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

FORM 10-K

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2019

OR

☐ **ANNUAL 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	**20-3341405**
(State or Other Jurisdiction of Incorporation or Organization)	**(I.R.S. Employer Identification No.)**

3851 West Hamlin Road
Rochester Hills, Michigan 48309
(Address of Principal Executive Offices) (Zip Code)

Registrant's Telephone Number, including Area Code:
(248) 291-1210

Securities Registered Pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbol(s)	Name of Each Exchange on which Registered
Common Stock, par value $0.0001 per share	INFU	NYSE American LLC

Securities Registered Pursuant to Section 12(g) of the Act:
None
(Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. YES ☐ NO ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. YES ☐ NO ☒

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 periods as 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 every Interactive Data File required to be submitted 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 such files). YES ☒ NO ☐

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

Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☒ Smaller reporting company ☒ Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). YES ☐ NO ☒

The aggregate market value of the registrant's voting equity held by non-affiliates of the registrant, computed by reference to the price at which the common stock was last sold as of the last business day of the registrants most recently completed second fiscal quarter, was $52,431,233. In determining the market value of the voting equity held by non-affiliates, securities of the registrant beneficially owned by directors and officers of the registrant and persons who hold 10% or more of the outstanding common stock of the registrant have been excluded. This determination of affiliate status is not necessarily a conclusive determination for other purposes. The number of shares of the registrant's common stock outstanding as of March 19, 2020 was 19,960,880.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive proxy statement to be filed with the Securities and Exchange Commission in connection with the solicitation of proxies for its 2020 Annual Meeting of Stockholders are incorporated by reference in Part III of this Form 10-K.

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References in this Form 10-K to "we", "us", or the "Company" are to InfuSystem Holdings, Inc. ("InfuSystem") and our wholly owned subsidiaries, as appropriate to the context.

Cautionary Statement About Forward-Looking Statements

Certain statements contained in this Form 10-K 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," "continue," "anticipate," "intend," "should," "plan," "expect," "strategy," "future," "likely," variations of such words, and other similar expressions, 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. InfuSystem does not intend and does not undertake any obligation to update any forward-looking statement to reflect future events or circumstances after the date of such statements, except as may be required by law. Important factors that could cause our actual results and financial condition to differ materially from the forward-looking statements include, without limitation, those described in "Risk Factors" and elsewhere in this Form 10-K, and the following:

- The effect of the coronavirus (COVID-19) pandemic on our business;
- changes in third-party reimbursement processes, rates, contractual relationships and payor mix;
- our dependence on estimates of collectible revenue from third-party reimbursement;
- risks associated with the loss of a relationship with one or more third-party payors;
- risks associated with a federal government shutdown;
- risks associated with the federal government's sequestration;
- physicians' acceptance of infusion pump therapy over alternative therapies and focus on early detection and diagnostics;
- our dependence on our Medicare Suppler Number, which allows us to bill Medicare for services provided to Medicare patients;
- availability of chemotherapy drugs used in our infusion pump systems;
- our expectations regarding enacted and potential legislative and regulatory changes impacting, among other things, the level of reimbursement received from the Medicare and state Medicaid programs including the Center for Medicare and Medicaid Services ("CMS") competitive bidding;
- our dependence upon our suppliers;
- periodic reviews and billing audits from governmental and private payors;
- litigation in which we may be involved from time to time;
- risks associated with the collection of sales or consumption taxes;
- our ability to implement, both internally and externally, information technology improvements and to respond to technological changes, interruptions and security breaches;
- our ability to maintain controls and processes over billing and collection and the adequacy of our allowance for doubtful accounts and customer concessions;
- our ability to comply with state licensure laws for Durable Medical Equipment suppliers;
- risks associated with our allowance for doubtful accounts and customer concessions;
- our ability to execute our business strategies to grow our business, including our ability to introduce new products and services;
- natural disasters, pandemics, acts of war or terrorism and other external events affecting us, our customers or our suppliers;
- industry competition;
- compliance with regulatory guidelines affecting our billing practices;
- defective products manufactured by third-party suppliers;
- our ability to execute on acquisition and joint-venture opportunities and integrate any acquired businesses;
- our ability to maintain relationships with health care professionals and organizations;
- our ability to comply with changing health care regulations;
- our ability to protect our intellectual property;
- our ability to hire and retain key employees;
- our ability to remain in compliance with our credit agreement or future debt agreements;

- general economic uncertainty;
- changes in tax laws or challenges to our tax positions;
- volatility in the market price of our stock;
- the future price our stock may be negatively affected by not paying dividends;
- potential dilution to current stockholders from the issuance of equity awards; and
- we may be subject to limitations on net operating loss carryforwards and certain built-in losses following an ownership change.

These risks are not exhaustive. Other sections of this Form 10-K include additional factors which could adversely impact our business and financial performance. Moreover, we operate in a very competitive and 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. All forward-looking statements made in this Form 10-K 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.

You should not rely upon forward-looking statements as predictions of future events. Our actual results and financial condition may differ materially from those indicated in the forward-looking statements. We qualify all of our forward-looking statements by these cautionary statements. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. Therefore, you should not rely on any of the forward-looking statements. In addition, with respect to all of our forward-looking statements, we claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995.

Market and Industry Data

This Form 10-K contains market, industry and government data and forecasts that have been obtained from publicly available information, various industry publications and other published industry sources. We have not independently verified the information and cannot make any representation as to the accuracy or completeness of such information. None of the reports and other materials of third-party sources referred to in this Form 10-K were prepared for use in, or in connection with, this report.

Trademarks and Tradenames

We have a number of registered trademarks, including Ambulatory Infusion Made Easy®, Biomed Made Easy®, BlockPain Dashboard®, EXPRESSTech® and Infusion Made Easy®. These and other trademarks of ours appearing in this report are our property. Solely for convenience, trademarks and trade names of ours referred to in this Form 10-K may appear without the ® or ™ symbols, but such references are not intended to indicate, in any way, that we will not assert, to the fullest extent under applicable law, our rights or the right of the applicable licensor to these trademarks and trade names. This report may contain additional trade names and trademarks of other companies. We do not intend our use or display of other companies' trade names or trademarks to imply an endorsement or sponsorship of us by such companies, or any relationship with any of these companies.

PART I

Item 1. Business.

Background

The Company is a Delaware corporation, which was formed in 2005. It operates through operating subsidiaries, including InfuSystem Holdings USA, Inc., a Delaware corporation, InfuSystem, Inc., a California corporation ("ISI"), First Biomedical, Inc., a Kansas corporation ("First Biomedical") and IFC, LLC, a Delaware limited liability company.

Business Concept and Strategy

We are a leading national health care service provider, facilitating outpatient care for Durable Medical Equipment manufacturers and health care providers. We provide our products and services to hospitals, oncology practices, ambulatory surgery centers, and other alternate site health care providers. Our headquarters is in Rochester Hills, Michigan, and we operate our business from a total of five locations in the United States and Canada.

Our services are provided under a two-platform model. Our lead platform, Integrated Therapy Services ("ITS"), provides the last-mile solution for clinic-to-home healthcare where the continuing treatment involves complex Durable Medical Equipment and services. Our second platform, Durable Medical Equipment Services ("DME Services"), supports our ITS platform and leverages strong service orientation to win incremental business from our direct payor clients. Starting in the fourth quarter of 2019, we reorganized the Company's segment reporting to reflect this two-platform approach and changes made to our internal reporting and the information evaluated by our chief operating decision-maker. The Company has recast the 2018 segment information to reflect this change.

We believe InfuSystem has a lot to offer the healthcare community. Over the last 30 plus years, we have developed a unique expertise and service offering that Durable Medical Equipment manufacturers and health care providers are using to reduce costs, improve service, and most importantly, provide welcome options for patients who want to continue their healthcare treatments from home. We perfected our ITS model in oncology and have proven that we can extend this model into other Durable Medical Equipment therapies. Key is the ability to leverage our existing platforms – the new therapies do not require building a new infrastructure, we simply add incrementally to the systems already in place (e.g. sales, clinical, logistics, revenue cycle management, and biomedical services).

ITS is presented as a "turnkey" solution allowing our health care provider customers to focus on the practice of medicine. InfuSystem provides the Durable Medical Equipment and treatment consumables, handles the logistics around orders and deliveries, provides 24x7 nursing support relating to the provided equipment, assumes responsibility for third-party payor Durable Medical Equipment billing, and handles biomedical services (inspection, repair, certification and replacement) for the Durable Medical Equipment. DME Services are provided as a "concierge" offering, whereby InfuSystem leverages its strong service orientation to provide incremental services to our health care provider customers on a direct payor model. DME Services include equipment rental and sales, consumable sales, and biomedical support services.

InfuSystem competes for and retains its business primarily on the basis of its long participation and strong reputation in the Durable Medical Equipment space, its long-standing relationships with Durable Medical Equipment manufacturers and its health care provider customers, and the high levels of service it provides. Current barriers to entry for potential competitors are created by our: (i) growing number of third-party payor networks under contract, which included nearly 675 third-party payor networks for the fiscal year ended December 31, 2019, an increase of 15% over the prior year period; (ii) economies of scale, which allow for predictable reimbursement and less costly purchase and management of the pumps, respectively; (iii) established, long-standing relationships as a provider of pumps to outpatient oncology practices in the U.S. and Canada; (iv) pump fleet of ambulatory and large volume infusion pumps for rent and for sale, which may allow us to be more responsive to the needs of physicians, outpatient oncology practices, hospitals, outpatient surgery centers, homecare practices, patient rehabilitation centers and patients than a new market entrant; (v) five geographic locations in the U.S. and Canada that allow for same day or next day delivery of pumps; and (vi) pump repair and service capabilities at all of these facilities. We do not perform any research and development on pumps, but we have made, and continue to make, investments in our information technology.

ITS Segment

Our ITS segment's core purpose is to seek opportunities to leverage our unique know-how in clinic-to-home health care involving Durable Medical Equipment, our logistics and billing capabilities, our growing network of third-party payors under contract, and our clinical and biomedical capabilities. This leverage may take the form of new products and/or services, strategic alliances, joint ventures and/or acquisitions. The leading service within our ITS segment is to supply electronic ambulatory infusion pumps and associated disposable supply kits to private oncology clinics, infusion clinics and hospital outpatient oncology clinics to be utilized in the treatment of a variety of cancers including colorectal cancer and other disease states ("Oncology Business"). Colorectal cancer is the fourth most prevalent form of cancer in the United States, according to the American Cancer Society, and the standard of care for the treatment of colorectal cancer relies upon continuous chemotherapy infusions delivered via ambulatory infusion pumps. One of the primary goals for the ITS segment is to expand into treatment of other cancers. In 2019, our Oncology Business approximated 63% of our total revenues. In 2019, we generated approximately 34% of our total revenues from treatments for colorectal cancer and 29% of our revenues from treatments for non-colorectal disease states. There are a number of approved treatment protocols for pancreatic, head and neck, esophageal and other cancers, as well as other disease states which present opportunities for growth. 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 diseases other than colorectal cancer. Additional drugs or protocols currently in clinical trials may also obtain regulatory approval over the next several years. If these new drugs or protocols obtain regulatory approval for use with continuous infusion protocols, we expect the pharmaceutical companies to focus their sales and marketing efforts on promoting the new drugs and protocols to physicians.

Furthermore, our Oncology Business focuses mainly on the continuous infusion of chemotherapy. Continuous infusion of chemotherapy can be described as the gradual administration of a drug via a small, lightweight, portable infusion pump over a prolonged period of time. A cancer patient can receive his or her medicine anywhere from one to 30 days per month depending on the chemotherapy regimen that is most appropriate to that individual's health status and disease state. This may be followed by periods of rest and then repeated cycles with treatment goals of progression-free disease survival. This drug administration method has replaced intravenous push or bolus administration in specific circumstances. The advantages of slow continuous low doses of certain drugs are well documented. Clinical studies support the use of continuous infusion chemotherapy for decreased toxicity without loss of anti-tumor efficacy. The 2015 National Comprehensive Cancer Network ("NCCN") Guidelines recommend the use of continuous infusion for treatment of numerous cancer diagnoses. We believe that the growth of continuous infusion therapy is driven by three factors: evidence of improved clinical outcomes; lower toxicity and side effects; and a favorable reimbursement environment.

The use of continuous infusion has been demonstrated to decrease or alter the toxicity of a number of cytotoxic, or cell killing, agents. Higher doses of drugs can be infused over longer periods of time, leading to improved tolerance and decreased toxicity. For example, the cardiotoxicity (heart muscle damage) of the chemotherapy drug Doxorubicin is decreased by schedules of administration according to The Chemotherapy Source Book by Michael C. Perry. Nausea, vomiting, diarrhea and decreased white blood cell and platelet counts are all affected by duration of delivery. Continuous infusion can lead to improved tolerance and patient comfort while enhancing the patient's ability to remain on the chemotherapy regimen. Additionally, the lower toxicity profile and resulting reduction in side effects enables patients undergoing continuous infusion therapy to continue a relatively normal lifestyle, which may include continuing to work, going shopping, and caring for family members. We believe that the partnering of physician management and patient autonomy provide for the highest quality of care with the greatest patient satisfaction.

We believe that oncology practices have a heightened sensitivity to providing quality service and whether they are reimbursed for services they provide. Simultaneously, CMS and private insurers are increasingly focused on evidence-based medicine to inform their reimbursement decisions — that is, aligning reimbursement with clinical outcomes and adherence to standards of care. Continuous infusion therapy is a main component of the standard of care for certain cancer types because clinical evidence demonstrates superior outcomes. Payors' recognition of this benefit is reflected in their relative reimbursement policies for clinical services related to the delivery of this care.

Additional areas of focus for our ITS segment are as follows:

- Pain Management - providing our ambulatory pumps, products, and services for pain management in the area of post-surgical continuous peripheral nerve block.
- Negative Pressure Wound Therapy ("NPWT") - as announced in February 2020, will include providing the Durable Medical Equipment, overseeing logistics, biomedical services, and managing third-party billing of the U.S. home health care market, which as a subset of the broader NPWT market, has an estimated addressable home health care market of $600 million per year.
- Acquisitions - we believe there are additional opportunities, beyond our acquisition of Ciscura Holding Company, Inc., and its subsidiaries ("Ciscura") in April 2015, to acquire smaller, regional health care service providers, in whole or part that perform similar services to us but do not have the national market access, network of third-party payor contracts or operating economies of scale that we currently enjoy.
- Information technology-based services - we also plan to continue to capitalize on key new information technology-based services such as EXPRESS, InfuSystem Mobile, InfuBus or InfuConnect, Pump Portal and BlockPain Dashboard®.

The payor environment within our ITS segment is in a constant state of change. We continue to extend our considerable breadth of payor networks under contract as patients move into different insurance coverages, including Medicaid and Insurance Marketplace products. In some cases, this may slightly reduce our aggregate billed revenues payment rate but result in an overall increase in collected revenues, due to a reduction in concessions. Consequently, we are increasingly focused on net revenues less concessions.

DME Services Segment

Our DME Services segment's core service is to (i) sell or rent new and pre-owned pole-mounted and ambulatory infusion pumps, (ii) sell treatment-related consumables, and (iii) provide biomedical recertification, maintenance and repair services for oncology practices as well as other alternate site settings including home care and home infusion providers, skilled nursing facilities, pain centers and others. We also provide these products and services to customers in the hospital market. We purchase new and pre-owned pole-mounted and ambulatory infusion pumps from a variety of sources on a non-exclusive basis. We repair, refurbish and provide biomedical certification for the devices as needed. The pumps are then available for sale, rental or to be used within our ambulatory infusion pump management service.

Services

ITS Segment

Our core service within our ITS segment is our Oncology Business. After providing ambulatory pumps to oncology offices, infusion clinics and hospital and outpatient chemotherapy clinics, we then directly bill and collect payment from payors and patients for the use of these pumps. At any given time, our pumps are in the possession of these facilities, on a patient, in transit, or in our facilities for cleaning, calibration and storage as reserves for increased demand.

After a physician determines that a patient is eligible for ambulatory infusion pump therapy, the physician arranges for the patient to receive an infusion pump and provides the necessary chemotherapy drugs. The physician and nursing staff train the patient in the use of the pump and initiate service. The physician bills the payors, which may include Medicare, Medicaid, third-party payor companies or patients for the physician's professional services associated with initiating and supervising the infusion pump administration, as well as the supply of drugs. We directly bill (i) payors, (ii) facilities of our Medicare patients, and (iii) patients for the use of the pump and related disposable supplies. Billing to payors requires coordination with patients and physicians who initiate the service, as physicians' offices must provide us with appropriate documentation (patient's insurance information, physician's order, an acknowledgement of benefits that shows receipt of equipment by the patient, and, in some cases, physician's progress notes) in order for us to submit a bill to the payors. We provide assistance to those that cannot afford our pumps via our financial hardship program – a program that usually matches what our physician practices provide as long as the uninsured patients meet certain criteria. This billing process is handled from our Rochester Hills, Michigan location.

In addition to providing high quality and convenient care, we believe that our business offers significant economic benefits for patients, providers and payors.

- We support our patients throughout the treatment process by providing patients with 24x7 service and support. InfuSystem Mobile provides patients with secure, two-way communication with our clinical support team, the latest infusion safety technology, and infusion therapy expertise in a convenient and easy-to-use app.

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

- Our clinical support team employs oncology, pain, Intravenous Certified, and Oncology Certified registered nurses trained on ambulatory infusion pump equipment who staff our 24x7 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.

- We provide methods for the physician offices to deliver the appropriate paperwork for billing through a number of electronic means including EXPRESS and InfuConnect reducing the required effort on the employees of the physician offices.

- We believe our services are attractive to payors because such services are generally less expensive than hospitalization or standalone home health care.

Also, within ITS, we offer pain management services via electronic ambulatory infusion pumps for post-operative pain management using our pumps along with a numbing agent and a continuous nerve block catheter – continuous peripheral nerve block ("CPNB"). Using CPNB for the management of post-operative pain, which usually lasts two to three days after surgery, can result in reduced pain for the patient, increased satisfaction scores for the surgical center or hospital, and reduced need for post-operative opioid pain medication. These services include our patient care call center interaction offering support to patients and the review and collection of pain score patient outcome data for outpatient surgery centers using our proprietary BlockPain Dashboard®.

DME Services Segment

Other services we offer are classified under our DME Services segment and include the rental, sale or leasing of pole-mounted and ambulatory infusion pumps to oncology practices, hospitals and other clinical settings. These pumps are available for daily, weekly, monthly or annual rental periods. We also sell treatment consumables that can be used in conjunction with the pumps we sell and rent.

In addition to sales, rental and leasing services, we also provide biomedical maintenance, repair and certification services for the devices we offer as well as for devices owned by customers but not acquired from us. We operate pump service and repair "Centers of Excellence" from all of our locations across the United States and Canada and employ a staff of highly trained technicians to provide these services. Our main Center of Excellence for service is our Lenexa, Kansas facility.

As of December 31, 2019, our rental fleet of pole-mounted and ambulatory pumps for both our ITS and DME Services segments had a historical cost of $75.9 million, up from $61.4 million at the end of 2018, and included approximately 115 makes and models of equipment dedicated to our rental services. Additionally, as of December 31, 2019 and 2018, we had a fleet of new and used pole-mounted and ambulatory pumps with a historical cost of $1.3 million and $1.6 million, respectively, for sale or rental.

Information Technology

Our Information Technology ("IT") department is focused on not only supporting our internal IT infrastructure needs, but also supports our revenue cycle management infrastructure including our electronic medical record technology ("EMR") that allows medical facilities to use our infusion pumps and services via our solutions such as EXPRESS and InfuConnect. This focus has enabled current billing information to be transferred to us from participating facilities electronically and automatically. Our focus on IT solutions resulted in the development of EXPRESS, a product powered by our InfuBus data integration platform, and provides for paperless delivery of the appropriate information for InfuSystem to bill payors that:

- eliminates all paper;
- provides an enhanced visibility as a result of real time status and reporting;
- reduces risk of error;
- automates treatment logs, pump assignments, tracking and physician's orders;
- provides a secure scanner for easy pump assignment to patients; and
- removes interruptions from physician practices' daily schedules, and standardizes data flow for clinics and hospitals with multiple locations.

In 2019 and 2018, we capitalized $0.0 million and less than $0.1 million, respectively, of IT projects as we successfully leveraged prior capitalized investments.

Relationships with Physician Offices

As of December 31, 2019, we had business relationships with clinical oncologists in over 2,000 outpatient oncology clinics. Although this represents a substantial number of the oncologists in the United States, we believe that we can continue to expand our network to further penetrate the oncology market. Based on our retention rates and the positive results of our professional customer satisfaction research, we believe our relationships with physician offices are strong.

We believe that, in general, we do not compete directly with hospitals and physician offices to treat patients. Rather, by providing products and services to hospitals and physician offices and other care facilities and providers, we believe that we assist other providers in meeting increasing patient demand and managing institutional constraints on capital and manpower due to the nature of limited resources in hospitals and physician offices.

Physician practices in the oncology field are following the overall healthcare practices trend to consolidate. However, as of December 31, 2019, we had gained more facilities than we had lost. We expect this trend to continue for the foreseeable future.

Employees

As of December 31, 2019, we had 269 employees, including 261 full-time employees and 8 part-time or contract employees. None of our employees are unionized.

Material Suppliers

We supply a wide variety of pumps and associated equipment, as well as disposables and ancillary supplies. The majority of our pumps are electronic infusion pumps. Smiths Medical, Inc. and Moog Medical Devices Group each supply more than 10% of the ambulatory pumps purchased by us. The Company has a supply agreement in place with each of these suppliers. Certain "spot" purchases are made on the open market subject to individual negotiation.

Seasonality

Revenues may be seasonal due to the impact of co-pays and deductibles for patients' insurance that traditionally reset each January. This has been further impacted by changes in the insurance industry as it responds to increased government regulation. Also, rental customers tend to make buy versus rent decisions late in the year as customer capital budgets are being finalized, impacting sales revenue in the second half of the year, predominantly in the fourth quarter. Furthermore, as the Company's liquidity has improved, opportunistic pump purchases are made from time to time. These opportunistic pump purchases also allow for opportunistic pump sales, which could be material. The timing of such purchases and sales vary within the course of a year.

Environmental Laws

We are required to comply with applicable federal, state and local environmental laws regulating the disposal of cleaning agents used in the process of cleaning our ambulatory infusion pumps, as well as the disposal of sharps and blood products used in connection with the pumps. We do not believe that compliance with such laws has a material effect on our business.

Significant Customers

We have sought to establish contracts with as many third-party payor organizations as commercially practicable, in an effort to ensure that reimbursement is not a significant obstacle for providers who recommend continuous infusion therapy and wish to utilize our services. A third-party payor organization is a health care payor or a group of medical services payors that contracts to provide a wide variety of health care services to enrolled members through participating providers such as us. A payor is any entity that pays on behalf of a member patient.

As of December 31, 2019, we had contracts with nearly 675 third-party payor networks, an increase of 15% over the prior year period. Material terms of contracts with third-party payor organizations are typically a pre-negotiated fee schedule rate or a then-current proprietary fee schedule rate for equipment and supplies provided. The majority of these contracts generally provide for a term of one year, with automatic one-year renewals, unless we or the contracted payor elect not to renew. For 2019 and 2018, our largest contracted payor was a national payor which accounted for approximately 8% and 7% of our net revenues from our third-party payor Oncology Business for 2019 and 2018, respectively, and approximately 5% and 4% of our total net revenues for 2019 and 2018, respectively.

We also contract with various other third-party payor organizations, Medicaid, commercial Medicare replacement plans, self-insured plans, facilities of our Medicare patients and numerous other insurance carriers. Other than the payor noted above, no other single payor represented more than 6% of third-party payor net revenue.

Competitors

We believe that our competition is primarily comprised of national, regional, and hospital-owned Durable Medical Equipment providers, physician providers and home care infusion providers and the competitive products and services they offer. An estimate of the number of competitors is not known or reasonably available, due to the wide variety in type and size of the market participants described below. We are not aware of any industry reports with respect to the competitive market described below. The description of market segments and business activities within those market segments is based on our experiences in the industry.

- National Durable Medical Equipment Providers: Other national providers have offerings similar to us. These products and service offerings include, but are not limited to, third-party reimbursement, direct rental and sale of infusion electronic and disposal pumps and related products and services for patients in the home, oncology clinics, ambulatory surgery centers, and other sites of care.

- Regional Durable Medical Equipment Providers: Regional Durable Medical Equipment providers act as distributors for a variety of medical products. We believe regional Durable Medical Equipment provider sales forces generally consist of a relatively small number of salespeople, usually covering several states. Regional Durable Medical Equipment providers tend to carry a limited selection of infusion pumps and their salespeople generally have limited resources. Regional Durable Medical Equipment providers usually do not have 24x7 nursing services. We believe that Regional Durable Medical Equipment providers have relatively few third-party payor contracts, which may prevent these providers from being paid at acceptable levels and may also result in higher out-of-pocket costs for patients.

- Hospital-owned Durable Medical Equipment Providers: Many hospitals have in-house Durable Medical Equipment providers to supply basic equipment. In general, however, these providers have limited capital and tend to stock a small inventory of infusion pumps. We believe that hospital-owned providers have limited ability to grow because of limited patient populations. Growth from outside of the hospital may pose a challenge because hospitals typically will not provide referrals to competitors, instead preferring to offer patients a choice of non-hospital-affiliated Durable Medical Equipment providers.

- Physician Providers: A limited number of physicians maintain an inventory of their own infusion pumps and provide them to patients for a fee. However, we believe that pump utilization in this area tends to be low and the costs associated with ongoing supplies, preventative maintenance and repairs can be relatively high. Moreover, we believe that a high percentage of Durable Medical Equipment claims by doctors are rejected by payors upon first submission, requiring a physician's staff to spend significant time and effort to resubmit claims and receive payment for treatment. The numerous service and technical questions from patients may present another significant cost to a physician provider's staff.

- Home Care Infusion Providers: Home care infusion providers provide chemotherapy drugs and services to allow for in-home patient treatment. We believe that home care infusion treatment can be very costly and that many patients do not carry insurance coverage that covers home-based infusion services, resulting in larger out-of-pocket costs. Because home care treatments may take as long as six months, these costs can be high and can result in higher patient co-payments. We believe that home care providers may also be reluctant to offer 24x7 coverage or additional patient visits, due to capped fees.

Regulation of Our Business

Our business is subject to certain regulations. Specifically, as a registered Medicare supplier of Durable Medical Equipment and related supplies, we must comply with supplier standards established by CMS regulating Medicare suppliers of Durable Medical Equipment, Prosthetics, Orthotics and Supplies ("DMEPOS Supplier Standards"). The DMEPOS Supplier Standards consist of 30 requirements that must be met in order for a DMEPOS supplier to be eligible to receive payment for a Medicare-covered item. Some of the more significant DMEPOS Supplier Standards require us to (i) advise Medicare beneficiaries of their option to purchase certain equipment, (ii) honor all warranties under state law and not charge Medicare beneficiaries for the repair or replacement of equipment or for services covered under warranty, (iii) permit CMS agents to conduct on-site inspections to ascertain compliance with the DMEPOS Supplier Standards, (iv) maintain liability insurance in prescribed amounts, (v) refrain from contacting Medicare beneficiaries by telephone, except in certain limited circumstances, (vi) answer questions and respond to complaints of beneficiaries regarding the supplied equipment, (vii) disclose the DMEPOS Supplier Standards to each Medicare beneficiary to whom we supply equipment, (viii) maintain a complaint resolution procedure and record certain information regarding each complaint, (ix) maintain accreditation from a CMS approved accreditation organization, and (x) meet certain specified surety bond requirements.

We are also subject to the provisions of the Health Insurance Portability and Accountability Act of 1996 ("HIPAA"), which are designed to protect the security and confidentiality of certain protected health information. Under HIPAA, we must provide patients access to certain records and must notify patients of our use of protected health information and patient privacy rights. Moreover, HIPAA sets limits on how we may use individually identifiable health information and prohibits the use of patient information for marketing purposes. The adoption of the American Recovery and Reinvestment Act of 2009 ("ARRA") includes a new breach notification requirement that applies to breaches of unsecured health information occurring on or after September 23, 2009. We are subject to regulations in the various states in which we operate. We believe we are in material compliance with all such regulations.

In addition, the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act, or collectively the ACA, imposes a 2.3% excise tax on medical devices that applies to sales within the United States of a majority of our pump products that we purchase. This law imposes an excise tax on the first sale of medical devices by a manufacturer, producer, or importer equal to 2.3% of the sales price. This tax only applies directly to new pumps that we purchase from manufacturers. Taxable medical devices include any device as defined in Section 201(h) of the Federal Food, Drug, and Cosmetic Act intended for humans, with the exception of eyeglasses, contact lenses, hearing aids and any other device determined by the Secretary of Health and Human Services to be a type which is generally purchased by the general public at retail for individual use. On December 18, 2015, under the Consolidated Appropriations Act, 2016 (Pub. L. 114-113), a two-year moratorium on the medical device excise tax was imposed by Section 4191 of the Internal Revenue Code (the "Code"). On January 22, 2018, the H.R. 195: Extension of Continuing Appropriations Act Bill extended the existing suspensions of the ACA's medical device excise tax through 2019. The Further Consolidated Appropriations Act, 2020 H.R. 1865 (Pub. L. 116-94), signed into law on December 20, 2019, has repealed the medical device excise tax. As a result of the repeal and the prior moratorium, sales of taxable medical devices after December 31, 2015, are not subject to the tax. Though the repeal and prior moratorium are favorable for our Company, future legislation could have a material effect on our business, cash flows, financial condition and results of operations.

Recent Events in Our Business

Management Changes

On February 7, 2020, the Company announced that its chief financial officer, Gregory Schulte, and the Company had agreed to a mutual separation on February 5, 2020 and that he would depart from the Company on February 14, 2020. Mr. Schulte's departure was not the result of any disagreement with the Company regarding its operations, accounting policies or practices. Effective immediately following the mutual separation, the Company appointed Wesley W. Winnekins as interim chief financial officer.

On March 11, 2020, the Company announced that it had appointed Barry G. Steele as the Company's executive vice president and chief financial officer, effective upon the filing of the Company's Form 10-K for the period ended December 31, 2019. Additionally, as part of Mr. Steele's appointment, the responsibilities of Wesley W. Winnekins as interim chief financial officer and the Company's principal financial officer will conclude with the filing of the Company's Form 10-K for the period ended December 31, 2019.

Expanded Product Offering

On February 11, 2020, the Company announced a relationship with a premier global health care services company whereby Infusystem will add NPWT to its ITS platform. As part of the new relationship, InfuSystem's "turnkey" solutions will include providing the Durable Medical Equipment, overseeing logistics, biomedical services, and managing third-party billing of the U.S. home health care market, which as a subset of the broader NPWT market, has an estimated addressable market of $600 million per year.

Available Information

Our Internet address is www.infusystem.com. On this Web site, we post the following filings as soon as reasonably practicable after they are electronically filed with or furnished to the U.S. Securities and Exchange Commission (the "SEC"): our Annual Reports on Form 10-K; our Quarterly Reports on Form 10-Q; our Current Reports on Form 8-K; our proxy statements related to our annual stockholders' meetings; and any amendments to those reports or statements. All such filings are available on our Web site free of charge. The charters of our audit, nominating and governance and compensation committees and our Code of Business Conduct and Ethics Policy are also available on our Web site and in print to any stockholder who requests them. The content on our Web site is not incorporated by reference into this Form 10-K unless expressly noted.

Item 1A. Risk Factors.

An investment in our securities involves a high degree of risk. You should consider carefully all of the material risks described below, together with the other information contained in this Form 10-K. If any of the following events occur, our business, financial condition, results of operations and cash flows may be materially adversely affected.

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

The effect of the coronavirus (COVID-19) pandemic could significantly impact our business.

On January 30, 2020, the World Health Organization ("WHO") recognized the coronavirus ("COVID-19") as a global health emergency and as a global pandemic on March 11, 2020. Public health responses have included national pandemic preparedness and response plans, travel restrictions, quarantines, curfews, event postponements and cancellations and closures of facilities including local schools and businesses. The global pandemic and actions taken to contain the coronavirus have adversely affected the global economy and financial markets.

While the healthcare sectors served by InfuSystem are largely insulated from economic cycles and periodic business disruptions, our ability to deliver services and products may be impacted by these ongoing pandemic containment measures, which have resulted in significant disruptions to global supply chains and the temporary closures of supplier and manufacturer facilities. We are implementing measures to protect the health and safety of our employees, in addition to maintaining the ability for clinics to properly treat their patients in the event there is a disruption to the supply chain. These steps include acquiring additional infusion pumps, shipping reserve quantities of supplies to our customers, preparing a significant part of our workforce to work from home and providing additional personal protective equipment for our operations team. We believe that these efforts will give us the ability and flexibility to maintain our operations throughout the duration of the current outbreak. We have plans in place and are ready to implement additional actions if the duration of these challenges is prolonged.

If this global pandemic were to continue for a prolonged period of time, it could materially and adversely impact our business, financial condition, results of operations and cash flows. The extent of the impact will depend on future developments, including actions taken to contain the coronavirus.

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, in some cases, 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 concessions and/or decrease our revenues.

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.

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 rates diverge 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 concessions will approximate total collections.

The loss of a relationship with one or morethird-party payors could negatively impact our business.

Our contracts for reimbursement with third-party payors are often for a term of one year, with automatic one-year renewals, unless we or the contracted payor elect not to renew. These evergreen contracts are subject to termination upon written notice. One or more terminations could have a material and adverse effect on our business, financial condition, results of operations and cash flows.

Any federal government shutdown may adversely impact our business.

Our revenues are dependent on private insurers and governmental agencies. In the absence of any bipartisan agreement in the federal government with respect to payments from governmental agencies, our revenues could be reduced. In addition, any federal government shutdown could also have a material and adverse impact on our business, financial condition, results of operations and cash flows.

Our business has and may continue to be adversely impacted bythe U.S. federal government's sequestration.

On March 1, 2013, most agencies of the U.S. federal government automatically reduced their budgets according to an agreement made by Congress in 2012 known as "sequestration". Originally devised as an incentive to force Congressional agreement on budget issues, the sequestration order was approved on March 1, 2013 by the President of the United States. Beginning in 2013, we were impacted by the sequestration order, which affects Medicare payments. For the years ended December 31, 2019 and 2018, the impact on our net revenues was approximately $0.1 million, respectively. Sequestration mainly applied to payments received from Medicare Advantage plans by the Company. As of the date of this report, it is our understanding that the mandatory payment reduction of 2% will continue until further notice. We also believe that the cuts will likely continue until definitive action is taken by the U.S federal government on this issue.

Payor concentration may adversely impact our business.

As of December 31, 2019, we had contracts with nearly 675 third-party payor networks, an increase of 15% over the prior year period. Material terms of contracts with third-party payor organizations are typically a pre-negotiated fee schedule rate or a then-current proprietary fee schedule rate for equipment and supplies provided. The majority of these contracts generally provide for a term of one year, with automatic one-year renewals, unless we or the contracted payor elect not to renew. For 2019 and 2018, our largest contracted payor was a national payor which accounted for approximately 8% and 7% of our net revenues from our third-party payor Oncology Business for 2019 and 2018, respectively, and approximately 5% and 4% of our total net revenues for 2019 and 2018, respectively.

We also contract with various other third-party payor organizations, Medicaid, commercial Medicare replacement plans, self-insured plans, facilities of our Medicare patients and numerous other insurance carriers. Other than the payor noted above, no other single payor represented more than 6% of third-party payor net revenue. To the extent such dependency continues, significant fluctuations in revenues, results of operations and liquidity could arise if any other significant contracted payor reduces its reimbursement for the services we provide.

Our billing process is dependent on meeting payor claims processing guidelines which are subject to change at the discretion of the payors. Such changes would materially impact our ability to bill and the timing of such billings, which could materially and adversely impact our net revenues and cash flows, which impact would be even greater if such changes are made by one of our larger payors.

The continued consolidation of physician practices, outpatient infusion clinics, oncology clinics, homecare providers and hospitals, increases the concentration of decision makers whom either choose to use our ambulatory electronic pumps within our Oncology Business or directly rent, lease or purchase pumps or supplies directly from us.

While we make every effort to benefit from such concentration, it could materially and adversely affect our business, financial condition, results of operations and cash flows.

Increased focus on early detection and diagnostics may adversely affect our business.

An increased focus on lowering health care spending via improved diagnostic testing (i.e., defensive medicine) and patient monitoring could materially and negatively affect our business. A large portion of our ambulatory infusion pumps are dedicated to a specific form of cancer (i.e., colorectal). As a result of rising health care costs, there may be a demand for more cost-effective approaches to disease management, specifically for colorectal cancer, as well as for emphasis on screening and accurate diagnostic testing to facilitate early detection of potentially costly, severe afflictions. Any change in the approach to treatment of colorectal cancer could have a material and adverse impact on our business, financial condition, results of operations and cash flows.

If future clinical studies demonstrate that oral medications or other therapies that do not use our electronic ambulatory pumps are at least as effective as continuous infusion therapy, our business could be adversely affected.

Ongoing clinical trials are currently 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 or other therapies that do not utilize our ambulatory electronic pumps are introduced to the market that are superior to existing oral therapies, physicians' willingness to prescribe continuous infusion-based regimens could decline, which would materially and adversely affect our business, financial condition, results of operations and cash flows.

We are dependent on our Medicare Supplier Number.

We are required to have a Medicare Supplier Number in order to have the ability to bill Medicare for services provided to Medicare patients. Furthermore, all third-party and Medicaid contracts require us to have a Medicare Supplier Number. We are required to comply with Medicare DMEPOS 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. Without such number, we would be unable to continue our various third-party and Medicaid contracts. A significant portion of our revenues are dependent upon our Medicare Supplier Number, the loss of which would materially and adversely affect our business, financial condition, results of operations and cash flows.

The CMS requires that all Durable Medical Equipment providers must be accredited by a CMS-approved accreditation organization. On February 17, 2009, we initially received accreditation from CHAP, and we have remained accredited to date. If we lost our accredited status, our business, financial condition, revenues and results of operations would be materially and adversely affected.

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

We primarily derive our revenues 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 in the continuous infusion pump system, which has occurred in the past, could have a material and adverse effect on our business, financial condition, results of operations and cash flows.

The impact of United States health care reform legislation on us remains uncertain.

The ACA has perpetuated the development of alternative provider payment models by CMS and the major national commercial payors. These payment models do not replace the current fee-for-service models nor replace current payor contracts, but rather provide additional financial incentives to certain "accountable" providers to improve quality and lower cost. The implications for the Company will come from the provider networks that are forming in order to integrate and coordinate care under these alternative models with CMS and the commercial payors. These provider networks include ACOs, patient-centered primary care medical homes, specialty medical homes, networks accepting bundled payment programs, and other "performance" networks that contract with CMS and commercial payors under alternative payment models that financially reward improved quality and lower medical cost. The relationship between us and our provider practices and facilities that are participating in these provider networks under alternative payment models will depend on (i) the extent to which these provider networks give priority to the medical cost associated with our Durable Medical Equipment services and (ii) whether our services are seen as part of a care delivery model that delivers higher value – higher quality at a lower cost.

Our failure to perform under these alternative payment models, or under similar models or conditions introduced by future legislation, could have a material adverse impact on our business, financial condition, results of operations and cash flows.

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 infusion pumps which are supplied to us by two major suppliers: Smiths Medical, Inc. and Moog Medical Devices Group. The loss or disruption of our relationships with outside vendors, including pump, parts, or supply recall or pump end-of-life announcements or availability of related proprietary consumable supplies, could subject us to substantial delays in the delivery of pumps or services provided to customers. From time to time, we or our suppliers may experience supply chain disruptions due to circumstances beyond our or our suppliers' control, such as the 2020 outbreak of coronavirus. Significant delays in the delivery or service of pumps or related proprietary consumable supplies 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 on our business, financial condition, results of operations and cash flows.

We face periodic reviews and billing audits from governmental and private payors and these audits could have adverse results that may negatively impact our business.

As a result of our participation in the Medicaid program and our registration in the Medicare program, we are subject to various governmental reviews and audits to verify our compliance with these programs and applicable laws and regulations. We also are subject to audits under various government programs in which third-party firms engaged by CMS conduct extensive reviews of claims data and medical and other records to identify potential improper payments under the Medicare program. Private pay sources also reserve the right to conduct audits. If billing errors are identified in the sample of reviewed claims, the billing error can be extrapolated to all claims filed which could result in a larger overpayment than originally identified in the sample of reviewed claims. Our costs to respond to and defend reviews and audits may be significant and could have a material adverse effect on our business, financial condition, results of operations and cash flows. Moreover, an adverse review or audit could result in:

- required refunding or retroactive adjustment of amounts we have been paid by governmental or private payors;
- state or Federal agencies imposing fines, penalties and other sanctions on us;
- loss of our right to participate in the Medicare program, state programs, or one or more private payor networks; or
- damage to our business and reputation in various markets.

Any one of these results could have a material adverse effect on our business, financial condition, results of operations and cash flows.

We may become subject to legal proceedings that could have a material adverse impact on our business, results of operations and financial condition.

From time to time and in the ordinary course of our business, we and certain of our subsidiaries may become involved in various legal proceedings. All such legal proceedings are inherently unpredictable and, regardless of the merits of the claims, litigation may be expensive, time-consuming and disruptive to our operations and distracting to management. If resolved against us, such legal proceedings could result in excessive verdicts, injunctive relief or other equitable relief that may affect how we operate our business. Similarly, if we settle such legal proceedings, it may affect how we operate our business. Future court decisions, alternative dispute resolution awards, business expansion or legislative activity may increase our exposure to litigation and regulatory investigations. In some cases, substantial non-economic remedies or punitive damages may be sought. Although we maintain liability insurance coverage, there can be no assurance that such coverage will cover any particular verdict, judgment or settlement that may be entered against us, that such coverage will prove to be adequate or that such coverage will continue to remain available on acceptable terms, if at all. If we incur liability that exceeds our insurance coverage or that is not within the scope of the coverage in legal proceedings brought against us, it could have a material adverse effect on our business, results of operations and financial condition.

We do not collect sales or consumption taxes in some jurisdictions.

Our core services are exempt from sales tax or its equivalent in many states. However, there are a several states that consider pump rentals, sales and services taxable regardless of method of payment. We are collecting sales tax or its equivalent in numerous jurisdictions. A successful assertion by one or more states or localities requiring us to collect taxes where we currently do not, could result in substantial tax liabilities, including for past sales, as well as penalties and interest.

If we are unsuccessful in our efforts to implement and support information technology improvements or respond to technological changes, our growth, prospects and results of operations could be adversely affected.

To remain competitive, we must continue to enhance and improve the functionality and features of our technology solutions and services. We have implemented a service to support EMR technology with some of our outpatient infusion practices that enables billing information to be transferred between us and medical facilities electronically and automatically, thus eliminating the current use of mail, email and/or faxes. We have also implemented a web portal that supports our rental and service customers. If these efforts cease to be successful, our reputation and ability to attract and retain customers and contributors will be adversely affected. Furthermore, we are likely to incur expenses in connection with continuously updating and improving our technology infrastructure and services. Without such improvements, our operations might suffer from unanticipated system disruptions, slow application performance or unreliable service levels, any of which could negatively affect our reputation and ability to attract and retain customers and contributors. We may face significant delays in introducing new services, products and enhancements.

If competitors introduce new products and services using new technologies or if new industry standards and practices emerge, our existing technology and systems may become obsolete or less competitive, and our business may be harmed. In addition, the expansion and improvement of our systems and infrastructure will require us to commit substantial financial, operational and technical resources, with no assurance that our business will improve.

All of these factors could have a material adverse impact on our business, financial condition, results of operations and cash flows.

Cybersecurity risks and cyber incidents could adversely affect our business and disrupt operations.

Cyber incidents can result from deliberate attacks or unintentional events. These incidents can include, but are not limited to, gaining unauthorized access to digital systems for purposes of misappropriating assets or sensitive information, corrupting data, or causing operational disruption. The result of these incidents could include, but are not limited to, disrupted operations, misstated financial data, liability for stolen assets or information, increased cybersecurity protection costs, litigation and reputational damage adversely affecting customer or investor confidence. We have implemented systems and processes to focus on identification, prevention, mitigation and resolution. However, these measures cannot provide absolute security, and our systems may be vulnerable to cybersecurity breaches such as viruses, hacking, and similar disruptions from unauthorized intrusions. In addition, we rely on third party service providers to perform certain services, such as payroll and tax services. Any failure of our systems or third-party systems may compromise our sensitive information and/or personally identifiable information of our employees or patient health information subject to HIPAA confidentiality requirements. While we have secured cyber insurance to potentially cover certain risks associated with cyber incidents, there can be no assurance the insurance will be sufficient to cover any such liability.

Technological interruptions or the efficiency of our website and technology solutions could damage our reputation and brand and adversely affect our results of operations.

The satisfactory performance, security, reliability and availability of our network infrastructure are critical to our reputation, our ability to attract, communicate with and retain customers and our ability to maintain adequate customer service levels. Any system interruptions, outside intrusions, or security breaches could result in negative publicity, damage our reputation and brand or adversely affect our results of operations. We may experience temporary system interruptions for a variety of reasons, including security breaches and other security incidents, viruses, telecommunication and other network failures, power failures, software errors or data corruption. We rely upon third-party service providers, such as co-location and cloud service providers, for our data centers and application hosting, and we are dependent on these third parties to provide continuous power, cooling, internet connectivity and physical security for our servers. In the event that these third-party providers experience any interruption in operations or cease business for any reason, or if we are unable to agree on satisfactory terms for continued hosting relationships, our business could be harmed and we could be forced to enter into a relationship with other service providers or assume hosting responsibilities ourselves. Although we operate two data centers in an active/standby configuration for geographic and vendor redundancy and even though we maintain a third disaster recovery facility to back up our content collection, a system disruption at the active data center could result in a noticeable disruption of our services. Because some of the causes of system interruptions may be outside of our control, we may not be able to remedy such interruptions in a timely manner, or at all.

All of these factors could have a material adverse impact on our business, financial condition, results of operations and cash flows.

Our failure to maintain controls and processes over billing and collecting could have a significant negative impact on our Consolidated Financial Statements.

The collection of accounts receivable is a significant challenge and requires constant focus and involvement by management and ongoing enhancements to information systems, billing center operating procedures and proper staffing levels. If we are unable to properly bill and collect our accounts receivable, our results could be materially and adversely affected. While management believes that our staffing, controls and processes are satisfactory, there can be no assurance that accounts receivable collectability will remain at current levels.

State licensure laws for Durable Medical Equipment suppliers are subject to change. If we fail to comply with any state laws, we will be unable to operate as a Durable Medical Equipment supplier in such state and our business operations will be adversely affected.

As a Durable Medical Equipment supplier operating in all 50 states, we are subject to each state's licensure laws regulating Durable Medical Equipment suppliers. State licensure laws for Durable Medical Equipment 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 Durable Medical Equipment suppliers, we will be unable to operate as a Durable Medical Equipment 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 materially and adversely affected.

Our customer concessions may not be adequate to cover actual losses.

Our third-party payor contracts do not guarantee annual inflationary increases, typical of the Durable Medical Equipment payor contracting environment. Contracted reimbursement rates are either subject to increases or decreases in CMS program rates or, if not indexed to government rates, are frozen until those payor contracts are reopened and renegotiated. While we monitor reimbursement levels to identify specific payor reimbursement rates that have eroded and renegotiate such rates, we may not be able to maintain or improve overall reimbursement levels, thereby compromising the adequacy of the predicted customer concessions.

We may also face reduced reimbursements from private third-party payors. As a result, our customers may be unable to make timely payments to us. Although we maintain allowances for estimated losses resulting from the inability of our customers to make required payments, we cannot guarantee that we will continue to experience the same loss rates that we have in the past. If we begin to experience an increase in our loss rates in excess of our allowances, it could materially and adversely impact our business, financial condition, results of operations and cash flows.

Our growth strategy includes expanding into treatment for cancers other than colorectal cancer. 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 cancers. This population of patients 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.

Natural disasters, pandemics, acts of war or terrorism and other external events could significantly impact our business

Natural disasters, including hurricanes, earthquakes, floods, excessive snowfall and other unfavorable weather conditions, pandemics, such as the recent outbreak of the coronavirus, acts of war or terrorism and other adverse external events may affect our operations. Such events may have a detrimental effect on our gross revenue, preventing many patients from visiting a facility to obtain our ambulatory infusion pumps or receive treatment. Similarly, such events could impact key suppliers or vendors, disrupting the services or materials they provide us. The severity of these occurrences, should they ever occur, will determine the extent to which and if our business, financial condition, results of operations and cash flows is materially and adversely affected.

The industry in which we operate is intensely competitive and ever-changing. 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, including some of the practices that we service, have significantly greater resources than we do for information technology, 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, smart pump licensing, our information technology solutions or our other technological-based solutions at a competitive disadvantage. Furthermore, the healthcare industry, in general, is experiencing market consolidation, reducing the number of decision makers. If we are unable to effectively compete in our market, our business, financial condition, results of operations and cash flows may be materially and adversely affected.

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 regarding CMS and other payors' billing and documentation requirements. Competitors, who do not meet the same standards of compliance that we do with respect to billing regulations, may put us at a potential competitive disadvantage. We are a participating provider with Medicare and under contract with nearly 675 third-party payor networks, all of which have very stringent guidelines. If our competitors do not comply with these regulatory guidelines, we could be put at a potential competitive disadvantage and our business, financial condition, results of operations and cash flows could be material and adversely affected.

Although we do not manufacture the products we distribute, if one of the products 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.

Although we do not manufacture the pumps that we distribute, a defect in the design or manufacture of a pump distributed or serviced by us, or a failure of pumps distributed by us to perform for the use specified, could have a material and adverse effect on our reputation in the industry and subject us to claims of liability for injuries and otherwise. Misuse of the pumps distributed by us by a practitioner or patient that results in injury could similarly subject us to liability. Any substantial underinsured loss could have a material and adverse effect on our business, financial condition, results of operations and cash flows. Furthermore, any impairment of our reputation could have a material and adverse effect on our revenues and prospects for future business.

We intend to continue to pursue opportunities for the further expansion of our business through strategic alliances and/or joint ventures.Future strategic alliances and/or joint ventures may require significant resources and/or result in significant unanticipated costs or liabilities to us.

We intend to continue to pursue opportunities for the further expansion of our business through strategic alliances and/or joint ventures. Any future strategic alliances or joint ventures will depend on our ability to identify suitable partners, negotiate acceptable terms for such transactions and obtain financing, if necessary. These investments require significant managerial attention, which may be diverted from our other operations.

If we engage in strategic acquisitions, we may experience significant costs and difficulty in assimilating operations or personnel, which could threaten our future growth.

If we make any acquisitions, we could have difficulty assimilating operations, technologies and products and services. In addition, we could have difficulty integrating or retaining personnel and maintaining employee morale as we take steps to combine the personnel and business cultures of separate organizations into one and to eliminate duplicate positions and functions. It may also be difficult for us to preserve important relationships with others, such as strategic partners, customers, and suppliers, who may delay or defer decisions on agreements with us, or seek to change existing agreements with us, because of the acquisition. In addition, acquisitions may involve entering markets in which we have no or limited direct prior experience. The occurrence of any one or more of these factors could disrupt our ongoing business, distract our management's and employees' attention from our ongoing business operations, result in decreased operating performance and increase our expenses. Moreover, our profitability may suffer because of acquisition-related costs or amortization of intangible assets. Furthermore, we may have to incur debt or issue equity securities in future acquisitions. The issuance of equity securities would dilute our existing stockholders.

We may be unable to maintain adequate working relationships with health care professionals.

We seek to maintain close working relationships with respected physicians and medical personnel in hospitals and universities. We rely on these professionals to assist us in the development of proprietary service and improvements to complement and expand our existing service and product lines. If we are unable to maintain these relationships, our ability to market and sell new and improved products and services could decrease and future operating results could be unfavorably affected.

If we fail to comply with applicablegovernmental or accrediting bodies' regulations, we could face substantial penalties and our business, operations and financial condition could be adversely affected.

Certain federal, state health care, and accreditation bodies' laws and regulations, including those pertaining to fraud and abuse and patients' rights, are applicable to our business. The laws that are applicable to our business include:

- the federal health care program Anti-Kickback Statute, which prohibits, among other things, soliciting, receiving or providing remuneration, directly or indirectly, to induce (i) the referral of an individual, for an item or service, or (ii) the purchasing or ordering of a good or service, for which payment may be made under federal health care programs such as the Medicare and Medicaid programs;

- federal false claims laws which prohibit, among other things, knowingly presenting, or causing to be presented, claims for payment from Medicare, Medicaid, or other third-party payors that are false or fraudulent, and which may apply to entities like us that promote medical devices, provide medical device management services and may provide coding and billing advice to customers;

- HIPAA, which prohibits executing a scheme to defraud any health care benefit program or making false statements relating to health care matters and which also imposes certain requirements relating to the privacy, security and transmission of individually identifiable health information; and

- state law equivalents of each of the above federal laws, such as anti-kickback and false claims laws that may apply to items or services reimbursed by any third-party payor, including commercial insurers, and state laws governing the privacy and security of health information in certain circumstances, many of which differ in significant ways from state to state and often are not preempted by HIPAA, thus complicating compliance efforts.

If our operations are found to be in violation of any of the laws described above or any other regulations that apply to us, we may be subject to penalties, including civil and criminal penalties, damages, fines and the curtailment or restructuring of our operations. Any penalties, damages, fines, curtailment or restructuring of our operations could materially and adversely affect our business, financial condition, results of operations and cash flows. Any action against us for violation of these laws, even if we successfully defend against it, could cause us to incur significant legal expenses and divert our management's attention from the operation of our business. Moreover, achieving and sustaining compliance with applicable federal and state privacy, security and fraud laws may prove costly.

Failure to protect our intellectual property could substantially harm our business and operating results.

In order to protect our trade secrets and other confidential information, we rely in part on confidentiality agreements with our employees, consultants and third parties with whom we have relationships. These agreements may not effectively prevent disclosure of trade secrets and other confidential information and may not provide an adequate remedy in the event of misappropriation of trade secrets or any unauthorized disclosure of trade secrets and other confidential information. In addition, others may independently discover our trade secrets and confidential information and, in such cases, we could not assert any trade secret rights against such parties. Costly and time-consuming litigation could be necessary to enforce or determine the scope of our trade secret rights and related confidentiality and nondisclosure provisions. Failure to obtain or maintain trade secret protection, or our competitors' acquisition of our trade secrets, could materially and adversely affect our competitive business position.

We are dependent upon executive officers and other key personnel.The loss of any of our executive officers or other key personnel could reduce our ability to manage our businesses and achieve our business plan, which could cause our sales to decline and our operating results and cash flows to suffer.

Our success is substantially dependent on the continued services of our executive officers and other key personnel who generally have extensive experience in our industry. Our future success also will depend in large part upon our ability to identify, attract and retain other highly qualified executive officers, managerial, finance, technical, clinical, customer service and sales and marketing personnel. Competition for these individuals is intense, more so in the current labor market. The loss of the services of any executive officer or other key employee, or our failure to attract and retain other qualified and experienced personnel on acceptable terms, could have a material and adverse effect on our business, financial condition, results of operations and cash flows.

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

Our existing 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;
- 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 ability to operate 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. As of December 31, 2019, we were in compliance with the covenants contained in the Credit Agreement, however, there can be no assurance that we will be able to manage any of the risks associated with debt agreements successfully.

Economic uncertainty or economic deterioration could adversely affect us.

There continues to be global economic uncertainty. Political changes in the U.S. and abroad, such as the pending negotiations surrounding the United Kingdom's recent withdrawal of its membership from the European Union, have contributed to volatility in the global financial markets. In addition, the recent outbreak of the coronavirus has also contributed to economic uncertainty. Continued economic uncertainty may continue to drive stock market and interest rate volatility and adversely impact consumer confidence, product demand, and our ability to refinance our debt. Economic conditions, along with our operating performance, may also materially and adversely impact our ability to access the financial markets. Accordingly, our future business and financial results are subject to uncertainty. If economic conditions deteriorate in the future, our future revenues and financial results could be materially and adversely affected.

Changes in tax laws or challenges to our tax positions could adversely affect our business, results of operations and financial condition

We are subject to income taxes as well as non-income based taxes in federal and various state jurisdictions. Changes in tax laws, including, for example, those resulting from the U.S. federal tax legislation commonly referred to as the Tax Cuts and Jobs Act of 2017 ("Tax Act"), as well as other factors, could cause us to experience fluctuations in our tax obligations and effective tax rates in future periods and otherwise adversely affect our tax positions and/or our tax liabilities. The full impact of the Tax Act on us may change significantly as regulations, interpretations and rulings relating to the Tax Act are issued and additional changes in U.S. federal and state tax laws are made in the future. There can be no assurance that our effective tax rates, tax payments, tax credits or incentives will not be adversely affected by these or other initiatives.

We are subject to audits by tax authorities from time to time in federal and state jurisdictions. Tax authorities may disagree with certain positions we have taken and assess additional taxes and penalties. We regularly assess the likely outcomes of these audits in order to determine the appropriateness of our tax provision. However, there can be no assurance that we will accurately predict the outcomes of these audits, and the actual outcomes of these audits could have a material impact on our results of operations.

RISK FACTORS RELATING SPECIFICALLY TO OUR COMMON STOCK

The market price of our common stock has been, and is likely to remain, volatile, subject to low trading volume and may decline in value.

The market price of our common stock has been and may continue to be volatile. Market prices for securities of health care services companies, including ours, have historically been volatile, and the market has from time to time experienced significant price and volume fluctuations that appear unrelated to the operating performance of particular companies. The following factors, among others, can have a significant effect on the market price of our common stock:

- announcements of technological innovations, new products, or clinical studies by others;
- government regulation;
- changes in the coverage or reimbursement rates of private insurers and governmental agencies;
- announcements regarding new products or services;
- announcements or speculation regarding strategic alliances, mergers, acquisitions or other transactions;
- developments in patent or other proprietary rights;
- the liquidity of the market for our common stock;
- news of other healthcare events or announcements;
- changes in health care policies in the United States or globally;
- global financial conditions; and
- comments by securities analysts and general market conditions.

The realization of any risks described in these "Risk Factors" could also have a negative effect on the market price of our common stock.

We do not pay dividends and this may negatively affect the price of our stock.

Under the terms of our credit agreement, our ability to pay dividends on our common stock is limited and we do not anticipate paying dividends on our common stock in the foreseeable future. The future price of our common stock may be adversely impacted because we do not pay dividends.

Restricted stock awards and the exercise of stock options may depress our stock price and may result in dilution to our common stockholders.

There are a significant number of shares of restricted stock awards ("RSUs") and outstanding options to purchase our stock. If the market price of our common stock rises above the exercise price of outstanding options, holders of those securities may be likely to exercise their options and sell the common stock acquired upon exercise in the open market. Sales of a substantial number of shares of our common stock in the public market by holders of options may depress the prevailing market price for our common stock and could impair our ability to raise capital through the future sale of our equity securities. Additionally, if the holders of outstanding options exercise those options, our common stockholders will incur dilution in their relative percentage ownership.

As of December 31, 2019, options to purchase 2.3 million shares of common stock were outstanding, at a weighted average exercise price of $2.99 per share, of which 1.5 million were exercisable at a weighted average exercise price of $2.69 per share. In addition, RSUs of less than 0.1 million shares, with a weighted average grant date fair value of $7.04 per share, were outstanding and were issuable upon the vesting of certain time restrictions.

We may be subject to limitations on net operating loss carryforwardsand certain built-in losses following an ownership change.

If we experience an ownership change, either via a major transaction or a series of trades where a substantial percentage of our ownership changes, which may be less than a majority of our ownership in certain cases, we may be limited in our ability to use our net operating loss carryforwards.

The Company continues to monitor shifts in past ownership (as defined under Section 382 of the Code). A definitive analysis necessary to quantify the effect of an ownership change was performed on the net operating loss carryforwards generated prior to December 31, 2010. Based on the analysis, we are subject to an annual limitation of $1.8 million on our use of remaining pre-ownership change net operating loss carryforwards of $4.7 million (and certain other pre-change tax attributes). Our U.S. federal net operating loss carryforwards of approximately $34.7 million will begin to expire in various years beginning in 2028, $3.4 million of our U.S. federal net operating loss carryforward has an indefinite life. There can be no assurance that we will not experience an ownership change in the future, in which case we may be limited in our ability to use our deferred tax assets. At December 31, 2019, we continue to carry a full valuation allowance for tax benefits of operating loss and tax credit carryforwards, which is described under the heading "Income Taxes" in Note 8 to our Consolidated Financial Statements included in this Form 10-K.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

We do not own any real property. We lease office and warehouse space at the following locations:

City	State/Country
Rochester Hills	Michigan
Lenexa	Kansas
Canton	Massachusetts
Santa Fe Springs	California
Mississauga	Ontario, Canada

We believe that such office and warehouse space is suitable and adequate for our business.

Item 3. Legal Proceedings.

From time to time in the ordinary course of our business, we may be involved in legal proceedings, the outcomes of which may not be determinable. The results of litigation are inherently unpredictable. Any claims against us, whether meritorious or not, could be time consuming, result in costly litigation, require significant amounts of management time and result in diversion of significant resources. We are not able to estimate an aggregate amount or range of reasonably possible losses for those legal matters for which losses are not probable and estimable, primarily for the following reasons: (i) many of the relevant legal proceedings are in preliminary stages and until such proceedings develop further, there is often uncertainty regarding the relevant facts and circumstances at issue and potential liability; and (ii) many of these proceedings involve matters of which the outcomes are inherently difficult to predict. We have insurance policies covering certain potential losses where such coverage is cost effective.

We are not at this time involved in any legal proceedings that we believe could have a material effect on our business, financial condition, results of operations or cash flows.

Item 4. Mine Safety Disclosures.

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Our common stock is listed on the NYSE American under the symbol INFU.

Holders of Common Equity

As of March 19, 2020, we had approximately 290 stockholders of record of our common stock. This does not include beneficial owners of our common stock. None of our preferred stock is issued or outstanding.

Common Share Repurchase Program

On September 30, 2019, our Board of Directors approved a stock repurchase program (the "Share Repurchase Program") authorizing the Company to repurchase up to $5.0 million of the Company's outstanding common stock through 2020. Repurchases under the Share Repurchase Program will be subject to market conditions, the periodic capital needs of the Company's operating activities, and the continued satisfaction of all covenants under the Company's existing credit agreement. As of December 31, 2019, we had availability of $9.9 million on our revolving credit facility, all of which could be used to fund stock repurchases, subject to the restrictions and limitations of our credit agreement. Repurchases under the program may take place in the open market or in privately negotiated transactions and may be made under a Rule 10b5-1 plan. The Share Repurchase Program does not obligate the Company to repurchase shares and may be suspended, terminated, or modified at any time.

As of December 31, 2019, the Company had not repurchased any shares under the Share Repurchase Program.

Shares Forgone to Satisfy Minimum Statutory Withholdings

During the years ended December 31, 2019 and 2018, shares of common stock were issued to employees and directors as their restricted stock awards vested or stock options were exercised. Under the terms of our stock plans, at the election of each employee, we can authorize a net settlement of distributable shares to employees after satisfaction of an individual employees' tax withholding obligations. For both the years ended December 31, 2019 and 2018, we received 0.1 million shares and less than 0.1 million shares, respectively, from employees for tax withholding obligations.

During the year ended December 31, 2019, we acquired and cancelled shares of common stock surrendered by employees to pay income taxes due upon the vesting of restricted stock as follows:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs
March 12, 2019	8,892	$ 4.14	N/A	N/A
September 17, 2019	16,368	$ 5.31	N/A	N/A
October 21, 2019	46,008	$ 6.50	N/A	N/A
Total	71,268	$ 5.93	N/A	N/A

During the year ended December 31, 2018, we acquired and cancelled shares of common stock surrendered by employees to pay income taxes due upon vesting of restricted stock as follows:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs
March 12, 2018	2,134	2.20	N/A	N/A
Total	2,134	$ 2.20	N/A	N/A

Unregistered Sales of Equity Securities and Use of Proceeds

We did not sell any unregistered securities during the fiscal year ended December 31, 2019.

Equity Compensation Plan Information

See Part III, Item 12 to this Form 10-K for information relating to securities authorized for issuance under our equity compensation plans.

Stock Performance Graph

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 6. Selected Financial Data.

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 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion should be read in conjunction with the Consolidated Financial Statements and Notes theretoincluded in this Form 10-K. The forward-looking statements included in this discussion and elsewhere in this Form 10-K involve risks and uncertainties, including those set forth under "Cautionary Statement About Forward-Looking Statements." Actual results and experience could differ materially from the anticipated results and otherexpectations expressed in our forward-looking statements as a result of a number of factors, including but not limited to those discussed in this Item and in Item 1A - "Risk Factors."

Overview

We are a leading national health care service provider, facilitating outpatient care for Durable Medical Equipment manufacturers and health care providers. We provide our products and services to hospitals, oncology practices, ambulatory surgery centers, and other alternate site health care providers. Our headquarters is in Rochester Hills, Michigan, and we operate our business from a total of five locations in the United States and Canada. We deliver local, field-based customer support as well as operate pump service and repair Centers of Excellence in Michigan, Kansas, California, Massachusetts and Ontario, Canada. ISI is accredited by the CHAP while First Biomedical is ISO certified.

InfuSystem competes for and retains its business primarily on the basis of its long participation and strong reputation in the Durable Medical Equipment space, its long-standing relationships with Durable Medical Equipment manufacturers and its health care provider customers, and the high levels of service it provides. Current barriers to entry for potential competitors are created by our (i) growing number of third-party payor networks under contract, which included nearly 675 third-party payor networks for the fiscal year ended December 31, 2019, an increase of 15% over the prior year period; (ii) economies of scale, which allow for predictable reimbursement and less costly purchase and management of the pumps, respectively; (iii) established, long-standing relationships as a provider of pumps to outpatient oncology practices in the U.S. and Canada; (iv) pump fleet of ambulatory and large volume infusion pumps for rent and for sale, which may allow us to be more responsive to the needs of physicians, outpatient oncology practices, hospitals, outpatient surgery centers, homecare practices, patient rehabilitation centers and patients than a new market entrant; (v) five geographic locations in the U.S. and Canada that allow for same day or next day delivery of pumps; and (vi) pump repair and service capabilities at all of these facilities. We do not perform any research and development on pumps, but we have made, and continue to make investments in our information technology.

During the fourth quarter of 2019, the Company reorganized its segment reporting from one reportable segment to two reportable segments, ITS and DME Services, due to changes in our internal reporting and the information evaluated by our chief operating decision-maker. The Company has recast the 2018 segment information to reflect this change.

ITS Segment

Our ITS segment's core purpose is to seek opportunities to leverage our unique know-how in clinic-to-home health care involving Durable Medical Equipment, our logistics and billing capabilities, our growing network of third-party payors under contract, and our clinical and biomedical capabilities. This leverage may take the form of new products and/or services, strategic alliances, joint ventures and/or acquisitions. The leading service within our ITS segment is to supply electronic ambulatory infusion pumps and associated disposable supply kits to private oncology clinics, infusion clinics and hospital outpatient oncology clinics to be utilized in the treatment of a variety of cancers including colorectal cancer and other disease states ("Oncology Business"). Colorectal cancer is the fourth most prevalent form of cancer in the United States, according to the American Cancer Society, and the standard of care for the treatment of colorectal cancer relies upon continuous chemotherapy infusions delivered via ambulatory infusion pumps. One of the primary goals for the ITS segment is to expand into treatment of other cancers. In 2019, our Oncology Business approximated 63% of our total revenues. In 2019, we generated approximately 34% of our total revenues from treatments for colorectal cancer and 29% of our revenues from treatments for non-colorectal disease states. There are a number of approved treatment protocols for pancreatic, head and neck, esophageal and other cancers, as well as other disease states which present opportunities for growth. 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 diseases other than colorectal cancer. Additional drugs or protocols currently in clinical trials may also obtain regulatory approval over the next several years. If these new drugs or protocols obtain regulatory approval for use with continuous infusion protocols, we expect the pharmaceutical companies to focus their sales and marketing efforts on promoting the new drugs and protocols to physicians.

Furthermore, our Oncology Business focuses mainly on the continuous infusion of chemotherapy. Continuous infusion of chemotherapy can be described as the gradual administration of a drug via a small, lightweight, portable infusion pump over a prolonged period of time. A cancer patient can receive his or her medicine anywhere from one to 30 days per month depending on the chemotherapy regimen that is most appropriate to that individual's health status and disease state. This may be followed by periods of rest and then repeated cycles with treatment goals of progression-free disease survival. This drug administration method has replaced intravenous push or bolus administration in specific circumstances. The advantages of slow continuous low doses of certain drugs are well documented. Clinical studies support the use of continuous infusion chemotherapy for decreased toxicity without loss of anti-tumor efficacy. The 2015 National Comprehensive Cancer Network ("NCCN") Guidelines recommend the use of continuous infusion for treatment of numerous cancer diagnoses. We believe that the growth of continuous infusion therapy is driven by three factors: evidence of improved clinical outcomes; lower toxicity and side effects; and a favorable reimbursement environment.

The use of continuous infusion has been demonstrated to decrease or alter the toxicity of a number of cytotoxic, or cell killing agents. Higher doses of drugs can be infused over longer periods of time, leading to improved tolerance and decreased toxicity. For example, the cardiotoxicity (heart muscle damage) of the chemotherapy drug Doxorubicin is decreased by schedules of administration according to The Chemotherapy Source Book by Michael C. Perry. Nausea, vomiting, diarrhea and decreased white blood cell and platelet counts are all affected by duration of delivery. Continuous infusion can lead to improved tolerance and patient comfort while enhancing the patient's ability to remain on the chemotherapy regimen. Additionally, the lower toxicity profile and resulting reduction in side effects enables patients undergoing continuous infusion therapy to continue a relatively normal lifestyle, which may include continuing to work, going shopping, and caring for family members. We believe that the partnering of physician management and patient autonomy provide for the highest quality of care with the greatest patient satisfaction.

We believe that oncology practices have a heightened sensitivity to providing quality service and whether they are reimbursed for services they provide. Simultaneously, CMS and private insurers are increasingly focused on evidence-based medicine to inform their reimbursement decisions — that is, aligning reimbursement with clinical outcomes and adherence to standards of care. Continuous infusion therapy is a main component of the standard of care for certain cancer types because clinical evidence demonstrates superior outcomes. Payors' recognition of this benefit is reflected in their relative reimbursement policies for clinical services related to the delivery of this care.

Additional areas of focus for our ITS segment are as follows:

- Pain Management - providing our ambulatory pumps, products, and services for pain management in the area of post-surgical continuous peripheral nerve block.
- Negative Pressure Wound Therapy ("NPWT") - as announced in February 2020, will include providing the Durable Medical Equipment, overseeing logistics, biomedical services, and managing third-party billing of the U.S. home health care market, which as a subset of the broader NPWT market, has an estimated addressable home health care market of $600 million per year.
- Acquisitions - we believe there are additional opportunities, beyond our acquisition of Ciscura Holding Company, Inc., and its subsidiaries ("Ciscura") in April 2015, to acquire smaller, regional health care service providers, in whole or part that perform similar services to us but do not have the national market access, network of third-party payor contracts or operating economies of scale that we currently enjoy.
- Information technology-based services - we also plan to continue to capitalize on key new information technology-based services such as EXPRESS, InfuSystem Mobile, InfuBus or InfuConnect, Pump Portal and BlockPain Dashboard®.

The payor environment within our ITS segment is in a constant state of change. We continue to extend our considerable breadth of payor networks under contract as patients move into different insurance coverages, including Medicaid and Insurance Marketplace products. In some cases, this may slightly reduce our aggregate billed revenues payment rate but result in an overall increase in collected revenues, due to a reduction in concessions. Consequently, we are increasingly focused on net revenues less concessions.

DME Services Segment

Our DME Services segment's core service is to (i) sell or rent new and pre-owned pole-mounted and ambulatory infusion pumps, (ii) sell treatment-related consumables; and (iii) provide biomedical recertification, maintenance and repair services for oncology practices as well as other alternate site settings including home care and home infusion providers, skilled nursing facilities, pain centers and others. We also provide these products and services to customers in the hospital market. We purchase new and pre-owned pole-mounted and ambulatory infusion pumps from a variety of sources on a non-exclusive basis. We repair, refurbish and provide biomedical certification for the devices as needed. The pumps are then available for sale, rental or to be used within our ambulatory infusion pump management service.

Key Business Metrics

Our management monitors a number of financial and non-financial measures and ratios on a regular basis in order to track the progress of our business and make adjustments as necessary. We believe that the most important of these measures and ratios include net revenues and our order-to-cash process, fleet utilization, operating margin, operating expenses, profitability, cash and cash equivalents, and debt levels including available credit and leverage ratios. These measures and ratios are compared to standards or objectives set by management, so that actions can be taken, as necessary, in order to achieve the standards and objectives.

InfuSystem Holdings, Inc. Results of Operations for theyear ended December 31, 2019 compared to the year ended December 31, 2018

(in thousands, except share and per share data)	Year Ended December 31, 2019	Year Ended December 31, 2018	Increase/ (Decrease)
Net revenues:			
ITS	$ 51,540	$ 41,443	$ 10,097
DME Services	29,575	25,695	3,880
Total	81,115	67,138	13,977
Cost of revenues:			
ITS	14,689	11,998	2,691
DME Services	19,544	15,570	3,974
Total	34,233	27,568	6,665
Gross profit:			
ITS	36,851	29,445	7,406
DME Services	10,031	10,125	(94)
Total	46,882	39,570	7,312
Selling, general and administrative expenses			
Amortization of intangibles	4,402	4,649	(247)
Selling and marketing	9,932	9,107	825
General and administrative	29,023	25,399	3,624
Total selling, general and administrative expenses	43,357	39,155	4,202
Operating income	3,525	415	3,110
Other expense	(2,001)	(1,457)	(544)
Income (loss) before income taxes	1,524	(1,042)	2,566
Provision for income taxes	(163)	(53)	(110)
Net income (loss)	$ 1,361	$ (1,095)	$ 2,456
Net Income (loss) per share:			
Basic	$ 0.07	$ (0.05)	$ 0.12
Diluted	$ 0.07	$ (0.05)	$ 0.12
Weighted average shares outstanding:			
Basic	19,731,498	21,417,628	(1,686,130)
Diluted	20,839,396	21,417,628	(578,232)

Net Revenues

Net revenues for the year ended December 31, 2019 were $81.1 million, an increase of $14.0 million, or 20.8%, compared to the prior year's net revenues of $67.1 million. This increase was due to increases in both the ITS and DME Services segments of $10.1 million and $3.9 million, respectively.

ITS

ITS net revenue increased $10.1 million, or 24.4%, compared to the prior year. This increase was primarily attributable to growth in the Company's customer base due to favorable changes in the competitive environment for oncology services and growth in its pain management business.

DME Services

DME Services net revenue increased $3.9 million, or 15.1%, compared to the prior year. This increase was largely due to an increase in product sales of $3.8 million, or 35.8%, and an increase of $0.1 million, or 0.6%, in rental revenues. Product sales growth was largely attributable to the growth in the sales of pumps of $2.4 million, an increase in the sales of disposable products of $1.3 million, with the remaining $0.1 million contribution from the sales of accessories and other ancillary sales.

Gross Profit

Gross profit for the year ended December 31, 2019 increased $7.3 million, or 18.5%, from $39.6 million for the year ended December 31, 2018 to $46.9 million. The increase was driven by an increase in the ITS segment of $7.4 million, slightly offset by a decrease in the DME Services segment of $0.1 million. Gross profit as a percentage of net revenues ("gross margin") decreased to 57.8% compared to the prior year at 58.9%.

ITS

ITS gross profit increased $7.4 million, or 25.2%, compared to the prior year. This increase was driven mainly by the increase in net revenues, which was partially offset by higher incremental costs for supplies and materials and equipment depreciation expense. ITS gross margin increased to 71.5% compared to the prior year at 71.0%.

DME Services

DME Services gross profit decreased $0.1 million, or 0.9%, compared to the prior year. This decrease was driven by periodic changes in product mix, slightly offset by an increase in net revenue. Decrease in profitability was impacted by higher incremental costs for both pump sales and disposable sales. DME Services gross margin decreased to 33.9% compared to the prior year at 39.4%.

Amortization of Intangible Assets

Amortization of intangible assets decreased $0.2 million, or 5.3% compared to the prior year. The decrease is attributable to certain intangible assets becoming fully amortized, thus, the related amortization no longer existed during 2019.

Selling and Marketing Expenses

Selling and marketing expenses for the year ended December 31, 2019 were $9.9 million, an increase of $0.8 million, or 9.1%, compared to $9.1 million for the year ended December 31, 2018. Selling and marketing expenses as a percentage of net revenues, decreased to 12.2% compared to the prior year at 13.6%. The increase of $0.8 million was largely due to an increase in salaries and related expenses of $0.7 million as a direct result of our net revenue growth. Selling and marketing expenses during these years consisted of sales personnel salaries, commissions and associated fringe benefit and payroll-related items, marketing, overall travel and entertainment and other miscellaneous expenses.

General and Administrative Expenses

General and administrative ("G&A") expenses for the year ended December 31, 2019 were $29.0 million, an increase of 14.3% from $25.4 million for the year ended December 31, 2018. General and administrative expenses as a percentage of net revenues, decreased to 35.8% compared to the prior year at 37.8%. The increase of $3.6 million was largely due to an increase in employee compensation related expenses of $2.9 million, outside services of $0.6 million, rent and related expenses of $0.4 million, accounting fees of $0.2 million and an additional increase of $0.3 million made up of dues & subscriptions, telephone and service costs. These increases were partially offset by decreases in legal and shareholder costs of $0.6 million and bank service charges of $0.2 million. The increase in employee compensation related expenses was primarily attributable to a $1.9 million increase in salaries and related expenses and a $1.0 million net increase in incentive bonuses. G&A expenses during the years ended December 31, 2019 and 2018 consisted primarily of accounting, administrative, third-party payor billing and contract services, customer service, nurses on staff, new product services, and service center personnel salaries, fringe benefits and other payroll-related items, professional fees, legal fees, stock-based compensation, insurance and other miscellaneous items.

The following table includes additional details regarding our G&A expenses for the years ended December 31 (in thousands):

	2019	2018	Difference
Stock compensation costs	$ 997	$ 957	$ 40
Expense in connection with the corporate office lease	252	-	252
Office move expenses	258	-	258
Contested proxy and other shareholder costs	23	251	(228)
Management reorganization/transition costs	76	250	(174)
Fees to integrate business of other provider	163	-	163
Exited facility costs	-	44	(44)
Certain other non-recurring costs (a)	463	476	(13)
Total	2,232	1,978	254
G&A - other than discrete costs & stock-based compensation	26,791	23,421	3,370
G&A - Total	$ 29,023	$ 25,399	$ 3,624

(a) Strategic costs – For 2019, we recorded expenses associated with other strategic opportunity costs of $273,000 and revenue cycle management restructuring initiatives of $190,000. For 2018, we recorded expenses associated with other strategic opportunity costs of $397,000 and revenue cycle management restructuring initiatives of $79,000.

Other Income and Expenses

During the year ended December 31, 2019, we incurred interest expense of $1.9 million, an increase of $0.5 million, or 34.1%, compared to December 31, 2018. This was a net result of higher debt levels, including the new term debt that was entered into during 2019, partially offset by payments of the previous term debt as well as higher interest rates in 2019 as compared to 2018.

Provision for Income Taxes

During the year ended December 31, 2019, we recorded a provision for income taxes of $0.2 million compared to a provision for income taxes of $0.1 million for the year ended December 31, 2018.

Inflation

Management believes that there has been no material effect on the results of operations or financial condition as a result of inflation or changing prices of our ambulatory infusion pumps during the period from January 1, 2018 through December 31, 2019.

Subsequent Events

We have evaluated subsequent events through the date that our consolidated financial statements are issued. On January 30, 2020, the World Health Organization ("WHO") recognized the coronavirus ("COVID-19") as a global health emergency and as a global pandemic on March 11, 2020. Public health responses have included national pandemic preparedness and response plans, travel restrictions, quarantines, curfews, event postponements and cancellations and closures of facilities including local schools and businesses. The global pandemic and actions taken to contain the coronavirus have adversely affected the global economy and financial markets.

While the healthcare sectors served by InfuSystem are largely insulated from economic cycles and periodic business disruptions, our ability to deliver services and products may be impacted by these ongoing pandemic containment measures, which have resulted in significant disruptions to global supply chains and the temporary closures of supplier and manufacturer facilities. We are implementing measures to protect the health and safety of our employees, in addition to maintaining the ability for clinics to properly treat their patients in the event there is a disruption to the supply chain. These steps include acquiring additional infusion pumps, shipping reserve quantities of supplies to our customers, preparing a significant part of our workforce to work from home and providing additional personal protective equipment for our operations team. We believe that these efforts will give us the ability and flexibility to maintain our operations throughout the duration of the current outbreak. We have plans in place and are ready to implement additional actions if the duration of these challenges is prolonged.

If this global pandemic were to continue for a prolonged period of time, it could materially and adversely impact our business, financial condition, results of operations and cash flows. The extent of the impact will depend on future developments, including actions taken to contain the coronavirus.

Liquidity and Capital Resources

Overview:

We finance our operations and capital expenditures with internally-generated cash from operations and borrowings under our existing Credit Agreement, entered into on March 23, 2015 (as amended, the "Credit Agreement"). As of December 31, 2019, we had cash and cash equivalents of $2.6 million and $9.9 million of availability on our revolving credit facility under the Credit Agreement (the "Revolver") compared to $4.3 million of cash and cash equivalents and $9.2 million of availability on our Revolver at December 31, 2018. Our liquidity and borrowing plans are established to align with our financial and strategic planning processes and ensure we have the necessary funding to meet our operating commitments, which primarily include the purchase of pumps, inventory, payroll and general expenses. We also take into consideration our overall capital allocation strategy which includes investment for future organic growth, share repurchases and potential acquisitions. We believe we have adequate sources of liquidity and funding available for at least the next year, however, there are a number of factors that may negatively impact our available sources of funds. The amount of cash generated from operations will be dependent upon factors such as the successful execution of our business plan and general economic conditions.

Long-Term Debt Activities:

On July 31, 2018, the Company and its primary lender entered into the fourth amendment to its Credit Agreement ("Fourth Amendment"). The Fourth Amendment allowed for, among other things, a loan to the Company for the repurchase of up to approximately 2.8 million shares of capital stock from an individual shareholder, his affiliates, and a second shareholder, in an aggregate amount not to exceed $8.6 million ("Term Loan C"); and allows for capital expenditure financing to the Company for the sole purpose of purchasing medical equipment in an aggregate amount not to exceed $6.4 million (the "Equipment Line"). There were no principal payments due on the Equipment Line until December 31, 2019 at which time it converted to an additional term loan. The Fourth Amendment also made changes to certain covenants, specifically, to exclude borrowings used to fund the stock repurchases referenced above from the definition of fixed charges, as defined by the Credit Agreement, and to reduce the ratio of earnings before depreciation, income taxes and amortization to fixed charges from 1.25:1.0 to 1.15:1.0. In addition, the Fourth Amendment eliminates the net worth covenant and the excess cash flow provisions while modifying the quarterly principal payment amounts. Term Loan C matures on December 6, 2021, and the Equipment Line matures on December 31, 2024.

On February 5, 2019, the Company and its primary lender entered into the fifth amendment to its Credit Agreement (the "Fifth Amendment"). Among other things, the Fifth Amendment amended the Credit Agreement to:

- increase our borrowing capacity under the Equipment Line to $8.0 million;
- revise the definition of earnings before interest, taxes, depreciation and amortization ("EBITDA"), a non-GAAP financial measure, to include additional add-back adjustments for the years ended or ending December 31, 2018 and 2019;
- revise the definition of fixed charge coverage ratio for the year ending December 31, 2019 to include an unfinanced portion of capital expenditures of up to $7.0 million for the year ending December 31, 2019;
- revise the Credit Agreement's maximum permitted indebtedness to finance the acquisition, construction or improvement of any fixed or capital assets; and
- revise the maximum leverage ratio for each of the quarters during December 31, 2018 and December 31, 2019.

On April 15, 2019, the Company sold for $2.0 million and immediately leased back certain medical equipment in rental service to a third party specializing in such transactions. The leaseback term is 36 months. Because the arrangement contains a purchase option that the Company is reasonably certain to exercise, this transaction did not qualify for the sale-leaseback accounting under ASC 842. The medical equipment remains recorded on the accompanying condensed consolidated balance sheet and the proceeds received have been classified as an Other Financing liability, which is being paid off monthly over the term of the lease. The balance of Other Financing as of December 31, 2019 was $1.6 million.

On November 7, 2019, the Company and its primary lender entered into the sixth amendment to the Credit Agreement (the "Sixth Amendment"). The Sixth Amendment amended the Credit Agreement to, among other things:

- provide for a 2019 capital expenditure loan (the "2019 Equipment Line") commitment of $10.0 million (in addition to the existing Equipment Line of $8.0 million), which may be drawn upon until the earlier of the full commitment being advanced or December 31, 2020, to be used solely to purchase eligible equipment to be used in our business and in amounts not to exceed 90.0% of the invoiced hard costs of such acquired equipment;
- increase the commitment under the Revolver to $11.8 million;
- revise the definition of EBITDA to include the following additional or revised add-back adjustments: (i) one-time charges in an aggregate amount not to exceed $0.3 million and incurred prior to December 31, 2019 relating to our integration of business previously served by another major provider of electronic oncology pumps; (ii) one-time charges in an aggregate amount not to exceed $0.3 million and incurred prior to December 31, 2019 relating to our facility move; (iii) lease buyout expenses not to exceed: (x) $0.1 million incurred on or prior to December 31, 2018; (y) $0.2 million incurred after December 31, 2018 but on or prior to March 31, 2019; and (z) $0.2 million incurred after September 30, 2019 but on or prior to December 31, 2020; and (iv) any other non-cash charges for such period (but excluding certain non-cash charges);
- revise the definition of Fixed Charge Coverage Ratio to mean, for any period, the ratio of (a) EBITDA minus Maintenance Capital Expenditures (defined to mean, for any period, 50.0% of depreciation expense) to (b) Fixed Charges, all calculated for the Company and its subsidiaries on a consolidated basis in accordance with GAAP;
- revise the definitions of Revolving Credit Maturity Date and Term Maturity Date to mean the date five years after the Sixth Amendment Effective Date and add a definition for the 2019 Equipment Line Maturity Date to provide for the same maturity date;
- reflect the refinancing of the Term A Loans, Term B Loans and Term C Loan as a single Term Loan on the Sixth Amendment Effective Date and, commencing on the last Business Day of December 2019, the consecutive quarterly principal installment payments will change to approximately $1.2 million; and

- revise Section 5.01(e) of the Credit Agreement, which governs our obligation to deliver financial statements to the lender, to require us to provide the financial statements (x) as soon as possible but in any event within 30 days of the end of each fiscal quarter, or within 30 days of the end of each calendar month if any revolving loans were outstanding in month, (y) in connection with, and prior to, requesting any letter of credit and (z) at such other times as may be requested by the lender.

These debt amendments were accounted for as debt modifications. As of December 31, 2019, the Company was in compliance with all debt-related covenants under the Credit Agreement.

As of December 31, 2019, our term loans, Equipment Line and 2019 Equipment Line under the Credit Agreement had balances of $27.7 million, $7.6 million and $1.6 million, respectively. The availability under the Revolver is based upon our eligible accounts receivable and eligible inventory and is computed as follows (in thousands):

	December 31, 2019	December 31, 2018
Revolver:		
Gross Availability	$ 11,750	$ 9,973
Outstanding Draws	-	-
Letters of Credit	(1,750)	(750)
Landlord Reserves	(150)	(70)
Availability on Revolver	$ 9,850	$ 9,153

As of December 31, 2019, interest on the loans as part of the Credit Agreement is payable at our option as a (i) Eurodollar Loan, which bears interest at a per annum rate equal to the applicable 30-day London Interbank Offered Rate ("LIBOR") plus a margin ranging from 2.00% to 3.00% or (ii) CB Floating Rate ("CBFR") Loan, which bears interest at a per annum rate equal to the greater of (a) the lender's prime rate or (b) LIBOR plus 2.50%, in each case, plus a margin ranging from -1.00% to 0.25%. The actual Eurodollar Loan rate at December 31, 2019 was 4.25% (LIBOR of 1.75% plus 2.50%). The actual CBFR Loan rate at December 31, 2019 was 4.25% (lender's prime rate of 5.50% minus 0.50%).

Share Repurchases

As described previously, on September 30, 2019, our Board of Directors approved the Share Repurchase Program. As of December 31, 2019, the Company has not repurchased any shares under the Share Repurchase Program.

Cash Flows:

Operating Cash Flow. Net cash provided by operating activities for the year ended December 31, 2019 was $13.9 million compared to $11.4 million for the year ended December 31, 2018. This $2.5 million, or 21.8%, increase was primarily attributable to an increase in net income (loss) adjusted for non-cash items of $4.0 million and the positive cash flow effect of a net incremental increase in accounts payable and other liabilities of $2.3 million, which was partially offset by an incremental increase in accounts receivable of $3.5 million.

Investing Cash Flow. Net cash used in investing activities was $19.6 million for the year ended December 31, 2019 compared to $5.0 million for the year ended December 31, 2018. The increase in net cash used was primarily due to a $11.6 million increase in cash used to purchase medical equipment in support of our revenue growth and a $2.6 million increase in cash used to purchase other assets, mainly related to the buildout and move to our new corporate headquarters.

Financing Cash Flow. Net cash provided by financing activities for the year ended December 31, 2019 was $4.1 million compared to cash used of $5.6 million for the year ended December 31, 2018. The net increase in net cash provided was primarily attributable to our decision to repurchase shares of common stock as part of a share repurchase program in 2018.

Contractual Obligations

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

Contingent Liabilities

We are not aware of any contingent liabilities.

Off-Balance Sheet Arrangements

We do not have any material off-balance sheet arrangements.

Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates, assumptions and judgments that affect the amounts reported in the financial statements, including the notes thereto. We consider critical accounting policies to be those that require more significant judgments and estimates in the preparation of our consolidated financial statements, including the following: revenue recognition; leases; accounts receivable and allowance for doubtful accounts; income taxes; and long-lived asset valuations. Management relies on historical experience and other assumptions believed to be reasonable in making its judgments and estimates. Actual results could differ materially from those estimates.

Management believes its application of accounting policies, and the estimates inherently required therein, are reasonable. These accounting policies and estimates are periodically reevaluated, and adjustments are made when facts and circumstances dictate a change.

Our accounting policies are more fully described under the heading “Summary of Significant Accounting Policies” in Note 2 to our Consolidated Financial Statements included in this Form 10-K. We believe the following critical accounting estimates are the most significant to the presentation of our financial statements and require the most difficult, subjective and complex judgments:

Revenue Recognition

On January 1, 2018 the Company adopted the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic 606 - Revenue from Contracts with Customers (“ASC 606”) and concluded that, consistent with prior reporting, the Company has two separate revenue streams: rentals and product sales. The adoption of ASC 606 requires certain customer concessions associated with rental revenues reported in accordance with ASC 605 - Revenue Recognition, previously reported in selling, general and administrative expenses as “provision for doubtful accounts” to now be recorded as a reduction of net rental revenues as they are considered price concessions of the transaction price under the new revenue guidance. ASC 606 was adopted on a modified retrospective method.

ASC 606 stipulates revenue recognition at the time and in an amount that reflects the consideration expected to be received for the performance obligations that have been provided. ASC 606 defines contracts as written, oral and through customary business practice. Under this definition, the Company considers contracts to be created at the time that the rental service is authorized or an order to purchase product is agreed upon regardless of whether or not there is a written contract.

The Company has two separate and distinct performance obligations offered to its customers: a rental service performance obligation or a product sale performance obligation. A performance obligation is a promise in a contract to transfer a distinct good or service to the customer and is defined as the unit of account for revenue recognition under ASC 606. These performance obligations are related to separate revenue streams and at no point are they combined into a single transaction. Sources of net revenues include commercial insurance payors, government insurance payors, medical facilities and patients.

The Company generates the majority of its revenue from the rental of infusion pumps to its customers and a minority of its revenue from product sales. For the rental service performance obligation, revenue is based on its standalone price, determined by using reimbursement rates established by third-party payor or other contracts. Revenue is recognized in the period in which the related performance obligation is satisfied, which is typically at the point in time that a patient concludes a treatment, or in certain arrangements, based on the number of pumps that a facility has onsite. The Company’s revenues related to product sales is recognized at the time that control of the product has been transferred to the customer; either at the time the product is shipped or the time the product has been received by the customer, depending on the delivery terms. The Company does not commit to long-term contracts to sell customers a certain minimum quantity of products.

The Company employs certain significant judgments to estimate the dollar amount of revenue, and related concessions, allocated to the rental service and sale of products. These judgments include, among others, the estimation of variable consideration. Variable consideration, specifically related to the Company's third-party payor rental revenues, is estimated as implied price concessions resulting from differences between the rates charged for services performed and the expected reimbursements for commercial payors and other implied customer concessions. The estimates for variable consideration are based on historical collections with similar payors, aged accounts receivable by payor class and payor correspondence using the portfolio approach, which provide a reasonable basis for estimating the variable portion of a transaction. The Company doesn't believe it is probable that a significant reversal of revenue will occur in future periods because (i) there is no significant uncertainty about the amount of considerations that are expected to be collected based on collection history and (ii) the large number of sufficiently similar contracts allows the Company to adequately estimate the component of variable consideration.

Net revenues are adjusted when changes in estimates of variable consideration occur. Changes in estimates typically arise as a result of new information obtained, such as actual payment receipt or denial, or pricing adjustments by payors. Subsequent changes to estimates of transaction prices are recorded as adjustments to net revenue in the period of the change. Subsequent changes that are determined to be the result of an adverse change in the payors ability to pay are recorded as an allowance for doubtful accounts.

Leases

On January 1, 2019 (the "Effective Date"), the Company adopted ASU 2016-02, Leases (Topic 842); ASU 2018-10, Codification Improvements to Topic 842, Leases; and ASU 2018-11, Targeted Improvements (collectively, "Topic 842") using a modified retrospective transition approach, which requires Topic 842 to be applied to all leases existing at the date of initial application. Under Topic 842, lessees are required to recognize a lease liability and right-of-use asset ("ROU asset") for all leases and to disclose key information about leasing arrangements. Additionally, leases are classified as either financing or operating; the classification determines the pattern of expense recognition and classification within the statement of operations. The Company has elected to apply its lease accounting policy only to leases with a term greater than twelve months.

The Effective Date is the Company's date of initial application. Consequently, our financial information was not updated and the disclosures required under the new standard are not provided for dates and periods prior to January 1, 2019.

Topic 842 provides several optional practical expedients that we adopted at transition. We have elected the "package of practical expedients", which does not require us to reassess our prior conclusions regarding lease identification, lease classification and initial direct costs. We did not elect the practical expedient of hindsight to the evaluation of lease options (e.g. renewal).

The most significant effects related to this adoption relate to (i) the recognition of new ROU assets and lease liabilities on our balance sheet for our real estate and equipment operating leases; and (ii) significant new disclosures about our leasing activities. Upon adoption, we recognized approximately $3.1 million in additional operating lease liabilities with corresponding ROU assets of approximately the same amount.

Topic 842 also provides practical expedients for an entity's ongoing accounting. We have elected the "combining lease and non-lease components" practical expedient and also elected to apply the short-term lease recognition exemption to certain leases; therefore, we did not recognize ROU assets and lease liabilities for these leases.

In adopting Topic 842, we have determined and will continue to determine whether an arrangement is a lease at inception. Our operating leases are primarily for office space, service facility centers and equipment under operating lease arrangements that expire at various dates over the next ten years. Our leases do not contain any restrictive covenants. Our office leases generally contain renewal options for periods ranging from one to five years. Because we are not reasonably certain to exercise these renewal options, the options are not considered in determining the lease term, and payments associated with the option years are excluded from lease payments. Our office leases do not contain any material residual value guarantees. Our equipment leases generally do not contain renewal options. We are not reasonably certain to exercise the renewal options for those equipment leases that do contain renewal options, thus, the options are not considered in determining the lease term and payments associated with the option years are excluded from lease payments.

For our equipment leases, we have used and will use the implicit rate in the lease as the discount rate, when available. Otherwise, we use our incremental borrowing rate as the discount rate. For our office leases, the implicit rate is typically not available, so we have used and will use our incremental borrowing rate as the discount rate. Our lease agreements include both lease and non-lease components. We have elected the practical expedient that allows us to combine lease and non-lease components for all of our leases.

Payments due under our operating leases include fixed payments as well as variable payments. For our office leases, variable payments include amounts for the Company's proportionate share of operating expenses, utilities, property taxes, insurance, common area maintenance and other facility-related expenses. For our equipment leases, variable payments may consist of sales taxes, property taxes and other fees.

Accounts Receivable and Allowance for Doubtful Accounts

Amounts billed that have not yet been collected that also meet the conditions for unconditional right to payment are presented as accounts receivable. Accounts receivable related to rental service and delivery of products are reported at their estimated transaction prices, inclusive of adjustments for variable consideration, based on the amounts expected to be collected from payors. The Company writes off accounts receivable once collection efforts have been exhausted and an account is deemed to be uncollectible. Subsequent to the adoption of ASC 606, an allowance for doubtful accounts is established only as a result of an adverse change in the Company's payors' ability to pay outstanding billings. The allowance for doubtful accounts was not material as of December 31, 2019.

Income Taxes

We recognize deferred income tax liabilities and assets based on (i) the differences between the financial statement carrying amounts and the tax basis of assets and liabilities, using enacted tax rates in effect in the years the differences are expected to reverse and (ii) the tax credit carry forwards. Deferred income tax (expense) benefit results from the change in net deferred tax assets or deferred tax liabilities. A valuation allowance is recorded when, in the opinion of management, it is more likely than not that some or all of any deferred tax assets will not be realized. To make this assessment, we consider the historical and projected future taxable income or loss in each tax jurisdiction and we review our tax planning strategies. We have recorded a full valuation allowances against deferred tax assets as realization has not met the more likely than not criteria. Since future financial results may differ from previous estimates, periodic adjustments to our valuation allowances may be necessary. In addition, continued improvement in our pre-tax income could result in a full or partial reversal of our valuation allowance.

Provisions for federal, state and foreign taxes are calculated based on reported pre-tax earnings based on current tax law and include the cumulative effect of any changes in tax rates from those used previously in determining deferred tax assets and liabilities. Certain items of income and expense are recognized in different time periods for financial reporting than for income tax purposes; thus, such provisions differ from the amounts currently receivable or payable.

We estimate the impact of uncertain income tax positions on the income tax return. These estimates impact income taxes receivable, accounts payable and accrued liabilities on the balance sheet and provision for income taxes on the income statement. We follow a two-step approach for recognizing uncertain tax positions. First, management evaluates the tax position for recognition by determining if the weight of available evidence indicates it is more-likely-than-not that the position will be sustained upon examination. Second, for positions that are determined are more-likely-than-not to be sustained, we recognize the tax benefit as the largest benefit that has a greater than 50% likelihood of being sustained. We establish a reserve for uncertain tax positions liability that is comprised of unrecognized tax benefits and related interest and penalties. We adjust this liability in the period in which an uncertain tax position is effectively settled, the statute of limitations expires for the relevant taxing authority to examine the tax position, or more information becomes available. For more information, refer to the "Income Taxes" discussion included in Note 8 in the Notes to the Consolidated Financial Statements.

Adoption of ASU 2019-12

The Company adopted ASU 2019-12, Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes, in the fourth quarter of 2019. This guidance simplifies various aspects related to accounting for income taxes by removing certain exceptions to the general principles in Topic 740 and also clarifies and amends existing guidance to improve consistent application. The guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020. Early adoption is permitted, including adoption in any interim period for which financial statements have not yet been issued. Certain amendments may be applied on a retrospective, modified retrospective or prospective basis. As permitted, the Company elected to early adopt this guidance for the year ended December 31, 2019. The adoption of this guidance did not have a significant impact on the Company's financial statements and primarily resulted in the reclassification of an immaterial amount from non-income tax expense to income tax expense related to the accounting for franchise taxes, with no impact to the Company's consolidated net income, equity or cash flows.

Long-lived Asset Valuation

We evaluate the carrying value of long-lived assets for impairment by analyzing the operating performance and anticipated future cash flows for those assets, whenever events or changes in circumstances indicate that the carrying amounts of such assets may not be recoverable. We evaluate the need to adjust the carrying value of the underlying assets if the sum of the expected cash flows is less than the carrying value. Our projection of future cash flows, the level of actual cash flows, the methods of estimation used for determining fair values and salvage values can impact impairment. Any changes in management's judgments could result in greater or lesser annual depreciation and amortization expense or impairment charges in the future. Depreciation and amortization of long-lived assets is calculated using the straight-line method over the estimated useful lives of the assets.

We performed our annual impairment analysis of all indefinite-lived intangible assets in October 2019 and determined that the fair value of all the assets was greater than the carrying value, resulting in no impairment of indefinite-lived assets.

The Company assesses impairment indicators related to its internally-developed, internal-use software, specifically looking at the effectiveness and useful lives of each project and sub-project to determine if impairment indicators are present. In December 2019 and 2018, respectively, the Company assessed the impairment indicators and found none to be present.

For more information, refer to the "Intangible Assets" discussion included in Note 6 in the Notes to the Consolidated Financial Statements included in this Form 10-K.

Item 7A. Quantitative and Qualitative Disclosure 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 8. Financial Statements and Supplementary Data.

Index to Financial Statements

Report of Independent Registered Public Accounting Firm

Shareholders and Board of Directors
InfuSystem Holdings, Inc.
Rochester Hills, Michigan

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of InfuSystem Holdings, Inc. (the "Company") as of December 31, 2019 and 2018, the related consolidated statements of operations, stockholders' equity, and cash flows for the years then ended, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2019 and 2018, and the results of its operations and its cash flows for the years then ended**,** in conformity with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 2 to the consolidated financial statements, the Company has changed its method of accounting for leases for the year ended December 31, 2019 due to the adoption of Accounting Standards Codification Topic 842, *Leases.*

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ BDO USA, LLP

We have served as the Company's auditor since 2013.

Troy, Michigan

March 27, 2020

INFUSYSTEM HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(in thousands, except share data)	December 31, 2019	December 31, 2018
ASSETS		
Current assets:		
Cash and cash equivalents	$ 2,647	$ 4,318
Accounts receivable, net	12,097	9,593
Inventories	2,899	2,254
Other current assets	1,662	1,372
Total current assets	19,305	17,537
Medical equipment for sale or rental	1,306	1,601
Medical equipment in rental service, net of accumulated depreciation	33,225	23,488
Property & equipment, net of accumulated depreciation	4,037	1,445
Intangible assets, net	15,463	19,865
Operating lease right of use assets	5,733	-
Other assets	155	137
Total assets	$ 79,224	$ 64,073
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 7,962	$ 7,091
Current portion of long-term debt	8,082	4,903
Other current liabilities	5,803	2,796
Total current liabilities	21,847	14,790
Long-term debt, net of current portion	30,295	28,842
Deferred income taxes	104	-
Operating lease liabilities, net of current portion	4,644	-
Total liabilities	$ 56,890	$ 43,632
Stockholders' equity:		
Preferred stock, $.0001 par value: authorized 1,000,000 shares; none issued	-	-
Common stock, $.0001 par value: authorized 200,000,000 shares; issued and outstanding 23,400,625 and 19,882,136, as of December 31, 2019, respectively, and issued and outstanding 23,095,513 and 19,577,024, as of December 31, 2018, respectively.	2	2
Additional paid-in capital	83,699	83,167
Retained deficit	(61,367)	(62,728)
Total stockholders' equity	22,334	20,441
Total liabilities and stockholders' equity	$ 79,224	$ 64,073

See accompanying notes to consolidated financial statements.

INFUSYSTEM HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except share and per share data)	Year Ended December 31, 2019	Year Ended December 31, 2018
Net revenues	$ 81,115	$ 67,138
Cost of revenues	34,233	27,568
Gross profit	46,882	39,570
Selling, general and administrative expenses:		
Amortization of intangibles	4,402	4,649
Selling and marketing	9,932	9,107
General and administrative	29,023	25,399
Total selling, general and administrative	43,357	39,155
Operating income	3,525	415
Other expense:		
Interest expense	(1,904)	(1,420)
Other expense	(97)	(37)
Income (loss) before income taxes	1,524	(1,042)
Provision for income taxes	(163)	(53)
Net income (loss)	$ 1,361	$ (1,095)
Net income (loss) per share:		
Basic	$ 0.07	$ (0.05)
Diluted	$ 0.07	$ (0.05)
Weighted average shares outstanding:		
Basic	19,731,498	21,417,628
Diluted	20,839,396	21,417,628

See accompanying notes to consolidated financial statements.

INFUSYSTEM HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF
STOCKHOLDERS' EQUITY

(in thousands)	Common Stock Shares	Common Stock Par Value Amount	Additional Paid in Capital	Retained Deficit	Treasury Stock Shares	Treasury Stock Par Value Amount	Total Stockholders' Equity
Balances at January 1, 2018	**22,978**	**$ 2**	**$ 92,584**	**$ (61,633)**	**(198)**	**$ -**	**$ 30,953**
Stock based shares issued upon vesting - gross	103	-	-	-	-	-	-
Stock-based compensation expense	-	-	957	-	-	-	957
Employee stock purchase plan	44	-	91	-	-	-	91
Common stock repurchased to satisfy minimum statutory withholding on stock-based compensation	(29)	-	(70)	-	-	-	(70)
Common stock repurchased as part of Repurchase Program	-	-	(10,395)	-	(3,320)	-	(10,395)
Net loss	-	-	-	(1,095)	-	-	(1,095)
Balances at December 31, 2018	**23,096**	**2**	**83,167**	**(62,728)**	**(3,518)**	**-**	**20,441**
Stock based shares issued upon vesting - gross	394	-	139	-	-	-	139
Stock-based compensation expense	-	-	997	-	-	-	997
Employee stock purchase plan	33	-	113	-	-	-	113
Common stock repurchased to satisfy minimum statutory withholding on stock-based compensation	(122)	-	(717)	-	-	-	(717)
Net income	-	-	-	1,361	-	-	1,361
Balances at December 31, 2019	**23,401**	**$ 2**	**$ 83,699**	**$ (61,367)**	**(3,518)**	**$ -**	**$ 22,334**

See accompanying notes to consolidated financial statements.

INFUSYSTEM HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)	Year Ended December 31, 2019	Year Ended December 31, 2018
OPERATING ACTIVITIES		
Net income (loss)	$ 1,361	$ (1,095)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Provision for doubtful accounts	37	(218)
Depreciation	7,940	6,659
Loss on disposal of medical equipment	638	434
Gain on sale of medical equipment	(1,453)	(1,340)
Amortization of intangible assets	4,402	4,649
Amortization of deferred debt issuance costs	37	33
Stock-based compensation expense	997	957
Deferred income tax expense (benefit)	104	(62)
Changes in Assets - (Increase)/Decrease:		
Accounts receivable	(1,560)	1,909
Inventories	(645)	(490)
Other current assets	(290)	(222)
Other assets	(129)	(6)
Changes in Liabilities - Increase:		
Accounts payable and other liabilities	2,436	183
NET CASH PROVIDED BY OPERATING ACTIVITIES	13,875	11,391
INVESTING ACTIVITIES		
Purchases of medical equipment	(19,669)	(8,022)
Purchases of property and equipment	(2,926)	(281)
Proceeds from sale of medical equipment, property and equipment	2,952	3,319
NET CASH USED IN INVESTING ACTIVITIES	(19,643)	(4,984)
FINANCING ACTIVITIES		
Principal payments on term loans, capital lease obligations and other financing	(4,868)	(6,319)
Cash proceeds from term loans, equipment line and other financing	9,436	11,162
Debt issuance costs	(6)	(27)
Cash proceeds from stock plans	252	91
Common stock repurchased as part of Repurchase Program	-	(10,395)
Common stock repurchased to satisfy statutory withholding on employee stock-based compensation plans	(717)	(70)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	4,097	(5,558)
Net change in cash and cash equivalents	(1,671)	849
Cash and cash equivalents, beginning of year	4,318	3,469
Cash and cash equivalents, end of year	$ 2,647	$ 4,318

See accompanying notes to consolidated financial statements.

The following table presents certain supplementary cash flow information for the years ended December 31 (in thousands):

(in thousands)	2019	2018
SUPPLEMENTAL DISCLOSURES		
Cash paid for interest	$ 1,705	$ 1,383
Cash paid for income taxes	111	159
NON-CASH TRANSACTIONS		
Additions to medical equipment and property (a)	$ 2,773	$ 998

(a) Amounts consist of current liabilities for medical equipment that have not been included in investing activities. These amounts have not been paid for as of December 31, 2019 and 2018, respectively, but will be included as a cash outflow from investing activities for purchases of medical equipment and property when paid.

See accompanying notes to consolidated financial statements.

INFUSYSTEM HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Presentation and Nature of Operations

InfuSystem Holdings, Inc. and its consolidated subsidiaries (the "Company") are a leading provider of infusion pumps and related products and services for patients in the home, oncology clinics, ambulatory surgery centers, and other sites of care from five locations in the United States and Canada. The Company provides products and services to hospitals, oncology practices and facilities and other alternate site health care providers. Headquartered in Rochester Hills, Michigan, the Company delivers local, field-based customer support, and also operates pump service and repair Centers of Excellence in Michigan, Kansas, California, Massachusetts and Ontario, Canada. InfuSystem Inc., which is an operating subsidiary of the Company, is accredited by the Community Health Accreditation Program while First Biomedical, Inc., which is an operating subsidiary of the Company, is ISO certified.

The Company's core service is to supply electronic ambulatory infusion pumps and associated disposable supply kits to oncology clinics, infusion clinics and hospital outpatient chemotherapy clinics to be utilized in the treatment of a variety of cancers including colorectal cancer, pain management and other disease states. The majority of the Company's pumps are electronic infusion pumps. Smiths Medical, Inc. and Moog Medical Devices Group each supply more than 10% of the ambulatory pumps purchased by the Company. The Company has a supply agreement in place with each of these suppliers. Certain "spot" purchases are made on the open market subject to individual negotiation.

In addition, the Company sells or rents new and pre-owned pole-mounted and ambulatory infusion pumps to, and provides biomedical recertification, maintenance and repair services for, oncology practices, as well as other alternate site settings including home care and home infusion providers, skilled nursing facilities, pain centers and others. The Company also provides these products and services to customers in the hospital market.

The Company purchases new and pre-owned pole-mounted and ambulatory infusion pumps from a variety of sources on a non-exclusive basis. The Company repairs, refurbishes and provides biomedical certification for the devices as needed. The pumps are then available for sale, rental or to be used within the Company's ambulatory infusion pump management service.

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") and the rules and regulations of the U.S. Securities and Exchange Commission ("SEC").

2. Summary of Significant Accounting Policies

Reclassifications

Certain prior period reclassifications were made to conform with the current period presentation. These reclassifications had no effect on reported income (loss), overall cash flows, total assets, total liabilities or stockholders' equity as previously reported.

Presentation in the Consolidated Statements

The Company rents and sells medical equipment. The Company purchases medical equipment directly for sale as well as medical equipment that is purchased for either rental or sale and that is unallocated at the time of purchase ("Unallocated Assets"). Management believes that the predominant source of revenues and cash flows from the Unallocated Assets is from rentals and most equipment purchased is likely to be rented prior to being sold. The Company concluded that (i) the assets specifically supporting its two primary revenue streams should be separately disclosed on the balance sheet; (ii) the purchase and sale of Unallocated Assets should be classified solely in investing cash flows based on their predominant source while medical equipment purchased specifically for sales activity should be classified in operating cash flows; and (iii) other activities ancillary to the rental process should be consistently classified.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and all wholly owned organizations. All intercompany transactions and account balances have been eliminated in consolidation.

Immaterial Revision to Prior Year Financial Statement

During the year ended December 31, 2019, two misclassifications within the 2018 Consolidated Financial Statements were identified. In the Consolidated Statement of Operations, the Company misclassified certain software maintenance costs of approximately $0.6 million originally included within cost of revenues that should have been classified in general and administrative expenses. In addition, in the cash flows from operating activities section of the Consolidated Statement of Cash Flows, the Company misclassified variable consideration from patient concessions of $6.3 million that was originally included within the provision for doubtful accounts that should have been classified as part of the change in accounts receivable. The Company assessed the materiality of these misclassifications considering both qualitive and quantitative factors and determined that for the year-ended December 31, 2018, the adjustments were immaterial.

The adjustments had no impact to the Consolidated Balance Sheets or the Consolidated Statements of Stockholders' Equity. There was also no impact to total operating income or net income (loss) or total cash flows provided by operating activities within the Consolidated Statements of Operations and Cash Flows, respectively.

The effects of the adjustments on the line items within the Company's Consolidated Statements of Operations and Cash Flows for the year ended December 31, 2018, are as follows (in thousands):

	Year Ended December 31, 2018		
	As Previously Reported	Adjustments	As Revised
Consolidated Statement of Operations:			
Cost of revenues	$ 28,120	$ (552)	$ 27,568
Gross profit	39,018	552	39,570
General and administrative expenses	24,847	552	25,399
Total selling, general and administrative expenses	38,603	552	39,155

	Year Ended December 31, 2018		
	As Previously Reported	Adjustments	As Revised
Consolidated Statement of Cash Flows:			
Provision for doubtful accounts	$ 6,104	$ (6,322)	$ (218)
Change in accounts receivable	(4,413)	6,322	1,909

Segments

During the fourth quarter of 2019, the Company reorganized its segment reporting from one reportable segment to two reportable segments, ITS and DME Services, due to changes in our internal reporting and the information evaluated by our chief operating decision-maker. The Company has recast the 2018 segment information to reflect this change. See Note 12 for segment disclosures.

The Company's approach is to make operational decisions and assess performance based on delivering products and services that together provide solutions to its customer base utilizing a functional management structure. Based upon this business model, the Company's Chief Executive Officer, whom the Company has determined to be its chief operating decision-maker, reviews segment financial information.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates, assumptions and judgments that affect the amounts reported in the financial statements, including the notes thereto. The Company considers critical accounting policies to be those that require more significant judgments and estimates in the preparation of its consolidated financial statements, including the following: revenue recognition, leases, accounts receivable and allowance for doubtful accounts, income taxes, and long-lived asset valuations. Management relies on historical experience and other assumptions believed to be reasonable in making its judgments and estimates. Actual results could differ materially from those estimates.

Business Combinations

The Company accounts for all business combinations using the acquisition method of accounting, which allocates the fair value of the purchase consideration to the tangible and intangible assets acquired and liabilities assumed based on their estimated fair values. The excess of the purchase consideration over the fair values of these identifiable assets and liabilities is recorded as goodwill. When determining the fair values of assets acquired and liabilities assumed, management makes significant estimates and assumptions. The Company may utilize third-party valuation specialists to assist the Company in the allocation. Initial purchase price allocations are subject to revision within the measurement period, not to exceed one year from the date of acquisition. Acquisition-related expenses and transaction costs associated with business combinations are expensed as incurred.

Cash and Cash Equivalents

The Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents. The Company maintains its cash and cash equivalents primarily with two financial institutions that are insured with the Federal Deposit Insurance Corporation (“FDIC”). At times throughout the year, cash and cash equivalents balances might exceed FDIC insurance limits.

Accounts Receivable and Allowance for Doubtful Accounts

Amounts billed that have not yet been collected that also meet the conditions for unconditional right to payment are presented as accounts receivable. Accounts receivable related to rental service and delivery of products are reported at their estimated transaction prices, inclusive of adjustments for variable consideration, based on the amounts expected to be collected from payors. The Company writes off accounts receivable once collection efforts have been exhausted and an account is deemed to be uncollectible. An allowance for doubtful accounts is established as a result of an adverse change in the Company’s payors’ ability to pay outstanding billings. The allowance for doubtful accounts was not material as of December 31, 2019.

Inventories

The Company’s inventories consist of disposable products and related parts and supplies used in conjunction with medical equipment and are stated at the lower of cost (first-in, first-out basis) or net realizable value. The Company periodically performs an analysis of slow-moving inventory and records a reserve based on estimated obsolete inventory, which was $0.1 million as of December 31, 2019 and 2018.

Medical Equipment

Medical Equipment (“Equipment”) consists of equipment that the Company purchases from third-parties and is (1) for sale or rent, and (2) used in service to generate rental revenue. Equipment, once placed into service, is depreciated using the straight-line method over the estimated useful lives of the equipment which is typically seven years. The Company does not depreciate Equipment held for sale or rent. When Equipment in rental service assets are sold, or otherwise disposed, the cost and related accumulated depreciation are removed from the accounts and a sale is recorded in the current period. The Company periodically performs an analysis of slow-moving Equipment used in service to generate rental revenue and records a reserve based on estimated obsolescence, which was $0.7 and $0.5 million as of December 31, 2019 and 2018, respectively. The Company performs a similar analysis of slow-moving Equipment for sale or rent and records a reserve, which was less than $0.1 million as of December 31, 2019. No reserve was necessary as of December 31, 2018.

Property and Equipment

Property and equipment is stated at acquired cost and depreciated using the straight-line method over the estimated useful lives of the related assets, ranging from three to seven years. Externally purchased information technology software and hardware are depreciated over three and five years, respectively. Leasehold improvements are amortized using the straight-line method over the life of the asset or the remaining term of the lease, whichever is shorter. Maintenance and minor repairs are charged to operations as incurred. When assets are sold, or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any gain or loss is recorded in the current period.

Intangible Assets

Intangible assets consist of trade names, physician and customer relationships and software. The physician and customer relationships arose primarily from previous acquisitions. The Company amortizes the value assigned to the physician and customer relationships on a straight-line basis over the period of expected benefit, which ranges from fifteen to twenty years. The acquired physician and customer relationship base represents a valuable asset of the Company due to the expectation of future business opportunities to be leveraged from the existing relationship with each physician and customer. The Company has long-standing relationships with numerous oncology clinics, physicians, home care and home infusion providers, skilled nursing facilities, pain centers and others. The useful lives of these relationships are based on minimal attrition experienced to date by the Company and expectations of continued minimal attrition. Acquired software is amortized on a straight-line basis over three years. Trade names associated with the original acquisition of InfuSystem are not amortized.

Management tests indefinite life trade names for impairment annually or more frequently if deemed necessary. The impairment test for intangible assets with indefinite lives consists of a comparison of the fair value of the intangible assets with their carrying amounts. If the carrying value of the intangible assets exceeds the fair value, an impairment loss is recognized in an amount equal to that excess. The Company determines the fair value for trade names with indefinite lives through the royalty relief income valuation approach. The Company performed its annual impairment analysis as of the last day of October 2019 and determined that the fair value of the trade names with indefinite lives was greater than their carrying value, resulting in no impairment.

Software Capitalization and Depreciation

The Company capitalizes certain costs incurred in connection with obtaining or developing internal-use software, including payroll and payroll-related costs for employees who are directly associated with the internal-use software project, external direct costs of materials and services and interest costs while developing the software. Capitalized software costs are included in intangible assets, net and are amortized using the straight-line method over the estimated useful life of three to five years. Capitalization of such costs ceases when the project is substantially complete and ready for its intended purpose. Costs incurred during the preliminary project and post-implementation stages, as well as software maintenance and training costs, are expensed in the period in which they are incurred. The Company did not capitalize any internal-use software for the years ended December 31, 2019 and 2018, respectively. Amortization expense for capitalized software was $2.0 million in 2019 and $2.3 million in 2018.

Impairment of Long-Lived Assets

Long-lived assets held for use, which includes property and equipment and amortizable intangible assets, are reviewed for impairment when events or changes in circumstances indicate that their carrying value may not be recoverable. If an impairment indicator exists, the Company assesses the asset or asset group for recoverability. Recoverability of these assets is determined based upon the expected undiscounted future net cash flows from the operations to which the assets relate, utilizing management's best estimates, appropriate assumptions and projections at the time. If the carrying value is determined not to be recoverable from future operating cash flows, the asset is deemed impaired and an impairment loss would be recognized to the extent the carrying value exceeded the estimated fair market value of the asset or asset group.

The Company assesses impairment indicators related to its internally-developed, internal-use software, specifically looking at the effectiveness and useful lives of each project and sub-project to determine if impairment indicators are present. In December 2019 and 2018, respectively, the Company assessed the impairment indicators and found none to be present.

Leases

On January 1, 2019 (the "Effective Date"), the Company adopted ASU 2016-02, Leases (Topic 842); ASU 2018-10, Codification Improvements to Topic 842, Leases; and ASU 2018-11, Targeted Improvements (collectively, "Topic 842") using a modified retrospective transition approach, which requires Topic 842 to be applied to all leases existing at the date of initial application. Under Topic 842, lessees are required to recognize a lease liability and right-of-use asset ("ROU asset") for all leases and to disclose key information about leasing arrangements. Additionally, leases are classified as either financing or operating; the classification determines the pattern of expense recognition and classification within the statement of operations. The Company has elected to apply its lease accounting policy only to leases with a term greater than twelve months.

The Effective Date is the Company's date of initial application. Consequently, our financial information was not updated and the disclosures required under the new standard are not provided for dates and periods prior to January 1, 2019.

Topic 842 provides several optional practical expedients that we adopted at transition. The Company has elected the "package of practical expedients", which does not require it to reassess its prior conclusions regarding lease identification, lease classification and initial direct costs. The Company did not elect the practical expedient of hindsight to the evaluation of lease options (e.g. renewal).

The most significant effects related to this adoption relate to (i) the recognition of new ROU assets and lease liabilities on the Company's balance sheet for its real estate and equipment operating leases; and (ii) significant new disclosures about the Company's leasing activities. Upon adoption, the Company recognized approximately $3.1 million in additional operating lease liabilities with corresponding ROU assets of approximately the same amount.

Topic 842 also provides practical expedients for an entity's ongoing accounting. The Company has elected the "combining lease and non-lease components" practical expedient and also elected to apply the short-term lease recognition exemption to certain leases; therefore, the Company did not recognize ROU assets and lease liabilities for these leases.

In adopting Topic 842, the Company has determined and will continue to determine whether an arrangement is a lease at inception. The Company's operating leases are primarily for office space, service facility centers and equipment under operating lease arrangements that expire at various dates over the next ten years. The Company's leases do not contain any restrictive covenants. The Company's office leases generally contain renewal options for periods ranging from one to five years. Because the Company is not reasonably certain to exercise these renewal options, the options are not considered in determining the lease term, and payments associated with the option years are excluded from lease payments. The Company's office leases do not contain any material residual value guarantees. The Company's equipment leases generally do not contain renewal options. The Company is not reasonably certain to exercise the renewal options for those equipment leases that do contain renewal options, thus, the options are not considered in determining the lease term and payments associated with the option years are excluded from lease payments.

For the Company's equipment leases, the Company has used and will use the implicit rate in the lease as the discount rate, when available. Otherwise, the Company uses its incremental borrowing rate as the discount rate. For the Company's office leases, the implicit rate is typically not available, so the Company has used and will use its incremental borrowing rate as the discount rate. The incremental borrowing rate is estimated to approximate the interest rate on a collateralized basis with similar terms and payments. The Company's lease agreements include both lease and non-lease components. The Company has elected the practical expedient that allows it to combine lease and non-lease components for all of its leases.

Payments due under the Company's operating leases include fixed payments as well as variable payments. For the Company's office leases, variable payments include amounts for the Company's proportionate share of operating expenses, utilities, property taxes, insurance, common area maintenance and other facility-related expenses. For the Company's equipment leases, variable payments may consist of sales taxes, property taxes and other fees.

Revenue Recognition

Revenue is recognized at the time and in an amount that reflects the consideration expected to be received for the performance obligations that have been provided. ASC 606 defines contracts as written, oral and through customary business practice. Under this definition, the Company considers contracts to be created at the time that the rental service is authorized or an order to purchase product is agreed upon regardless of whether or not there is a written contract.

The Company has two separate and distinct performance obligations offered to its customers: a rental service performance obligation or a product sale performance obligation. A performance obligation is a promise in a contract to transfer a distinct good or service to the customer and is defined as the unit of account for revenue recognition under ASC 606. These performance obligations are related to separate revenue streams and at no point are they combined into a single transaction. Sources of net revenues include commercial insurance payors, government insurance payors, medical facilities and patients.

The Company generates the majority of its revenue from the rental of infusion pumps to its customers and a minority of its revenue from product sales. For the rental service performance obligation, revenue is based on its standalone price, determined by using reimbursement rates established by third-party payor or other contracts. Revenue is recognized in the period in which the related performance obligation is satisfied, which is typically at the point in time that a patient concludes a treatment, or in certain arrangements, based on the number of pumps that a facility has onsite. The Company's revenues related to product sales are recognized at the time that control of the product has been transferred to the customer; either at the time the product is shipped or the time the product has been received by the customer, depending on the delivery terms. The Company does not commit to long-term contracts to sell customers a certain minimum quantity of products.

The Company employs certain significant judgments to estimate the dollar amount of revenue, and related concessions, allocated to the rental service and sale of products. These judgments include, among others, the estimation of variable consideration. Variable consideration, specifically related to the Company's third-party payor rental revenues, is estimated as implied price concessions resulting from differences between the rates charged for services performed and the expected reimbursements for commercial payors and other implied customer concessions. The estimates for variable consideration are based on historical collections with similar payors, aged accounts receivable by payor class and payor correspondence using the portfolio approach, which provide a reasonable basis for estimating the variable portion of a transaction. The Company doesn't believe it is probable that a significant reversal of revenue will occur in future periods because (i) there is no significant uncertainty about the amount of considerations that are expected to be collected based on collection history and (ii) the large number of sufficiently similar contracts allows the Company to adequately estimate the component of variable consideration.

Net revenues are adjusted when changes in estimates of variable consideration occur. Changes in estimates typically arise as a result of new information obtained, such as actual payment receipt or denial, or pricing adjustments by payors. Subsequent changes to estimates of transaction prices are recorded as adjustments to net revenue in the period of the change. Subsequent changes that are determined to be the result of an adverse change in the payors ability to pay are recorded as an allowance for doubtful accounts.

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 values. Inherent in these estimates is the risk that the estimates will have to be revised or updated as additional information becomes available. Specifically, the complexity of many third-party billing arrangements and the uncertainty of reimbursement amounts for certain services from certain payors may result in adjustments to amounts originally recorded. Due to continuing changes in the health care industry and third-party reimbursement, it is possible that management's estimates could change in the near term, which could have a material impact on the Company's results of operations and cash flows.

Cost of Revenues

Cost of revenues include the costs of servicing and maintaining pumps, products sold, shipping and other direct and indirect costs related to net revenues. Shipping and handling costs incurred after control over a product has transferred to a customer are accounted for as a fulfillment cost.

Customer Concentration

For 2019 and 2018, the Company's largest contracted payor was a national payor which accounted for approximately 8% and 7% of our net revenues from its third-party payor oncology business for 2019 and 2018, respectively, and approximately 5% and 4% of its total net revenues for 2019 and 2018, respectively.

The Company also contracts with various other third-party payor organizations, Medicaid, commercial Medicare replacement plans, self-insured plans, facilities of our Medicare patients and numerous other insurance carriers. Other than the payor noted above, no other single payor represented more than 6% of the Company's third-party payor net revenue.

Income Taxes

The Company recognizes deferred income tax liabilities and assets based on (i) the differences between the financial statement carrying amounts and the tax basis of assets and liabilities, using enacted tax rates in effect in the years the differences are expected to reverse and (ii) the tax credit carry forwards. Deferred income tax (expense) benefit results from the change in net deferred tax assets or deferred tax liabilities. A valuation allowance is recorded when it is more likely than not that some or all of any deferred tax assets will not be realized.

Provisions for federal, state and foreign taxes are calculated based on reported pre-tax earnings based on current tax law and include the cumulative effect of any changes in tax rates from those used previously in determining deferred tax assets and liabilities. Certain items of income and expense are recognized in different time periods for financial reporting than for income tax purposes; thus, such provisions differ from the amounts currently receivable or payable.

The Company follows a two-step approach for recognizing uncertain tax positions. First, it evaluates the tax position for recognition by determining if the weight of available evidence indicates it is more-likely-than-not that the position will be sustained upon examination. Second, for positions that are determined are more-likely-than-not to be sustained, it recognizes the tax benefits as the largest benefit that has a greater than 50% likelihood of being sustained. The Company establishes a reserve for uncertain tax positions liability that is comprised of unrecognized tax benefits and related interest and penalties. The Company adjusts this liability in the period in which an uncertain tax position is effectively settled, the statute of limitations expires for the relevant taxing authority to examine the tax position, or more information becomes available.

Adoption of ASU 2019-12

The Company adopted ASU 2019-12, Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes, in the fourth quarter of 2019. This guidance simplifies various aspects related to accounting for income taxes by removing certain exceptions to the general principles in Topic 740 and also clarifies and amends existing guidance to improve consistent application. The guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020. Early adoption is permitted, including adoption in any interim period for which financial statements have not yet been issued. Certain amendments may be applied on a retrospective, modified retrospective or prospective basis. As permitted, the Company elected to early adopt this guidance for the year ended December 31, 2019. The adoption of this guidance did not have a significant impact on the Company's financial statements and primarily resulted in the reclassification of an immaterial amount from non-income tax expense to income tax expense related to the accounting for franchise taxes, with no impact to the Company's consolidated net income, equity or cash flows.

Treasury Stock

The Company periodically repurchases shares of its common stock. These repurchases take place either as part of a board-authorized program, which may include open market transactions or privately negotiated transactions and may be made under a Rule 10b5-1 plan, or in targeted stock purchase agreements approved by the board. Treasury stock is accounted for using the par value method.

Share-Based Payments

The determination of the fair value of stock option awards, restricted stock awards and stock appreciation rights (collectively, "Share-Based Awards") on the date of grant using option-pricing models is affected by the Company's stock price, as well as assumptions regarding a number of other inputs using the Black-Scholes pricing model. These variables include the Company's expected stock price volatility over the expected term of the Share-Based Awards, actual and projected employee stock option exercise behaviors, risk-free interest rates and expected dividends. The expected volatility is based on the historical volatility. The Company uses historical data to estimate Share-Based Awards exercise and forfeiture rates. The expected term represents the period over which the Share-Based Awards are expected to be outstanding. The dividend yield is an estimate of the expected dividend yield on the Company's stock. The risk-free rate is based on U.S. Treasury yields in effect at the time of the grant for the expected term of the Share-Based Awards. All Share-Based Awards are amortized based on their graded vesting over the requisite service period of the awards. Compensation costs are recognized over the requisite service period using the accelerated method and included in general and administrative expenses.

Deferred Debt Issuance Costs

Capitalized debt issuance costs as of December 31, 2019 and 2018 relate to the Company's credit facility. The costs related to the agreement are netted against current and non-current debt. The Company amortizes these costs using the interest method through the maturity date of the underlying debt.

Earnings (Loss) Per Share

The Company reports its earnings (loss) per share in accordance with the "Earnings Per Share" topic of FASB ASC, which requires the presentation of both basic and diluted earnings per share on the statements of operations. The diluted weighted average common shares include adjustments for the potential effects of outstanding stock options but only in the periods in which such effect is dilutive under the treasury stock method. Included in our basic and diluted weighted average common shares are those stock options and common stock shares due to participants granted from the 2014 stock incentive plan. Anti-dilutive stock awards are comprised of stock options and unvested share awards, which would have been anti-dilutive in the application of the treasury stock method in accordance with "Earnings Per Share" topic of FASB ASC. In periods where the Company records a net loss, the diluted per share amount is the same as the basic per share amount.

In accordance with this topic, the following table reconciles income (loss) and share amounts utilized to calculate basic and diluted net income (loss) per common share as of December 31 (in thousands, except shares):

	2019	2018
Numerator:		
Net income (loss) *(in thousands)*	$ 1,361	$ (1,095)
Denominator:		
Weighted average common shares outstanding:		
Basic	19,731,498	21,417,628
Dilutive effect of restricted shares and options	1,107,898	-
Diluted	20,839,396	21,417,628

Stock options of less than 0.1 million shares were not included in the calculation for the year ended December 31, 2019 because they would have an anti-dilutive effect. For the year ended December 31, 2018, all options were anti-dilutive due to the Company's net loss for that period and therefore not included in the calculation.

Fair Value of Financial Instruments

The carrying amounts reported in the consolidated balance sheets as of December 31, 2019 and 2018 for cash, accounts receivable, accounts payable and other current liabilities approximate fair value because of the short-term nature of these instruments (Level I). The carrying value of the Company's long-term debt with variable interest rates approximates fair value based on instruments with similar terms (Level II).

The Company has adopted ASC 820, Fair Value Measurements, which defines fair value, establishes a framework for assets and liabilities being measured and reported at fair value and appends disclosures about fair value measurements.

For financial assets and liabilities measured at fair value on a recurring basis, fair value is the price the Company would receive to sell an asset or pay to transfer a liability in an orderly transaction with a market participant at the measurement date. A three-level fair value hierarchy prioritizes the inputs used to measure fair value as follows:

Level I: quoted prices in active markets for identical instruments;

Level II: quoted prices in active markets for similar instruments, quoted prices for identical instruments in markets that are not active, or other inputs that are observable or can be corroborated by observable data for substantially the full term of the instrument; and

Level III: significant inputs to the valuation model are unobservable.

Recent Accounting Pronouncements and Developments

In June 2016, the FASB issued ASU No. 2016-13, "Financial Instruments (Topic 326) Credit Losses". Topic 326 changes the impairment model for most financial assets and certain other instruments. Under the new standard, entities holding financial assets and net investment in leases that are not accounted for at fair value through net income are to be presented at the net amount expected to be collected. An allowance for credit losses will be a valuation account that will be deducted from the amortized cost basis of the financial asset to present the net carrying value at the amount expected to be collected on the financial asset. Topic 326 is effective as of January 1, 2020, although in November 2019, the FASB delayed the effective date until fiscal years beginning after December 15, 2022 for SEC filers eligible to be smaller reporting companies under the SEC's definition, as well as private companies and not-for-profit entities. The Company qualifies as a smaller reporting company under the SEC's definition. Early adoption is permitted. The Company is currently evaluating the impact of Topic 326 on its consolidated balance sheets, statements of operations, statements of cash flows and related disclosures.

3. Revenue Recognition

The following table presents disaggregated revenue by offering type as of December 31 (in thousands):

	2019	2018
Third-Party Payor Rentals	$ 40,510	$ 31,975
Direct Payor Rentals	$ 26,269	$ 24,609
Product Sales	$ 14,336	$ 10,554
Total - Net revenues	$ 81,115	$ 67,138

Third-Party Payor Rentals are entirely attributed to revenues of the ITS segment. Product Sales are entirely attributed to revenues of the DME Services segment. For the year ended December 31, 2019, $11.0 million and $15.3 million of Direct Payor Rentals were attributed to the ITS and DME Services segments, respectively. For the year ended December 31, 2018, $9.5 million and $15.1 million were attributed to the ITS and DME Services segments, respectively.

The following table presents disaggregated revenue by offering type as a percentage of total net revenues as of December 31:

	2019	2018
Third-Party Payor Rentals	49.9%	47.6%
Direct Payor Rentals	32.4%	36.7%
Product Sales	17.7%	15.7%
Total - Net revenues	100.0%	100.0%

4. Medical Equipment

Medical equipment consisted of the following as of December 31 (in thousands):

	2019	2018
Medical Equipment for sale or rental	$ 1,334	$ 1,601
Medical Equipment for sale or rental - pump reserve	(28)	-
Medical Equipment for sale or rental - net	1,306	1,601
Medical Equipment in rental service	75,853	61,429
Medical Equipment in rental service - pump reserve	(720)	(530)
Accumulated depreciation	(41,908)	(37,411)
Medical Equipment in rental service - net	33,225	23,488
Total	$ 34,531	$ 25,089

Depreciation expense for the years ended December 31, 2019 and 2018 was $7.5 million and $6.2 million, respectively, which were recorded in “cost of revenues” for each period.

5. Property and Equipment

Property and equipment consisted of the following as of December 31 (in thousands):

	2019		
	Gross Assets	Accumulated Depreciation	Total
Furniture, fixtures, and equipment	$ 3,202	$ (1,928)	$ 1,274
Automobiles	117	(90)	27
Leasehold improvements	3,366	(630)	2,736
Total	$ 6,685	$ (2,648)	$ 4,037

	2018		
	Gross Assets	Accumulated Depreciation	Total
Furniture, fixtures, and equipment	$ 3,717	$ (3,257)	$ 460
Automobiles	118	(95)	23
Leasehold improvements	2,219	(1,257)	962
Total	$ 6,054	$ (4,609)	$ 1,445

Depreciation expense for each of the years ended December 31, 2019 and 2018 was $0.5 million and $0.4 million, respectively, and was recorded in general and administrative expenses.

6. Intangible Assets

The carrying amount and accumulated amortization of intangible assets as of December 31, 2019 and 2018 were as follows (in thousands):

	2019		
	Gross Assets	**Accumulated Amortization**	**Net**
Nonamortizable intangible assets			
Trade names	$ 2,000	$ -	$ 2,000
Amortizable intangible assets			
Trade names	23	(23)	-
Physician and customer relationships	36,534	(26,550)	9,984
Software	11,230	(7,751)	3,479
Total nonamortizable and amortizable intangible assets	$ 49,787	$ (34,324)	$ 15,463

	2018		
	Gross Assets	Accumulated Amortization	Net
Nonamortizable intangible assets			
Trade names	$ 2,000	$ -	$ 2,000
Amortizable intangible assets			
Trade names	23	(23)	-
Physician and customer relationships	36,534	(24,175)	12,359
Software	11,230	(5,724)	5,506
Total nonamortizable and amortizable intangible assets	$ 49,787	$ (29,922)	$ 19,865

The weighted average remaining lives of physician and customer relationships and software were 7-years and 1-year, respectively, as of December 31, 2019.

The Company assesses impairment indicators related to its internally-developed, internal-use software, specifically looking at the effectiveness and useful lives of each project and sub-project to determine if impairment indicators are present. In December 2019 and 2018, respectively, the Company assessed the impairment indicators and found none to be present.

Amortization expense for intangible assets for the years ended December 31, 2019 and 2018 was $4.4 million and $4.6 million, respectively, which was recorded in operating expenses. Expected annual amortization expense for the next five years for intangible assets recorded as of December 31, 2019 is as follows (in thousands):

	2020	2021	2022	2023	2024	2025 and thereafter
Amortization expense	$ 4,285	$ 3,930	$ 2,051	$ 548	$ 548	$ 2,101

7. Debt

On July 31, 2018, the Company and its primary lender entered into the Fourth Amendment (the “Fourth Amendment”) to its Credit Agreement, entered into on March 23, 2015 (as amended, the “Credit Agreement”). The Fourth Amendment allows for, among other things, a loan to the Company for the repurchase of up to approximately 2.8 million shares of capital stock from an individual shareholder, his affiliates, and a second shareholder, in an aggregate amount not to exceed $8.6 million (“Term Loan C”); and allows for capital expenditure financing to the Company for the sole purpose of purchasing medical equipment in an aggregate amount not to exceed $6.4 million (the “Equipment Line”). There were no principal payments due on the Equipment Line until December 31, 2019 at which time it converted to an additional term loan. The Fourth Amendment also made changes to certain financial covenants, specifically, to exclude borrowings used to fund the stock repurchases referenced above from the definition of fixed charges, as defined by the Credit Agreement, and to reduce the minimum required ratio of earnings before depreciation, income taxes and amortization to fixed charges from 1.25:1.0 to 1.15:1.0. In addition, the Amendment eliminates the net worth covenant and the excess cash flow provisions while modifying the quarterly principal payment amounts. Term Loan C matures on December 6, 2021, and the Equipment Line matures on December 31, 2024.

On February 5, 2019, the Company and its primary lender entered into the fifth amendment to its Credit Agreement (the “Fifth Amendment”). Among other things, the Fifth Amendment amended the Credit Agreement to:

- increase our borrowing capacity under the Equipment Line to $8.0 million;
- revise the definition of earnings before interest, taxes, depreciation and amortization (“EBITDA”), a non-GAAP financial measure, to include additional add-back adjustments for the years ended or ending December 31, 2018 and 2019;
- revise the definition of fixed charge coverage ratio for the year ending December 31, 2019 to include an unfinanced portion of capital expenditures of up to $7.0 million for the year ending December 31, 2019;
- revise the Credit Agreement’s maximum permitted indebtedness to finance the acquisition, construction or improvement of any fixed or capital assets; and
- revise the maximum leverage ratio for each of the quarters during December 31, 2018 and December 31, 2019.

On April 15, 2019, the Company sold for $2.0 million and immediately leased back certain medical equipment in rental service to a third party specializing in such transactions. The leaseback term is 36 months. Because the arrangement contains a purchase option that the Company is reasonably certain to exercise, this transaction did not qualify for the sale-leaseback accounting under ASC 842. The medical equipment remains recorded on the accompanying consolidated balance sheet and the proceeds received have been classified as an Other Financing liability, which is being paid off monthly over the term of the lease. The balance of Other Financing as of December 31, 2019 was $1.6 million.

On November 7, 2019, the Company and its primary lender entered into the sixth amendment to the Credit Agreement (the "Sixth Amendment"). The Sixth Amendment amended the Credit Agreement to, among other things:

- provide for a 2019 capital expenditure loan (the "2019 Equipment Line") commitment of $10.0 million (in addition to the existing Equipment Line of $8.0 million), which may be drawn upon until the earlier of the full commitment being advanced or December 31, 2020, to be used solely to purchase eligible equipment to be used in the Company's business and in amounts not to exceed 90.0% of the invoiced hard costs of such acquired equipment;
- increase the commitment for the revolving credit facility (the "Revolver") under the Credit Agreement to $11.8 million;
- revise the definition of EBITDA to include the following additional or revised add-back adjustments: (i) one-time charges in an aggregate amount not to exceed $0.3 million and incurred prior to December 31, 2019 relating to the Company's integration of business previously served by another major provider of electronic oncology pumps; (ii) one-time charges in an aggregate amount not to exceed $0.3 million and incurred prior to December 31, 2019 relating to the Company's facility move; (iii) lease buyout expenses not to exceed: (x) $0.1 million incurred on or prior to December 31, 2018; (y) $0.2 million incurred after December 31, 2018 but on or prior to March 31, 2019; and (z) $0.2 million incurred after September 30, 2019 but on or prior to December 31, 2020; and (iv) any other non-cash charges for such period (but excluding certain non-cash charges);
- revise the definition of Fixed Charge Coverage Ratio to mean, for any period, the ratio of (a) EBITDA minus Maintenance Capital Expenditures (defined to mean, for any period, 50.0% of depreciation expense) to (b) Fixed Charges, all calculated for the Company and its subsidiaries on a consolidated basis in accordance with GAAP;
- revise the definitions of Revolving Credit Maturity Date and Term Maturity Date to mean the date five years after the Sixth Amendment Effective Date and add a definition for the 2019 Equipment Line Maturity Date to provide for the same maturity date;
- reflect the refinancing of the Term A Loans, Term B Loans and Term C Loan as a single Term Loan on the Sixth Amendment Effective Date and, commencing on the last Business Day of December 2019, the consecutive quarterly principal installment payments will change to approximately $1.2 million; and
- revise Section 5.01(e) of the Credit Agreement, which governs the Company's obligation to deliver financial statements to the lender, to require the Company to provide financial statements (x) as soon as possible but in any event within 30 days of the end of each fiscal quarter, or within 30 days of the end of each calendar month if any revolving loans were outstanding in month, (y) in connection with, and prior to, requesting any letter of credit and (z) at such other times as may be requested by the lender.

These debt amendments were accounted for as debt modifications. As of December 31, 2019, the Company was in compliance with all debt-related covenants under the Credit Agreement.

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

	December 31, 2019	December 31, 2018
Revolver:		
Gross Availability	$ 11,750	$ 9,973
Outstanding Draws	-	-
Letters of Credit	(1,750)	(750)
Landlord Reserves	(150)	(70)
Availability on Revolver	$ 9,850	$ 9,153

The Company had future maturities of loans as of December 31, 2019 as follows (in thousands):

	2020	2021	2022	2023	2024 and thereafter	Total
Term Loan A	$ 5,768	$ 4,615	$ 4,615	$ 4,615	$ 8,074	$ 27,687
Equipment Line	1,600	1,600	1,600	1,600	1,200	7,600
2019 Equipment Line	79	315	315	315	550	1,574
Unamortized value of debt issuance costs	(17)	(17)	(17)	(17)	(15)	(83)
Other financing	652	725	222	-	-	1,599
Total	$ 8,082	$ 7,238	$ 6,735	$ 6,513	$ 9,809	$ 38,377

The following is a breakdown of the Company's current and long-term debt as of December 31, 2019 and December 31, 2018 (in thousands):

	December 31, 2019			December 31, 2018		
	Current Portion	Long-Term Portion	Total	Current Portion	Long-Term Portion	Total
Term Loan A	$ 5,768	$ 21,919	$ 27,687	$ 3,584	$ 19,727	$ 23,311
Term Loan C (1)	-	-	-	1,229	6,757	7,986
Equipment Line	1,600	6,000	7,600	128	2,434	2,562
2019 Equipment Line	79	1,495	1,574	-	-	-
Unamortized value of debt issuance costs	(17)	(66)	(83)	(38)	(76)	(114)
Other financing	652	947	1,599	-	-	-
Total	$ 8,082	$ 30,295	$ 38,377	$ 4,903	$ 28,842	$ 33,745

(1) Pursuant to the Sixth Amendment to the Credit Agreement, entered into on November 7, 2019, Term Loan C was consolidated into Term Loan A.

As of December 31, 2019, interest on the credit facility is payable at the Company's option as a (i) Eurodollar Loan, which bears interest at a per annum rate equal to the applicable 30-day London Interbank Offered Rate ("LIBOR") plus an applicable margin ranging from 2.00% to 3.00% or (ii) CB Floating Rate ("CBFR") Loan, which bears interest at a per annum rate equal to the greater of (a) the lender's prime rate or (b) LIBOR plus 2.50%, in each case, plus a margin ranging from -1.00% to 0.25%. The actual Eurodollar Loan rate at December 31, 2019 was 4.25% (LIBOR of 1.75% plus 2.50%). The actual CBFR Loan rate at December 31, 2019 was 4.25% (lender's prime rate of 5.50% minus 0.50%).

8. Income Taxes

The following table summarizes income (loss) before income taxes for the years ended December 31 (in thousands):

	2019	2018
U.S income (loss)	$ 1,413	$ (1,138)
Non-U.S. income	111	96
Income (loss) before income taxes	$ 1,524	$ (1,042)

The following table summarizes the Company's components of the consolidated provision for income taxes for the years ended December 31 (in thousands):

	2019	2018
U.S Federal income tax (expense) benefit		
Current	$ -	$ -
Deferred	(104)	62
Total U.S. Federal income tax (expense) benefit	(104)	62
State and local income tax expense		
Current	(29)	(84)
Deferred	-	-
Total state and local income tax expense	(29)	(84)
Foreign income tax expense		
Current	(30)	(31)
Total income tax expense	$ (163)	$ (53)

The following table summarizes activity related to the Company's valuation allowance for the years ended December 31 (in thousands):

	2019	2018
Valuation allowance at the Beginning of Period	$ (11,370)	$ (11,435)
Income tax expense	-	-
Release of valuation allowance	120	65
Valuation allowance at the End of Period	$ (11,250)	$ (11,370)

The following table summarizes a reconciliation of the effective income tax rate to the U.S. federal statutory rate for the years ended December 31:

	2019	2018
Income tax expense at the statutory rate	21.0%	21.0%
State and local income tax expense	2.0%	(14.0%)
Foreign income tax	2.0%	(2.2%)
Permanent differences	(5.8%)	(9.4%)
Decrease in valuation allowance	(7.9%)	(0.3%)
Other adjustments	(0.6%)	(0.1%)
Effective income tax rate	10.7%	(5.0%)

The following table summarizes the temporary differences and carryforwards that give rise to deferred tax assets and liabilities as of December 31 (in thousands):

	2019	2018
Deferred Federal tax assets –		
Bad debt reserves	$ 1,459	$ 1,178
Stock-based compensation	443	393
Net operating loss	7,991	8,025
Operating lease liabilities	1,271	-
Accrued compensation	451	218
Inventories	27	27
Accrued rent	-	31
Goodwill and intangible assets	1,688	2,507
Research & development credits	533	533
Other credits	25	25
Other	194	114
Total deferred Federal tax assets	14,082	13,051
Less: valuation allowance	(9,553)	(9,724)
Net deferred tax assets	4,529	3,327
Deferred Federal tax liabilities –		
Depreciation and asset basis differences	(3,366)	(3,335)
Right-of-use assets	(1,204)	-
Other	-	8
Total deferred Federal tax liabilities	(4,570)	(3,327)
Net deferred Federal tax liabilities	(41)	-
Total deferred state and local tax assets (a)	1,634	1,646
Less: valuation allowance	(1,697)	(1,646)
Net deferred state and local tax assets	(63)	-
Net deferred tax liabilities	$ (104)	$ -

(a) at December 31, 2019, this includes state and local net operating losses of $1.4 million

The Company's U.S. federal and state operating loss carryforwards for tax purposes were $38.1 million at December 31, 2019, resulting in a deferred tax asset of $9.4 million. Approximately $34.7 million of the Company's U.S. federal net operating loss carryforwards will begin to expire in various years beginning in 2029. $3.4 million of the U.S. federal net operating loss carryforwards have an indefinite life. The Company's deferred tax asset related to state net operating losses of approximately $1.4 million can be used for a period of 5 to 20 years and vary by state, and if unused, begin to expire in 2020, though a substantial portion expires beyond 2020. Approximately $0.3 million of the state net operating loss carryforwards have an indefinite life. Tax benefits of operating loss and tax credit carryforwards are evaluated on an ongoing basis, including a review of historical and projected future operating results, the eligible carryforward period, and other circumstances.

The Company continues to monitor shifts in past ownership (as defined under Section 382 of the Code). A definitive analysis necessary to quantify the effect of an ownership change was performed on the net operating loss carryforwards generated prior to December 31, 2010. Based on the analysis, the Company is subject to an annual limitation of $1.8 million on its use of remaining pre-ownership change net operating loss carryforwards of $4.7 million (and certain other pre-change tax attributes).

At December 31, 2019, the Company continues to carry a full valuation allowance for tax benefits of operating loss and tax credit carryforwards. The Company's realization of its deferred tax assets is dependent upon many factors, including, but not limited to, the Company's ability to generate sufficient taxable income. Management assesses the available positive and negative evidence to estimate if sufficient future taxable income will be generated to use the existing deferred tax assets. Cumulative losses in recent years and no assurance of future taxable income is the basis for the Company's assessment that the deferred tax assets continue to require a full valuation allowance.

The Company had no uncertain tax positions for the years ended December 31, 2019 and 2018.

The Company is subject to taxation for Federal and various state jurisdictions in the United States and Canada. The Federal income tax returns of the Company for the years 2016 through 2019 are open to examination by the Internal Revenue Service. Under examination, the Internal Revenue Service may redetermine the correct taxable income for a closed year (pre-2016) to determine either the amount of the federal net operating loss carryforward deduction reported in the open years or the amount of a federal net operating loss deduction that is absorbed in a closed year and supports the determination of the available federal net operating loss deduction for the open years under examination. The state income tax returns and other state tax filings of the Company are subject to examination by the state taxing authorities, for various periods generally up to four years after they are filed. Canadian income tax returns of the Company for the years 2015 through 2019 are subject to examination by the Canada Revenue Agency.

9. Commitments and Contingencies

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 results of litigation are inherently unpredictable. Any claims against the Company, whether meritorious or not, could be time consuming, result in costly litigation, require significant amounts of management time and result in diversion of significant resources. The Company is not able to estimate an aggregate amount or range of reasonably possible losses for those legal matters for which losses are not probable and estimable, primarily for the following reasons: (i) many of the relevant legal proceedings are in preliminary stages, and until such proceedings develop further, there is often uncertainty regarding the relevant facts and circumstances at issue and potential liability; and (ii) many of these proceedings involve matters of which the outcomes are inherently difficult to predict. 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.

10. Leases

The Company has historically entered into a number of lease agreements under which the Company is the lessee for equipment and office leases. During the year ended December 31, 2019, the Company entered into four leases for additional office and warehouse space and four leases for equipment.

The components of lease costs consisted of the following as of December 31 (in thousands):

	2019
Operating lease cost	$ 1,948
Variable lease cost	291
Total lease cost	$ 2,239

Lease costs for the year ended December 31, 2019 of approximately $1.2 million and $1.0 million, were recorded to G&A expenses and cost of revenues, respectively.

Operating lease expense for the period ended December 31, 2018 was $1.5 million.

Amounts reported in the condensed consolidated balance sheet as of December 31, 2019 for the Company's operating leases were as follows (in thousands):

	2019
Operating lease ROU assets	$ 5,733
Current operating lease liabilities (included in other current liabilities)	$ 1,411
Operating lease liabilities, net of current portion	4,644
Total operating lease liabilities	$ 6,055

Supplemental cash flow information and non-cash activity related to the Company's leases was as follows (in thousands):

	2019
Cash paid for amounts included in the measurement of lease liabilities and ROU assets:	
Operating cash flow from operating leases	$ 1,610
ROU assets obtained in exchange for lease obligations:	
Operating leases	$ 4,545
Reductions to ROU assets resulting from reductions to lease obligations:	
Operating leases	$ 22

Weighted average remaining lease terms and discount rates for the Company's leases as of December 31, 2019 are as follows:

	Years
Weighted average remaining lease term:	
Operating leases	7.4

	Rate
Weighted average discount rate:	
Operating leases	7.7%

Future maturities of lease liabilities as of December 31, 2019 are as follows (in thousands):

	Operating Leases
2020	$ 1,532
2021	1,010
2022	947
2023	924
2024	947
Thereafter	3,166
Total undiscounted lease payments	8,526
Less: Imputed interest	(2,471)
Total lease liabilities	$ 6,055

Future maturities of lease liabilities as of December 31, 2018 were as follows (in thousands):

	Capital Leases	Operating Leases	Total
2019	$ 33	$ 1,745	$ 1,778
2020	-	1,347	1,347
2021	-	726	726
2022	-	624	624
2023	-	636	636
Thereafter	-	3,071	3,071
Total required payments	$ 33	$ 8,149	$ 8,182
Less amounts representing interest (3.5%)	-		
Present value of minimum lease payments	33		
Less current maturities	(33)		
Long-term capital lease liability	$ -		

11. Share-based Compensation

All stock option awards are amortized based on their graded vesting over the requisite service period of the awards. Compensation costs are recognized over the requisite service period using the accelerated method and included in general and administrative expenses.

Stock Incentive Plan

The Company has various stock option and stock-based incentive plans and agreements whereby stock options and restricted stock awards ("RSUs") were made available to certain employees, directors and others approved by the Company's Board of Directors (the "Board") or Compensation Committee. Stock options are granted at, or above, fair market value and generally expire in five to ten years from the grant date. RSUs are granted at the fair market value on the date of grant and generally become exercisable over a period of up to four years. Awards typically vest and are issued only if the participants remain employed by the Company through the vesting date. Stock options and RSUs are issued from shares under the Company's plan described below. Grants may be made in the form of stock options, restricted stock units, unrestricted common stock or stock appreciation rights ("SARs").

On April 23, 2014, the Company's Board adopted the 2014 Amended and Restated Stock Incentive Plan (the "2014 Plan"). The 2014 Plan was approved by the Company's shareholders at the 2014 Annual Meeting and became effective as of the date it was adopted by the Board of Directors. The 2014 Plan provided for the issuance of a maximum of 2.0 million shares of common stock in connection with the grant of stock-based or stock-denominated awards. On July 19, 2018, the Company's stockholders approved the reservation of an additional 1.0 million shares to be issued under the 2014 Plan. On May 15, 2019, the Company's stockholders approved the reservation of an additional 1.0 million shares to be issued under the 2014 Plan. As of December 31, 2019, a total of approximately 1.2 million common shares remained available for future grant under the 2014 Plan.

The Company granted stock options under the 2014 Plan during the years ended December 31, 2019 and 2018, respectively.

Shares Forgone to Satisfy Minimum Statutory Withholdings

During the years ended December 31, 2019 and 2018, shares of common stock were issued to employees and directors as their restricted stock awards vested or stock options were exercised. Under the terms of the Company's stock plans, at the election of each employee, the Company can authorize a net settlement of distributable shares to employees after satisfaction of an individual employees' tax withholding obligations. For the years ended December 31, 2019 and 2018, the Company received 0.1 million shares and less than 0.1 million shares, respectively, from employees for tax withholding obligations.

Restricted Shares

During the year ended December 31, 2019, the Company granted less than 0.1 million restricted shares. During the year ended December 31, 2018, the Company granted 0.1 million restricted shares. Restricted shares entitle the holder to receive, upon meeting certain vesting criteria, a specified number of shares of the Company's common stock. Stock-based compensation cost of restricted shares is measured by the market value of the Company's common stock on the date of grant. Compensation cost associated with certain restricted share grants also takes into account market conditions in its measurement.

The following table summarizes restricted share activity, excluding the Company's employee stock purchase plan, for the years ended December 31:

	Number of shares	Weighted average grant date fair value	Aggregate fair value
Unvested at December 31, 2017	12,459	$ 2.61	
Granted	125,000	1.37	
Vested	(4,116)	2.60	$ 13,749
Vested shares forgone to satisfy minimum statutory withholding	(2,134)	2.60	$ 4,695
Forfeitures	(1,626)	2.60	
Unvested at December 31, 2018	129,583	1.42	
Granted	26,000	7.04	
Vested	(58,314)	3.17	$ 712,969
Vested shares forgone to satisfy minimum statutory withholding	(71,269)	3.17	$ 422,779
Forfeitures	-	-	
Unvested at December 31, 2019	26,000	$ 7.04	

As of December 31, 2019, there was $0.2 million of pre-tax total unrecognized compensation cost related to non-vested restricted shares, which will be adjusted for future forfeitures, if any. The Company expects to recognize such cost over the period ending in 2021.

Employee Stock Purchase Plan

In May 2014, the Company received approval from stockholders to adopt an employee stock purchase plan ("ESPP") effective October 2014 (collectively the "Original ESPP"). Under the Original ESPP, 200,000 shares of common stock were authorized for purchase by eligible employees at a 15% discount through payroll deductions during the six-month offering periods. Shares were purchased in whole numbers and generally would be the last day of the offering period. On September 7, 2016, the Company received approval from shareholders for an additional 350,000 shares. No employee may purchase more than $25,000 worth of fair market value shares in any calendar year. As allowed under the ESPP, a participant may elect to withdraw from the plan, effective for the purchase period in progress at the time of the election with all accumulated payroll deductions returned to the participant at the time of withdrawal. As of December 31, 2019, there were 217,688 shares remaining available for future issuance. The following table summarizes the activity relating to the Company's ESPP program for the years ended December 31:

	2019	2018
Compensation expense	$ 43,030	$ 33,874
Shares of stock sold to employees	33,742	43,433
Weighted average fair value per ESPP award	$ 3.94	$ 2.45

Stock Options

The Company calculates the fair value of stock option awards using the Black-Scholes option pricing model, which incorporates various assumptions including volatility, expected term, risk-free interest rates and dividend yields. The expected volatility assumption is based on historical volatility of the Company's common stock over the most recent period commensurate with the expected life of the stock option granted. The Company uses historical volatility because management believes such volatility is representative of prospective trends. The risk-free interest rate assumption is based upon observed interest rates appropriate for the expected life of the stock option awarded. The Company determines expected lives as the average of the vesting period and the contractual period. Dividend yields have not been a factor in determining fair value of stock options granted as the Company has never issued cash dividends and does not anticipate issuing cash dividends in the future.

During the year ended December 31, 2019, the Company granted 0.7 million stock options, of which 0.1 million were issued to Board members at exercise prices based on the stock price as of the date of grant with a vesting period of 12 months. During the year ended December 31, 2018, the Company granted 0.8 million stock options, of which 0.2 million were issued to Board members at exercise prices based on a preceding five-day average price on the date of grant with a vesting period of 12 months. The following tables detail the various stock option and inducement stock option activity for the years ended December 31:

2014 Plan (Options)	Number of Authorized Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (in Years)	Aggregate Intrinsic Value
Outstanding at December 31, 2017	1,962,500	$ 2.44	3.18	$ -
Granted	825,000	$ 3.14	3.64	
Exercised	(10,953)	2.15		12,159
Exercised shares forgone to satisfy minimum statutory withholding	(5,134)	2.15		
Cashless exercise	(33,079)	2.15		
Forfeited	(514,167)	2.62		
Outstanding at December 31, 2018	2,224,167	$ 2.67	3.01	$ 1,719,584
Exercisable at December 31, 2018	1,101,910	$ 2.52		
Granted	670,000	3.77	4.40	
Exercised	(213,056)	2.33		624,462
Exercised shares forgone to satisfy minimum statutory withholding	(51,339)	2.33		
Cashless exercise	(184,493)	2.33		
Forfeited	(101,946)	3.63		
Outstanding at December 31, 2019	2,343,333	$ 2.99	1.81	$ 12,989,767
Exercisable at December 31, 2019	1,501,750	$ 2.69		

Aggregate Intrinsic Value = Excess of market value over the option exercise price of all in-the-money stock options.

Inducement Options	Number of Authorized Shares (1)	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (in Years)	Aggregate Intrinsic Value
Outstanding at December 31, 2017	-	$ -	-	$ -
Granted	125,000	2.55	5.42	111,250
Exercised	-	-	-	-
Forfeited	-	-	-	-
Outstanding at December 31, 2018	125,000	$ 2.55	5.42	$ 111,250
Granted	-	-	-	-
Exercised	-	-	-	-
Forfeited	-	-	-	-
Outstanding at December 31, 2019	125,000	$ 2.55	4.42	$ 747,500
Exercisable at December 31, 2019	49,479	$ 2.55		

Aggregate Intrinsic Value = Excess of market value over the option exercise price of all in-the-money stock options.

(1) Represents inducement stock options to purchase shares of the Company's Common Stock to executive level managers.

The following table summarizes information about stock options outstanding at December 31, 2019:

2014 Plan (Options):	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number of Shares Outstanding	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Number of Shares Exercisable	Weighted-Average Exercise Price
$2.01 - $3.00	1,348,333	0.56	$ 2.36	1,106,333	$ 2.38
$3.01 - $4.00	600,000	3.53	$ 3.26	316,667	$ 3.27
$4.01 - $5.00	395,000	4.40	$ 4.70	78,750	$ 4.70
Outstanding at December 31, 2019	2,343,333	1.81	$ 2.99	1,501,750	$ 2.69

The following is the average fair value per share estimated on the date of grant and the assumptions used for options granted during the years ended December 31:

Stock Options:	2019	2018
Expected volatility	36% to 38%	35% to 49%
Risk free interest rate	1.80% to 2.36%	2.43% to 2.88%
Expected lives at date of grant (in years)	4.63	3.83
Weighted average fair value of options granted	$1.61	$1.00

Stock-based compensation expense

The following table presents the total stock-based compensation expense, which is included in selling, general and administrative expenses for the years ended December 31 (in thousands):

	2019	2018
Restricted share expense	$ 190	$ 78
Stock option and SARs expense	807	879
Total stock-based compensation expense	$ 997	$ 957

Share Repurchase Program

On September 30, 2019, the Company's Board of Directors approved a stock repurchase program (the "Share Repurchase Program") authorizing the Company to repurchase up to $5.0 million of the Company's outstanding common stock through 2020. Repurchases under the Share Repurchase Program will be subject to market conditions, the periodic capital needs of the Company's operating activities, and the continued satisfaction of all covenants under the Company's existing Credit Agreement. As of December 31, 2019, the Company had availability of $9.9 million on its Revolver, all of which could be used to fund stock repurchases, subject to the restrictions and limitations of its Credit Agreement. Repurchases under the program may take place in the open market or in privately negotiated transactions and may be made under a Rule 10b5-1 plan. The Share Repurchase Program does not obligate the Company to repurchase shares and may be suspended, terminated, or modified at any time.

As of December 31, 2019, the Company had not repurchased any shares under the Share Repurchase Program.

12. Business Segment Information

During the fourth quarter of 2019, the Company reorganized its segment reporting from one reportable segment to two reportable segments, ITS and DME Services, due to changes in the Company's internal reporting and the information evaluated by its chief operating decision-maker. The Company has recast the 2018 segment information to reflect this change. The Company's reportable segments are organized based on service platforms, with the ITS segment reflecting higher margin rental revenues that generally include payments made by third-party and direct payors and the DME Services segment reflecting lower margin product sales and direct payor rental revenues. Resources are allocated and performance is assessed for these segments by the Company's Chief Executive Officer, whom the Company has determined to be its chief operating decision-maker. The Company believes that reporting performance at the gross profit level is the best indicator of segment performance.

The financial information summarized below is presented by reportable segment:

2019

(in thousands)	ITS	DME Services	Corporate/ Eliminations	Total
Net revenues - external	$ 51,540	$ 29,575	$ -	$ 81,115
Net revenues - internal	-	3,788	(3,788)	-
Total net revenues	51,540	33,363	(3,788)	81,115
Gross profit	33,063	10,031	3,788	46,882
Selling , general and administrative expenses			43,357	43,357
Interest expense			(1,904)	(1,904)
Other expense			(97)	(97)
Provision for income taxes			(163)	(163)
Net income				1,361
Total Assets	$ 54,292	$ 22,932	$ 2,000	$ 79,224
Purchases of medical equipment	$ 14,216	$ 5,453	$ -	$ 19,669
Depreciation and amortization of intangible assets	$ 9,457	$ 2,885	$ -	$ 12,342

2018

(in thousands)	ITS	DME Services	Corporate/ Eliminations	Total
Net revenues - external	$ 41,443	$ 25,695	$ -	$ 67,138
Net revenues - internal	-	3,556	(3,556)	-
Total net revenues	41,443	29,251	(3,556)	67,138
Gross profit	25,889	10,125	3,556	39,570
Selling, general and administrative expenses			39,155	39,155
Interest expense			(1,420)	(1,420)
Other expense			(37)	(37)
Provision for income taxes			(53)	(53)
Net income				(1,095)
Total Assets	$ 42,963	$ 19,110	$ 2,000	$ 64,073
Purchases of medical equipment	$ 4,529	$ 3,493	$ -	$ 8,022
Depreciation and amortization of intangible assets	$ 8,586	$ 2,721	$ -	$ 11,307

13. Employee Benefit Plans and Other

The Company has a defined contribution plan in which the Company makes discretionary matching contributions for a certain percentage of employee contributions. For the years ended December 31, 2019 and 2018, the Company's matching contributions were $0.7 million and $0.6 million, respectively. The Company does not provide other post-retirement or post-employment benefits to its employees. As of December 31, 2019 and 2018, accrued payroll liabilities included in Other current liabilities were $3.5 million and $2.1 million, respectively.

14. Subsequent Events

The Company has evaluated subsequent events through the date that its consolidated financial statements are issued. On January 30, 2020, the World Health Organization ("WHO") recognized the coronavirus ("COVID-19") as a global health emergency and as a global pandemic on March 11, 2020. Public health responses have included national pandemic preparedness and response plans, travel restrictions, quarantines, curfews, event postponements and cancellations and closures of facilities including local schools and businesses. The global pandemic and actions taken to contain the coronavirus have adversely affected the global economy and financial markets.

While the healthcare sectors served by the Company are largely insulated from economic cycles and periodic business disruptions, the Company's ability to deliver services and products may be impacted by these ongoing pandemic containment measures, which have resulted in significant disruptions to global supply chains and the temporary closures of supplier and manufacturer facilities. The Company is implementing measures to protect the health and safety of its employees, in addition to maintaining the ability for clinics to properly treat their patients in the event there is a disruption to the supply chain. These steps include acquiring additional infusion pumps, shipping reserve quantities of supplies to the Company's customers, preparing a significant part of the Company's workforce to work from home and providing additional personal protective equipment for the Company's operations team. The Company believes that these efforts will give it the ability and flexibility to maintain its operations throughout the duration of the current outbreak. The Company has plans in place and is ready to implement additional actions if the duration of these challenges is prolonged.

If this global pandemic were to continue for a prolonged period of time, it could materially and adversely impact the Company's financial condition, results of operations and cash flows. The extent of the impact will depend on future developments, including actions taken to contain the coronavirus.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosures.

None.

Item 9A. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

Management, with the participation of our Chief Executive Officer ("CEO") and our interim Chief Financial Officer ("CFO"), evaluated the effectiveness of our disclosure controls and procedures as of December 31, 2019. The term "disclosure controls and procedures," as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives. Based on this evaluation, management, including our CEO and CFO, concluded as of December 31, 2019 that our disclosure controls and procedures were effective.

Management's Annual Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). The Company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles ("US GAAP").

Internal control over financial reporting, as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act, is a process designed by, or under the supervision of, the CEO and CFO and is effected by the Board of Directors, management and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with US GAAP. Internal control over financial reporting includes those policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with US GAAP, and that the receipts and expenditures of the Company are being made only in accordance with appropriate authorization of management and the board of directors; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Management conducted an evaluation of the effectiveness of internal control over financial reporting based on the framework in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Based on our evaluation under the criteria set forth in Internal Control — Integrated Framework (2013), our management concluded that, as of December 31, 2019, our internal control over financial reporting was effective.

This annual report does not include an attestation report of the Company's independent registered public accounting firm regarding internal control over financial reporting because that requirement under Section 404 of the Sarbanes-Oxley Act of 2002 was permanently removed for smaller reporting companies pursuant to the provisions of Section 989G(a) set forth in the Dodd-Frank Wall Street Reform and Consumer Protection Act enacted into federal law in July 2010.

Changes in Internal Control over Financial Reporting

There have been no material 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 December 31, 2019 identified in connection with our evaluation that has materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

Item 9B. Other Information.

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information required by Part III, Item 10 is incorporated herein by reference to the sections titled "Election of Directors", "Board of Directors and Committees of the Board of Directors", "Executive Officers", and "Security Ownership of Certain Beneficial Owners and Management" in our definitive proxy statement relating to the 2020 Annual Meeting of Stockholders to be filed with the SEC within 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K.

Item 11. Executive Compensation

The information required by Part III, Item 11 is incorporated herein by reference to the sections titled "Advisory Vote Regarding Executive Compensation", and "Executive Compensation" in our definitive proxy statement relating to the 2020 Annual Meeting of Stockholders to be filed with the SEC within 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Equity Compensation Plan Information

The following table provides information as of December 31, 2019 with respect to compensation plans, including individual compensation arrangements, under which our equity securities are authorized for issuance:

		Number of securities to be issued upon exercise of outstanding options and rights (a)	Weighted Average Exercise Price of options and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securites reflected in column (a)) (3) (c)
Plan Category:				
Equity compensation plans approved by security holders:	(1)			
2014 Plan		2,369,333	$ 3.03	1,219,414
Equity compensation plans not approved by security holders:	(2)	125,000	2.55	
Total		2,494,333	$ 3.01	1,219,414

(1) This amount includes less than 0.1 million shares of common stock issuable upon the vesting of certain time-restricted stock awards and 2.3 million shares of common stock issuable upon the exercise of vested stock option awards.

(2) We issued inducement stock options to purchase 0.1 million shares of our common stock to our former CFO, pursuant to the terms of an Inducement Stock Option Agreement effective May 7, 2018 pursuant to which (i) the options had an exercise price of $2.55 per share, (ii) all of the options vest over a four-year period, with 25% vesting on the first anniversary of the grant date and the remaining options vesting on each monthly anniversary of the effective date, provided that our former CFO remained employed by the Company through such vesting dates, and (iii) the options would expire on, and may not be exercised after, the fifth anniversary of their effective date. Subsequent to December 31, 2019, our former CFO received 27,940 shares of common stock upon the exercise of vested options and forfeited all unvested options in connection with his separation from the Company.

(3) Includes 2.0 million shares authorized as part of our 2014 Annual Meeting of Stockholders held in May 2014, 1.0 million shares authorized as part of our 2018 Annual Meeting of Stockholders held in August 2018 and 1.0 million shares authorized as part of our 2019 Annual Meeting of Stockholders held in May 2019, less just under 2.8 million shares that were made available to certain employees, directors and others.

The other information required by Part III, Item 12 is incorporated herein by reference to the section titled “Security Ownership of certain Beneficial Owners and Management” in our definitive proxy statement relating to the 2020 Annual Meeting of Stockholders to be filed with the SEC within 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by Part III, Item 13 is incorporated herein by reference to the sections titled “Election of Directors – Director Independence” and “Certain Relationships and Related Party Transactions” in our definitive proxy statement relating to the 2020 Annual Meeting of Stockholders to be filed with the SEC within 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K.

Item 14. Principal Accounting Fees and Services

The information required by Part III, Item 14 is incorporated herein by reference to the sections titled “Ratification of Independent Registered Public Accounting Firm” and “Independent Auditor’s Fees” in our definitive proxy statement relating to the 2020 Annual Meeting of Stockholders to be filed with the SEC within 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K.

PART IV

Item 15. Exhibits, Financial Statement Schedules

(a) The following documents are filed or furnished as part of this Form 10-K:

1. Financial Statements

   Reference is made to the Index to Financial Statements under Item 8, Part II hereof.

2. Financial Statement Schedules

   The Financial Statement Schedules have been omitted either because they are not required or because the information has been included in the financial statements or the notes thereto included in this Annual Report on Form 10-K.

3. Exhibits

   Reference is made to the accompanying Exhibit Index set forth below. Pursuant to the rules and regulations of the Securities and Exchange Commission, the Company has filed, furnished or incorporated by reference the documents referenced in the Exhibit Index as exhibits to this Form 10-K. The documents include agreements to which the Company is a party or has a beneficial interest. The agreements have been filed to provide investors with information regarding their respective terms. The agreements are not intended to provide any other factual information about the Company or its business or operations. In particular, the assertions embodied in any representations, warranties and covenants contained in the agreements may be subject to qualifications with respect to knowledge and materiality different from those applicable to investors and may be qualified by information in confidential disclosure schedules not included with the exhibits. These disclosure schedules may contain information that modifies, qualifies and creates exceptions to the representations, warranties and covenants set forth in the agreements. Moreover, certain representations, warranties and covenants in the agreements may have been used for the purpose of allocating risk between the parties, rather than establishing matters as facts. In addition, information concerning the subject matter of the representations, warranties and covenants may have changed after the date of the respective agreement, which subsequent information may or may not be fully reflected in the Company's public disclosures. Accordingly, investors should not rely on the representations, warranties and covenants in the agreements as characterizations of the actual state of facts about the Company or its business or operations on the date hereof. The Company will furnish to any stockholder, upon written request, any exhibit listed in the Exhibit Index upon payment by such stockholder of the Company's reasonable expenses in furnishing any such exhibit.

Exhibit Index

Exhibit Number	Description of Document
3.1	Amended and Restated Certificate of Incorporation, as amended (incorporated by reference to Exhibit 3.1 to the Company's current report on Form 8-K (File No. 1-35020) filed on May 12, 2014).
3.2	Amended and Restated By-Laws (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K (File No. 1-35020) filed on July 9, 2018).
4.1	Specimen Common Stock Certificate (incorporated by reference to Exhibit 4.2 to the Company's Registration Statement on Form S-1/A (File No. 333-129035) filed on March 3, 2006).
4.2*	Description of Securities Registered Under Section 12 of the Exchange Act.
10.1**	InfuSystem Holdings, Inc. 2007 Stock Incentive Plan (incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-8 (File No. 333-150066) filed on April 3, 2008).
10.2	Amended and Restated Registration Rights Agreement, dated as of October 17, 2007 by and among InfuSystem Holdings, Inc., Wayne Yetter, John Voris, Jean-Pierre Millon, Erin Enright, Sean McDevitt, Pat LaVecchia and Great Point Partners LLC (incorporated by reference to Exhibit 10.1 to the Company's Annual Report on Form 10-K (File No. 0-51902) filed on March 3, 2009).
10.3	Credit Agreement by and among InfuSystem Holdings, Inc., its subsidiaries and JPMorgan Chase Bank, N.A., dated as of March 23, 2015 (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q (File No. 1-35020) filed on May 12, 2015).
10.4	Pledge and Security Agreement by and among InfuSystem Holdings, Inc., its subsidiaries and JPMorgan Chase Bank, N.A., dated as of March 23, 2015 (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q (File No. 1-35020) filed on May 12, 2015).
10.5	Patent and Trademark Agreement by and among InfuSystem Holdings, Inc., its subsidiaries and JPMorgan Chase Bank, N.A., dated as of March 23, 2015 (incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q (File No. 1-35020) filed on May 12, 2015).
10.6	First Amendment to Credit Agreement and Waiver, dated as of December 5, 2016, among the InfuSystem Holdings, Inc., and its direct and indirect subsidiaries, with JPMorgan Chase Bank, N.A. as Lender (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (File No. 1-35020) filed on December 9, 2016).
10.7**	First Amended and Restated Employment Agreement by and between Jan Skonieczny and InfuSystem Holdings, Inc., effective January 2, 2013 (incorporated by reference to Exhibit 10.16 to the Company's Annual Report on Form 10-K (File No. 1-35020) filed on March 28, 2013).
10.8**	Form of Stock Option Award Agreement (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q (File No. 1-35020) filed on November 10, 2014).
10.9**	Form of Restricted Stock Award Agreement (incorporated by reference to Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q (File No. 1-35020) filed on May 12, 2015).
10.10**	Composite Copy of InfuSystem Holdings, Inc. Employee Stock Purchase Plan, as amended (incorporated by reference to Exhibit 10.24 to the Company's Annual Report on Form 10-K (File No. 1-35020) filed on March 22, 2017).
10.11**	Employment Agreement by and between InfuSystem Holdings, Inc. and Richard DiIorio, effective November 15, 2017 (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (File No. 1-35020) filed on November 20, 2017).
10.12**	Stock Option Award Agreement by and between InfuSystem Holdings, Inc. and Richard DiIorio, dated as of November 15, 2017 (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K (File No. 1-35020) filed on November 20, 2017).

Exhibit Number	Description of Document
10.13**	Stock Appreciation Right Award Agreement by and between InfuSystem Holdings, Inc. and Richard DiIorio, dated as of November 15, 2017 (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K (File No. 1-35020) filed on November 20, 2017).
10.14	Second Amendment to Credit Agreement by and between InfuSystem Holdings, Inc., InfuSystem Holdings USA, Inc., InfuSystem, Inc., First Biomedical, Inc., IFC LLC and JPMorgan Chase Bank, N.A. as the Lender, dated March 22, 2017 (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (File No. 1-35020) filed on March 23, 2017).
10.15	Limited Waiver by and between InfuSystem Holdings, Inc., InfuSystem Holdings USA, Inc., InfuSystem, Inc., First Biomedical, Inc., IFC LLC and JPMorgan Chase Bank, N.A. as the Lender, dated May 10, 2017 (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (File No. 1-35020) filed on May 11, 2017).
10.16**	Separation Agreement and General Release by and between InfuSystem Holdings, Inc. and Eric Steen, dated June 7, 2017 (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K/A (File No. 1-35020) filed on June 14, 2017).
10.17	Third Amendment to Credit Agreement by and between InfuSystem Holdings, Inc., InfuSystem Holdings USA, Inc., InfuSystem, Inc., First Biomedical, Inc., IFC LLC and JPMorgan Chase Bank as the Lender, dated June 28, 2017 (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (File No. 1-35020) filed on June 29, 2017).
10.18	Patent and Trademark Security Agreement by and between InfuSystem Holdings, Inc., InfuSystem Holdings USA, Inc., InfuSystem, Inc., First Biomedical, Inc. and JPMorgan Chase Bank, N.A. as the Lender, dated June 28, 2017 (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K (File No. 1-35020) filed on June 29, 2017).
10.19**	Employment Agreement by and between InfuSystem Holdings, Inc. and Gregory Schulte, effective May 7, 2018 (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q (File No. 1-35020) filed on May 14, 2018).
10.20**	Equity Settlement Agreement by and between InfuSystem Holdings, Inc. and Christopher Downs, effective May 11, 2018 (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q (File No. 1-35020) filed on May 14, 2018).
10.21**	Inducement Stock Option Award Agreement by and between InfuSystem Holdings, Inc. and Gregory Schulte, effective May 7, 2018 (incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q (File No. 1-35020) filed on May 14, 2018).
10.22**	Equity Settlement Agreement by and between InfuSystem Holdings, Inc. and Jan Skonieczny, effective June 5, 2018 (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q (File No. 1-35020) filed on August 14, 2018).
10.23**	Equity Settlement Agreement by and between InfuSystem Holdings, Inc. and Trent Smith, effective June 5, 2018 (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q (File No. 1-35020) filed on August 14, 2018).
10.24	Fourth Amendment to the Credit Agreement, dated as of July 31, 2018, among InfuSystem Holdings, Inc. and its direct subsidiaries with JPMorgan Chase Bank, N.A. as Lender (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (File No. 1-35020) filed on August 2, 2018).
10.25	Stock Purchase and Settlement Agreement, dated as of July 31, 2018, among InfuSystem Holdings, Inc., Ryan J. Morris and Meson Capital, L.P. (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K (File No. 1-35020) filed on August 2, 2018).

Exhibit Number	Description of Document
10.26**	InfuSystem Holdings, Inc. 2014 Equity Plan (as amended through May 15, 2019) (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (File No. 1-35020) filed on May 17, 2019).
10.27	Fifth Amendment to the Credit Agreement, dated as of February 5, 2019, among InfuSystem Holdings, Inc. and its direct and indirect subsidiaries with JPMorgan Chase Bank, N.A. as Lender (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (File No. 1-35020) filed on February 12, 2019).
10.28**	Employment Agreement by and between InfuSystem Holdings, Inc. and Carrie Lachance, effective October 1, 2019 (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (File No. 1-35020) filed on October 2, 2019).
10.29	Sixth Amendment to the Credit Agreement, dated as of November 7, 2019, among InfuSystem Holdings, Inc. and its direct and indirect subsidiaries with JPMorgan Chase Bank, N.A. as Lender (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (File No. 1-35020) filed on November 12, 2019).
10.30* **	Employment Agreement by and between InfuSystem Holdings, Inc. and Thomas Ruiz, effective January 3, 2018.
21.1*	Subsidiaries of InfuSystem Holdings, Inc.
23.1*	Consent of BDO USA, LLP
31.1*	Certification of Chief Executive Officer pursuant to Rule 13a-14 of the Securities Exchange Act of 1934, as amended
31.2*	Certification of Principal Financial Officer pursuant to Rule 13a-14 of the Securities Exchange Act of 1934, as amended
32.1*	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2*	Certification of Principal Financial Officer 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.

** Management contract or compensatory plan, contract or arrangement.

Item 16. 10-K Summary

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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: March 27, 2020

By: /s/ RICHARD DiIORIO
Richard DiIorio
Chief Executive Officer, President and Director
(Principal Executive Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacity and on the dates indicated.

Date: March 27, 2020

By: /s/ RICHARD DiIORIO
Richard DiIorio
Chief Executive Officer, President and Director
(Principal Executive Officer)

Date: March 27, 2020

/s/ WESLEY W. WINNEKINS
Wesley W. Winnekins
Interim Chief Financial Officer
(Principal Accounting and Financial Officer)

Date: March 27, 2020

/s/ SCOTT SHUDA
Scott Shuda
Chairman of the Board
Director

Date: March 27, 2020

/s/ GREGG LEHMAN
Gregg Lehman
Vice Chairman of the Board
Director

Date: March 27, 2020

/s/ PAUL GENDRON
Paul Gendron
Director

Date: March 27, 2020

/s/ DARRELL MONTGOMERY
Darrell Montgomery
Director

Date: March 27, 2020

/s/ CHRISTOPHER SANSONE
Christopher Sansone
Director

Exhibit 4.2

DESCRIPTION OF THE REGISTRANT'S SECURITIES REGISTERED PURSUANT TO SECTION 12 OF THE SECURITIES EXCHANGE ACT OF 1934

As of December 31, 2019, InfuSystem Holdings, Inc. (the "Corporation") has one class of securities registered under Section 12 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"): our Common Stock.

Description of Common Stock

The following description of the Common Stock is a summary and does not purport to be complete. It is subject to and qualified in its entirety by reference to our Amended and Restated Certificate of Incorporation (as amended and restated from time to time, the "Certificate of Incorporation") and our Amended and Restated Bylaws (as amended from time to time, the "Bylaws"), each of which are incorporated by reference as an exhibit to the Annual Report on Form 10-K of which this exhibit is a part. We encourage you to read the Articles of Incorporation, the Bylaws and the applicable provisions of the Delaware General Corporation Law ("DGCL") for additional information.

Authorized Capital Stock

Our authorized capital stock consists of 200,000,000 shares of common stock, $0.0001 par value per share ("Common Stock"), and 1,000,000 shares of preferred stock, $0.0001 par value per share ("Preferred Stock"), 50,000 shares of which are designated as Series A Junior Participating Preferred Stock (the "Junior Preferred Stock"). The shares of Common Stock currently outstanding are fully paid and nonassessable. No shares of Preferred Stock are currently outstanding.

Common Stock

The holders of our Common Stock are entitled to receive ratably such dividends as our board of directors ("Board of Directors") may declare from time to time from legally available funds, subject to the preferential rights of any holders of shares of our Preferred Stock that are then outstanding or that we may issue in the future. Under the terms of our credit agreement, our ability to pay dividends on our Common Stock is limited and we do not anticipate paying dividends on our Common Stock in the foreseeable future.

The holders of our Common Stock are entitled to one vote for each share held of record on all matters submitted to a vote of the stockholders. Our Certificate of Incorporation does not provide for cumulative voting in the election of our Board of Directors. No holder of our Common Stock has any preemptive right to subscribe for any shares of capital stock issued in the future, or any right to convert the holder's Common Stock into any other securities. In addition, there are no redemption or sinking fund provisions applicable to the Common Stock.

Upon any voluntary or involuntary liquidation, dissolution or winding up of our affairs, the holders of our Common Stock are entitled to share, on a pro rata basis, in the distribution of all assets remaining after payment to creditors, subject to prior distribution rights of the holders of any shares of Preferred Stock.

Preferred Stock

The Board of Directors is authorized, without further action by the stockholders, to issue up to 1,000,000 shares of Preferred Stock as a class without series or in one or more series and to fix the rights, preferences, privileges and restrictions thereof, including dividend rights, conversion rights, voting rights, terms of redemption, liquidation preferences and the number of shares constituting any series.

The Corporation has designated 50,000 shares of Junior Preferred Stock, none of which are outstanding.

Junior Preferred Stock

Our Junior Preferred Stock has the following rights, preferences, privileges and restrictions:

Conversion. Shares of Junior Preferred Stock are not convertible.

Dividends. Subject to the prior and superior rights of the holders of any shares of any class or series of stock of the Corporation ranking prior and superior to the Junior Preferred Stock, the holders of shares of our Junior Preferred Stock are entitled to receive cash dividends, when, as and if declared, equal to 1,000 times the aggregate per share amount of all cash dividends and 1,000 times the aggregate per share amount of all non-cash dividends or other distributions, other than a dividend payable in, and declared on, our Common Stock. Such dividends are payable quarterly on or before the last day of March, June, September and December in each year commencing on the first quarterly dividend payment date after the first issuance of a share or fraction of a share of Junior Preferred Stock in preference to the shares of Common Stock.

Liquidation Rights. Upon any liquidation, dissolution or winding up of the Corporation the holders of shares of Series A Preferred Stock are entitled to receive an aggregate amount per share equal to 1000 times the aggregate amount to be distributed per share to holders of shares of Common Stock plus an amount equal to any accrued and unpaid dividends. In the event the Corporation shall at any time declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the aggregate amount to which holders of shares of Series A Preferred Stock were entitled immediately prior to such event under the preceding sentence shall be adjusted by multiplying such amount by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

Voting Rights. Each share of Junior Preferred Stock is entitled to 1,000 votes on all matters submitted to a vote of our stockholders.

Redemption. Shares of Junior Preferred Stock are not redeemable.

Adjustment. The dividend, liquidation and voting rights of the Junior Preferred Stock are subject to adjustment to reflect certain changes made to shares of Common Stock outstanding.

Anti-Takeover Effects of Certain Provisions of Delaware Law and Our Charter Documents

Certain provisions of our Certificate of Incorporation, our Bylaws and the DGCL may be deemed to have an anti-takeover effect and may delay, defer or make more difficult a takeover attempt that a stockholder might consider in its best interest. Set forth below is a description of such provisions.

Amendment or Repeal of the Certificate of Incorporation. Under the DGCL, stockholders are not entitled to enact, without appropriate action taken by the board of directors, an amendment to the certificate of incorporation. Amendments to a certificate of incorporation generally require that the board of directors adopt a resolution setting forth the amendment, declaring its advisability and submitting it to a vote of the stockholders.

Amendment or Repeal of Bylaws. The DGCL provides that stockholders may amend a corporation's bylaws and, if provided in its certificate of incorporation, the board of directors also has this power. Under the DGCL, the power to adopt, amend or repeal bylaws lies in stockholders entitled to vote; provided, however, that any corporation may, in its certificate of incorporation, confer the power to adopt, amend or repeal bylaws upon the directors. Our Bylaws expressly reserve the right of the Board of Directors to adopt, amend, alter or repeal our Bylaws, subject to the power of the stockholders to adopt, amend or repeal our Bylaws.

Calling of Special Stockholder Meetings. Under the DGCL, a special meeting of stockholders may be called by a corporation's board of directors or by such persons as may be authorized by the corporation's certificate of incorporation or bylaws. Our Bylaws provide that special meetings of stockholders may only be called by the Board of Directors or by stockholders owning not less than 25% of the outstanding stock entitled to vote at such meeting.

Board of Directors. Our Bylaws provide that the number of directors will be determined by the Board of Directors. Our Bylaws further provide that each director shall hold office until his or her successor shall be duly elected and qualified or until his or her earlier death, resignation or removal.

Director Vacancies. Under the Bylaws, vacancies on the Board of Directors may be filled by vote of a majority of the remaining directors, although less than a quorum.

Preferred Stock. As described above under "– Preferred Stock", our Certificate of Incorporation authorizes the Board of Directors to issue up to 1,000,000 shares of Preferred Stock having rights superior to the Common Stock without the approval of the stockholders of the Corporation.

Advance Notice. Our Bylaws include advance notice requirements for proposing matters that can be acted upon by our stockholders at special meetings.

Delaware Anti-Takeover Statute. Section 203 of the DGCL prohibits certain transactions between a Delaware corporation and an "interested stockholder," which is defined as a person who, together with any affiliates or associates of such person, beneficially owns, directly or indirectly, 15% or more of the outstanding voting stock of a Delaware corporation. This provision prohibits certain business combinations (defined broadly to include mergers, consolidations, sales or other dispositions of assets having an aggregate value in excess of 10% of the consolidated assets of the corporation, and certain transactions that would increase the interested stockholder's proportionate share ownership in the corporation) between an interested stockholder and a corporation for a period of three years after the date the interested stockholder becomes an interested stockholder, unless (i) the business combination is approved by the corporation's board of directors prior to the date the interested stockholder becomes an interested stockholder, (ii) the interested stockholder acquired at least 85% of the voting stock of the corporation (other than stock held by directors who are also officers or by certain employee stock plans) in the transaction in which it becomes an interested stockholder or (iii) the business combination is approved by a majority of the board of directors and by the affirmative vote of 66 2/3% of the outstanding voting stock that is not owned by the interested stockholder.

Indemnification of Directors and Officers and Limitation of Liability

Section 145 of DGCL provides that a corporation shall have the power to indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that such person is or was a director, officer, employee or agent of the corporation or is or was serving at its request in such capacity in another corporation or business association, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such action, suit or proceeding if the person acted in good faith and in a manner the person reasonably believed to be in or not opposed to the best interests of the corporation, and with respect to any criminal action or proceeding, had no reasonable cause to believe the person's conduct was unlawful. Section 102(b)(7) of the DGCL permits a corporation to provide in its certificate of incorporation that a director of the corporation shall not be personally liable to the corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability (i) for any breach of the director's duty of loyalty to the corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the DGCL, which imposes liability for the unlawful payment of dividends or unlawful stock repurchases or redemptions, or (iv) for any transaction from which the director derived an improper personal benefit.

Article Seventh of the Corporation's Certificate of Incorporation and Article IV of the Corporation's Bylaws provide that the Corporation shall indemnify directors and officers to the fullest extent permitted by the DGCL. Article Seventh of the Certificate of Incorporation also provides for the elimination of personal liability of a director for breach of fiduciary duty to the extent permitted by Section 174 of the DGCL as described above.

The Corporation also maintains, and intends to continue to maintain, insurance for the benefit of its directors and officers to insure these persons against certain liabilities, including liabilities under the securities laws.

The Corporation enters into indemnification agreements with each of its directors and executive officers. The indemnification agreements supplement existing indemnification provisions of the Corporation's Certificate of Incorporation and Bylaws and, in general, provide for indemnification of and advancement of expenses to the indemnified party, subject to the terms and conditions provided in the indemnification agreement. The indemnification agreements also establish processes and procedures for indemnification claims, advancement of expenses and other determinations with respect to indemnification.

Transfer Agent

The transfer agent for our Common Stock is Computershare.

Listing

The Common Stock is traded on NYSE American LLC under the trading symbol "INFU."

EMPLOYMENT AGREEMENT

This Employment Agreement ("Agreement") is made as of the date set forth below between InfuSystem, Inc. ("Corporation") and Thomas Ruiz ("Employee").

Recitals

RECITAL A. Corporation is generally engaged in the business of providing Ambulatory Infusion Pumps and IV Delivery Systems;

RECITAL B. Corporation desires to hire Employee for its business as it's Senior Vice President, Sales and Marketing; and

RECITAL C. Employee and Corporation desire to have their rights and obligations specified herein.

THEREFORE, in consideration of the mutual covenants stated herein, the parties agree as follows:

Section 1. Scope of Employment

A. Corporation hereby employs Employee and Employee accepts such employment as Senior Vice President, Sales and Marketing. Among other responsibilities set forth in the Job Description for the position, Employee shall be responsible for the Sales and Marketing for all InfuSystem, Inc., including the Infusion Products, Oncology, and Pain Management divisions. Employee shall be paid in accordance with the provisions of Section 3 of this agreement.

B. During the term of this Agreement, Employee shall diligently and conscientiously devote Employee's full time, attention and energies (but in no event less than 40 hours per week) to the duties herein described. Employee shall not engage in any other employment or business activity without the express prior written consent of Corporation. Employee shall not, directly or indirectly, engage or participate in any activities at any time during the term of this Agreement which conflict with the best interests of Corporation. Employee shall work at such times and at such places as required by Corporation.

C. Employee shall, at all times during the term of this Agreement, discharge Employee's duties herein described in consultation with and under the direction, approval and control of the Chief Executive Officer, Chief Financial Officer, or such other individual as designated by Corporation. Notwithstanding any other provision of this Agreement, Corporation reserves the absolute right, in its sole and absolute discretion, to make any and all decisions with respect to actions to be taken by Employee in connection with the rendering of Employee's duties.

Section 2. Term of Agreement.

A. The term of this Agreement shall be effective December 1, 2017 and continue thereafter unless terminated by either party, with or without cause. This agreement shall also automatically terminate upon Employee's death or Disability. "Disability" shall be defined as the inability of Employee to reasonably perform his duties or responsibilities to Corporation as a result of mental or physical ailment of incapacity, for an aggregate period of ninety (90) calendar days (whether or not consecutive), as determined by a physician designated by Corporation.

B. Employee expressly acknowledges that this Agreement is terminable at will by Employee or Corporation, with or without cause. If Employee's employment with Corporation is terminated for any reason, including, but not limited to, Employee's Disability or as a result of Employee's death, then Employee (or Employee's estate) shall be entitled to receive all Annual Base Salary, vacation, benefits and other compensation that has accrued but is unpaid as of the date of termination, including any Incentive Compensation Plan award earned in respect of the immediately preceding calendar year but not yet paid as of the date of termination. Any payments under this provision (except for any Incentive Compensation Plan payment) shall be made within 30 days after the date on which employment terminates.

C. Notwithstanding anything to the contrary in this Section 2, in the event of the termination of Employee's relationship with Corporation for any reason whatsoever, Employee shall continue to be obligated to adhere to all obligations under Sections 5-9, 11 and 16.

Section 3. Compensation.

A. Corporation shall pay Employee a bi-weekly salary, subject to normal withholdings and payable in accordance with the normal payroll practices of Corporation, in the annual amount of Two Hundred Twenty Thousand, Eight Hundred Fifty Dollars ($220,850) ("Annual Base Salary"). Salary may be reevaluated on a yearly basis, but there is no guarantee that compensation shall be increased and the decision as to same remains at the sole discretion of Corporation.

B. Employee shall have the opportunity to earn certain bonuses, pursuant to the terms of the Corporation's periodic annual incentive compensation plans. Bonus potential is forty percent (40%) of annual salary based on Corporate Objectives.

C. Employee shall not be entitled to any compensation after the termination of Employee's employment for any reason whatsoever, except as provided under Section 2(B).

D. Corporation has the right to deduct from any amounts payable under this Agreement an amount necessary to satisfy its obligation, under applicable laws, to withhold income or other taxes of Employee attributable to payments made hereunder.

Section 4. Fringe Benefits.

A. Employee shall receive the following fringe benefits during the course of Employee's employment:

i. Medical and dental benefits as shall be approved by Corporation from time-to-time;

ii. Retirement benefits in accordance with certain retirement plan(s) of Corporation so long as said plans are maintained by Corporation and so long as Employee has fulfilled the requirements under the plan(s);

iii. Life Insurance benefits as shall be approved by Corporation from time-to-time;

iv. Short Term Disability benefits, Accidental Death and Dismemberment Insurance as shall be approved by Corporation from time-to-time;

v. Long-Term Disability benefits, as shall be approved by Corporation from time-to-time;

vi. Reimbursement for all reasonable business-related travel and entertainment expenses as per the terms of the InfuSystem Expense Guidelines which can be found on Corporation's computer network. No other expenses shall be reimbursed for any reason whatsoever;

vii. Unlimited, non-accruing days of Paid Time Off ("PTO") as per the provisions of Corporation's Employee Handbook, Paid Time Off Policy 4.08 "Unlimited PTO Policy addendum".

vii. Auto allowance of $600 per month;

viii. The use of a home telephone, cellular phone and laptop computer for business use;

Corporation reserves the right to modify or terminate its benefits plans and arrangements generally for Employee or any group of employees.

B. Employee shall not be entitled to any fringe benefits not set forth in this Section or Corporation's Employee Handbook.

C. Employee specifically acknowledges that Corporation reserves the right to change the terms of Corporation's Employee Handbook at any time, in its sole discretion.

Section 5. Non-Disclosure of Confidential Information.

Employee acknowledges that, in and as a result of Employee's performing the duties hereunder, Employee will be making use of, acquiring, creating and/or adding to confidential and proprietary information of a special and unique nature and value relating to the customers, potential customers, customer lists, suppliers, vendors and agents of Corporation, ("Corporation" for purposes of Section 5, 6 and 7 of this Agreement shall include Corporation, its parent company, subsidiaries and affiliates and related parties, including, but not limited to, InfuSystem, Inc., First Biomedical, Inc. and InfuSystem Holdings USA, Inc.) the contracts, pricing lists, marketing plans, business records, accounting records, sales reports, billing systems, inventory systems, financing and loan documents, bank records, financial records and statements, tax filings and records, account lists, territory reports, quotation forms, advertising and marketing methods and techniques, systems, methodologies, facts, data, patent and license information of Corporation, the computer systems, computer programs, software, web portal solutions, customer sales portal design, development, and programming of Corporation the employee payroll information and records, employee medical records, information contained in employee personnel files or other employee files of Corporation and all other information concerning the business and/or affairs of Corporation, (hereinafter "Confidential Information").

A. As an inducement for Corporation to enter into this Agreement, Employee agrees that Employee will not, at any time, either during the term of this Agreement or thereafter, divulge, review or communicate to any person, firm, corporation or entity whatsoever, directly or indirectly, or use for Employee's own benefit or the benefit of others, any Confidential Information which may be in Employee's possession or to which Employee has access. Employee further acknowledges that all records and lists of the customers and prospective customers of Corporation, and all matters affecting or relating to the business and financial operation of Corporation, are the property of Corporation and are material and confidential and greatly affect the effective and successful conduct of the business of Corporation and the good will of Corporation Employee hereby agrees that Employee shall never divulge, disclose or communicate any such information to any person, firm, corporation or other entity during the term of this Agreement or thereafter.

B. Employee agrees that any books, manuals, price lists, customer lists, supplier and/or distributor lists, plans, samples or other written or electronic evidence and/or forms of Confidential Information, including, but not limited to emails, computer files and all other electronic media, shall only be used by Employee during the term of this Agreement and constitute the property of Corporation. Employee is only authorized to use these materials while undertaking Employee's responsibilities under this Agreement. All of these materials must be returned to Corporation or destroyed by Employee upon Employee's separation from Corporation for any reason whatsoever.

C. Corporation has informed Employee of the need to keep the terms of this Agreement confidential in order to prevent damage to Corporation's business and its relationships with its other employees. Therefore, during the term of this Agreement and thereafter, Employee shall not disclose any of the terms of Employee's compensation and commission schedule under this Agreement, or any documents generated by Corporation or Employee relating to the calculation of Employee's compensation or bonuses, to any third party other than Employee's accountant, financial and legal advisors or spouse, or as required under State or Federal law. In the event of a breach of this confidentiality provision, Corporation shall be entitled to a permanent injunction, in order to prevent or restrain any such breach by Employee, as well as all of its attorney fees and costs expended in enforcing this Section, its actual damages and any other remedies available to it at law or in equity.

Section 6. Covenants Against Competition.

Employee acknowledges that Employee's duties as herein described are of a special and unusual character which have a unique value to Corporation, the loss of which could not be adequately compensated by damages in an action at law. In view of the unique value to Corporation of the Employee's duties for which Corporation has contracted hereunder, because of the Confidential Information to be retained by or disclosed to Employee as set forth above and as a material inducement to Corporation to enter into this Agreement, Employee covenants and agrees that, unless Corporation and its successors and assigns (including, but not limited to, a purchaser of substantially all of Corporation's assets) shall cease to engage in business:

A. During the term of this Agreement and for a period of two (2) years thereafter, Employee shall not, directly or indirectly, solicit the customers of Corporation or divert the customers of Corporation, from doing business with Corporation, and further, shall not induce any individual or entity to refrain from referring customers or work to Corporation. For purposes of this Section 6A, the customers of Corporation, shall include:

i. any individual, business or governmental entity which purchased goods or services from Corporation at any time prior to the execution of the Agreement or during the term of the Agreement;

ii. any individual, business or governmental entity whose name appears on a list of prospective customers maintained by Corporation, which list was existing at any time prior to the execution of the Agreement or during the term of the Agreement;

iii. any suppliers, distributors, vendors or other entities which provided goods or services to Corporation, at any time prior to the execution of the Agreement or during the term of the Agreement; and

iv. any non-profit organizations, large customer facilities, group purchasing organizations or referral sources which did any business with, or referred any customers to, Corporation, at any time prior to the execution of the Agreement or during the term of the Agreement.

B. During the term of this Agreement and for a period of two (2) years thereafter, Employee shall not, directly or indirectly, own, manage, operate, join, control, accept employment with, or participate in the ownership, management, operation or control of, or act as an employee, agent or consultant to, or be connected in any manner with, any business which is competitive with Corporation, in any states, territories or provinces of the United States, Canada, Mexico or any other countries in which Corporation has conducted business at any time prior to Employee's separation from Corporation, or such states, territories or provinces as to which Corporation has future plans to expand its business into, for any reason whatsoever.

C. At the conclusion of the two (2) year non-competition/non-solicitation period set forth in this Section 6(A) and (B), Corporation may in its sole discretion elect to extend the non-competition/non-solicitation period and provisions of Sections 6(A) and (B) by an additional one (1) year period by paying Employee her Annual Base Salary as set forth in Section 3(A) for a commensurate period of time.

D. During the term of this Agreement and for a period of three (3) years thereafter, regardless of the reason for Employee's separation of employment from Corporation, Employee shall not, directly or indirectly, solicit for employment or employ any employees, agents or independent contractors of Corporation or their assigns, unless previously agreed to in writing by Corporation or its assigns. This paragraph shall not apply to contractors with whom Employee has a pre-existing business relationship.

Section 7. Employee's Review of Sections 5 and 6.

A. Employee has carefully read and considered the provisions of Sections 5 and 6 hereof and, having done so, agrees that the restrictions set forth in such Sections are fair and reasonable and are reasonably required for the protection of the interests of Corporation, its officers, directors and other employees. Employee acknowledges that the restrictions set forth in Sections 5 and 6 hereof will not unreasonably restrict or interfere with Employee's ability to obtain future employment.

B. It is the belief of the parties that the best protection which can be given to Corporation which does not in any manner infringe on the rights of Employee to conduct any unrelated business, is to provide for the restrictions described above. In the event any of said restrictions shall be held unenforceable by any court of competent jurisdiction, the parties hereto agree that it is their desire that such court shall substitute a reasonable judicially enforceable limitation in place of any limitation deemed unenforceable and, as so modified, the covenant shall be as fully enforceable as if it had been set forth herein by the parties. In determining this limitation, it is the intent of the parties that the court recognize that the parties hereto desire that this covenant not to compete be imposed and maintained to the greatest extent possible.

C. In the event of a breach of Section 5 or 6, Corporation, in addition to and not in limitation of any other rights, remedies or damages available to Corporation at law or in equity, shall be entitled to a permanent injunction, in order to prevent or restrain any such breach by Employee, or by Employee's partners, agents, representatives, servants, employers, employees and/or any and all persons directly or indirectly acting for or with Employee.

Section 8. Public Statements.

Employee shall not make any public statements or disclosures regarding the terms of Employee's employment with Corporation, this Agreement or the termination of Employee's employment (for any reason whatsoever) which are not pre-approved in writing by Corporation. Further, Employee shall not make, at any time, any public statement that would libel, slander, disparage, denigrate or criticize Corporation, its parent company, subsidiaries and affiliates or any of their respective past or present officers, directors, employees or agents. Notwithstanding this Section, nothing contained herein shall limit or impair the ability of any party to provide truthful testimony in response to any validly issued subpoena.

Section 9. Intellectual Property.

A. Employee assigns to Corporation all rights, title and interest in and to all creations which are or may become legally protectable or recognized as forms of intellectual property rights, including all works, whether registerable or not, in which copyright, design right or any form of intellectual property rights may subsist, including, but not limited to all innovations, inventions, improvements, marks, grants, designs, processes, methods, formulas, techniques, videotapes, audiotapes and computer programs, (all referred to as "Intellectual Property"), which Employee, either solely or jointly, conceives, makes or reduces to practice during the time that this Agreement is in effect, which relate to or touch upon Employee's services to Corporation, or any aspect of Corporation's business, including but not limited to anything related to Confidential Information. All such Intellectual Property shall be the absolute property of Corporation. Employee shall make and maintain written records of and promptly and fully disclose to Corporation all such Intellectual Property.

B. During and after termination of Employee's services under this Agreement, Employee shall perform all useful or necessary acts to assist Corporation, as it may elect, to file patent, design, mark and copyright applications in the United States and foreign countries to protect or maintain rights in the Intellectual Property, and also perform all useful or necessary acts to assist Corporation in any related proceedings or litigation as to such Intellectual Property.

Section 10. Rules and Regulations.

Employee agrees to comply with all rules and regulations of Corporation as established from time to time, including, but not limited to, the Employee Handbook and InfuSystem Expense Guidelines.

Section 11. Indemnity.

Employee holds harmless and indemnifies Corporation, its successors and assigns, from and against any and all liabilities, costs, damages, expenses and attorney fees resulting from or attributable to any and all willful, criminal or grossly negligent acts and/or omissions of Employee in connection with Employee's actions under this Agreement; provided, however, that to the extent any such liabilities, costs, damages, expenses and attorney's fees are compensated for by insurance purchased by Corporation and/or Employee, Employee shall not be required to reimburse Corporation for the same.

Section 12. Assignment.

This Agreement is personal to the Employee and Employee may not assign nor delegate any of Employee's rights or obligations hereunder. Notwithstanding anything to the contrary, in the event of Employee's death, any amounts owing to Employee as compensation shall be payable to a beneficiary designated in writing by Employee, or if no such designation was made, to Employee's estate. Corporation may, without Employee's consent, assign this Agreement to any parent, subsidiary or affiliate of Corporation, to any successor in interest to the business of any of Corporation, or to a purchaser of all or substantially all of the assets of any of Corporation.

Section 13. Partial Invalidity.

If any term, covenant, warranty, section, clause, condition or provision of this Agreement, is determined by a court of competent jurisdiction to be invalid, void or unenforceable, the remainder of the provisions hereof, or the application of such term, covenant, warranty, section, clause, condition or provision to persons or circumstances other than those to which it is held invalid or unenforceable, shall remain in full force and effect and shall in no way be affected, impaired, or invalidated thereby. In such event, this Agreement shall be construed in all respects as if such invalid, void or unenforceable provisions, etc., were omitted.

Section 14. Section 409A.

This agreement shall be interpreted and applied in all circumstances in a manner that is consistent with the intent of the parties that, to the extent applicable, amounts earned and payable pursuant to this Agreement shall constitute short-term deferrals exempt from the application of Section 26 USC s 409A ("Section 409A) and, if not exempt, that amounts earned and payable pursuant to this Agreement shall not be subject to the premature income recognition or adverse tax provisions of Section 409A. any payments to be made under this Agreement upon termination of employment shall only be made if termination of employment constitutes a "separation from service" under Section 409A. Notwithstanding the foregoing, Corporation makes no representations that the payments and benefits provided under this Agreement comply with Section 409A and in no event shall Corporation be liable for all or any portion of any taxes, penalties, interest or other expenses that may be incurred by Employee on account of non-compliance with Section 409A.

Section 15. Binding Agreement.

This Agreement shall become effective only upon execution by both parties. The submission of this Agreement for review to Employee shall not be construed to be a binding offer of employment.

Section 16. Miscellaneous.

A. This Agreement shall be binding upon and inure to the benefit of the parties hereto, and their respective heirs, devisees, legatees, personal representatives, successors and assigns.

B. Any action or suit by Employee against Corporation arising out of Employee's employment, termination of employment or this Agreement, including, but not limited to, claims arising under State or Federal civil rights statutes, must be brought within 180 days of the event giving rise to the claims or be forever barred. Employee expressly waives any limitation periods to the contrary.

C. The prevailing party in any action relating to this Agreement shall be entitled to recovery of all reasonable attorney fees, costs and expenses related to same.

D. Any notices, designations, consents, offers, acceptances, or other communication desired or required to be given hereunder, shall be in writing and shall be deemed to have been sufficiently given or served for all purposes, if hand-delivered or sent by certified or registered mail, return receipt requested, postage prepaid, or sent by overnight mail to Employee's last known address, unless notice of a change of address is furnished to Corporation in the manner established by Corporation's Employee Handbook.

E. Except as expressly stated herein, this Agreement specifically supersedes any and all negotiations, discussions, proposed drafts and previous employment and compensation agreements, including, but not limited to, offers of employment. Employee remains bound by the terms of the Employee Handbook and all other written policies of the Corporation, although the terms of this Agreement supersede any contradictory terms of such other documents, except for the Non-Disclosure Agreement and the PHI Confidentiality Agreement which Employee must also execute. Employee specifically acknowledges that Employee is not entitled to either deferred compensation, dividends or any ownership interest of any kind in Corporation or any related companies or assets not expressly referenced herein and expressly waives any claims as to same.

F. This Agreement sets forth the entire understanding of the parties and shall not be changed or terminated orally. The terms of this Agreement can only be changed through a written instrument signed by the CEO or CFO of Corporation. The waiver by Corporation of a breach of any provision of this Agreement by Employee shall not operate or be construed as a waiver of any subsequent breach by Employee.

G. The section headings as herein used are for convenience of reference only and in no way define, limit or describe the scope or intent of any provision of this Agreement.

H. The parties acknowledge that they jointly drafted this Agreement, that no party can be properly referred to as the drafter of same and that none of the language contained here can be properly construed against either party as the drafter of same.

I. This Agreement is being executed and delivered in the State of Michigan and shall be governed by and construed and enforced under the laws of the State of Michigan.

J. The parties expressly agree that the Oakland County Circuit Court shall have exclusive jurisdiction over any disputes arising out of this Agreement and that venue is only appropriate in the said Circuit Court.

K. This Agreement may be executed (including by facsimile or scanned electronic mail transmission) in counterparts, each of which shall be deemed to be an original and all of which together shall constitute one and the same instrument.

Corporation has caused this Agreement to be signed by its duly-authorized Officer, and Employee has signed this Agreement in Madison Heights, Michigan as of the day and year written below.

CORPORATION:

Richard DiIorio

/s/ Richard DiIorio, President & CEO
Signature

Date: 1/3/2018

EMPLOYEE:

Thomas M. Ruiz

/s/ Thomas M. Ruiz
Signature

Date: 1/2/2018

EXHIBIT 21.1

Subsidiaries of the Registrant

Name	**Jurisdiction of Organization**
InfuSystem, Inc.	California
First Biomedical, Inc.	Kansas
IFC, LLC	Delaware
InfuSystem Holdings USA, Inc.	Delaware

EXHIBIT 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference, in the Registration Statements on Form S-8 (Nos. 333-150066, 333-167914, 333-174828, 333-195929, 333-195930, 333-217090, 333-226872 and 333-232146) of InfuSystem Holdings, Inc. of our report dated March 27, 2020, relating to the consolidated financial statements, which appears in this Form 10-K.

/s/ BDO USA, LLP

Troy, Michigan
March 27, 2020

EXHIBIT 31.1

CERTIFICATION BY OFFICER

I, Richard DiIorio, certify that:

1. I have reviewed this Form 10-K for the year ended December 31, 2019 of InfuSystem Holdings, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 27, 2020

By: /s/ RICHARD DiIORIO

Richard DiIorio
Chief Executive Officer, President and Director

EXHIBIT 31.2

CERTIFICATION BY OFFICER

I, Wesley W. Winnekins, certify that:

1. I have reviewed this Form 10-K for the year ended December 31, 2019 of InfuSystem Holdings, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 27, 2020

By: /s/ WESLEY W. WINNEKINS

Wesley W. Winnekins
Interim Chief Financial Officer

EXHIBIT 32.1

CERTIFICATION OF OFFICER

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

(Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code)

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), the undersigned officer of InfuSystem Holdings, Inc., a Delaware corporation (the "Company"), does hereby certify, to such officer's knowledge, that:

The Form 10-K for the year ended December 31, 2019 (the "Report") of the Company fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 27, 2020

By: /s/ RICHARD DiIORIO

Richard DiIorio
Chief Executive Officer, President and Director

EXHIBIT 32.2

CERTIFICATION OF OFFICER

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

(Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code)

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), the undersigned officer of InfuSystem Holdings, Inc., a Delaware corporation (the "Company"), does hereby certify, to such officer's knowledge, that:

The Form 10-K for the year ended December 31, 2019 (the "Report") of the Company fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 27, 2020

By: /s/ WESLEY W. WINNEKINS
Wesley W. Winnekins
Interim Chief Financial Officer