbursement for DME, including, but not limited to SE1609, could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Changes in the health care reimbursement system often create financial incentives and disincentives that encourage or discourage the use of a particular type of product, therapy or clinical procedure. Such changes may be impacted by the growth in ACOs, reduction of providers by payors, the use of lower cost rental networks and other factors. Market acceptance of continuous infusion therapy may be adversely affected by changes or trends within the health care reimbursement system. Changes to the health care reimbursement system that favor other technologies or treatment regimens that reduce reimbursements to providers or treatment facilities, including increasing competitive pressures from home health care and other companies that use our services, may adversely affect our ability to market our services profitably. Overall, such dependency and potential changes could materially and adversely affect our business, financial condition, results of operations and cash flows.

For additional information pertaining to CMS, refer to Item 1 - Business - Significant Customers and Recent Events in Our Business included in our Annual Report on Form 10-K/A for the year ended December 31, 2015.

***Covenants in our current and any future debt agreement restrict our business.***

Our Credit Agreement contains, and the agreements that govern our future indebtedness may contain, covenants that restrict our ability to and the ability of our subsidiaries to, among other things:

engage in a transaction that results in a change of control, as defined by the Credit Agreement governing the Credit Facility;

create, incur, assume or suffer to exist any lien upon any of our property, assets or revenues;

make certain investments or acquisitions;

create, incur, assume or suffer to exist any indebtedness;

merge, dissolve, liquidate, consolidate or sell all or substantially all of our assets;

make any disposition or enter into any agreement to make any disposition;

repurchase outstanding stock from the open market; and

declare or make, directly or indirectly, any dividend or other restricted payment, or incur any obligation (contingent or otherwise) to do so.

These covenants may restrict our ability to operate our business. Our failure to comply with these covenants could result in an Event of Default that, if not cured or waived, could result in reduced liquidity for the Company and could have a material and adverse effect on our business, financial condition, results of operations and cash flows. Additionally, our ability to pay interest and repay the principal for our indebtedness is dependent upon our ability to manage our business operations, generate sufficient cash flows to service such debt and the other factors discussed in this section. Our Credit Agreement also contains certain financial covenants.

**Table of Contents**

As a result of the restatement described herein, the following Events of Default occurred:

- (i) an Event of Default that results from breach of the Fixed Charge Coverage covenant as of March 31, 2016 as required under Section 6.12(b); and
- (ii) an Event of Default that results from the unintentional misrepresentations made prior to the date of the First Amendment in connection with the certification as to the accuracy of the financial statements and compliance certificate delivered pursuant to Section 5.01 as they relate solely to the source of the error that has necessitated the restatement discussed herein.

The restatement error disclosed in this Form 10-Q/A and our decision to prepay our term loan debt, have resulted in the Events of Default described above. With respect to the fixed charge coverage ratio, we were non-compliant for the three months ended March 31, 2016, with a ratio of 1.16:1.00. Excluding our optional prepayment of term loan debt, our fixed charge coverage ratio would have been 1.60:1.00. As a result of the waivers of Events of Default contained within the First Amendment to Credit and Waiver Agreement described in Note 6 to the unaudited condensed consolidated financial statements, as of June 30, 2016, we were in compliance with all such covenants and expect to remain in compliance for the next 12 months.

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

None.

**Item 3. Defaults Upon Senior Securities**

None.

**Item 4. Mine Safety Disclosures**

Not applicable.

**Item 5. Other Information**

None.

**Table of Contents**

**Item 6. Exhibits**

**Exhibits**

- 31.1\* Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 31.2\* Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 32.1\* Certification of the Chief Executive Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the  
Sarbanes-Oxley Act of 2002\*\*
- 32.2\* Certification of the Chief Financial Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the  
Sarbanes-Oxley Act of 2002\*\*
- 101.INS\* XBRL Instance Document
- 101.SCH\* XBRL Taxonomy Extension Schema Document
- 101.CAL\* XBRL Taxonomy Extension Calculation Linkbase Document
- 101.DEF\* XBRL Taxonomy Extension Definition Linkbase Document
- 101.LAB\* XBRL Taxonomy Extension Label Linkbase Document
- 101.PRE\* XBRL Taxonomy Extension Presentation Linkbase Document

\* Filed herewith

\*\* Pursuant to Item 601(b)(32) of Regulation S-K, this Exhibit is furnished rather than filed with the Form 10-Q/A.



Table of Contents

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

INFUSYSTEM HOLDINGS, INC.

Date: December 12, 2016

/s/ Eric K. Steen  
Eric K. Steen  
Chief Executive Officer  
(Principal Executive Officer)

Date: December 12, 2016

/s/ Christopher Downs  
Christopher Downs  
Chief Financial Officer (Interim)  
(Principal Financial Officer)

Date: December 12, 2016

/s/ Trent N. Smith  
Trent N. Smith  
Chief Accounting Officer  
(Principal Accounting Officer)