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

# FORM 8-K/A
**(Amendment No. 1)**

**CURRENT REPORT**

**PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934**

**Date of Report (Date of Earliest Event Reported): December 6, 2007**

# INFUSYSTEM HOLDINGS, INC.
**(Exact Name of Registrant as Specified in its Charter)**

| Delaware | 0-51902 | 20-3341405 |
|---|---|---|
| (State or other jurisdiction of incorporation | (Commission File Number) | (I.R.S. Employer Identification No.) |

**1551 East Lincoln Avenue,**
**Suite 200**
**Madison Heights, Michigan 48071**
**(Address of Principal Executive Offices)(Zip Code)**

**(248) 546-7047**
**(Registrant's telephone number, including area code)**

**HAPC, INC.**
**(Former Name or Former Address, if Changed Since Last Report)**

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

¨ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

¨ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

¨ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

¨ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

## EXPLANATORY NOTE

This Amendment No. 1 to the Current Report on Form 8-K originally filed by InfuSystem Holdings, Inc. with the U.S. Securities and Exchange Commission on October 31, 2007 (the "Form 8-K") amends and restates the Form 8-K in its entirety to correct certain information contained in the Form 8-K including, without limitation, (i) Exhibit 99.3 – Management's Discussion and Analysis of Results of Operations and Financial Condition of InfuSystem, Inc. for the Six Months ended June 30, 2007, (ii) Exhibit 99.4 – Selected Historical Financial Statements of InfuSystem, Inc., (iii) Exhibit 99.5 – Unaudited Financial Statements of InfuSystem, Inc. as of and for the Six Months ended June 30, 2007 and (iv) Exhibit 99.6 – Pro Forma Financial Information as of June 30, 2007.

### Item 1.01 Entry into a Material Definitive Agreement

On October 25, 2007, in connection with the closing (the "Closing") of the acquisition by Iceland Acquisition Subsidiary, Inc. ("Acquisition Sub"), a wholly-owned subsidiary of InfuSystem Holdings, Inc. (formerly known as HAPC, INC., the "Company") of all of the issued and outstanding capital stock of InfuSystem, Inc. ("InfuSystem") from I-Flow Corporation ("I-Flow") pursuant to the terms of that certain Stock Purchase Agreement, dated as of September 29, 2006, by and among the Company, Acquisition Sub, InfuSystem and I-Flow, the Company and InfuSystem entered into the agreements described below.

*Amended and Restated Services Agreement*

I-Flow and InfuSystem entered into an Amended and Restated Services Agreement ("Services Agreement") pursuant to which InfuSystem agreed to continue to provide I-Flow, from and after the Closing, the billing and collection services and management services that InfuSystem had been providing to I-Flow prior to the date of Closing. Under the Services Agreement, I-Flow agreed to retain InfuSystem, as an independent contractor, on a non-exclusive basis, to provide third-party billing and certain management services in connection with the manufacturing, marketing, distribution and sale by I-Flow of its medical equipment and supplies. In return, InfuSystem agreed to furnish I-Flow certain billing and collection services, including the billing of services and/or products to, and collection of payments and reimbursements from, patients and applicable third parties.

Under the Services Agreement, I-Flow agreed to pay InfuSystem a monthly service fee equal to the greater of (i) the monthly expenses for those InfuSystem employees devoted to the billing and collection and management services provided to I-Flow which expenses consist of (a) salaries and wages, (b) payroll taxes and (c) group insurance, in addition to an amount equal to 40% of the sums of items (a) through (c) or (ii) a performance-based fee equal to 25% of the total actual net cash collections (net of adjustments) received during such month on behalf of I-Flow.

The initial term of the Services Agreement is 3 years, and will be automatically renewed for succeeding 1 year terms unless terminated pursuant to its provisions. The Services Agreement may be terminated by I-Flow at any time upon giving 180 calendar days prior written notice to InfuSystem, and may be terminated by InfuSystem after the first anniversary upon giving 180 calendar days prior written notice to I-Flow.

The foregoing description of the Services Agreement does not purport to be complete and is qualified in its entirety by reference to the full text of the Services Agreement filed as Exhibit 10.15 hereto, which is incorporated herein by reference.

*License Agreement*

InfuSystem entered into a license agreement (the "License Agreement") with I-Flow, pursuant to which InfuSystem granted to I-Flow a license to use InfuSystem's intellectual property related to the third-party billing and collection services and management services provided by InfuSystem to I-Flow prior to the Closing. Specifically, InfuSystem granted to I-Flow (i) an unrestricted, perpetual, irrevocable, worldwide, assignable, royalty-free and exclusive license to use and/or sublicense InfuSystem's intellectual property with respect to acute post-operative pain management treatments, and (ii) an unrestricted, perpetual, irrevocable, worldwide, assignable, royalty-free and non-exclusive license to use and/or sublicense InfuSystem's intellectual property with respect to all fields other than post-operative pain management treatments, including, without limitation, the fields of wound site management and post-operative surgical treatments.

The term of the License Agreement is perpetual, but may be terminated by I-Flow following the third anniversary of the effective date of the License Agreement. Upon the later of the third anniversary of the effective date or the termination of the Services Agreement for any reason, the exclusive license described in (i) above will be deemed amended to become a non-exclusive license. The License Agreement may not be terminated by InfuSystem.

The foregoing description of the License Agreement does not purport to be complete and is qualified in its entirety by reference to the full text of the License Agreement filed as Exhibit 10.16 hereto, which is incorporated herein by reference.

*Credit Agreement*

The Company, Acquisition Sub and I-Flow entered into a Credit and Guaranty Agreement (the "Credit Agreement") pursuant to which I-Flow agreed to lend Acquisition Sub between $15,000,000 and $35,000,000 depending upon the number of the Company's stockholders who voted against the Acquisition and elected to convert their shares of common stock into their pro rata portion of the trust account into which a substantial amount of the proceeds of the Company's initial public offering were deposited, to finance a portion of the $100,000,000 price payable by Acquisition Sub to I-Flow in connection with the Acquisition. The amount of funds borrowed by the Company from I-Flow under the Credit Agreement at Closing was $32,703,000.

The financing provided by I-Flow pursuant to the Credit Agreement is described in the Company's Definitive Proxy Statement (File No. 000-51902) filed on August 8, 2007, as supplemented on September 18, 2007, October 16, 2007 and October 19, 2007 (the "Definitive Proxy Statement") in the section entitled "Acquisition Financing" beginning on page 38 which is incorporated herein by reference.

Additionally, the Credit Agreement provides that I-Flow will be entitled to normal and customary piggy-back registration rights with respect to any of the shares of the Company's common stock that it holds should the Company decide to register any of its securities under the Securities Act of 1933, as amended (other than in connection with the registration of securities issuable pursuant to an employee stock option, stock purchase or similar plan).

The foregoing description of the Credit Agreement does not purport to be complete and is qualified in its entirety by reference to the full text of the Credit Agreement filed as Exhibit 10.17 hereto, which is incorporated herein by reference.

*Security Agreement*

The Company, Acquisition Sub and I-Flow entered into a Security Agreement (the "Security Agreement") pursuant to which the Company and Acquisition Sub granted to I-Flow a first priority security interest in all their property and assets of whatsoever kind and nature, then or at any time hereafter owned or possessed by the Company, including a pledge of all of the capital stock of InfuSystem which became the Company's wholly-owned subsidiary upon the consummation of the Acquisition.

The foregoing description of the Security Agreement does not purport to be complete and is qualified in its entirety by reference to the full text of the Security Agreement filed as Exhibit 10.18 hereto, which is incorporated herein by reference.

*Joinder Agreement*

InfuSystem executed a joinder agreement providing that effective as of the Closing, InfuSystem became the successor to Acquisition Sub as borrower under the Credit Agreement and grantor under the Security Agreement and granted to I-Flow a first priority security interest in all property and assets of InfuSystem of whatsoever kind and nature, now or at any time hereafter owned or possessed by InfuSystem to secure its obligations under the Credit Agreement.

*Board Representation Agreement*

Effective upon the Closing, a Board Representation Agreement (the "Agreement") between the Company and Great Point Partners, LLC ("Great Point") became effective. Pursuant to the Agreement, the Company agreed that upon request, the Company would increase the size of its Board of Directors by one and use its best efforts to cause the vacancy created thereby to be filled by an individual designated by Great Point (the "Great Point Director"). Great Point has the option, but not the obligation, to designate a director.

The Agreement provides that so long as Great Point and any of its affiliated funds own at least 10% of the Company outstanding securities entitled to vote for the election of directors of the Company (the "Voting Securities"), the Company will use its best efforts to cause (i) the Board of Directors or its Nominating Committee to recommend a Great Point Director for election each year and (ii) the Board of Directors to designate the Great Point Director to serve on committees of the Board of Directors to the same extent, and on the same basis, as other members of the Board of Directors. Additionally, so long as Great Point or any of its affiliated funds own at least 10% of the Company's Voting Securities, the Company will, at the option of the Great Point Director, cause the Great Point Director to be a member of the board of directors of each subsidiary of the Company.

In the event that there is a vacancy on the Board caused by the resignation or removal of a Great Point Director or the

failure of Great Point to designate a Great Point Director, Great Point shall have the right to participate as an observer at each meeting of the Board of Directors or any committee thereof.

In the event that at any time Great Point and any of its affiliated funds own less than 10% of the Company's Voting Securities, Great Point shall cause the Great Point Director to resign from the Board of Directors and from the board of directors of any subsidiary of the Company.

**Item 2.01 Completion of Acquisition or Disposition of Assets**

On October 25, 2007, the Company consummated the transactions contemplated by the Stock Purchase Agreement pursuant to which Acquisition Sub acquired all of the issued and outstanding capital stock of InfuSystem from I-Flow (the "Acquisition"). Concurrently with the Acquisition, Acquisition Sub merged with and into InfuSystem, as a result of which InfuSystem became a wholly-owned subsidiary of the Company. The Company paid $100,000,000 to I-Flow for all of the issued and outstanding capital stock of InfuSystem, $67,297,000 of which was paid in cash and the remaining $32,703,000 was paid in the form of a loan from I-Flow as described under Item 1.01 Entry into Material Definitive Agreement—Credit Agreement.

The Stock Purchase Agreement also provides for a potential additional payment of up to $12,000,000 to be paid to I-Flow in 2011, provided that certain consolidated net revenue growth targets related to the Company's future operations are met. The contingent consideration is based upon the compound annual growth rate or "CAGR" of the Company's consolidated net revenues over the three-year period ended December 31, 2010 as compared to InfuSystem's 2007 net revenues, excluding certain revenues not part of InfuSystem's core business. The additional payment would be paid in 2011. No additional payment will be made unless the Company achieves a consolidated net revenue CAGR of at least 40% over the three-year period. The additional payment will range from $3,000,000 to $12,000,000 depending upon the extent to which consolidated net revenue CAGR for the three-year period exceeds 40%. The maximum potential amount of the contingent consideration is $12,000,000 and would be payable to I-Flow if the Company achieves a consolidated net revenue CAGR of 50% over the three-year period. The Company has agreed to guarantee the obligations of Acquisition Sub under the Credit Agreement.

At the time of the Closing, the Company filed a Certificate of Merger of Iceland Acquisition Subsidiary, Inc. into InfuSystem, Inc. (the "Delaware Certificate of Merger") with the Delaware Secretary of State. Also at the time of the Closing, the Company filed (i) an Agreement of Merger of Iceland Acquisition Subsidiary, Inc. into InfuSystem, Inc., (ii) a Certificate of Approval of the Agreement of Merger signed by the Vice President and Secretary of InfuSystem, Inc. and (iii) a Certificate of Approval of the Agreement of Merger signed by the Chief Executive Officer and Secretary of Iceland Acquisition Subsidiary, Inc. (collectively, the "California Merger Documentation") The foregoing descriptions of the Delaware Certificate of Merger and the California Merger Documentation do not purport to be completed and are filed as Exhibits 3.5 and 3.6 hereto respectively, which are incorporated by reference herein.

Holders of 2,726,488 shares of the Company's common stock elected to convert their shares at a conversion price of $6.00 per share.

Prior to the Acquisition, the Company was a blank check company with no operations, formed as a vehicle for an acquisition of an operating business in the healthcare industry. The following information is provided about the business of the Company post-Acquisition reflecting the consummation of the Acquisition.

**BUSINESS**

The assets the Company acquired in connection with the Acquisition are described in the Definitive Proxy Statement in the section entitled "Information About InfuSystem" beginning on page 70, which is incorporated herein by reference.

The employees of the Company are described in the Definitive Proxy Statement in the sections "Information About InfuSystem" on page 73 and "Information About HAPC" on page 108, which are incorporated herein by reference.

**RISK FACTORS**

The risks associated with the Company's business are described in the Definitive Proxy in the section entitled "Risk Factors" beginning on page 16, which is incorporated herein by reference.

**FINANCIAL INFORMATION**

The financial information of the Company for the fiscal year ended December 31, 2006 is included in the Definitive Proxy Statement in the sections entitled "Quantitative and Qualitative Disclosures About Market Risk" beginning on page 108 and "Management's Discussion and Analysis of Financial Condition and Results of Operations of HAPC" beginning on page 109, which are incorporated by reference herein. The financial information of the Company for the six months ended June 30, 2007 is included in the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2007 (File No. 000-51902), filed on August 9, 2007 (the "Form 10-Q") in the sections entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" beginning on page 19 and "Quantitative and Qualitative Disclosures About Market Risk" beginning on page 26, which are incorporated by reference herein.

**PROPERTIES**

The facilities of the Company are described in the Definitive Proxy Statement in the sections entitled "Information About InfuSystem" on page 73 "Information About HAPC" on page 108, which are incorporated herein by reference.

**SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

The following table updates the information set forth in the Definitive Proxy Statement (previously updated as of August 6, 2007) and sets forth information regarding the beneficial ownership of the common stock of the Company as of October 29, 2007, in each case including shares of common stock which may be acquired by such persons within 60 days, by:

- each person known by the Company to be the beneficial owner of more than 5% of its outstanding shares of common stock based solely upon the amounts and percentages contained in the public filings of such;
- each of the Company's officers and directors; and
- all of the Company's officers and directors as a group.

In connection with its initial public offering, the Company issued units to investors. Each unit consists of one share of common stock and two warrants. The shares of common stock and warrants trade separately. The warrants became exercisable upon the closing of the Acquisition. The information in the table below has been derived from the publicly available filings of the holders of more than 5% of the Company's common stock and warrants which are now exercisable within 60 days of the date hereof. Unless otherwise indicated, the Company believes that all persons named in the table have sole voting and investment power with respect to all shares of common stock beneficially owned by them.

**The information in the table set forth below is derived from reports publicly available as of October 29, 2007 and may not reflect sales of shares occurring prior to the Closing or the exercise of conversion rights.**

| | Subsequent to the Acquisition | |
|---|---|---|
| Name of Beneficial Owner | Amount and Nature of Beneficial Ownership | Percentage of Outstanding Common Stock* |
| Great Point Partners, LLC (1) | 4,500,000 | 26.7% |
| Dr. Jeffrey R. Jay, M.D. (1) | 4,500,000 | 26.7% |
| David R. Kroin (1) | 4,500,000 | 26.7% |
| I-Flow Corporation (2) | 2,789,203 | 16.6% |
| FMR Corp. (3) | 2,619,000 | 15.6% |
| Wellington Management Company, LLP (4) | 2,251,033 | 13.4% |
| Sapling, LLC (5) | 2,062,500 | 12.3% |
| Fir Tree Recovery Master Fund, L.P. (5) | 2,062,500 | 12.3% |
| Fir Tree, L.L.C. (6) | 1,822,500 | 10.8% |
| Biomedical Value Fund, L.P. (1) | 1,620,000 | 9.6% |
| The Baupost Group, L.L.C. (7) | 1,536,020 | 9.1% |
| Biomedical Offshore Value Fund, L.P. (1) | 1,380,000 | 8.2% |
| Satellite Asset Management, L.P. (8) | 1,352,500 | 8.0% |
| Satellite Fund Management LLC (8) | 1,352,500 | 8.0% |
| Pine River Capital Management L.P. (9) | 1,353,000 | 8.0% |
| Brian Taylor (9) | 1,353,000 | 8.0% |
| Nisswa Master Fund Ltd. (9) | 1,353,000 | 8.0% |
| Sowood Capital Management LP (10) | 1,128,100 | 6.7% |
| Sowood Capital Management LLC (10) | 1,128,100 | 6.7% |
| Context Capital Management, LLC (11) | 1,041,450 | 6.2% |
| Michael S. Rosen (11) | 1,041,450 | 6.2% |
| William D. Fertig (11) | 1,041,450 | 6.2% |
| Context Advantage Master Fund, L.P. (11) | 1,040,750 | 6.2% |
| Brencourt Advisors, LLC (12) | 1,016,667 | 6.0% |
| Sean McDevitt (13) | 1,961,814 | 11.7% |
| Pat LaVecchia (14) | 159,575 | 0.9% |
| John Voris (15) | 738,096 | 4.4% |
| Wayne Yetter (16) | 488,667 | 2.9% |
| Jean-Pierre Millon (17) | 459,525 | 2.7% |
| All directors and officers as a group (5 individuals) (18) | 3,807,677 | 22.6% |

* Based on 16,824,295 shares of common stock outstanding after the Acquisition. Such amount includes the 15,898,764 shares of common stock issued and outstanding as of October 29, 2007 (reflecting the conversion of 2,726,488 shares) in addition to (i) the 765,956 shares of common stock to be issued to Sean McDevitt upon completion of the Acquisition and (ii) the 159,575 shares of common stock to be issued to Pat LaVecchia upon completion of the acquisition. Shares of common stock subject to warrants that are currently exercisable or exercisable within 60 days of October 29, 2007 are deemed outstanding in addition to the 16,824,295 shares of common stock deemed outstanding as of October 29, 2007 for purposes of computing the percentage ownership of the person holding the warrants but are not deemed exercisable for computing the percentage ownership of any other person.

(1) Derived from Scheduled 13D filed on October 25, 2007, by Great Point Partners, LLC, Dr. Jeffrey R. Jay, M.D., Mr. David Kroin, Biomedical Value Fund, L.P. and Biomedical Offshore Value Fund, Ltd. Biomedical Value Fund, L.P. holds shared investment control and voting control with respect to 1,620,000 shares of common stock. Biomedical Value Offshore Value Fund, Ltd. holds shared investment control and voting control with respect to 1,380,000 shares of common stock. Great Point Partners, LLC, Dr. Jeffrey R. Jay, M.D. and Mr. David Kroin share investment control and voting control with respect to 3,000,0000 shares of common stock. Dr. Jay is a senior managing member of Great Point Partners, LLC and Dr. Kroin is a special managing member of Great Point Partners, LLC. The business address of Great Point Partners, LLC is 165 Mason Street, 3rd Floor, Greenwich, Connecticut. The business address of Dr. Jeffrey R. Jay, M.D. is 165 Mason Street, 3rd Floor, Greenwich, Connecticut. The business address of Mr. David Kroin is 165 Mason Street, 3rd Floor, Greenwich, Connecticut. The business address of Biomedical Value Fund, L.P. is 165 Mason Street, 3rd Floor, Greenwich, Connecticut. The business address of Biomedical Offshore Value Fund, Ltd is P.O. Box 1748 GT, Cayman Corporate Centre, 27 Hospital Road, Georgetown, Grand Cayman, Cayman Islands CJ08. On October 26, 2007, Great Point Partners, LLC issued a notice to exercise options to purchase 1,500,000 shares of common stock pursuant to an option agreement (the "Option Agreement") dated as of October 12, 2007 by and among Great Point Partners, LLC, Sean McDevitt, Pat LaVecchia, John Voris, Wayne Yetter and Jean-Pierre Millon.

(2) Derived from a Schedule 13G filed by I-Flow Corporation on October 29, 2007. I-Flow is the beneficial owner of and exercises sole investment and voting control with respect to 2,789,203 shares of common stock. The business address of I-Flow Corporation is 20202 Windrow Drive, Lake Forest, California 92630.

(3) Derived from Amendment No. 1 to Schedule 13G filed on February 14, 2007 by FMR Corp and Edward C. Johnson. Fidelity Management & Research Company, an investment advisor and wholly owned subsidiary of FMR Corp., may be deemed to beneficially own 2,619,000 shares of common stock in its capacity as investment advisor to various investment companies. The address of Fidelity Management & Research Company is 82 Devonshire Street, Boston, Massachusetts 02109. FMR Corp. is the parent of Fidelity Management & Research Company. Edward C. Johnson, the chairman of FMR Corp., and FMR Corp. exercise investment control over the 2,619,000 shares of common stock beneficially owned by Fidelity Management & Research Company. The Board of Trustees of Fidelity Investments exercises voting control over the 2,619,000 shares of common stock beneficially owned by Fidelity Management & Research Company.

(4) Derived from Amendment No. 1 to a Schedule 13G filed on February 14, 2007 by Wellington Management Company, LLP. Wellington Management Company, LLP, in its capacity as an investment advisor, may be deemed to beneficially own 2,251,033 shares of common stock which are held of record by clients of Wellington Management Company, LLP. The address of Wellington Management Company, LLP is 75 State Street, Boston, Massachusetts 02109. Wellington Management Company, LLP has shared voting control over 1,362,808 shares of common stock and shared investment control over 2,251,033 shares of common stock. Robert J. Toner is the president of Wellington Management Company, LLP.

(5) Derived from Schedule 13G filed on April 28, 2006 by Sapling, LLC and Fir Tree Recovery Master Fund, L.P. The business address of Sapling, LLC and Fir Tree Recovery Master Fund, L.P. is 535 Fifth Avenue, 35th Floor, New York, New York 10017. Sapling, LLC is the beneficial owner of, and exercises voting control and investment control over, 1,461,075 shares of common stock. Fir Tree Recovery Master Fund, L.P. is the beneficial owner of, and exercises voting and investment control over, 601,425 shares of common stock. Fir Tree, Inc. is the investment manager of Sapling, LLC and Fir Tree Recovery Master Fund, L.P. Jeffrey Tannenbaum is the president of Fir Tree, Inc.

(6) Derived from Form 4 filed on May 11, 2006 by Fir Tree, L.L.C., Fir Tree, Inc., Camellia Partners, LLC, Jeffrey Tannenbaum and Andrew Fredman. Fir Tree, L.L.C., Fir Tree Inc., Camellia Partners, LLC, Jeffrey Tannenbaum and Andrew Fredman are the beneficial owners of 1,822,500 shares of common stock. The business address of Fir Tree, L.L.C., Fir Tree, Inc., Camellia Partners, LLC, Jeffrey Tannenbaum and Andrew Fredman is 535 Fifth Avenue, 35th Floor, New York, New York 10017. Jeffrey Tannenbaum is a principal of Fir Tree, L.L.C., Fir Tree, Inc. and Camellia Partners, LLC, and Andrew Fredman is a principal of Camellia Partners, LLC.

(7) Derived from Schedule 13G filed by The Baupost Group, L.L.C., SAK Corporation and Seth A. Klarman on February 13, 2007. The business address of The Baupost Group, L.L.C. is 10 St. James Avenue, Suite 2000, Boston Massachusetts 02116. The Baupost Group, L.L.C. is a registered investment advisor and exercises voting and investment control over 1,536,020 shares of common stock. SAK Corporation is the manager of The Baupost Group. Seth A. Klaren, the sole director of SAK Corporation and a controlling person of The Baupost Group, L.L.C., may be deemed to beneficially own 1,536,020 shares of common stock.

(8) Derived from a Schedule 13G filed by Satellite Fund II, L.P. ("Satellite II"), Satellite Fund IV, L.P. ("Satellite IV"), Satellite Overseas Fund, Ltd. ("Satellite Overseas"), The Apogee Fund, Ltd. ("Apogee"), Satellite Overseas Fund V, Ltd. ("Satellite Overseas V"), Satellite Overseas Fund VI, Ltd. ("Satellite Overseas VI"), Satellite Overseas Fund VII, Ltd. ("Satellite Overseas VII"), Satellite Overseas Fund VIII, Ltd. ("Satellite VIII"), Satellite Overseas Fund IX, Ltd. ("Satellite IX"), Satellite Asset Management, L.P. ("Satellite Asset Management"), Satellite Fund Management LLC ("Satellite Fund Management") and Satellite Advisors, L.L.C. ("Satellite Advisors") on February 14, 2007. The business address of each of the foregoing entities is 623 Fifth Avenue, 19th Floor, New York, New York 10022. Satellite II is the beneficial owner of 268,390 shares of common stock. Satellite IV is the beneficial owner of 51,410 shares of common stock. Satellite Overseas is the beneficial owner of 685,420 shares of common stock. Apogee is the beneficial owner of 125,060 shares of common stock. Satellite Overseas V is the beneficial owner of 53,970 shares of common stock. Satellite Overseas VI is the beneficial owner of 18,650 shares of common stock. Satellite Overseas VII is the beneficial owner of 32,250 shares of common stock. Satellite Overseas VIII is the beneficial owner of 56,360 shares of common stock. Satellite Overseas IX is the beneficial owner of 60,990 shares of common stock. Satellite Asset Management is the beneficial owner of 1,352,500 shares of common stock. Satellite Fund Management is the beneficial owner of 1,352,500 shares of common stock. Satellite Advisors is the beneficial owner of 319,800 shares of common stock. Satellite Advisors has discretionary investment trading authority over the shares of common stock beneficially owned by Satellite II and Satellite IV (collectively, the Delaware Funds"). Satellite Asset Management has discretionary investment trading authority over the shares of common stock beneficially owned by Satellite Overseas, Apogee, Satellite Overseas V, Satellite Overseas VI, Satellite Overseas VII, Satellite Overseas VIII and Satellite Overseas IX (collectively, the "Offshore Funds"). The general partner of Satellite Asset Management is Satellite Fund Management. Satellite Fund Management and Satellite Asset Management each share the same executive committee that makes investment decisions on behalf the Delaware Funds and the Offshore Funds and investment decisions made by such executive committee, when necessary, are made through the approval of the majority of the executive committee members. Satellite Advisors, L.L.C., the general partner of the Delaware Funds, and Satellite Asset Management, L.P., the investment advisor of the Offshore Funds, each have the control to direct the receipt of dividends from, or proceeds from the sale of, the securities held for the accounts of their respective funds.

(9) Derived from a Schedule 13G filed on October 29, 2007 by Brian Taylor, Pine River Capital Management, L.P. and Nisswa Master Fund Ltd. Brian Taylor, Pine River Capital Management L.P. and Nisswa Master Fund Ltd. share voting control and investment control with respect to 1,353,000 shares of common stock. The business address of Brian Taylor and Pine River Capital Management L.P. is 800 Nicollet Mall, Suite 2850, Minneapolis, Minnesota. The business address of Nisswa Master Fund Ltd. is c/o Pine River Capital Management L.P. 800 Nicollet Mall, Suite 2850, Minneapolis, Minnesota.

(10) Derived from a Schedule 13G filed on January 16, 2007 by Sowood Capital Management LP and Sowood Capital Management LLC. The business address of Sowood Capital Management LP and Sowood Capital Management LLC is 500 Boylston Street, 17th Floor, Boston, Massachusetts 02116. Sowood Capital Management LP and Sowood Capital Management LLC exercise shared voting control and investment control over 1,128,100 shares of common stock. Jeffrey B. Larson may be deemed to beneficially own the 1,128,100 shares of common stock because he maybe deemed to control Sowood Capital Management LLC. Jeffrey B. Larson's principal business address is 500 Boylston Street, 17th Floor, Boston, Massachusetts 02116.

(11) Derived from Amendment No. 1 to Schedule 13G filed by Context Capital Management, LLC, Michael S. Rosen, William D. Fertig, Context Offshore Advantage Fund, Ltd. and Context Advantage Master Fund, LP. The business address of Context Capital Management, LLC, Michael S. Rosen and William D. Fertig is 12626 High Bluff Drive, Suite 440, San Diego, California 92130. The business address of Context OffshoreAdvantage Fund, Ltd. and Context Advantage Master Fund, L.P. is c/o Hedgeworks Fund Services Limited, P.O. Box 309GT, Ugland House, South Church Street, George Town, Grand Cayman, Cayman Islands. Context Capital Management, LLC, Michael S. Rosen and William D. Fertig are the beneficial owners of, and exercise voting control over, 1,041,450 shares of common stock. Michael S. Rosen is the co-chairman, chief executive officer and manager of Context Capital Management, LLC. William D. Fertig is the co-chairman, chief investment officer and manager of Context Capital Management, LLC. Context Offshore Advantage Fund, Ltd is the beneficial owner of 905,453 shares of common stock. Context Capital Management, LLC is the investment advisor of Context Offshore Advantage Fund Ltd. Context Offshore Advantage Fund, Ltd. and Context Capital Management, LLC share voting and investment control with respect to the 905,453 shares of common stock beneficially owned by Context OffshoreAdvantage Fund, Ltd. Context Advantage Master Fund, L.P. is the beneficial owner of 1,040,750 shares of common stock. Context Capital Management, LLC is the general partner of Context Advantage Master Fund, L.P. Context Capital Management, LLC and Context Advantage Master Fund, L.P. share voting and investment control with respect to the 1,040,750 shares of common stock beneficially owned by Context Advantage Master Fund, L.P.

(12) Derived from a Schedule 13G filed on September 19, 2007 by Brentcourt Advisors, LLC. Brentcourt Advisors, LLC exercises sole voting control and investment control with respect to 1,016,667 shares of common stock. The business address of Brentcourt Advisors, LLC is 350 Madison Avenue, 20th Floor, New York, New York 10017.

(13) Sean McDevitt holds 765,956 shares of common stock. Sean McDevitt holds warrants to purchase 1,195,858 shares of common stock. The warrants are currently exercisable, and expire on April 11, 2011 or earlier upon the Company's redemption of the warrants. Six months after the Acquisition, Mr. McDevitt will receive an additional 1,234,044 shares of common stock. Accordingly, six months after the consummation of the Acquisition, Mr. McDevitt will be deemed to be

the beneficial owner of 3,195,858 shares or 15.1% of the Company's common stock. The business address of Mr. McDevitt is c/o InfuSystem Holdings, Inc., 350 Madison Avenue, 20th Floor, New York, New York 10017. The 765,956 shares of common stock currently held by Mr. McDevitt may be acquired by Great Point pursuant to the Option Agreement referenced in footnote 1.

(14) Pat LaVecchia is the owner of 159,575 shares of common stock. Pat LaVecchia will be issued 257,019 shares of common stock six months after the consummation of the Acquisition. The business address of Mr. LaVecchia is c/o InfuSystem Holdings, Inc., 350 Madison Avenue, New York, New York 10017. The 159,575 shares of common stock currently held by Mr. LaVecchia may be acquired by Great Point pursuant to the Option Agreement referenced in footnote 1.

(15) John Voris is the owner of 666,667 shares of common stock and warrants to purchase 71,429 shares of common stock. Such warrants are currently exercisable and expire on April 11, 2011. The business address of Mr. Voris is c/o InfuSystem Holdings, Inc., 350 Madison Avenue, New York, New York, 10017. The 255,319 shares of common stock held by Mr. Voris may be acquired by Great Point pursuant to the Option Agreement referenced in footnote 1.

(16) Wayne Yetter is the owner of 416,667 shares of common stock and warrants to purchase 72,000 shares of common stock. Such warrants are currently exercisable and expire on April 11, 2011. The business address of Mr. Yetter is c/o InfuSystem Holdings, Inc., 350 Madison Avenue, New York, New York, 10017. The 159,575 shares of common stock held by Mr. Yetter may be acquired by Great Point pursuant to the Option Agreement referenced in footnote 1.

(17) Jean Pierre Millon is the owner of 416,667 shares of common stock and warrants to purchase 42,858 shares of common stock. Such warrants are currently exercisable and expire on April 11, 2011. The business address of Mr. Millon is c/o InfuSystem Holdings, Inc., 350 Madison Avenue, New York, New York, 10017. The 159,575 shares of common stock held by Mr. Millon may be acquired by Great Point pursuant to the Option Agreement referenced in footnote 1.

(18) Upon the consummation of the acquisition of InfuSystem, Sean McDevitt, John Voris, Pat LaVecchia, Wayne Yetter, Jean-Pierre Millon and Steven Watkins will be deemed to be the collective beneficial holders of 3,807,677 or 22.6% of the Company's outstanding common stock.

The Company granted a purchase option to FTN Midwest Securities Corp. ("FTN") at the closing of the initial public offering on April 18, 2006 to acquire 833,333 units for $100. Similar to the units issued in connection with the initial public offering, the units issuable upon exercise of the purchase option consist of one share of common stock and one warrant. Each warrant underlying the purchase option, however, entitles the holder to purchase one share of the Company's common stock at a price of $6.25 per share. The purchase option is exercisable at $7.50 per unit commencing on the later of the consummation of a business combination or one year from the date of the prospectus and expiring five years from the date of the prospectus. The option may only be exercised or converted by the option holder. Additionally, the terms of the purchase option provide that: (i) the Company is not obligated to deliver any securities pursuant to the exercise of the purchase option unless a registration statement under the Securities Act, with respect to the common stock issuable upon exercise of the warrants which are issuable upon exercise of the purchase option is effective; and (ii) FTN is not entitled to receive a net-cash settlement or other consideration in lieu of physical settlement in securities if the common stock issuable upon exercise of the warrants is not covered by an effective registration statement.

On October 12, 2007, FTN and Great Point entered into an option agreement pursuant to which FTN granted to Great Point an option to acquire up to 1,666,666 warrants (as adjusted for stock splits and similar events) to acquire shares of the Company's common stock for an aggregate purchase price of $1.00. The warrants underly FTN's purchase option.

FTN has agreed to transfer to Broadband Capital Management Ltd. a portion of the purchase option representing the right to acquire 166,667 shares of the Company's common stock at a price of $7.50 per share.

**DIRECTORS AND EXECUTIVE OFFICERS**

The directors and executive officers of the Company immediately after the consummation of the Acquisition are described in the Definitive Proxy Statement in the section entitled "Directors and Management of HAPC, INC. following the Acquisition of InfuSystem, Inc." beginning on page 133, which is incorporated herein by reference.

**EXECUTIVE COMPENSATION**

The compensation of the executive officers of the Company immediately after the consummation of the Acquisition are described in the Definitive Proxy Statement in the section entitled "HAPC Executive Compensation" beginning on page 138, which is incorporated herein by reference.

**CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS**

The description of certain relationships and related transactions of the Company are described in (i) the Definitive Proxy Statement in the section entitled "Certain Relationships and Related Transactions" beginning on page 143, which is incorporated herein by reference, (ii) the Supplement to the Definitive Proxy Statement filed on October 16, 2007 in the section entitled "Summary of the Terms of Great Point's Share Purchase" which describes the Board Representation Agreement disclosed under Item 1.01 of this Current Report on Form 8-K and the Amended and Restated Registration Rights Agreement by and among the Company, Great Point Partners, LLC and certain founding stockholders of the Company beginning on page 3 and (iii) the Supplement to the Definitive Proxy Statement filed on October 19, 2007 in the section entitled "Summary of the Terms of I-Flow Corporation's Share Purchase" which describes the piggy-back registration rights afforded to I-Flow under the Credit Agreement beginning on page 4, which are incorporated herein by reference.

**LEGAL PROCEEDINGS**

The legal proceedings of the Company are described in the Definitive Proxy Statement in the sections entitled "Information About InfuSystem" on page 73 and "Information About HAPC" on page 108, which are incorporated herein by reference.

## MARKET PRICE OF AND DIVIDENDS ON THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The following table sets forth, for the period indicated, the quarterly high and low bid prices of the Company's units, common stock and warrants as reported on the OTC Bulletin Board since the units commenced public trading on April 12, 2006 and since such common stock and warrants commenced public trading on June 15, 2006. Such over-the-counter market quotations reflect inter-dealer prices, without retail mark-up, mark-down or commission and may not necessarily represent actual transactions.

| | Common Stock [1] | | Warrants | | Units [2] | |
|---|---|---|---|---|---|---|
| | High | Low | High | Low | High | Low |
| Period from April 12, 2006 to June 30, 2006 | — | — | — | — | $6.25 | $5.90 |
| Period from July 1, 2006 to September 30, 2006 | $5.50 | $ 5.35 | $ 0.31 | $ 0.27 | $6.08 | $5.90 |
| Period from October 1, 2006 to December 31, 2006 | $5.59 | $ 5.45 | $ 0.32 | $ 0.16 | $6.15 | $5.76 |
| Period from January 1, 2007 to March 31, 2007 | $5.67 | $ 5.56 | $ 0.34 | $ 0.20 | $6.25 | $6.00 |
| Period from April 1, 2007 to June 30, 2007 | $5.86 | $ 5.65 | $0.395 | $0.192 | $6.55 | $6.05 |
| Period from June 30, 2007 to September 30, 2007 | $5.86 | $ 5.59 | $0.355 | $0.215 | $6.40 | $6.00 |
| Period from September 30, 2007 to October 30, 2007 | $5.84 | $ 4.94 | $0.495 | $0.165 | $6.44 | $5.75 |

1 The Company's common stock and warrants commenced trading on the OTC Bulletin Board on June 15, 2006.
2 The Company's units commenced trading on the OTC Bulletin Board on April 12, 2006.

### Holders

As of October 29, 2007 there were five holders of record of the common stock.

### Dividends

The Company has not paid any dividends on its common stock to date and does not intend to pay dividends prior to the completion of a business combination. The payment of dividends in the future will be contingent upon its revenue and earnings, if any, capital requirements and general financial condition subsequent to completion of a business combination. The payment of any dividends subsequent to a business combination will be within the discretion of the Company's then Board of Directors. It is the present intention of the Company's Board of Directors to retain earnings, if any, for use in the Company's business operations and to use excess cash to repurchase equity. Accordingly, the Company's Board does not anticipate declaring any dividends in the foreseeable future.

## RECENT SALES OF UNREGISTERED SECURITIES

Information regarding the Company's sale of unregistered securities may be found in (i) the Company's Form S-1/A (File No. 333-129035) filed on April 10, 2006, (ii) Current Report on Form 8-K filed on December 28, 2006 (File No. 000-51902), (iii) Current Report on Form 8-K filed on May 4, 2007 (File No. 000-51902), (iv) Definitive Proxy Statement and (v) Current Report on Form 8-K filed on September 12, 2007, which are incorporated by reference herein.

## DESCRIPTION OF THE REGISTRANT'S SECURITIES

The Company's units, common stock, warrants and other securities are described in the Definitive Proxy Statement, in the section entitled "Description of Securities" beginning on page 153, which is incorporated herein by reference.

## INDEMNIFICATION OF DIRECTORS AND OFFICERS

The Company's Certificate of Incorporation provides that all directors, officers, employees and agents of the Company shall be entitled to be indemnified by the Company to the fullest extent permitted by Section 145 of the Delaware General Corporation Law.

Section 145 of the Delaware General Corporation Law concerning indemnification of officers, directors, employees and agents is set forth below.

"Section 145. Indemnification of officers, directors, employees and agents; insurance.

(a) A corporation shall have 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, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the corporation) by reason of the fact that the person is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by the 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. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which 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 reasonable cause to believe that the person's conduct was unlawful.

(b) A corporation shall have 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 suit by or in the right of the corporation to procure a judgment in its favor by reason of the fact that the person is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the

corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against expenses (including attorneys' fees) actually and reasonably incurred by the person in connection with the defense or settlement of such action or suit 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 except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the corporation unless and only to the extent that the Court of Chancery or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the Court of Chancery or such other court shall deem proper.

(c) To the extent that a present or former director or officer of a corporation has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in subsections (a) and (b) of this section, or in defense of any claim, issue or matter therein, such person shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by such person in connection therewith.

(d) Any indemnification under subsections (a) and (b) of this section (unless ordered by a court) shall be made by the corporation only as authorized in the specific case upon a determination that indemnification of the present or former director, officer, employee or agent is proper in the circumstances because the person has met the applicable standard of conduct set forth in subsections (a) and (b) of this section. Such determination shall be made, with respect to a person who is a director or officer at the time of such determination, (1) by a majority vote of the directors who are not parties to such action, suit or proceeding, even though less than a quorum, or (2) by a committee of such directors designated by majority vote of such directors, even though less than a quorum, or (3) if there are no such directors, or if such directors so direct, by independent legal counsel in a written opinion, or (4) by the stockholders.

(e) Expenses (including attorneys' fees) incurred by an officer or director in defending any civil, criminal, administrative or investigative action, suit or proceeding may be paid by the corporation in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of such director or officer to repay such amount if it shall ultimately be determined that such person is not entitled to be indemnified by the corporation as authorized in this section. Such expenses (including attorneys' fees) incurred by former directors and officers or other employees and agents may be so paid upon such terms and conditions, if any, as the corporation deems appropriate.

(f) The indemnification and advancement of expenses provided by, or granted pursuant to, the other subsections of this section shall not be deemed exclusive of any other rights to which those seeking indemnification or advancement of expenses may be entitled under any bylaw, agreement, vote of stockholders or disinterested directors or otherwise, both as to action in such person's official capacity and as to action in another capacity while holding such office.

(g) A corporation shall have power to purchase and maintain insurance on behalf of any person who is or was director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against such person and incurred by such person in any such capacity, or arising out of such person's status as such, whether or not the corporation would have the power to indemnify such person against such liability under this section.

(h) For purposes of this section, references to "the corporation" shall include, in addition to the resulting corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger which, if its separate existence had continued, would have had power and authority to indemnify its directors, officers, and employees or agents, so that any person who is or was a director, officer, employee or agent of such constituent corporation, or is or was serving at the request of such constituent corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, shall stand in the same position under this section with respect to the resulting or surviving corporation as such person would have with respect to such constituent corporation if its separate existence had continued.

(i) For purposes of this section, references to "other enterprises" shall include employee benefit plans; references to "fines" shall include any excise taxes assessed on a person with respect to any employee benefit plan; and references to "serving at the request of the corporation" shall include any service as a director, officer, employee or agent of the corporation which imposes duties on, or involves services by, such director, officer, employee or agent with respect to an employee benefit plan, its participants or beneficiaries; and a person who acted in good faith and in a manner such person reasonably believed to be in the interest of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in a manner "not opposed to the best interests of the corporation" as referred to in this section.

(j) The indemnification and advancement of expenses provided by, or granted pursuant to, this section shall, unless otherwise provided when authorized or ratified, continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such a person.

(k) The Court of Chancery is hereby vested with exclusive jurisdiction to hear and determine all actions for advancement of expenses or indemnification brought under this section or under any bylaw, agreement, vote of stockholders or disinterested directors, or otherwise. The Court of Chancery may summarily determine a corporation's obligation to advance expenses (including attorneys' fees)."

Paragraph B of Article VII of the Company's Amended and Restated Certificate of Incorporation provides:

"The corporation, to the full extent permitted by Section 145 of the DGCL, as amended from time to time, shall indemnify all persons whom it may indemnify pursuant thereto. Expenses (including attorneys' fees) incurred by an officer or director in defending any civil, criminal, administrative, or investigative action, suit or proceeding for which such officer or director may be entitled to indemnification hereunder shall be paid by the corporation in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of such director or officer to repay such amount if it shall ultimately be determined that he is not entitled to be indemnified by the corporation as authorized hereby."

**FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

The financial information of the Company for the fiscal year ended December 31, 2006 is included in the Definitive Proxy Statement beginning on page F-3, which is incorporated by reference herein. The financial information of the Company for the six months ended June 30, 2007 is included in the Form 10-Q beginning on page 1, which incorporated by reference herein.

**CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

Information regarding changes in the Company's accountants is described in (i) the Definitive Proxy Statement in the sections entitled "Proposal 5 – Ratification of the Independent Public Accounting Firm" on page 66 and "Changes in HAPC's Certifying Accountant" on page 117 and (ii) the Company's Current Report on Form 8-K (File No. 000-51902) filed on October 27, 2006, which are incorporated herein by reference.

**FINANCIAL STATEMENTS AND EXHIBITS**

The financial information about the Company for the fiscal year ended December 31, 2006 is included in the Definitive Proxy Statement beginning on page F-3, which is incorporated by reference herein. The financial information about the Company for the six months ended June 30, 2007 is included in the Form 10-Q beginning on page 1, which is incorporated by reference herein.

The exhibits required by Item 601 of S-K are described below under Item 9.01.

**Item 2.02 Results of Operations and Financial Condition**

Reference is made to the disclosure under Item 2.01 of this Current Report on Form 8-K, which disclosure is incorporated herein by reference, concerning Management's Discussion and Analysis of Results of Operations and Financial Condition.

**Item 2.03 Creation of a Direct Financial Obligation or an Obligation under an Off-Balance Sheet Arrangement of a Registrant**

Reference is made to the Credit Agreement, the Security Agreement and the Joinder Agreement described under Item 1.01 of this Current Report on Form 8-K.

**Item 5.02 Departure of Directors or Principal Officers; Election of Directors; Appointment of Principal Officers; Compensatory Arrangements of Certain Officers**

Effective October 25, 2007, the Company's Board of Directors increased the size of the Board of Directors by one member and appointed Steven Watkins as a director to fill the vacancy. Also effective October 25, 2007, the Company's Board of Directors appointed Steven Watkins as Chief Executive Officer of the Company. John Voris had previously served as the Company's Chief Executive Officer. Mr. Voris continues to serve as a non-executive member of the Company's Board of Directors.

Effective October 26, 2007, Erin Enright resigned from her position as Chief Financial Officer of the Company. Information regarding Ms. Enright's resignation may be found on pages 4,18, 36, 135 and 145 of the Definitive Proxy Statement.

**Item 5.03 Amendments to Articles of Incorporation or Bylaws: Change in Fiscal Year**

Subsequent to the Closing, the Company filed an amendment (the "Amendment") to its Certificate of Incorporation to change its name from "HAPC, INC." to "InfuSystem Holdings, Inc." The Amendment is effective as of October 25, 2007. The foregoing description of the Amendment does not purport to be complete and is filed as Exhibit 3.7 hereto, which is incorporated by reference herein.

**Item 5.06 Change in Shell Company Status**

Upon the Closing, the Company ceased to be a shell company as a result of the Acquisition. The material terms of the transaction by which the Company's wholly-owned subsidiary, Acquisition Sub, acquired all of the issued and outstanding capital stock of InfuSystem representing the business of InfuSystem are described in the in the Definitive Proxy Statement (No. 000-51902), filed August 8, 2007 in the sections entitled "Proposal 1 – The Acquisition Proposal" beginning on page 30 and the Stock Purchase Agreement beginning on page 42 and the Supplement to the Definitive Proxy Statement (File No. 000-51902 ) filed on September 18, 2007 in the section entitled "The Amendment" beginning on page 7, which are incorporated herein by reference.

**Item 8.01 Other Events**

In addition to approving the Acquisition at the Special Annual Meeting of Stockholders (the "Meeting") held on October 24, 2007, the Company's stockholders also (i) approved the adoption of the Company's 2007 Stock Incentive Plan, (ii) approved an amendment to the Company's Amended and Restated Certificate of Incorporation (the "Certificate of Incorporation") to change the Company's name from "HAPC, INC." to "InfuSystem Holdings, Inc.", (iii) elected Sean McDevitt, John Voris, Pat LaVecchia, Wayne Yetter and Jean Pierre Millon to serve as members of the Company's Board of Directors until the 2008 annual stockholders meeting and (iv) ratified the appointment of Deloitte & Touche LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2007. A press release announcing the Company's stockholders approval of the Acquisition was issued on October 24, 2007, a copy of which is attached as Exhibit 99.1 hereto. A press release announcing the Closing was issued on October 26, 2007, a copy of which is filed as Exhibit 99.2 hereto.

**Item 9.01 Financial Statements and Exhibits**

(a) Financial Statements of Business Acquired.

The financial statements of InfuSystem as of December 31, 2006 and 2005, and for the three years ended December 31, 2006 are included in the Definitive Proxy Statement beginning on page F-49 and are incorporated by reference herein.

In addition, InfuSystem's Management's Discussion and Analysis of Financial Conditions and Results of Operations for the six months ended June 30, 2007, the Selected Historical Financial Statements of InfuSystem and the unaudited financial statements of InfuSystem as of and for the six months ended June 30, 2007 are attached as Exhibits 99.3, 99.4 and 99.5 respectively, and are incorporated by reference herein.

(b) Pro Forma Financial Information

Unaudited pro forma condensed combined financial statements with respect to the Acquisition are included in the Definitive Proxy Statement and are incorporated herein by reference.

In addition, the pro forma financial information as of June 30, 2007 is attached hereto as Exhibit 99.6 and is incorporated herein by reference.

(d) Exhibits

| Exhibit Number | Description of Document |
|---|---|
| 3.1 | Amended and Restated Certificate of Incorporation (1) |
| 3.2 | Certificate of Amendment of Amended and Restated Certificate of Incorporation (5) |
| 3.3 | By-laws (1) |
| 3.4 | Amended and Restated By-laws (2) |
| 3.5 | Certificate of Merger of Iceland Acquisition Subsidiary, Inc. into InfuSystem Inc.* |
| 3.6 | Agreement of Merger of Iceland Acquisition Subsidiary, Inc. into InfuSystem, Inc. and Certificates of Approval of the Agreement of Merger* |
| 3.7 | Certificate of Amendment of Amended and Restated Certificate of Incorporation* |
| 4.1 | Specimen Unit Certificate (4) |
| 4.2 | Specimen Common Stock Certificate (4) |
| 4.3 | Specimen Warrant Certificate (4) |
| 4.4 | Form of Warrant Agreement between Mellon Investor Services LLC and the Registrant (2) |
| 4.5 | Form of Purchase Option granted to FTN Midwest Securities Corp. (4) |
| 4.6 | Form of Warrant Agreement between Sean McDevitt and Registrant (8) |
| 4.7 | Unit Purchase Option Clarification Agreement between FTN Midwest Securities Corp. and the Registrant (9) |
| 10.1 | Form of Letter Agreement entered into by and between the Registrant and each of its initial stockholders (4) |
| 10.2 | Form of Registration Rights Agreement (4) |
| 10.3 | Form of Stock Transfer Agency Agreement (2) |
| 10.4 | Stock Purchase Agreement (6) |
| 10.5 | Amendment No. 1 to Stock Purchase Agreement, dated as of April 30, 2007, by and among I-Flow Corporation, InfuSystem, Inc., HAPC, INC. and Iceland Acquisition Subsidiary, Inc. (10) |
| 10.6 | Amendment No. 2 to Stock Purchase Agreement, dated as of June 29, 2007, by and among I-Flow Corporation, InfuSystem, Inc., HAPC, INC. and Iceland Acquisition Subsidiary, Inc. (11) |
| 10.7 | Amendment No. 3 to Stock Purchase Agreement, dated as of July 31, 2007, by and among I-Flow Corporation, InfuSystem, Inc., HAPC, INC. and Iceland Acquisition Subsidiary, Inc. (12) |
| 10.8 | Amendment No. 4 to Stock Purchase Agreement, dated as of September 18, 2007, by and among I-Flow Corporation, InfuSystem, Inc., HAPC, INC. and Iceland Acquisition Subsidiary, Inc. (14) |
| 10.9 | Continuing Guaranty (6) |
| 10.10 | Guarantee Fee and Reimbursement Agreement (6) |
| 10.11 | Subscription Agreement, dated as of December 28, 2006, between the Registrant and Sean McDevitt (8) |
| 10.12 | Subscription Agreement, dated as of April 12, 2007, between the Registrant and Sean McDevitt (10) |
| 10.13 | Further Agreement Regarding Project Iceland, dated as of October 17, 2007, by and among I-Flow Corporation, InfuSystem, Inc., HAPC, INC. and Iceland Acquisition Subsidiary, Inc. (15) |
| 10.14 | Acknowledgment and Agreement Regarding Stock Purchase Agreement and Guaranty, dated as of October 8, 2007, by and among I-Flow Corporation, InfuSystem, Inc., HAPC, INC., Iceland Acquisition Subsidiary, Inc., Pat LaVecchia, Sean D. McDevitt and Philip B. Harris (15) |
| 10.15 | Amended and Restated Services Agreement, dated as of October 25, 2007, by and between InfuSystem, Inc. and I-Flow Corporation* |
| 10.16 | License Agreement, dated as of October 25, 2007, by and between InfuSystem, Inc. and I-Flow Corporation* |
| 10.17 | Credit and Guaranty Agreement, dated as of October 25, 2007, by and among Iceland Acquisition Subsidiary, Inc., HAPC, INC. and I-Flow Corporation* |

| | |
|---|---|
| 10.18 | Security Agreement, dated as of October 25, 2007, by and among I-Flow Corporation, Iceland Acquisition Subsidiary, Inc. and HAPC, INC.* |
| 10.19 | Form of Subscription Agreement with various members of the Registrant's Management (13) |
| 14.1 | Code of Ethics (3) |
| 16.1 | Letter dated October 27, 2006 from Miller Ellin and Company, LLP to the U.S. Securities and Exchange Commission (7) |
| 99.1 | Press Release issued by HAPC, INC. on October 24, 2007* |
| 99.2 | Press Release issued by HAPC, INC. on October 26, 2007* |
| 99.3 | Management's Discussion and Analysis of Results of Operations and Financial Condition of InfuSystem, Inc. for the Six Months ended June 30, 2007* |
| 99.4 | Selected Historical Financial Statements of InfuSystem, Inc.* |
| 99.5 | Unaudited Financial Statements of InfuSystem, Inc. as of and for the Six Months Ended June 30, 2007* |
| 99.6 | Pro Forma Financial Information as of June 30, 2007* |

*Filed herewith

(1) Previously filed in connection with Registrant's Registration Statement on Form S-1 (File No. 333-129035) filed on October 14, 2005.

(2) Previously filed in connection with Amendment No. 1 to Registrant's Registration Statement on Form S-1 (File No. 333-129035) filed on December 8, 2005

(3) Previously filed in connection with Amendment No. 2 to Registrant's Registration Statement on Form S-1 (File No. 333-129035) filed on December 17, 2005.

(4) Previously filed in connection with Amendment No. 3 to Registrant's Registration Statement on Form S-1 (File No. 333-129035) filed on March 3, 2006.

(5) Previously filed in connection with Registrant's Current Report on Form 8-K (File No. 000-51902) filed on April 24, 2006.

(6) Previously filed in connection with Registrant's Current Report on Form 8-K (File No. 000-51902) filed on October 4, 2006.

(7) Previously filed in connection with Registrant's Current Report on Form 8-K (File No. 000-51902) filed on October 27, 2006.

(8) Previously filed in connection with Registrant's Current Report on Form 8-K (File No. 000-51902) filed on January 3, 2007.

(9) Previously filed in connection with Registrant's Current Report on Form 8-K (File No. 000-51902) filed on February 14, 2007.

(10) Previously filed in connection with Registrant's Current Report on Form 8-K (File No. 000-51902) filed on May 4, 2007.

(11) Previously filed in connection with Registrant's Current Report on Form 8-K (File No. 000-51902) filed on July 5, 2007.

(12) Previously filed in connection with Registrant's Current Report on Form 8-K (File No. 000-51902) filed on August 1, 2007.

(13) Previously filed in connection with Registrant's Current Report on Form 8-K (File No. 000-51902) filed on September 12, 2007.

(14) Previously filed in connection with Registrant's Current Report on Form 8-K (File No. 000-51902) filed on September 21, 2007.

(15) Previously filed in connection with Registrant's Current Report on Form 8-K (File No. 000-51902) filed on October 22, 2007.

Signature

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

INFUSYSEM HOLDINGS, INC.

By: /s/ Sean Whelan
Name: Sean Whelan
Title: Chief Financial Officer

Dated: December 6, 2007

EXHIBIT LIST

| Exhibit Number | Description of Document |
|---|---|
| 3.1 | Amended and Restated Certificate of Incorporation (1) |
| 3.2 | Certificate of Amendment of Amended and Restated Certificate of Incorporation (5) |
| 3.3 | By-laws (1) |
| 3.4 | Amended and Restated By-laws (2) |
| 3.5 | Certificate of Merger of Iceland Acquisition Subsidiary, Inc. into InfuSystem Inc.* |
| 3.6 | Agreement of Merger of Iceland Acquisition Subsidiary, Inc. into InfuSystem, Inc. and Certificates of Approval of the Agreement of Merger* |
| 3.7 | Certificate of Amendment of Amended and Restated Certificate of Incorporation* |
| 4.1 | Specimen Unit Certificate (4) |
| 4.2 | Specimen Common Stock Certificate (4) |
| 4.3 | Specimen Warrant Certificate (4) |
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| 4.5 | Form of Purchase Option granted to FTN Midwest Securities Corp. (4) |
| 4.6 | Form of Warrant Agreement between Sean McDevitt and Registrant (8) |
| 4.7 | Unit Purchase Option Clarification Agreement between FTN Midwest Securities Corp. and the Registrant (9) |
| 10.1 | Form of Letter Agreement entered into by and between the Registrant and each of its initial stockholders (4) |
| 10.2 | Form of Registration Rights Agreement (4) |
| 10.3 | Form of Stock Transfer Agency Agreement (2) |
| 10.4 | Stock Purchase Agreement (6) |
| 10.5 | Amendment No. 1 to Stock Purchase Agreement, dated as of April 30, 2007, by and among I-Flow Corporation, InfuSystem, Inc., HAPC, INC. and Iceland Acquisition Subsidiary, Inc. (10) |
| 10.6 | Amendment No. 2 to Stock Purchase Agreement, dated as of June 29, 2007, by and among I-Flow Corporation, InfuSystem, Inc., HAPC, INC. and Iceland Acquisition Subsidiary, Inc. (11) |
| 10.7 | Amendment No. 3 to Stock Purchase Agreement, dated as of July 31, 2007, by and among I-Flow Corporation, InfuSystem, Inc., HAPC, INC. and Iceland Acquisition Subsidiary, Inc. (12) |
| 10.8 | Amendment No. 4 to Stock Purchase Agreement, dated as of September 18, 2007, by and among I-Flow Corporation, InfuSystem, Inc., HAPC, INC. and Iceland Acquisition Subsidiary, Inc. (14) |
| 10.9 | Continuing Guaranty (6) |
| 10.10 | Guarantee Fee and Reimbursement Agreement (6) |
| 10.11 | Subscription Agreement, dated as of December 28, 2006, between the Registrant and Sean McDevitt (8) |
| 10.12 | Subscription Agreement, dated as of April 12, 2007, between the Registrant and Sean McDevitt (10) |
| 10.13 | Further Agreement Regarding Project Iceland, dated as of October 17, 2007, by and among I-Flow Corporation, InfuSystem, Inc., HAPC, INC. and Iceland Acquisition Subsidiary, Inc. (15) |
| 10.14 | Acknowledgment and Agreement Regarding Stock Purchase Agreement and Guaranty, dated as of October 8, 2007, by and among I-Flow Corporation, InfuSystem, Inc., HAPC, INC., Iceland Acquisition Subsidiary, Inc., Pat LaVecchia, Sean D. McDevitt and Philip B. Harris (15) |
| 10.15 | Amended and Restated Services Agreement, dated as of October 25, 2007, by and between InfuSystem, Inc. and I-Flow Corporation* |
| 10.16 | License Agreement, dated as of October 25, 2007, by and between InfuSystem, Inc. and I-Flow Corporation* |
| 10.17 | Credit and Guaranty Agreement, dated as of October 25, 2007, by and among Iceland Acquisition Subsidiary, Inc., HAPC, INC. and I-Flow Corporation* |

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|---|---|
| 10.18 | Security Agreement, dated as of October 25, 2007, by and among I-Flow Corporation, Iceland Acquisition Subsidiary, Inc. and HAPC, INC.* |
| 10.19 | Form of Subscription Agreement with various members of the Registrant's Management (13) |
| 14.1 | Code of Ethics (3) |
| 16.1 | Letter dated October 27, 2006 from Miller Ellin and Company, LLP to the U.S. Securities and Exchange Commission (7) |
| 99.1 | Press Release issued by HAPC, INC. on October 24, 2007* |
| 99.2 | Press Release issued by HAPC, INC. on October 26, 2007* |
| 99.3 | Management's Discussion and Analysis of Results of Operations and Financial Condition of InfuSystem, Inc. for the Six Months ended June 30, 2007* |
| 99.4 | Selected Historical Financial Statements of InfuSystem, Inc.* |
| 99.5 | Unaudited Financial Statements of InfuSystem, Inc. as of and for the Six Months Ended June 30, 2007* |
| 99.6 | Pro Forma Financial Information as of June 30, 2007* |

*Filed herewith

(1) Previously filed in connection with Registrant's Registration Statement on Form S-1 (File No. 333-129035) filed on October 14, 2005.

(2) Previously filed in connection with Amendment No. 1 to Registrant's Registration Statement on Form S-1 (File No. 333-129035) filed on December 8, 2005

(3) Previously filed in connection with Amendment No. 2 to Registrant's Registration Statement on Form S-1 (File No. 333-129035) filed on December 17, 2005.

(4) Previously filed in connection with Amendment No. 3 to Registrant's Registration Statement on Form S-1 (File No. 333-129035) filed on March 3, 2006.

(5) Previously filed in connection with Registrant's Current Report on Form 8-K (File No. 000-51902) filed on April 24, 2006.

(6) Previously filed in connection with Registrant's Current Report on Form 8-K (File No. 000-51902) filed on October 4, 2006.

(7) Previously filed in connection with Registrant's Current Report on Form 8-K (File No. 000-51902) filed on October 27, 2006.

(8) Previously filed in connection with Registrant's Current Report on Form 8-K (File No. 000-51902) filed on January 3, 2007.

(9) Previously filed in connection with Registrant's Current Report on Form 8-K (File No. 000-51902) filed on February 14, 2007.

(10) Previously filed in connection with Registrant's Current Report on Form 8-K (File No. 000-51902) filed on May 4, 2007.

(11) Previously filed in connection with Registrant's Current Report on Form 8-K (File No. 000-51902) filed on July 5, 2007.

(12) Previously filed in connection with Registrant's Current Report on Form 8-K (File No. 000-51902) filed on August 1, 2007.

(13) Previously filed in connection with Registrant's Current Report on Form 8-K (File No. 000-51902) filed on September 12, 2007.

(14) Previously filed in connection with Registrant's Current Report on Form 8-K (File No. 000-51902) filed on September 21, 2007.

(15) Previously filed in connection with Registrant's Current Report on Form 8-K (File No. 000-51902) filed on October 22, 2007.

**EXHIBIT 3.5**

**STATE OF DELAWARE**

**CERTIFICATE OF MERGER**
**OF**
**ICELAND ACQUISITION SUBSIDIARY, INC.**
**INTO**
**INFUSYSTEM, INC.**

Pursuant to Title 8, Section 252 of the Delaware General Corporation Law (the "DGCL"), the undersigned corporation executed the following Certificate of Merger:

FIRST: The name of each constituent corporation is Infusystem, Inc., a California corporation, and Iceland Acquisition Subsidiary, Inc., a Delaware corporation.

SECOND: The Merger Agreement, dated as of October 25, 2007, by and between InfuSystem, Inc. and Iceland Acquisition Subsidiary, Inc. (the "Merger Agreement"), has been approved, adopted, certified, executed and acknowledged by each of the constituent corporations pursuant to Title 8, Section 252 of the DGCL.

THIRD: The name of the surviving corporation is InfuSystem, Inc., a California corporation.

FOURTH: The Articles of Incorporation of InfuSystem, Inc. shall be the Articles of Incorporation of the surviving corporation.

FIFTH: The merger is to become effective on October 25, 2007.

SIXTH: The Merger Agreement is on file at an office of InfuSystem, Inc., the address of which is 1551 East Lincoln Avenue, Suite 200, Madison Heights, MI 48071-4148.

SEVENTH: A copy of the Merger Agreement will be furnished by InfuSystem, Inc., on request and without cost, to any stockholder of the constituent corporations.

EIGHTH: InfuSystem, Inc. agrees that it may be served with process in the State of Delaware in any proceeding for enforcement of any obligation of Iceland Acquisition Subsidiary, Inc., as well as for enforcement of any obligation of InfuSystem, Inc., as the surviving corporation, arising from this merger, including any suit or other proceeding to enforce the rights of any stockholders as determined in appraisal proceedings pursuant to the provisions of Section 262 of the DGCL, and irrevocably appoints the Secretary of State of Delaware as its agent to accept service of process in any such suit or proceeding. The Secretary of State shall mail any such process to InfuSystem, Inc. at 1551 East Lincoln Avenue, Suite 200, Madison Heights, MI 48071-4148.

IN WITNESS WHEREOF, the undersigned has executed this Certificate of Merger on this 25th day of October, 2007.

INFUSYSTEM, INC.,
a California corporation

By: /s/ Pat LaVecchia
Name: Pat LaVecchia
Title: Secretary

**EXHIBIT 3.6**

**AGREEMENT OF MERGER**
**OF**
**ICELAND ACQUISITION SUBSIDIARY, INC.**
**INTO**
**INFUSYSTEM, INC.**

This Agreement of Merger is entered into between InfuSystem, Inc., a California corporation (the "Surviving Corporation") and Iceland Acquisition Subsidiary, Inc., a Delaware corporation (the "Merging Corporation").

1. Merging Corporation shall be merged into Surviving Corporation.
2. The outstanding shares of Merging Corporation shall be canceled without consideration.
3. The outstanding shares of Surviving Corporation shall remain outstanding and are not affected by the merger.
4. Merging Corporation shall from time to time, as and when requested by Surviving Corporation, execute and deliver all such documents and instruments and take all such action necessary or desirable to evidence or carry out this merger.
5. The effective date of the merger is October 25, 2007 and the effect of the merger is prescribed by law.

[*Signature page follows*]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement of Merger on this 25th day of October, 2007.

INFUSYSTEM, INC.,
a California corporation

By: /s/ Janet Skonieczny
Name: Janet Skonieczny
Title: Vice President

By: /s/ Pat LaVecchia
Name: Pat LaVecchia
Title: Secretary

ICELAND ACQUISITION SUBSIDIARY, INC.,
a Delaware corporation

By: /s/ John Voris
Name: John Voris
Title: Chief Executive Officer

By: /s/ Pat LaVecchia
Name: Pat LaVecchia
Title: Secretary

**CERTIFICATE OF APPROVAL**
**OF**
**AGREEMENT OF MERGER**

Janet Skonieczny and Pat LaVecchia certify that:

1. They are the Vice President and Secretary, respectively, of InfuSystem, Inc., a California corporation.
2. The Agreement of Merger in the form attached was duly approved by the board of directors and shareholders of the corporation which equaled or exceeded the vote required.
3. The shareholder approval was by the holders of 100% of the outstanding shares of the corporation.
4. There is only one class of shares and the number of shares outstanding entitled to vote on the merger is 100.

We further declare under penalty of perjury under the laws of the State of California that the matters set forth in this certificate are true and correct to our own knowledge.

Date: October 25, 2007

By: /s/ Janet Skonieczny
Name: Janet Skonieczny
Title: Vice President

By: /s/ Pat LaVecchia
Name: Pat LaVecchia
Title: Secretary

**CERTIFICATE OF APPROVAL**
**OF**
**AGREEMENT OF MERGER**

John Voris and Pat LaVecchia certify that:

1. They are the Chief Executive Officer and Secretary, respectively, of Iceland Acquisition Subsidiary, Inc., a Delaware corporation.
2. The Agreement of Merger in the form attached was duly approved by the board of directors and shareholders of the corporation which equaled or exceeded the vote required.
3. The shareholder approval was by the holders of 100% of the outstanding shares of the corporation.
4. There is only one class of shares and the number of shares outstanding entitled to vote on the merger is 100.

We further declare under penalty of perjury under the laws of the State of California that the matters set forth in this certificate are true and correct to our own knowledge.

Date: October 25, 2007

By: /s/ John Voris
Name: John Voris
Title: Chief Executive Officer

By: /s/ Pat LaVecchia
Name: Pat LaVecchia
Title: Secretary

**EXHIBIT 3.7**

**CERTIFICATE OF AMENDMENT**

**OF**

**AMENDED AND RESTATED**

**CERTIFICATE OF INCORPORATION**

**OF**

**HAPC, INC.**

HAPC, Inc., a corporation organized and existing under the General Corporation Law of the State of Delaware (the "GCL"), hereby certifies as follows:

1. The name of the corporation is HAPC, INC. The Certificate of Incorporation of the corporation was originally filed with the Secretary of State of the State of Delaware on August 15, 2005.

2. This Certificate of Amendment of Amended and Restated Certificate of Incorporation (a) has been duly adopted in accordance with the provisions of Section 242 of the GCL and (b) amends the Amended and Restated Certificate of Incorporation of this Corporation.

3. Article FIRST of the Amended and Restated Certificate of Incorporation is hereby amended to read in its entirety as follows:

FIRST: The name of the corporation is InfuSystem Holdings, Inc.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the undersigned has duly executed this Certificate of Amendment of Amended and Restated Certificate of Incorporation as of October 25, 2007.

By: /s/ Pat LaVecchia
Name: Pat LaVecchia
Title: Secretary

**EXHIBIT 10.15**
**EXECUTION COPY**

# AMENDED AND RESTATED SERVICES AGREEMENT

This Amended and Restated Services Agreement (this "Agreement") is entered into effective as of the 25th day of October, 2007 (the "Effective Date"), by and between I-Flow Corporation, a Delaware corporation (hereinafter referred to as "I-Flow"), and InfuSystem, Inc., a California corporation (hereinafter referred to as "InfuSystem").

WHEREAS, pursuant to that certain Stock Purchase Agreement, dated as of September 29, 2006 (the "Stock Purchase Agreement"), by and among I-Flow, InfuSystem, HAPC, Inc., a Delaware corporation (the "Buyer") and Iceland Acquisition Subsidiary, Inc., a Delaware corporation (the "Acquisition Sub"), the Buyer is purchasing concurrently with the execution and delivery of this Agreement all of the issued and outstanding capital stock of InfuSystem through the Acquisition Sub;

WHEREAS, I-Flow manufactures, markets, distributes and sells medical equipment and supplies, including, without limitation, I-Flow's ON-Q® Pain Management Systems and acute post-operative pain management, wound site management and post-operative surgical treatment products and related supplies (hereafter collectively referred to as the "Products");

WHEREAS, pursuant to that certain Services Agreement dated April 29, 2002, as amended, between InfuSystem and I-Flow (the "Existing Agreement"), InfuSystem has been furnishing I-Flow with the Billing and Collection Services (as defined herein) and Management Services (as defined herein) in connection with the Products;

WHEREAS, InfuSystem and I-Flow desire to amend and restate the Existing Agreement in its entirety as set forth in this Agreement;

WHEREAS, I-Flow desires that InfuSystem continue to provide, from and after the closing of the transactions contemplated by the Stock Purchase Agreement, I-Flow with the Billing and Collection Services and Management Services in connection with the Products, and InfuSystem desires to so continue, all on the terms and conditions herein specified; and

WHEREAS, concurrently with the execution and delivery of this Agreement and the consummation of the transactions contemplated by the Stock Purchase Agreement, in order to facilitate the continued business relationship between InfuSystem and I-Flow pursuant to this Agreement, I-Flow and InfuSystem are entering into a License Agreement (the "License Agreement"), pursuant to which InfuSystem is granting to I-Flow exclusive and non-exclusive licenses to InfuSystem's intellectual property related to third-party billing and collection services and management services for use in the field of acute post-operative pain management and in other Products fields including, without limitation, wound site management and post-operative surgical treatments, all subject to the terms and conditions set forth in the License Agreement.

NOW, THEREFORE, in consideration of the foregoing premises and the promises and

covenants contained in this Agreement, the License Agreement and the Stock Purchase Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

**1. NON-EXCLUSIVE RETENTION OF INFUSYSTEM TO FURNISH SERVICES; GRANT OF NON-EXCLUSIVE LICENSE.**

**A. NON-EXCLUSIVE RETENTION OF INFUSYSTEM.** I-Flow hereby retains InfuSystem, as an independent contractor, to be I-Flow's non-exclusive source for third-party billing and certain management services in connection with the manufacturing, marketing, distribution and sale by I-Flow of I-Flow's Products during the term of this Agreement, all on the terms and conditions herein specified, and InfuSystem hereby accepts such retention.

**B. GRANT OF NON-EXCLUSIVE LICENSE.** I-Flow hereby grants to InfuSystem a non-exclusive, non-transferable, non-assignable, non-sublicenseable, royalty-free license and sublicense to use during the term of this Agreement any intellectual property owned or licensed by I-Flow, which does not require any payment by I-Flow of any royalties or additional license fees or require any additional consent by any third party, solely in connection with InfuSystem's provision of the Billing and Collection Services (as hereinafter defined) and the Management Services (as hereinafter defined) for I-Flow in accordance with and as defined in this Agreement (collectively, the "Licensed IP"). InfuSystem agrees that it shall not use the Licensed IP for any other purpose, including, without limitation, providing any such Billing and Collection Services or Management Services, in whole or in part, to any third party in the acute post-operative pain management market. I-Flow represents and warrants that the Licensed IP does not violate or infringe any patent, copyright, trademark, trade secret, or other intellectual property or contractual right of any third party, and the Licensed IP is all that is necessary for InfuSystem to provide the Services.

**2. SERVICES TO BE FURNISHED BY INFUSYSTEM.**

**A. BILLING AND COLLECTION SERVICES.** Upon the terms and subject to the conditions contained in this Agreement, InfuSystem shall furnish the following billing and collection services (the "Billing and Collection Services") to I-Flow:

(1.) InfuSystem shall furnish billing and collection services, including the billing of services and/or products to, and collection of payments and reimbursements from, patients and applicable third-party payors, in material compliance with all applicable laws, rules, regulations and the policies and guidelines applicable to each payor. The billing of each such patient and/or applicable third-party payor shall be processed and completed by InfuSystem within seven (7) Business Days (as defined below) following receipt by InfuSystem of all information required for such billing from I-Flow's Employees (as defined below). For purposes of this Agreement, the term "Business Day" shall mean any day that is not a Saturday, a Sunday or other day on which banks are required or authorized by applicable law to be closed in New York, New York.

(2.) InfuSystem will provide third party claims submission using commercially reasonable efforts, consistent with its practice prior to the Effective Date.

(3.) InfuSystem will, consistent with its practice prior to the Effective Date, provide assistance in working with third-party professional and patient-care personnel to obtain necessary or appropriate medical records in a timely manner, so as to allow for prompt and accurate billing of fees and charges for the Products. InfuSystem will, consistent with its practice prior to the Effective Date, use commercially reasonable efforts to ensure that all documentation, professional/patient care personnel attestations, and other information necessary or appropriate to permit patient and third-party payor billing by InfuSystem shall materially comply with all applicable laws, rules and regulations, and the policies and guidelines of third-party payors.

(4.) InfuSystem shall utilize such automated billing software and hardware as may be required or appropriate to service I-Flow's manufacturing, marketing, distribution and sale of the Products.

(5.) InfuSystem will notify appropriate I-Flow personnel in writing of any and all problems or questions that occur with respect to billing, collections and/or accounts receivable within seven (7) Business Days from its discovery of such problem and/or question.

(6.) InfuSystem will provide I-Flow with (i) weekly billings activity reports on Mondays of each week for the previous calendar week, (ii) monthly reports of billings, collections, write-offs, adjustments and accounts receivable within seven (7) Business Days after the end of each calendar month for such calendar month, (iii) quarterly MIKA reports without payor details within seven (7) Business Days after the end of each calendar quarter for such calendar quarter and (iv) if requested by I-Flow, quarterly MIKA reports with payor details within ten (10) Business Days after the end of each calendar quarter for such calendar quarter.

(7.) InfuSystem will provide I-Flow with accounts receivable aging on a monthly basis.

(8.) InfuSystem will maintain reasonably detailed records of all collection efforts for each patient. Such records will materially comply with the appropriate payor record-keeping requirements.

(9.) InfuSystem will provide collection services to I-Flow with respect to the collection of all open receivables, consistent with its practice prior to the Effective Date.

(10.) It is understood and agreed by the parties that all amounts billed and

collected by InfuSystem on behalf of I-Flow shall be and at all times remain in I-Flow's name and that InfuSystem shall continue to receive all checks, negotiable instruments or other forms of payment directly from patients and third-party payors via the current I-Flow lockbox. In the event I-Flow receives any payments from patients or third-party payors for the Products, I-Flow agrees to provide or make available to InfuSystem a copy of the check, negotiable instrument, or other form of payment and any explanation of benefits accompanying such payments. In the event InfuSystem receives any payments from patients or third-party payors for the Products, InfuSystem shall immediately forward the payment to I-Flow.

**B. MANAGEMENT SERVICES.** Upon the terms and subject to the conditions contained in this Agreement, InfuSystem shall furnish the following management services (the "Management Services", and together with the Billing and Collection Services, the "Services") to I-Flow:

(1.) **Business Management Assistance**. InfuSystem will provide I-Flow with (i) assistance as needed with tracking of inventory owned by I-Flow and (ii) services of its managed care specialists in working with third-party insurers with respect to maintenance of existing insurance coverage contracts for the Products, in each case consistent with InfuSystem's practice prior to the Effective Date.

(2.) **Advice Concerning Regulatory, Legislative and Industry Changes**. InfuSystem shall (i) advise I-Flow from time to time of pending and current regulatory, legislative and industry changes that may affect I-Flow's manufacturing, marketing, distribution and sale of the Products and of which InfuSystem shall become aware through reasonable good faith efforts, (ii) advise, consult and assist in the maintenance of I-Flow's durable medical equipment (DME) license related to the Products and (iii) perform all administrative tasks in connection with the foregoing, including, without limitation, providing assistance and making appropriate records available in connection with regulatory agency or other third-party audits, in each case consistent with InfuSystem's practice prior to the Effective Date.

(3.) **Medical Record System**. InfuSystem shall, consistent with its practice prior to the Effective Date, assist I-Flow in establishing and maintaining the current system of medical and other records necessary for the third-party billing for the Products. Such system shall be that which is customary and usual for a medical equipment supplier and consistent with the requirements for reimbursement under third-party payor programs in which I-Flow participates. All medical and other records shall remain the property of I-Flow.

(4.) **Staff Development**. InfuSystem will assist in staff development of I-Flow's Employees. InfuSystem will assist in staff education and training required under the Health Insurance Portability and Accountability Act of I-Flow's Employees.

**3. I-FLOW'S OBLIGATIONS WITH RESPECT TO THE BILLING AND COLLECTION SERVICES.**

**A.** In connection with the Services, I-Flow shall cause its personnel to execute, keep and make available to InfuSystem all records of the Products supplied and all other forms and documents as shall be necessary or appropriate to allow InfuSystem to perform the Services and to permit InfuSystem and I-Flow to meet the billing and other requirements of any Federal or State law or other third-party payor and administrators. Such documents shall include, without limitation, reimbursement assignments in such forms as may be required by applicable third-party payors.

**B.** InfuSystem shall have access to necessary medical records pertaining to I-Flow's patients provided with the Products during the term of this Agreement and for a period of six (6) years following the last date of delivery of service by InfuSystem under this Agreement for the purposes of completing, reviewing and calculating billings and collections, and for any other reasonable purpose.

**4. PERSONNEL TO BE FURNISHED BY I-FLOW.** I-Flow, directly and/or through its agents other than InfuSystem, shall provide and be responsible for personnel required for the operation of I-Flow's business other than the Services expressly provided by InfuSystem herein. Such personnel are collectively referred to herein as "I-Flow's Employees." I-Flow shall be solely responsible for the salaries, compensation, benefits, and expenses of all of I-Flow's Employees. InfuSystem shall have no obligation, whatsoever, to furnish salaries, compensation, benefits and/or expenses to any of I-Flow's Employees.

**5. PERSONNEL TO BE FURNISHED BY INFUSYSTEM.** Consistent with its practice prior to the Effective Date, InfuSystem shall furnish, directly and/or through its agents, employees and subcontractors, and be fully responsible for, the following personnel at such time and in such numbers as may reasonably be required for the efficient and productive implementation and operation of its obligations: all personnel required in order to furnish I-Flow with all of the services specified in Sections 2.A. and 2.B. above. The personnel described in this Section 5 to be furnished by InfuSystem are referred to herein as "InfuSystem Personnel." InfuSystem shall be solely responsible for the salaries, compensation, benefits, and expenses of all InfuSystem Personnel. I-Flow shall have no obligation, whatsoever, to furnish salaries, compensation, benefits and/or expenses to any InfuSystem Personnel. Proposed staffing increases and salary increases constituting Direct Costs (as defined below) must be approved in writing (which approval shall not be unreasonably delayed, withheld or conditioned) in advance by I-Flow.

**6. COMPENSATION OF INFUSYSTEM.** For the services provided by InfuSystem pursuant to this Agreement, I-Flow shall pay InfuSystem a monthly service fee (the "Fee") equal to the greater of (a) the actual monthly expenses for those InfuSystem Personnel devoted exclusively to the Services for the Products (the "Direct Costs"), consisting of actual (i) salaries and wages, (ii) payroll taxes, (iii) group insurance, plus an amount equal to forty percent (40%) of the sum of the amounts described in subparagraphs (i) through (iii) above (in lieu of separate allocations for rent, utilities, telephone, office expense, postage, management time and other administrative costs) or (b) a performance-based fee equal to twenty-five percent (25)% of total

actual net cash collections (net of adjustments) received during such month for the Products. InfuSystem shall provide I-Flow with a monthly invoice (an "Invoice") setting forth the amount of the Fee payable, together with reasonably detailed supporting documentation substantiating such amount. I-Flow shall pay the Fee set forth on such Invoice to InfuSystem within thirty (30) calendar days of receipt of such Invoice. If I-Flow objects to any portion of the Fee set forth on any Invoice for any reason, it shall notify InfuSystem in writing of such objection within twenty (20) calendar days of receipt such Invoice, and InfuSystem shall cooperate with I-Flow in good faith to resolve such objection. InfuSystem hereby acknowledges that I-Flow shall have the right to, in good faith, withhold payment of that portion of the Fee set forth on any Invoice with respect to which I-Flow notifies InfuSystem of its objection therewith within the twenty-day period set forth in the immediately preceding sentence until such objection has been resolved to I-Flow's reasonable satisfaction.

**7. APPLICABLE STANDARDS**. All services rendered or furnished by InfuSystem under this Agreement shall be rendered or furnished in a competent and professional manner and generally consistent with the level provided by InfuSystem prior to the Effective Date. All billing and collection services will be performed materially in accordance with all applicable statutes and regulations, and with the rules and policies of all applicable third-party payors.

**8. TERM AND TERMINATION.**

**A. TERM.** The initial term of this Agreement shall be three (3) years, commencing on the Effective Date; provided that this Agreement shall be automatically renewed for succeeding terms of one (1) year each unless, at least one hundred twenty (120) calendar days prior to the expiration of the then-current term, either party gives to the other party written notice of its intent to not renew the Agreement. During any and all renewal terms of this Agreement, all of the terms and provisions hereof will remain in full force and effect, save and except only as modified or amended in the manner specified in this Agreement.

**B. TERMINATION.** This Agreement, during both the original term and any renewal terms hereof, cannot be terminated prior to the expiration of the then-current term except as follows:

(1.) **Termination by I-Flow.** I-Flow shall have the right to terminate this Agreement at any time in its discretion upon at least one hundred eighty (180) calendar days prior written notice to InfuSystem.

(2.) **Termination by InfuSystem.** InfuSystem shall have the right to terminate this Agreement by providing in its discretion a notice at any time after the first anniversary of the Effective Date, which notice shall designate a termination date no earlier than one hundred eighty (180) calendar days after the date of such notice.

(3.) **After Notice and Opportunity to Cure.** Either party shall have the right to terminate this Agreement if the other party materially breaches this

Agreement or materially defaults in the performance of a provision of this Agreement and such material breach or default is not cured within sixty (60) calendar days after the defaulting party receives written notice of such breach or default from the other party.

(4.) **Immediately.** Either party shall have the right to terminate this Agreement immediately upon delivery of written notice of termination to the other party if such other party:

(a.) is in material breach or default under this Agreement and has failed to cure such breach or default within the time specified for curing a material breach or default;

(b.) applies for or consents to the appointment of a receiver, trustee or liquidator of all or substantially all of its assets, or files a petition or an answer seeking reorganization or to otherwise take advantage of any insolvency law;

(c.) files a voluntary petition in bankruptcy, admits in writing its inability to pay its debts as they become due, or makes a general assignment for the benefit of creditors;

(d.) is adjudicated bankrupt or insolvent by a court of competent jurisdiction or is the subject of such a court's order, judgment or decree approving a petition seeking its reorganization; or

(e.) has a receiver or trustee appointed by a court of competent jurisdiction to manage its assets, and such receiver or trustee has not been discharged within forty-five (45) calendar days after appointment.

The effective date of any termination under this subsection (4.) shall be the date upon which the defaulting party receives the written notice required by this subsection.

(5.) **Upon Mutual Consent.** This Agreement may be terminated upon the mutual written consent of the parties.

(6.) **Upon Breach of Privacy Provisions.** Upon I-Flow's knowledge of a material breach by InfuSystem of Section 23 of this Agreement, I-Flow may:

(a.) Provide an opportunity for InfuSystem to cure the breach or end the violation, which cure period may be less than sixty (60) calendar days. Should I-Flow provide InfuSystem an opportunity to cure the breach or end the violation of Section 23 and InfuSystem does not cure the breach or end the violation within time specified by I-Flow, I-Flow shall have the right to terminate this Agreement immediately;

(b.) Immediately terminate this Agreement if InfuSystem has breached a material term of Section 23 of this Agreement and cure is not possible; or

(c.) If neither termination nor cure is feasible, I-Flow shall report the violation to the Secretary of the Department of Health and Human Services.

**C. RETURN OF RECORDS.** Upon termination of this Agreement for any reason, all information and records owned or provided by I-Flow to InfuSystem, or created or received by InfuSystem on behalf of I-Flow, including, without limitation, any managed care contracts and any "Protected Healthcare Information," as that term is defined by the Federal Privacy Rule (hereafter "PHI" and, collectively with all such information and records, the "Information"), must be, at I-Flow's expense, returned to I-Flow or destroyed within thirty (30) calendar days of termination (or, if shorter in duration, within the period of time provided by applicable law, rules or regulations). This provision shall apply to PHI that is in the possession of subcontractors or agents of InfuSystem. InfuSystem shall retain no copies of the PHI.

In the event that InfuSystem determines that returning or destroying the Information is infeasible, InfuSystem shall provide to I-Flow notification of the conditions that make return or destruction infeasible. Upon mutual agreement of the parties, InfuSystem shall extend the protections of this Agreement to such Information and limit further uses and disclosures of such Information to those purposes that make the return or destruction infeasible, for so long as InfuSystem maintains such Information.

**D. EFFECT OF TERMINATION OR NON-RENEWAL.** In the event I-Flow (i) elects not to renew this Agreement pursuant to Section 8(A), or (ii) terminates this Agreement pursuant to Section 8(B)(1), I-Flow shall be responsible for an amount equal to the lower of (a) the aggregate amount of the rent payable by InfuSystem under the real property lease for the space occupied by the InfuSystem Personnel (including any termination penalties or rental charges incurred following such termination or non-renewal), determined reasonably and consistent with past practice, for the remainder of the then current lease term as of the date of such notice of non-renewal or termination, as applicable (the "Current Lease Term"), less all amounts actually received by InfuSystem in connection with any sublease or assignment of the real property lease for such space, or (b) $50,000 (the lower of such two amounts, the "Rent Payable"). I-Flow shall pay the Rent Payable, if any, to InfuSystem on or prior to the thirtieth (30th) calendar day following the end of the Current Lease Term.

**9. ENTIRE AGREEMENT; AMENDMENT AND MODIFICATION; RELEASE.**

**A.** This Agreement amends and restates the Existing Agreement in its entirety and supersedes the Existing Agreement in all respects. This Agreement contains the

entire agreement by and between the parties with respect to the subject matter of this Agreement and supersedes any and all prior understandings, agreements and representations, both oral and written, regarding the subject matter of this Agreement.

**B.** Any modification or amendment of or to this Agreement must be in writing and executed by I-Flow and by InfuSystem. The parties agree to take such action as is necessary to amend this Agreement from time to time as necessary for I-Flow or InfuSystem to comply with the requirements of the Federal Privacy Rule in the Standards for Privacy of Individually Identifiable Health Information at 45 CFR 164.501 (the "Federal Privacy Rule") and the Health Insurance Portability and Accountability Act, Public Law 104-191.

**C.** Each of I-Flow, on the one hand, and InfuSystem, on the other hand, on behalf of itself and each of its respective affiliates, employees, agents, successors and assigns (each, a "Releasing Party"), hereby fully releases and discharges the other and each of its respective affiliates, employees, agents, successors and assigns (each, a "Released Party"), from, and to the extent applicable, relinquishes, all rights, obligations, liabilities, claims and actions, whether known or unknown, now existing or hereafter arising, at law or in equity or otherwise, that each such Releasing Party now has or may have against any Released Party, arising out of or in connection with the Existing Agreement or the providing of comparable services prior to the date hereof.

**10. EFFECT OF INVALIDITY OR UNENFORCEABILITY.** In the event that any of the provisions of this Agreement or any section, paragraph, sentence, clause, phrase, word or numeral or the application thereof in any circumstance shall be held by any court of competent jurisdiction to be invalid or unenforceable, such invalidity or unenforceability shall be severable and severed from and shall not affect the validity or enforceability of such provisions, section, paragraph, sentence, clause, phrase, word or numeral in any other circumstance and/or the validity or enforceability of the remainder of this Agreement, unless such severance would materially destroy the intent of the parties in entering into this Agreement, in which case the parties shall immediately commence negotiations in good faith to achieve a revised, fully valid and enforceable Agreement; provided, however, that if such a revised, fully valid and enforceable Agreement is not executed by both parties within thirty (30) calendar days after the event triggering severance, then either party may immediately terminate this Agreement.

**11. AGREEMENT NOT RESTRICTIVE.** Except as otherwise expressly specified herein, nothing in this Agreement shall be construed to prevent either party from otherwise conducting business, or entering into any contractual relationship with any third party.

**12. NOTICES.** All notices required or permitted to be given under this Agreement shall be made in writing and shall be sufficiently given only if personally delivered or mailed by overnight courier or certified or registered mail, return receipt requested, to the party to receive notice at the following addresses:

As to I-Flow: I-Flow Corporation
20202 Windrow Drive
Lake Forest, California 92630
Attention: President

As to InfuSystem: InfuSystem, Inc.
1551 East Lincoln Ave.
Madison Heights, MI 48071
Attention: President

or to such other address as the intended recipient shall from time to time designate by written notice delivered in accordance with this Section 12. The date of the giving or making of any such notice, request, demand or other communication shall be the earlier of the date that its receipt is acknowledged in writing, or, if receipt is not so acknowledged, two (2) Business Days after the date on which such notice, request, demand or other communication was sent, mailed or personally delivered.

**13. BINDING EFFECT; ASSIGNMENT; NO THIRD-PARTY RIGHTS.** This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns. Neither party may assign its rights and/or delegate its duties or obligations under this Agreement without the prior, written consent of the other party, except to a successor to all, or substantially all, of such party's assets, whether by stock or asset acquisition or merger. Nothing expressed or implied in this Agreement is intended to or shall be construed to confer upon or give any person or entity other than InfuSystem and I-Flow any rights or remedies under or by reason of this Agreement or any transaction contemplated hereby.

**14. RELATIONSHIP OF THE PARTIES.** Nothing herein contained shall constitute or be construed to create a partnership, joint venture or employer/employee relationship between I-Flow and InfuSystem or between InfuSystem and any of I-Flow's Employees or between I-Flow and any InfuSystem Personnel. The relationship of I-Flow and InfuSystem under and pursuant to this Agreement is that of principal and independent contractor, respectively. Neither party has nor shall have any authority to bind the other party to any contractual obligation, whatsoever, except as expressly provided in this Agreement.

**15. CONSTRUCTION AND INTERPRETATION.**

**A.** This Agreement shall be construed and interpreted according to the internal laws of the State of Michigan.

**B.** The parties hereto agree that both parties participated in the drafting of this Agreement and that this Agreement shall be construed without regard to any presumption or rule requiring construction against the party causing such document to be prepared or drafted.

**C.** Any ambiguity in this Agreement shall be resolved in favor of a meaning that permits I-Flow to comply with the Federal Privacy Rule.

**16. LIABILITY AND INDEMNIFICATION.**

**A.** InfuSystem shall be solely responsible for, and shall indemnify I-Flow and its directors, officers, employees, agents and representatives against, any and all liabilities, losses, claims, suits, judgment, damages, costs, expenses, interest and legal fees that proximately result from any act of, or omission by, InfuSystem or any of InfuSystem's Personnel, employees, contractors, agents or representatives.

**B.** I-Flow shall be solely responsible for, and shall indemnify InfuSystem and its directors, officers, employees, agents and representatives against, any and all liabilities, losses, claims, suits, judgment, damages, costs, expenses, interest and legal fees that proximately result from any act of, or omission by, I-Flow or any of I-Flow's Employees or any of I-Flow's contractors, agents or representatives other than InfuSystem.

**C.** Subject to the provisions of subsections A. and B. of this Section 16, the parties shall make all reasonable efforts, consistent with advice of counsel and the requirements of the respective insurance policies and carriers, to coordinate the defense of all claims arising out of the Services to be provided under this Agreement.

**D.** I-FLOW HEREBY ACKNOWLEDGES AND AGREES THAT INFUSYSTEM HAS AGREED TO PROVIDE THE SERVICES HEREUNDER SOLELY AS AN ACCOMMODATION TO I-FLOW AND THAT SUCH SERVICES ARE PROVIDED ON THE BASIS AND IN THE MANNER PROVIDED IN THIS AGREEMENT SUCH THAT, EXCEPT AS EXPRESSLY SET FORTH IN THIS AGREEMENT, NEITHER INFUSYSTEM NOR ITS AFFILIATES MAKES ANY REPRESENTATIONS OR WARRANTIES OF ANY KIND, EXPRESS OR IMPLIED, AT LAW OR IN EQUITY WITH RESPECT TO THE SERVICES OR THE SUBJECT MATTER OF THIS AGREEMENT, INCLUDING, WITHOUT LIMITATION, ANY WARRANTY OF MERCHANTABILITY, FITNESS FOR ANY PARTICULAR PURPOSE, NON-INFRINGEMENT, ACCURACY, AVAILABILITY, TIMELINESS, COMPLETENESS OR THE RESULTS TO BE OBTAINED FROM SUCH SERVICES, AND INFUSYSTEM AND ITS AFFILIATES HEREBY DISCLAIM THE SAME.

**E.** NOTWITHSTANDING ANY PROVISION OF THIS AGREEMENT TO THE CONTRARY, UNDER NO CIRCUMSTANCES SHALL EITHER PARTY BE LIABLE TO THE OTHER (A) FOR ANY PUNITIVE, EXEMPLARY OR OTHER SPECIAL DAMAGES ARISING UNDER OR RELATING TO THIS AGREEMENT OR THE SUBJECT MATTER HEREOF, AND/OR (B) FOR ANY INDIRECT, INCIDENTAL OR CONSEQUENTIAL DAMAGES (INCLUDING WITHOUT LIMITATION LOSS OF USE, INCOME, PROFITS OR ANTICIPATED PROFITS, BUSINESS OR BUSINESS OPPORTUNITY, SAVINGS, DATA, OR BUSINESS REPUTATION), ARISING UNDER OR RELATING TO THIS AGREEMENT OR THE SUBJECT MATTER HEREOF, REGARDLESS OF WHETHER SUCH DAMAGES ARE BASED IN CONTRACT, BREACH OF WARRANTY, TORT, NEGLIGENCE OR ANY OTHER THEORY, AND REGARDLESS OF WHETHER SUCH PARTY

HAS BEEN ADVISED OF, KNEW OF, OR SHOULD HAVE KNOWN OF THE POSSIBILITY OF SUCH DAMAGES. THE EXCLUSIONS CONTAINED IN THIS SECTION 16E SHALL NOT APPLY TO INFUSYSTEM'S AND I-FLOW'S INDEMNIFICATION OBLIGATIONS SET FORTH IN SECTIONS 16A AND 16B.

**17. WAIVER.** The waiver by any party to this Agreement of any provision of this Agreement or of any breach of this Agreement shall not operate as or be construed as a continuing waiver of such provision or a waiver of any continuing breach, subsequent breach, or any other breach, and any statement or conduct by or of any party or such party's representative with respect to any such waiver shall not estop such party from asserting or exercising any rights with respect to any provision or any subsequent, continuing or other breach. No waiver shall be valid unless it is asserted in a written document and signed by the duly authorized representative of the party against whom such waiver is being asserted.

**18. CHANGE OF CIRCUMSTANCES.** In the event that any party hereto is prohibited by any governmental statutes, rules or regulations, or the policies and guidelines of any third-party payor from participating in the arrangement provided for and contemplated by this Agreement, the party claiming such condition shall immediately give written notice of same to the other party, and both parties shall promptly negotiate in good faith toward an acceptable alternative arrangement; provided, however, that if the parties cannot agree upon and execute an agreement implementing such an alternative arrangement within thirty (30) calendar days from the date of such written notice, then this Agreement shall be deemed terminated as of the date required to maintain compliance with all applicable local, state and federal statutes, rules and regulations.

**19. ARBITRATION; ATTORNEYS' FEES.** Any and all disputes between InfuSystem and I-Flow pertaining to and/or arising out of this Agreement and/or the interpretation, performance and/or breach of this Agreement shall, to the extent that the relief sought is within the jurisdiction of an arbitrator in a statutory arbitration to award, be settled exclusively by arbitration in Michigan, in accordance with the JAMS Comprehensive Arbitration Rules and Procedures then in effect; provided, however, that the parties may, by mutual agreement, modify such rules of JAMS then in effect to provide for the parties' exercise of whatever discovery mechanisms, prior to the arbitration hearing, they may mutually agree upon; provided, further, that the arbitrator shall be chosen mutually by the parties and shall not have jurisdiction or authority to change, add to, or subtract from any of the provisions of this Agreement and shall issue a written decision, including findings of fact and conclusions of law. The arbitrator's decision shall be final and binding and judgment may be entered on the arbitrator's award in any court of competent jurisdiction.

If any party to this Agreement shall bring any action, suit, arbitration, mediation, counterclaim or appeal for any relief against any other party, declaratory or otherwise, to enforce the terms hereof or to declare rights hereunder, the Prevailing Party in such action shall be entitled to recover as recoverable costs in any such action its actual attorneys' fees and costs, all expert fees and costs, all court and arbitration expenses, and any other costs reasonably and properly incurred, including any fees and costs incurred in bringing and prosecuting such action and enforcing any order, judgment, ruling, or award granted as part of such action. As used in this Section, "Prevailing Party" shall include, without limitation, a party which obtains substantially the relief sought by it.

**20. JURISDICTION; FORUM SELECTION.** To the extent that the relief sought in any action brought by any party hereto against the other arising out of or in any way related to any of the terms or provisions of this Agreement or to the performance or breach thereof, whether such action is at law or in equity, is beyond the jurisdiction of an arbitrator in a statutory arbitration to award, the parties agree that the sole forum for any such action shall be a court of competent jurisdiction in Michigan.

**21. CORPORATE AUTHORITY.** Each party to this Agreement represents and warrants to the other that it has the right, power, legal capacity and authority to enter into and perform its obligations under this Agreement, and that all necessary approvals and consents have been obtained in connection with the execution and performance of this Agreement. Each party further represents and warrants that its execution and delivery of this Agreement has been duly authorized by its respective governing body.

**22. CONFIDENTIALITY.** The parties recognize that in connection with the performance of this Agreement, the parties may furnish and disclose to each other confidential and proprietary information including, without limitation, information relating to the parties' respective organization, personnel, business activities, policies, finances, costs, marketing plans, projected revenues, technology, rights, obligations, liabilities, strategies and customer lists (collectively, "Confidential Information"). Each party, to the extent it comes into possession of Confidential Information of the other party, agrees that, except as expressly contemplated by this Agreement, it shall not directly or indirectly use such Confidential Information for its own benefit or in connection with its business relationships with patients/customers/clients of the owner of the Confidential Information, and shall take all reasonable care to ensure that such Confidential Information shall not be disclosed to any third party, including imposing reasonable confidentiality requirements with respect to such Confidential Information on its employees, agents, counsel, accountants and other representatives, except insofar as: (i) disclosure may be specifically authorized in writing from time to time by the owner of the Confidential Information; (ii) such Confidential Information is required to be disclosed in connection with performance of this Agreement, or pursuant to any right or license granted by the owner of the Confidential Information; (iii) the recipient of the Confidential Information can demonstrate, by independent documentation, that such Confidential Information was previously made public by the Confidential Information's owner; (iv) the recipient of the Confidential Information can demonstrate, by independent documentation, that such Confidential Information was in the public domain, prior to its disclosure hereunder and otherwise than as a consequence of a breach of its obligations hereunder; (v) the recipient of the Confidential Information can demonstrate, by independent documentation, that such Confidential Information was known by the recipient prior to its disclosure hereunder or was independently developed by the recipient without the aid or use of any information disclosed hereunder; or (vi) such disclosure is required under compulsion of law, including subpoena, civil investigative demand, oral questions or interrogatories, or other compulsory process; provided that, the Confidential Information's owner shall be given notice of service of such demand or process and a reasonable opportunity to defend against such demand or process, and the party against whom such demand or process is asserted provides all reasonable cooperation in opposing the same to the fullest extent permitted by law. Each of the parties, for itself and its successors and assigns, acknowledges that any violation of this Section 22 would

seriously and irreparably injure the owner of the Confidential Information. In addition to all other remedies permitted by law or in equity and without limiting any action at law or in equity to which such owner may be entitled, the owner of any Confidential Information shall be entitled to seek injunctive relief, without bond, to enforce the terms and conditions stated herein.

**23. PRIVACY.** In the course of providing services pursuant to this Agreement, InfuSystem may receive or create PHI on behalf of I-Flow. As a result, InfuSystem may be deemed a "Business Associate" of I-Flow, as that term is defined at 45 CFR 160.103, and must utilize appropriate safeguards to prevent the use or disclosure of PHI other than as provided for by this Agreement.

**A.** To this end, InfuSystem agrees as follows:

(1.) InfuSystem agrees not to use or further disclose PHI other than as permitted or required by this Agreement or as required by law.

(2.) InfuSystem agrees to use appropriate safeguards to prevent use or disclosure of PHI other than as provided for by this Agreement. InfuSystem agrees to implement administrative, physical and technical safeguards that reasonably and appropriately protect the confidentiality, integrity and availability of electronic PHI that it creates, receives, maintains or transmits on behalf of I-Flow.

(3.) InfuSystem agrees to mitigate, to the extent practicable, any harmful effect that is known to InfuSystem of a use or disclosure of PHI by InfuSystem in violation of the requirements of this Agreement.

(4.) InfuSystem agrees to report to I-Flow any use or disclosure of PHI not provided for by this Agreement of which InfuSystem becomes aware. InfuSystem agrees to report to I-Flow any security incident, as that term is defined at 45 CFR 164.304, of which it becomes aware.

(5.) InfuSystem agrees to ensure that any agent, including a subcontractor, to whom it provides PHI received from or created by InfuSystem on behalf of I-Flow agrees to the same restrictions and conditions that apply through this Agreement to InfuSystem with respect to such information. InfuSystem agrees to ensure that any agent, including a subcontractor, to whom it provides electronic PHI agrees to implement reasonable and appropriate safeguards to protect it.

(6.) InfuSystem agrees to provide access, at the request of I-Flow, and in the time and manner designated by I-Flow, to PHI in a "Designated Record Set" as that term is defined at 45 CFR 164.501, to I-Flow or, as directed by I-Flow, to an "Individual" as that term is defined at 45 CFR 160.103 (and shall include a person who qualifies as a personal representative in accordance with 45 CFR 164.502(g)) in order to meet the requirements under 45 CFR 164.524 which govern an Individual's right to access to his or her own PHI.

(7.) InfuSystem agrees to make any amendment(s) to PHI in a Designated Record Set that I-Flow directs or agrees to pursuant to 45 CFR 164.526 at the request of I-Flow or an Individual, and in the time and manner designated by I-Flow.

(8.) InfuSystem agrees to make internal practices, books, and records, including policies and procedures and PHI, relating to the use and disclosure of PHI received from, or created or received by InfuSystem on behalf of I-Flow available to I-Flow or to the Secretary of the Department of Health and Human Services (hereafter referred to as the "Secretary"), in a time and manner designated by I-Flow or the Secretary, for purposes of the Secretary determining I-Flow's compliance with the Federal Privacy Rule.

(9.) InfuSystem agrees to document such disclosures of PHI and information related to such disclosures as would be required for I-Flow to respond to a request by an Individual for an accounting of disclosures of PHI in accordance with 45 CFR 164.528.

(10.) InfuSystem agrees to provide to I-Flow or an Individual, in time and manner designated by I-Flow, information collected in accordance with this Agreement, to permit I-Flow to respond to a request by an Individual for an accounting of disclosures of PHI in accordance with 45 CFR 164.528.

**B.** Pursuant to the Federal Privacy Rule, I-Flow shall inform InfuSystem of privacy practices and restrictions as follows:

(1.) I-Flow shall provide InfuSystem with the notice of privacy practices that I-Flow produces in accordance with 45 CFR 164.520, as well as any changes to such notice.

(2). I-Flow shall provide InfuSystem with any changes in, or revocation of, permission by Individual to use or disclose PHI, to the extent such changes affect InfuSystem's permitted or required uses and disclosures.

(3.) I-Flow shall notify InfuSystem of any restriction to the use or disclosure of PHI that I-Flow has agreed to in accordance with 45 CFR 164.522 to the extent such restriction may affect InfuSystem's use or disclosure of PHI.

**C. Permitted Uses and Disclosures.**

(1.) Except as otherwise limited in this Agreement, InfuSystem may use or disclose PHI to perform functions, activities, or services for, or on behalf of, I-Flow as specified in this Agreement, provided such use or disclosure would not violate the Federal Privacy Rule if done by I-Flow or the minimum necessary policies and procedures of I-Flow. I-Flow shall not request InfuSystem to use or disclose PHI in any manner that would not be permissible under the Federal Privacy Rule if done by I-Flow or that would violate I-Flow's minimum necessary policies and procedures.

(2.) Except as otherwise limited in this Agreement, InfuSystem may use PHI for the proper management and administration of InfuSystem or to carry out the legal responsibilities of InfuSystem.

(3.) Except as otherwise limited in this Agreement, InfuSystem may disclose PHI for the proper management and administration of InfuSystem, provided that disclosures are "Required By Law" as that term is defined at 45 CFR 164.501, or InfuSystem obtains reasonable assurances from the person to whom the information is disclosed that it will remain confidential and used or further disclosed only as Required By Law or for the purpose for which it was disclosed to the person, and the person notifies InfuSystem of any instances in which it is aware in which the confidentiality of the information has been breached.

(4.) Except as otherwise limited in this Agreement, InfuSystem may use PHI to provide "Data Aggregation" services to I-Flow as permitted by 42 CFR 164.504(e)(2)(i)(B).

(5.) InfuSystem may use PHI to report violations of law to appropriate Federal and State authorities, consistent with 42 CFR 164.502(j)(1).

**24. SURVIVAL.** The respective rights and obligations of InfuSystem under Sections 8(C), 9 through 17, 19 through 21, 23 and 24 of this Agreement shall survive the termination of this Agreement. The obligations of each party under this Section 22 shall survive any termination of this Agreement and expire upon the fifth (5th) anniversary of the effective date of such termination.

**25. COUNTERPARTS.** This Agreement may be signed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

[The remainder of this page is intentionally left blank.]

**IN WITNESS WHEREOF,** InfuSystem and I-Flow have caused this Agreement to be executed by their respective duly authorized officers as of the Effective Date specified on the first page of this Agreement.

**INFUSYSTEM, INC.**

By: /s/ Pat LaVecchia
Name: Pat LaVecchia
Title: Secretary

**I-FLOW CORPORATION**

By: /s/ Donald M. Earhart
Name: Donald M. Earhart
Title: Chairman, President and Chief Executive Officer

**EXHIBIT 10.16**
**EXECUTION COPY**

# LICENSE AGREEMENT

This LICENSE AGREEMENT (this **"Agreement"**), dated as of October 25, 2007 (the **"Effective Date"**), is by and between InfuSystem, Inc., a California corporation (**"InfuSystem"**), on the one hand, and I-Flow Corporation, a Delaware corporation (**"I-Flow"**), on the other hand. Each of I-Flow and InfuSystem may be referred to herein individually as a **"Party"** or collectively as the **"Parties."**

## RECITALS

WHEREAS, InfuSystem is the owner of certain intellectual property related to the provision of billing and management services, including intellectual property jointly developed by I-Flow and InfuSystem;

WHEREAS, I-Flow manufactures, markets, distributes and sells medical equipment and supplies, including, without limitation, I-Flow's ON-Q® Pain Management Systems and acute post-operative pain management, wound site management and post-operative surgical treatment products and related supplies (hereafter collectively referred to as the "Products");

WHEREAS, pursuant to that certain Services Agreement dated April 29, 2002, as amended, between InfuSystem and I-Flow (the "Existing Agreement"), InfuSystem has been furnishing I-Flow with the Billing and Collection Services and Management Services in connection with the Products;

WHEREAS, pursuant to that certain Stock Purchase Agreement, dated as of September 29, 2006 (the **"Stock Purchase Agreement"**), by and among I-Flow, InfuSystem, HAPC, Inc., a Delaware corporation (the "Buyer") and Iceland Acquisition Subsidiary, Inc., a Delaware corporation (the "Acquisition Sub"), the Buyer is purchasing concurrently with the execution and delivery of this Agreement all of the issued and outstanding capital stock of InfuSystem through the Acquisition Sub;

WHEREAS, concurrently with the execution and delivery of this Agreement and the consummation of the transactions contemplated by the Stock Purchase Agreement, I-Flow and InfuSystem are amending and restating the Existing Agreement (the **"Services Agreement"**), pursuant to which InfuSystem will continue to provide Billing and Collection Services and Management Services to I-Flow and I-Flow will grant a certain non-exclusive license to InfuSystem, pursuant to Section 1.B. of the Services Agreement, to enable InfuSystem to provide such services to I-Flow; and

WHEREAS, in order to facilitate the continued business relationship between InfuSystem and I-Flow pursuant to the Services Agreement, I-Flow desires to obtain, and InfuSystem desires to grant, exclusive and non-exclusive licenses to InfuSystem's intellectual property related to third-party billing and collection services and management services for use in the field of acute post-operative pain management and in other Products fields including, without limitation, wound site management and post-operative surgical treatments, all subject to the terms and conditions set forth in this Agreement.

NOW, THEREFORE, in consideration of the foregoing premises and the promises and covenants contained in this Agreement, the Services Agreement and the Stock Purchase Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

**AGREEMENT**

1. **Definitions**. The following definitions shall apply to the terms below:

1.1 **"Affiliate"** shall mean, with respect to any specified Person, a Person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, the Person specified.

1.2 **"Agreement"** shall have the meaning set forth in the preamble.

1.3 **"Billing and Collection Services"** shall have the meaning ascribed thereto in the Services Agreement.

1.4 **"Effective Date"** shall have the meaning set forth in the preamble.

1.5 **"Exclusively Licensed Intellectual Property"** shall have the meaning set forth in Section 2.1.

1.6 **"Field of Use"** shall mean the field of acute post-operative pain management treatments.

1.7 **"I-Flow"** shall have the meaning set forth in the preamble.

1.8 **"InfuSystem"** shall have the meaning set forth in the preamble.

1.9 **"InfuSystem Intellectual Property"** shall mean all Intellectual Property owned by InfuSystem as of the Effective Date relating to or used in the delivery or performance of Services.

1.10 **"Intellectual Property"** shall mean all know-how, trade secrets, and any other information that is protected by statutory or common law against unauthorized use.

1.11 **"Licensed Intellectual Property"** shall have the meaning set forth in Section 2.2.

1.12 **"Litigation"** shall have the meaning set forth in Section 3.1.

1.13 **"Management Services"** shall have the meaning ascribed thereto in the Services Agreement.

1.14 **"Other Fields"** shall mean all fields other than the Field of Use, including, without limitation, the fields of wound site management and post-operative surgical treatments.

1.15 **"Non-Exclusively Licensed Intellectual Property"** shall have the meaning set forth in Section 2.2.

1.16 "**Party**" shall have the meaning set forth in the preamble.

1.17 "**Parties**" shall have the meaning set forth in the preamble.

1.18 **"Person"** shall mean any individual, partnership, firm, corporation, association, trust, unincorporated organization or other entity, as well as any syndicate or group that would be deemed to be a person under Section 13(d)(3) of the Securities Exchange Act of 1934, as amended.

1.19 **"Prevailing Party"** shall have the meaning set forth in Section 7.4.

1.20 **"Services"** shall mean Billing and Collection Services and/or Management Services.

1.21 **"Third Party"** shall mean any Person other than InfuSystem, I-Flow, or an Affiliate of either.

2. **License Grant and Ownership of Improvements.**

2.1 InfuSystem hereby grants to I-Flow an unrestricted, perpetual, irrevocable, worldwide, assignable, royalty-free and exclusive license to use and/or sublicense the InfuSystem Intellectual Property, solely in the Field of Use (the **"Exclusively Licensed Intellectual Property"**) for the benefit of I-Flow.

2.2 InfuSystem hereby grants to I-Flow an unrestricted, perpetual, irrevocable, worldwide, assignable, royalty-free and non-exclusive license to use and/or sublicense the InfuSystem Intellectual Property in the Other Fields (the **"Non-Exclusively Licensed Intellectual Property"** and, together with the Exclusively Licensed Intellectual Property, the **"Licensed Intellectual Property"**) for the benefit of I-Flow.

2.3 The license granted under Section 2.1 of this Agreement shall be exclusive as to all Parties or entities, including InfuSystem. InfuSystem shall have no right to make, use, sell, offer for sale, and/or import the Exclusively Licensed Intellectual Property in the Field of Use. Accordingly, InfuSystem agrees and covenants not to, directly or indirectly, make, use, sell, license offer for sale, and/or import the Exclusively Licensed Intellectual Property in the Field of Use for any purpose or by any means without the express prior written consent of I-Flow, which consent may be withheld in I-Flow's sole and exclusive discretion.

2.4 The licenses granted under Sections 2.1 and 2.2 of this Agreement shall not limit InfuSystem's ability to use any of the Licensed Intellectual Property in the Other Fields.

3. **Infringement and Enforcement.**

3.1 I-Flow may, but has no obligation to, take any and all actions to enforce the Licensed Intellectual Property (including without limitation instituting litigation) against any suspected infringement or misappropriation by any Third Party (**"Litigation"**). I-Flow shall bear all the expenses and costs with respect to any such Litigation it elects to undertake and I-Flow shall be entitled to all damages recovered in such Litigation.

3.2 At I-Flow's request, InfuSystem agrees to reasonably cooperate in any such Litigation. I-Flow agrees to pay InfuSystem's reasonable out-of-pocket costs and expenses in connection with such Litigation. If InfuSystem desires to retain separate counsel in connection with such Litigation, however, InfuSystem shall bear its own costs and expenses concerning the Litigation, including, without limitation, the costs and expenses of such separate counsel. Notwithstanding InfuSystem's participation in such Litigation, I-Flow shall retain the full right to control such Litigation, including, without limitation, any settlement of such Litigation. I-Flow shall have the right to settle any Litigation on such terms and conditions reasonably acceptable to InfuSystem.

3.3 NOTWITHSTANDING ANY PROVISION OF THIS AGREEMENT TO THE CONTRARY, UNDER NO CIRCUMSTANCES SHALL EITHER PARTY BE LIABLE TO THE OTHER (A) FOR ANY PUNITIVE, EXEMPLARY OR OTHER SPECIAL DAMAGES ARISING UNDER OR RELATING TO THIS AGREEMENT OR THE SUBJECT MATTER HEREOF, AND/OR (B) FOR ANY INDIRECT, INCIDENTAL OR CONSEQUENTIAL DAMAGES (INCLUDING WITHOUT LIMITATION LOSS OF USE, INCOME, PROFITS OR ANTICIPATED PROFITS, BUSINESS OR BUSINESS OPPORTUNITY, SAVINGS, DATA, OR BUSINESS REPUTATION), ARISING UNDER OR RELATING TO THIS AGREEMENT OR THE SUBJECT MATTER HEREOF, REGARDLESS OF WHETHER SUCH DAMAGES ARE BASED IN CONTRACT, BREACH OF WARRANTY, TORT, NEGLIGENCE OR ANY OTHER THEORY, AND REGARDLESS OF WHETHER SUCH PARTY HAS BEEN ADVISED OF, KNEW OF, OR SHOULD HAVE KNOWN OF THE POSSIBILITY OF SUCH DAMAGES.

4. **Representations and Warranties.**

4.1 InfuSystem hereby represents and warrants to I-Flow that:

(i) it has all of the requisite power and authority to enter into this Agreement and to perform its obligations hereunder and that this Agreement has been duly and validly authorized, executed and delivered by InfuSystem;

(ii) this Agreement constitutes the legal, valid and binding obligation of InfuSystem, enforceable against InfuSystem in accordance with its terms;

(iii) it is the owner of the Licensed Intellectual Property and the Licensed Intellectual Property does not infringe or misappropriate the intellectual property of any Third Party; and

(iv) it has the entire right to enter this Agreement and grant the licenses contemplated hereby.

4.2 I-Flow hereby represents and warrants to InfuSystem that:

(i) it has all of the requisite power and authority to enter into this Agreement and that this Agreement has been duly and validly authorized, executed and delivered by I-Flow; and

(ii) this Agreement constitutes the legal, valid and binding obligation of I-Flow, enforceable against I-Flow in accordance with its terms.

5. **Term and Termination.**

5.1 The term of this Agreement shall commence on the Effective Date and shall continue in perpetuity, unless terminated by I-Flow by written notice to InfuSystem, provided that upon the later of (i) the third (3rd) anniversary of the Effective Date or (ii) termination of the Services Agreement for any reason, without any action by any of the parties hereto, the exclusive license granted by InfuSystem to I-Flow pursuant to Section 2.1 of this Agreement shall automatically be deemed amended to become a non-exclusive license and no longer an exclusive license, and Section 2.3 shall cease to have any force or effect. Except as provided in the immediately preceding sentence and as otherwise mutually agreed by the parties, all terms and conditions of this Agreement, including, without limitation, those pertaining to the licenses themselves, shall remain in full force and effect during the term of this Agreement.

5.2 This Agreement may not be terminated by InfuSystem.

6. **Notices.**

Any notice required or permitted to be given to a Party pursuant to this Agreement shall be deemed to have been given only if such notice is reduced to writing and (i) delivered personally, (ii) sent by reputable overnight courier service for next business day delivery to the address given below, or (iii) sent by facsimile machine (with proof of transmission capability) to the fax number set forth below, with a hard copy to be sent by first class mail to the address given below:

| If to InfuSystem: | If to I-Flow: |
|---|---|
| InfuSystem, Inc. | I-Flow Corporation |
| 1551 East Lincoln Ave. | 20202 Windrow Drive |
| Madison Heights, MI 48071 | Lake Forest, CA 92630 |
| Attention: President | Attention: President |

or to such other address or facsimile number as either Party shall have specified by notice in writing to the other Party.

If delivered personally or by facsimile during normal business hours on a business day, a notice shall be deemed delivered when actually received at the address specified above. In any other case, notice shall be deemed delivered on the next business day following the date on which it was sent.

7. **Miscellaneous.**

7.1 **Confidentiality.** The parties recognize that in connection with the performance of this Agreement, the parties may furnish and disclose to each other confidential and proprietary information including, without limitation, information relating to the parties' respective organization, personnel, business activities, policies, finances, costs, marketing plans, projected revenues, technology, rights, obligations, liabilities, strategies and customer lists (collectively, "Confidential Information"). Each party, to the extent it comes into possession of Confidential Information of the other party, agrees that, except as expressly contemplated by this Agreement, it shall not directly or indirectly use such Confidential Information for its own benefit or in connection with its business relationships with patients/customers/clients of the owner of the Confidential Information, and shall take all reasonable care to ensure that such Confidential Information shall not be disclosed to any third party, including imposing reasonable confidentiality requirements with respect to such Confidential Information on its employees, agents, counsel, accountants and other representatives, except insofar as: (i) disclosure may be specifically authorized in writing from time to time by the owner of the Confidential Information; (ii) such Confidential Information is required to be disclosed in connection with performance of this Agreement, or pursuant to any right or license granted by the owner of the Confidential Information; (iii) the recipient of the Confidential Information can demonstrate, by independent documentation, that such Confidential Information was previously made public by the Confidential Information's owner; (iv) the recipient of the Confidential Information can demonstrate, by independent documentation, that such Confidential Information was in the public domain, prior to its disclosure hereunder and otherwise than as a consequence of a breach of its obligations hereunder; (v) the recipient of the Confidential Information can demonstrate, by independent documentation, that such Confidential Information was known by the recipient prior to its disclosure hereunder or was independently developed by the recipient without the aid or use of any information disclosed hereunder; or (vi) such disclosure is required under compulsion of law, including subpoena, civil investigative demand, oral questions or interrogatories, or other compulsory process; provided that, the Confidential Information's owner shall be given notice of service of such demand or process and a reasonable opportunity to defend against such demand or process, and the party against whom such demand or process is asserted provides all reasonable cooperation in opposing the same to the fullest extent permitted by law. The obligations of each party under this Section 7.1 shall survive any termination of this Agreement and expire upon the fifth (5th) anniversary of the effective date of such termination. Each of the parties, for itself and its successors and assigns, acknowledges that any violation of this Section 7.1 would seriously and irreparably injure the owner of the Confidential Information. In addition to all other remedies permitted by law or in equity and without limiting any action at law or in equity to which such owner may be entitled, the owner of any Confidential Information shall be entitled to seek injunctive relief, without bond, to enforce the terms and conditions stated herein.

7.2 **Assignability.** This Agreement is assignable by I-Flow without restriction. This Agreement may not be assigned by InfuSystem, except with the written consent of I-Flow, which

consent may be withheld in I-Flow's sole and exclusive discretion, or to a successor to all, or substantially all of InfuSystem's assets. Any purported assignment by InfuSystem in violation of the foregoing shall be void.

7.3 **Governing Law.** This Agreement shall be governed by and construed in accordance with the internal laws of the State of Michigan, without giving effect to the choice of law rules thereof.

7.4 **Attorneys' Fees.** If any Party to this Agreement shall bring any action, suit, arbitration, mediation, counterclaim or appeal for any relief against any other Party, declaratory or otherwise, to enforce the terms hereof or to declare rights hereunder, the Prevailing Party in such action shall be entitled to recover as recoverable costs in any such action its actual attorneys' fees and costs (including reasonable fees and costs for in-house counsel), all expert fees and costs, all court and arbitration expenses, and any other costs reasonably and properly incurred, including any fees and costs incurred in bringing and prosecuting such action and enforcing any order, judgment, ruling, or award granted as part of such action. As used in this Section, **"Prevailing Party"** shall include, without limitation, a Party which obtains substantially the relief sought by it.

7.5 **Counterparts.** This Agreement may be executed in two or more counterparts (including by means of facsimile), each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

7.6 **Severability.** Should any part or provision of this Agreement be rendered or declared invalid by reason of any law or by decree of a court of competent jurisdiction, the validity of any other term, clause, or provision shall not be affected provided that such invalid or unenforceable provision is and can be replaced with an enforceable clause which most closely achieves the result intended by such invalid clause.

7.7 **Headings.** The headings used in this Agreement are for reference only and shall not affect the meaning or interpretation of any provision of this Agreement.

7.8 **Drafting.** The Parties agree that this Agreement shall not be construed against either Party as the drafter.

7.9 **Waiver.** No waiver or delay by either Party of any breach of the covenants contained herein to be performed by the other Party shall be construed as a waiver of any succeeding breach of the same or any other covenants or conditions hereof.

7.10 **Entirety of Agreement.** This Agreement supersedes any prior understandings or agreements, whether written or oral, and any contemporaneous oral agreements, between the Parties hereto in regard to the subject matter hereof and contains the entire agreement between the Parties in regard to the subject matter hereof. This Agreement may not be changed or modified orally, but only by an agreement, in writing, signed by both parties hereto.

[The remainder of this page is intentionally left blank.]

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed and delivered by their duly authorized representatives, effective as of the Effective Date set forth above.

**I-FLOW CORPORATION**

By: /s/ Donald M. Earhart
Name: Donald M. Earhart
Title: Chairman, President and Chief Executive Officer

**INFUSYSTEM, INC.**

By: /s/ Pat LaVecchia
Name: Pat LaVecchia
Title: Secretary

**EXHIBIT 10.17**

**EXECUTION COPY**

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$32,703,000

# CREDIT AND GUARANTY AGREEMENT

among

ICELAND ACQUISITION SUBSIDIARY, INC.,
as the Borrower,

HAPC, INC.,
as Guarantor

and

I-FLOW CORPORATION,
as the Lender

Dated as of October 25, 2007

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**TABLE OF CONTENTS**

**SCHEDULES:**



**EXHIBITS:**

**CREDIT AND GUARANTY AGREEMENT**

THIS CREDIT AND GUARANTY AGREEMENT, dated as of October 25, 2007 is among Iceland Acquisition Subsidiary, Inc., a Delaware corporation ("Iceland"), HAPC, INC., a Delaware corporation ("Holdings"), and I-Flow Corporation, a Delaware corporation (the "Lender"). Capitalized terms used herein are defined in Section 1.1.

WITNESSETH:

WHEREAS, pursuant to a Stock Purchase Agreement dated as of September 29, 2006, as previously amended by an Amendment No. 1 dated as of April 30, 2007, an Amendment No. 2 dated as of June 29, 2007, an Amendment No. 3 dated as of July 31, 2007 and an Amendment No. 4 dated as of September 18, 2007 (as the same may be further amended, supplemented, amended and restated or otherwise modified from time to time in accordance with Section 8.17 hereof, the "Acquisition Agreement"), among I-Flow Corporation, a Delaware corporation as "Seller" thereunder (in such capacity, the "Seller"), InfuSystem, Inc., a California corporation ("InfuSystem"), Holdings and Iceland, Iceland has agreed to acquire all outstanding Equity Interests of InfuSystem for an aggregate purchase price of $100,000,000.00, subject to post-closing adjustments (the "InfuSystem Acquisition");

WHEREAS, the Borrower has requested that the Lender make a loan to the Borrower in the aggregate principal amount of up to $32,703,000.00, and the Lender has agreed, subject to the terms and conditions of this Agreement, to make such loan;

WHEREAS, substantially concurrently with the consummation of the InfuSystem Acquisition, (i) Iceland will merge with and into InfuSystem, with InfuSystem continuing as the entity surviving such merger (the "Merger" and, together with all related transactions, including the Term Loan hereunder, collectively, the "Transaction") and as a direct wholly-owned subsidiary of Holdings, and (ii) InfuSystem will become a party to this Agreement by executing and delivering the Joinder Agreement;

WHEREAS, the Borrower has agreed to secure its Obligations by granting to the Lender a first priority security interest in substantially all of its assets; and

WHEREAS, Holdings has agreed to guarantee the obligations of the Borrower hereunder and to secure its Obligations by granting to the Lender a first priority security interest in substantially all of Holdings' assets, including a pledge of all of the capital stock of the Borrower.

NOW, THEREFORE, the parties hereto agree as follows:

**SECTION 1**
**DEFINITIONS**

1.1 Defined Terms. As used in this Agreement, the terms listed in this Section 1.1 shall have the respective meanings set forth in this Section 1.1.

"Acquisition" means, with respect to any Person (a) an Investment in, or a purchase of a Controlling interest in, the Equity Interests of any other Person, (b) a purchase or other acquisition of all or substantially all of the assets or properties of, another Person or of any division, line of business or business unit of another Person, or (c) any merger or consolidation of such Person with any other Person or other transaction or series of transactions resulting in the acquisition of all or substantially all of the assets, or a Controlling interest in the Equity Interests, of any Person.

"Acquisition Agreement" is defined in the recitals hereto.

"Acquisition Documentation" means, collectively, the Acquisition Agreement, the Services Agreement (as defined in the Acquisition Agreement), the License Agreement (as defined in the Acquisition Agreement) and those certain Letter Agreements dated April 30, 2007, June 29, 2007, July 31, 2007 and September 12, 2007 among Holdings, Iceland and the Lender, that certain Acknowledgement and Agreement Regarding Stock Purchase Agreement and Guaranty dated October 8, 2007 among the Lender, InfuSystem, Holdings, Iceland, Sean D. McDevitt and Philip B. Harris, that certain Further Agreement Regarding Project Iceland dated October 17, 2007 among the Lender, InfuSystem, Holdings and Iceland and all schedules, exhibits and annexes thereto and all side letters and agreements (including without limitation, all non-competition agreements) affecting the terms thereof or entered into in connection therewith, in each case as amended, supplemented or otherwise modified from time to time.

"Acquisition Payments" means, collectively, (a) any adjustment to the purchase price for the InfuSystem Acquisition made after the closing date thereof in accordance with the Acquisition Documentation, including any adjustments made pursuant to Section 2.5 of the Acquisition Agreement and (b) any payments made or required to be made to Holdings, the Borrower or any Subsidiary of the Borrower in respect of any Seller's indemnification or reimbursement obligations under any Acquisition Documentation.

"Affiliate" means, as to any Person, any other Person that, directly or indirectly, is in control of, is controlled by, or is under common control with, such Person. For purposes of this definition, "control" of a Person means the power, directly or indirectly, either to (a) vote 10% or more of the Equity Interests having ordinary voting power for the election of directors (or persons performing similar functions) of such Person or (b) direct or cause the direction of, or veto, the management and policies of such Person, whether by Contractual Obligation of any Person, Applicable Law or otherwise (including being, or directly or indirectly controlling, a general partner, managing member or other Person or Persons having such power).

"Agreement" means this Credit and Guaranty Agreement, together with all exhibits and schedules hereto, as amended, supplemented, amended and restated or otherwise modified from time to time.

"Annual Budget" is defined in Section 7.2(e).

"Applicable Law" means as to any Person, property, transaction or event, all present and future laws, treaties, statutes, regulations, judgments and decrees (in each case, whether international, foreign, federal, state or local) applicable to or binding upon such Person, property, transaction or event (whether or not having the force of law with respect to regulatory matters applicable to the Lender) and all applicable requirements, requests, official directives, consents, approvals, authorizations, guidelines, rules, orders and policies of any Governmental Authority having or purporting to have authority over such Person, property, transaction or event.

"Applicable Margin" means (i) with respect to the Base Rate, 4.50%, and (ii) with respect to the LIBOR Rate, 5.50%.

"Asset Sale" means any Disposition of property or series of related Dispositions of property (excluding any such Disposition permitted by Section 8.5(a), (b), (c), (d) or (e)) that yields gross proceeds to Holdings or any of its Subsidiaries (valued at the cash consideration received or, in the case of non-cash consideration, the initial principal amount thereof in the case of non-cash proceeds consisting of notes or other debt securities or the fair market value thereof in the case of other non-cash proceeds) in excess of $100,000.

"Authorized Officer" means, relative to any Obligor, those of its officers, or the officers of its general partners or managing members (as applicable), whose signatures and incumbency shall have been certified to the Lender pursuant to Section 5.1(r) or 7.11(c).

"Base Rate" means, for any day, a rate per annum equal to the greater of (i) four percent (4%), and (ii) "The Wall Street Journal Prime Rate," for such day as the rate may change from time to time. The "Wall Street Journal Prime Rate" is and shall mean the variable rate of interest, on a per annum basis, which is announced and/or published in the Money Rates section of The Wall Street Journal from time to time as the "Prime Rate" for the U.S. The Base Rate shall be redetermined whenever The Wall Street Journal Prime Rate changes. If The Wall Street Journal Prime Rate becomes unavailable during the term of this Agreement, the Lender may designate a substitute index after notice to the Borrower. Any change in the Base Rate due to a change in the Wall Street Journal Prime Rate shall be effective as of the opening of business on the effective day of such change in the Wall Street Journal Prime Rate.

"Board" means the Board of Governors of the Federal Reserve System of the United States (or any successor).

"Borrower" means (i) prior to consummation of the Merger, Iceland, and (ii) at and subsequent to consummation of the Merger, InfuSystem.

"Borrower Closing Date Certificate" means the closing date certificate executed and delivered by the Borrower pursuant to the terms of this Agreement, substantially in the form of Exhibit A.

"Business" means the business operated by the Borrower and its Subsidiaries on the Closing Date and other businesses directly related thereto.

"Business Day" means a day other than a Saturday, Sunday or other day on which commercial banks in the State of California are authorized or required by law to close.

"Business Entity" means a partnership, limited partnership, limited liability partnership, corporation (including a business trust), limited liability company, unlimited liability company, joint stock company, trust, unincorporated association, joint venture or other entity.

"Capital Expenditures" means, for any Person for any period, the sum of, without duplication, all expenditures made, directly or indirectly, by such Person or any of its Subsidiaries during such period for equipment, fixed assets, real property (other than undeveloped real property, land under development, houses under construction and building lots) or improvements, or for replacements or substitutions therefor or additions thereto (excluding normal replacements and maintenance which are properly charged to current operations as operating expenses in accordance with GAAP), that have been or should be, in accordance with GAAP, reflected as additions to property, plant or equipment on a Consolidated balance sheet of such Person or have a useful life of more than one year. For purposes of this definition, the purchase price of equipment that is purchased simultaneously with the trade in of existing equipment or with condemnation proceeds or insurance proceeds shall be included in Capital Expenditures only to the extent of the gross amount of such purchase price less the credit granted by the seller of such equipment for the equipment being traded in at such time or the amount of such condemnation proceeds or insurance proceeds, as the case may be.

"Capital Lease Obligations" means, as to any Person, the obligations of such Person to pay rent or other amounts under any lease of (or other arrangement conveying the right to use) real or personal property, or a combination thereof, to the extent such obligations are required to be classified and accounted for as capital leases on a balance sheet of such Person under GAAP and, for the purposes of this Agreement, the amount of such obligations at any time shall be the capitalized amount thereof at such time determined in accordance with GAAP.

"Cash Equivalents" means any of the following, to the extent owned by any Obligor or any of its Subsidiaries free and clear of all Liens other than Liens created under the Security Documents and having a maturity of not greater than 360 days (or such lesser period of time as is specified in this definition) from the date of acquisition thereof:

(a) readily marketable direct obligations issued by, or directly, unconditionally or insured guaranteed and fully by, the United States government or, issued by any agency or instrumentality thereof and backed by the full faith and credit of the United States;

(b) certificates of deposit, time deposits, eurodollar time deposits or overnight bank deposits having maturities of six months or less from the date of acquisition issued by any commercial bank that issues (or the parent of which issues) commercial paper rated as described in clause (d) below, is organized under the laws of the United States or any state thereof and has combined capital and surplus aggregating in excess of $500,000,000;

(c) repurchase obligations of any commercial bank satisfying the requirements of clause (b) of this definition, having a term of not more than 30 days, with respect to securities issued or fully guaranteed or insured by the United States government;

(d) commercial paper of an issuer rated at least A-1 by S&P or P-1 by Moody's, or carrying an equivalent rating by a nationally recognized rating agency, if both of the two named rating agencies cease publishing ratings of commercial paper issuers generally, and maturing within six months from the date of acquisition;

(e) investments in money market, mutual or similar funds substantially all of whose assets are composed of securities of the type described in clauses (a) through (d) of this definition; and

(f) demand deposit accounts maintained in the ordinary course of business.

"CERCLA" means the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended.

"Change in Control" means any of the following events or occurrences:

(a) the failure of Holdings at any time to directly own beneficially and of record on a fully diluted basis 100% of the outstanding Equity Interests of the Borrower, such Equity Interests to be held free and clear of all Liens other than Liens created under the Security Documents; or

(b) any "person" or "group" (within the meaning of Sections 13(d) and 14(d) under the Exchange Act) shall become, or obtain rights (whether by means of warrants, options or otherwise) to become, the ultimate "beneficial owner" (as defined in Rules 13d-3 and 13d-5 under the Exchange Act), directly or indirectly, of Equity Interests representing more than 35% of the outstanding Equity Interests of Holdings on a fully diluted basis; or

(c) during any period of 24 consecutive months, individuals who at the beginning of such period constituted the board of directors of Holdings (together with any new directors whose election to such board of directors or whose nomination for election by the stockholders of Holdings was approved by a majority of the directors then still in office who were either directors at the beginning of such period or whose election or nomination for election was previously so approved) cease for any reason to constitute a majority of the board of directors of Holdings then in office.

"Closing Date" means the date (which must be a Business Day) on which the Term Loan is made in accordance with the Acquisition Agreement.

"Code" means the Internal Revenue Code of 1986, as amended from time to time.

"Collateral" means, collectively, all property of the Obligors, now owned or hereafter acquired, upon which a Lien is purported to be created by any Security Document.

"Commitment Termination Date" means the earliest of (a) October 25, 2007 or such later date as may be agreed by the Lender in its sole discretion (if the Term Loan has not been made on or prior to such date); (b) the date the Term Loan is made (immediately after the making of the Term Loan on such date); and (c) the date on which any Commitment Termination Event occurs. Upon the occurrence of any event described above the Term Loan Commitment shall terminate automatically and without any further action.

"Commitment Termination Event" means any of the following: (a) the occurrence of any Event of Default described in Section 9.1(f) with respect to the Borrower or any other Obligor; or (b) the occurrence of any other Event of Default and the Lender shall have given notice to the Borrower that the Term Loan Commitment has been terminated.

"Commonly Controlled Entity" means an entity, whether or not incorporated, that is under common control with the Borrower within the meaning of Section 4001 of ERISA or is part of a group that includes the Borrower and that is treated as a single employer under Section 414 of the Code.

"Compliance Certificate" means a certificate duly completed and executed by an Authorized Officer of the Borrower substantially in the form of Exhibit B or in such other form as the Lender may from time to time request for the purpose of monitoring the Borrower's compliance with the financial covenants contained herein.

"Consolidated" refers to the consolidation of financial reporting in accordance with GAAP and, when used with respect to any financial covenant set forth in Section 8.1 or any element thereof or defined term used therein, refers to the relevant Person and its Consolidated Subsidiaries or affiliates determined on a consolidated basis.

"Contractual Obligation" means, as to any Person, any provision of any security issued by such Person or of any agreement, instrument or other undertaking to which such Person is a party or by which it or any of its property is bound.

"Control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ability to exercise voting power, by contract or otherwise. "Controlling" and "Controlled" have meanings correlative thereto.

"Copyright Security Agreement" means any Copyright Security Agreement executed and delivered by any Obligor in substantially the form of Exhibit A to the Obligor Security Agreement, as amended, supplemented, amended and restated or otherwise modified from time to time.

"Covered Taxes" is defined in Section 4.4(a).

"Credit Extension" means the making of a Loan by the Lender.

"Debt" means all Indebtedness of the type referred to in clause (a), (b), (c), (d), (i) and (j) of the definition of Indebtedness and all Guarantee Obligations in respect of any of the foregoing; provided, however, that in the case of any such Indebtedness of the type referred to in clause (c) or (d) of the definition of "Indebtedness," such Indebtedness shall constitute Debt only to the extent that such Indebtedness represents payments that (x) are scheduled payments or payments required at the expiration of the lease term or at maturity and (y) represent repayment of principal amounts advanced under the applicable lease.

"Default" means any Event of Default or any condition, occurrence or event that, after the giving of notice, the lapse of time, or both, would constitute an Event of Default.

"Disclosure Schedule" means the Disclosure Schedule attached as Schedule III, as such Schedule may be amended, supplemented, amended and restated or otherwise modified from time to time by the Borrower with the written consent of the Lender.

"Disposition" means, with respect to any property, any sale, lease, sale and leaseback, assignment, conveyance, transfer or other disposition of all or any part of such property. The terms "Dispose" and "Disposed of" shall have correlative meanings.

"Dollars" and "$" mean dollars in lawful currency of the United States.

"Domestic Subsidiary" means any Subsidiary of the Borrower that is not a Foreign Subsidiary.

"EBITDA" means, for any period of any Person, Net Income for such period plus, without duplication and to the extent reflected as a charge in the statement of such Net Income for such period, the sum of (a) income tax expense, (b) Interest Expense, and (c) depreciation and amortization expense, all as determined on a Consolidated basis.

"Effective Date" means, on and after the date that counterparts of this Agreement executed on behalf of the Borrower and the Lender shall have been received by the Lender, the date of this Agreement.

"Environment" means, without limitation, any of the following media:

(a) land, including surface land, sub-surface strata, sea bed and riverbed under water (as defined in clause (b) hereof) and any natural or man-made structures;

(b) water, including coastal and inland waters, navigable waters, surface waters, ground waters, drinking water supplies and waters in drains and sewers, surface and sub-surface strata; and

(c) air, including indoor and outdoor air and air within buildings and other man-made or natural structure above or below ground, and includes any living organism or systems supported by any such media.

"Environmental Laws" means all applicable federal, state, local and foreign laws, statutes, ordinances, codes, rules, standards and regulations, now or hereafter in effect, and any applicable judicial or administrative interpretation thereof, including any applicable judicial or administrative order, consent decree, order or judgment, in each case above, to the extent imposing liability or standards of conduct for or relating to the regulation and protection of human health, safety, the environment and natural resources (including ambient air, surface water, groundwater, wetlands, land surface or subsurface strata, wildlife, aquatic species and vegetation). Environmental Laws include the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 (42 U.S.C. §§ 9601 et seq.) ("CERCLA"); the Hazardous Materials Transportation Authorization Act of 1994 (49 U.S.C. §§ 5101 et seq.); the Federal Insecticide, Fungicide, and Rodenticide Act (7 U.S.C. §§ 136 et seq.); the Solid Waste Disposal Act (42 U.S.C. §§ 6901 et seq.); the Toxic Substance Control Act (15 U.S.C. §§ 2601 et seq.); the Clean Air Act (42 U.S.C. §§ 7401 et seq.); the Federal Water Pollution Control Act (33 U.S.C. §§ 1251 et seq.); the Occupational Safety and Health Act (29 U.S.C. §§ 651 et seq.); and the Safe Drinking Water Act (42 U.S.C. §§ 300(f) et seq.), and any and all regulations promulgated thereunder, and all analogous state, local and foreign counterparts or equivalents and any transfer of ownership notification or approval statutes.

"Environmental Liability" means, with respect to any Person, all liabilities, obligations, responsibilities, response, remedial and removal costs, investigation and feasibility study costs, capital costs, operation and maintenance costs, losses, damages, punitive damages, property damages, natural resource damages, consequential damages, treble damages, costs and expenses (including all fees, disbursements and expenses of counsel, experts and consultants), fines, penalties, sanctions and interest, in each case above, incurred as a result of or related to any claim, suit, action, investigation, proceeding or demand by any Person, whether based in contract, tort, implied or express warranty, strict liability, criminal or civil statute or common law, including any arising under or related to any Environmental Laws, Environmental Permits, or in connection with any Release or threatened Release or presence of a Hazardous Material whether on, at, in, under, from or about or in the vicinity of any real or personal property.

"Environmental Permit" means, without limitation, any consent, license, permit, permission, grant, waiver, order, registration, authorization, approval, exemption or similar right or privilege issued by any Governmental Authority pursuant to any Environmental Law.

"Equity Interests" means, with respect to any Person, (a) any and all shares, interests, participations, rights or other equivalents (however designated, whether voting or non-voting) of or interests in corporate or capital stock, including without limitation, shares of preferred or preference stock of such Person, (b) all partnership interests (whether general or limited) of such Person, (c) all membership interests or limited liability interests in such Person, (d) all beneficial interests in a trust or similar entity, (e) all other equity or ownership interests in such Person of any other type and (f) all warrants, rights or options to purchase or otherwise acquire any of the foregoing.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time.

"Event of Default" means any of the events specified in Section 9.1.

"Excess Cash Flow" means, for any Fiscal Year of the Borrower: (a) Net Cash Provided by Operating Activities for such Fiscal Year, as set forth in the statement of cash flows included in Holdings' audited financial statements for such Fiscal Year, minus (b) the sum, without duplication, of (i) Fixed Charges of Borrower of the type described in clause (c) of the definition thereof (without regard to the proviso at the end thereof) for such Fiscal Year, plus (ii) the aggregate amount actually paid by Borrower in cash during such Fiscal Year on account of Capital Expenditures (excluding the principal amount of Indebtedness incurred in connection with such expenditures and any such expenditures financed with the proceeds of any Reinvestment Deferred Amount).

"Excess Cash Flow Application Date" means the fifth Business Day after the earlier of (i) the date on which the financial statements of the Borrower referred to in Section 7.1(a), for the Fiscal Year with respect to which such prepayment is made, are required to be delivered to the Lender, and (ii) the date such financial statements are actually delivered.

"Fair Market Value" means, with respect to any asset, the amount that would be obtained for the sale of such asset, free and clear of all Liens, in an arm's length transaction between an informed and willing purchaser under no compulsion to buy and an informed and willing seller under no compulsion to sell such asset.

"Financing Statements" means Uniform Commercial Code financing statements or other similar financing statements.

"Fiscal Quarter" means a quarter ending on the last day of March, June, September or December.

"Fiscal Year" means any period of twelve consecutive calendar months ending on December 31; references to a Fiscal Year with a number corresponding to any calendar year (e.g. the "2004 Fiscal Year") refers to the Fiscal Year ending on December 31 of such calendar year.

"Fixed Charge Coverage Ratio" means, as at the last day of any Fiscal Quarter, the ratio of (a) EBITDA of Holdings and its Subsidiaries for the period of four consecutive Fiscal Quarters ending on such day less the aggregate amount actually paid by Holdings and its Subsidiaries during such period on account of Capital Expenditures to (b) Fixed Charges for the period of four consecutive Fiscal Quarters ending on such day.

"Fixed Charges" means, for any period, the sum (without duplication) of (a) Interest Expense for such period, (b) Lease Expense for such period, (c) scheduled principal payments made during such period on account of Indebtedness of Holdings or any of its Subsidiaries (including scheduled principal payments in respect of the Term Loan and scheduled payments of rent under Capital Lease Obligations and synthetic leases, to the extent such rent payments represent repayment of principal amounts advanced thereunder) and (d) all federal, state and foreign income taxes actually paid in cash by Holdings and its Subsidiaries during such period; provided that "Fixed Charges" shall exclude payments on financing leases for ambulatory infusion pumps.

"Foreign Subsidiary" means (a) any Subsidiary of Holdings that is a "controlled foreign corporation," within the meaning of section 957 of the Code, or (b) any indirect Subsidiary of Holdings held through a Subsidiary described in clause (a) to the extent that the pledge of Equity Interests or assets of, or a guaranty by, such Subsidiary would result in adverse tax consequences to Holdings.

"Fund" means any Person (other than an individual) that is or will be engaged in making, purchasing, holding or otherwise investing in commercial loans and similar extensions of credit in the ordinary course of its business.

"GAAP" means generally accepted accounting principles in the United States as in effect from time to time, except that for purposes of Section 8.1, GAAP shall be determined on the basis of such principles in effect on the Closing Date and consistent with those used in the preparation of the most recent audited financial statements of the Borrower delivered pursuant to Section 5.1(i). In the event that any "Accounting Change" (as defined below) shall occur and such change results in a change in the method of calculation of financial covenants, standards or terms in this Agreement, then the Borrower and the Lender agree to enter into negotiations in order to amend such provisions of this Agreement so as to equitably reflect such Accounting Changes with the desired result that the criteria for evaluating the Borrower's financial condition shall be the same after such Accounting Changes as if such Accounting Changes had not been made. Until such time as such an amendment shall have been executed and delivered by the Borrower and the Lender, all financial covenants, standards and terms in this Agreement shall continue to be calculated or construed as if such Accounting Changes had not occurred. "Accounting Changes" refers to changes in accounting principles required by the promulgation of any rule, regulation, pronouncement or opinion by the Financial Accounting Standards Board of the American Institute of Certified Public Accountants or, if applicable, the SEC.

"Governmental Authority" means any nation or government, any state or municipality, any political subdivision of any of the foregoing, any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative functions of or pertaining to government, any securities exchange and any self-regulatory organization (including the National Association of Insurance Commissioners).

"Governmental Authorization" means any authorization, approval, consent, franchise, license, covenant, order, ruling, permit, certification, exemption, notice, declaration or similar right, undertaking or other action of, to or by, or any filing, qualification or registration with, any Governmental Authority.

"Grantor" means the Borrower and each other Person that is required under the Loan Documents to be a grantor under the Obligor Security Agreement.

"Guarantee Obligation" means, as to any Person (the "guaranteeing person"), any obligation of (a) the guaranteeing person or (b) another Person (including any bank under any letter of credit) to induce the creation of which the guaranteeing person has issued a reimbursement, counterindemnity or similar obligation, in either case guaranteeing or in effect guaranteeing any Indebtedness, leases, dividends or other obligations (the "primary obligations") of any other third Person (the "primary obligor") in any manner, whether directly or indirectly, including any obligation of the guaranteeing person, whether or not contingent, (i) to purchase any such primary obligation or any property constituting direct or indirect security therefor, (ii) to advance or supply funds (1) for the purchase or payment of any such primary obligation or (2) to maintain working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor, (iii) to purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation or (iv) otherwise to assure or hold harmless the owner of any such primary obligation against loss in respect thereof; provided, however, that the term Guarantee Obligation shall not include endorsements of instruments for deposit or collection in the ordinary course of business. The amount of any Guarantee Obligation of any guaranteeing person shall be deemed to be the lower of (a) an amount equal to the stated or determinable amount of the primary obligation in respect of which such Guarantee Obligation is made and (b) the maximum amount for which such guaranteeing person may be liable pursuant to the terms of the instrument embodying such

Guarantee Obligation, unless such primary obligation and the maximum amount for which such guaranteeing person may be liable are not stated or determinable, in which case the amount of such Guarantee Obligation shall be such guaranteeing person's maximum reasonably anticipated liability in respect thereof as determined by the Borrower in good faith.

"Guarantor" means Holdings and each Domestic Subsidiary of Holdings (other than the Borrower).

"Guaranty" means the guaranty of each Guarantor set forth in Section 10.

"Hazardous Material" means, without limitation, any petroleum product, raw material, physical agent, biologically derived airborne contaminant, biological agent, infectious agent, assayable biological contaminant, chemical product or intermediate, chemical by-product, flammable material, explosive, radioactive substances, asbestos in any form that is or could become friable, urea formaldehyde foam insulation, polychlorinated biphenyls, chemicals defined under Environmental Law as hazardous substances, hazardous wastes, extremely hazardous wastes, solid wastes, toxic substances, pollutants, contaminants or words of similar meaning which is now or hereafter defined, prohibited, limited or regulated in any way under any Environmental Law.

"Hedge Agreements" means all interest rate swaps, caps or collar agreements, interest rate future or option contracts, currency swap agreements, currency future or option contracts or similar arrangements providing for protection against fluctuations in interest rates or currency exchange rates or the exchange of nominal interest obligations, either generally or under specific contingencies.

"Hedging Obligations" means, with respect to any Person at any date, all liabilities of such Person under Hedge Agreements.

"Holdings" is defined in the preamble hereto.

"HSR Act" means the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended.

"HQ Lease" means, collectively, the two leases between Tueffs Limited Partnership and InfuSystem, Inc., as amended, for office space and warehouse space in Madison Heights, Michigan with a term from July 1, 2002 to June 30, 2007, in each case as extended to June 30, 2008 by amendment executed by Tueffs Limited Partnership on July 2, 2007.

"Indebtedness" means, with respect to any Person at any date, without duplication:

(a) all indebtedness of such Person for borrowed money and all obligations of such Person evidenced by notes, bonds, debentures or other similar instruments;

(b) all obligations of such Person, contingent or otherwise, relative to the face amount of all (i) letters of credit (whether or not drawn) or (ii) bankers' acceptances or similar facilities, in each case issued for the account of such Person;

(c) all Capital Lease Obligations of such Person;

(d) all Synthetic Obligations of such Person;

(e) all obligations of such Person under Hedge Agreements;

(f) all obligations of such Person to pay the deferred purchase price of property or services (other than current trade payables that are incurred in the ordinary course of such Person's business and are not overdue for a period of more than 90 days);

(g) all indebtedness created or arising under any conditional sale or other title retention agreement with respect to property acquired by such Person (even though the rights and remedies of the seller or lender under such agreement in the event of default are limited to repossession or sale of such property);

(h) the liquidation value of all preferred Equity Interests of such Person redeemable at the option of the holder thereof;

(i) all obligations of the kind referred to in clauses (a) through (h) above secured by (or for which the holder of such obligation has an existing right, contingent or otherwise, to be secured by) any Lien on property (including accounts and contract rights) owned by such Person, whether or not such Person has assumed or become liable for the payment of such obligation; and

(j) all Guarantee Obligations of such Person in respect of obligations of the kind referred to in clauses (a) through (i) above.

The Indebtedness of any Person shall include the Indebtedness of any other entity (including any partnership in which such Person is a general partner) to the extent such Person is liable therefor as a result of such Person's ownership interest in or other relationship with such entity, except to the extent the terms of such Indebtedness provide that such Person is not liable therefor.

"Indemnitee" is defined in Section 12.6.

"InfuSystem" is defined in the recitals hereto.

"InfuSystem Acquisition" is defined in the recitals hereto.

"Initial Financial Statements" means, collectively, the following financial statements of Holdings: (i) Condensed Consolidated Balance Sheets as of March 31, 2007 and December 31, 2006; (ii) Condensed Consolidated Statements of Operations for the three months ended March 31, 2007, the three months ended March 31, 2006 and for the period from August 15, 2005 (inception) to March 31, 2007; (iii) Condensed Consolidated Statements of Stockholders Equity (Deficit) for the period August 15, 2005 (inception) to December 31, 2005, the year ended December 31, 2006 and for the three months ended March 31, 2007; and (iv) Condensed Consolidated Statements of Cash Flows for the three months ended March 31, 2007, the three months ended March 31, 2006 and for the period from August 15, 2005 (inception) to March 31, 2007.

"Initial Projections" means, collectively, the following (in each case, for Holdings and its Subsidiaries on a Consolidated basis giving effect to the Acquisition): (i) income statement projection (assuming no share redemptions) by quarter from March 31, 2007 through December 31, 2009 (with columns for full year totals and additional lines below net income showing projected depreciation expense, amortization expense, EBITDA, capital expenditures, lease expense (facility), equipment lease payments, principal payments on the Term Loan, and interest payments on the Term Loan); (ii) balance sheet projection (assuming no share redemptions) by quarter from March 31, 2007 through December 31, 2009; (iii) itemized list of payments to be made at closing of the Acquisition (e.g., FTN fees, loan facility fee, ticking fee (Acquisition Agreement Section 12.1(a)), audit fees and costs (Acquisition Agreement Section 6.23), preparation of proxy (Acquisition Agreement Section 6.18), etc.); (iv) income statement

projection (assuming maximum share redemptions) by quarter from March 31, 2007 through December 31, 2009 (with columns for full year totals and additional lines below net income showing projected depreciation expense, amortization expense, EBITDA, capital expenditures, lease expense (facility), equipment lease payments, principal payments on the Term Loan, and interest payments on the Term Loan); and (v) balance sheet projection (assuming maximum share redemptions) by quarter from March 31, 2007 through December 31, 2009.

"Intellectual Property" means the collective reference to all rights, priorities and privileges relating to intellectual property, whether arising under United States, multinational or foreign laws or otherwise, including copyrights, copyright licenses, patents, patent licenses, trademarks, trademark licenses, technology, know-how and processes, and all rights to sue at law or in equity for any infringement or other impairment thereof, including the right to receive all proceeds and damages therefrom.

"Intercompany Subordination Agreement" means a Subordination Agreement, in form and substance reasonably satisfactory to the Lender, executed and delivered by two or more Obligors and delivered to the Lender pursuant to the terms of this Agreement, as amended, supplemented, amended and restated or otherwise modified from time to time.

"Interest Expense" means, for any period, total interest payable in cash on, and amortization of debt discount in respect of, all Debt (including that attributable to the Term Loan, Capital Lease Obligations and Synthetic Obligations) of Holdings and its Subsidiaries (including all commissions, discounts and other fees and charges owed with respect to letters of credit and bankers' acceptance financing and net costs under Hedge Agreements in respect of interest rates to the extent such net costs are allocable to such period in accordance with GAAP).

"Investments" means, relative to any Person, (a) any advance, loan or extension of credit (by way of entry into of a Guarantee Obligation or otherwise) to any other Person, including the purchase by such Person of any bonds, notes, debentures or other debt securities of any other Person, (b) any Equity Interests held by such Person in any other Person, including any capital contribution made by such Person to any other Person, and (c) any Acquisition.

"Joinder Agreement" means the Joinder Agreement to be executed by InfuSystem in substantially the form of Exhibit E.

"Landlord Agreement" means a landlord agreement in form and substance reasonably satisfactory to the Lender executed and delivered pursuant to the terms of this Agreement, which shall grant the Lender access to the premises covered by any lease of Real Property under which any Grantor is the lessee or sublessee.

"Lease Expense" means, for any period, the aggregate amount of fixed and contingent rentals (excluding Capital Lease Obligations and Synthetic Obligations) payable by Holdings and its Subsidiaries for such period with respect to leases of real and personal property, determined on a Consolidated basis.

"Lender" is defined in the preamble hereto and, as used herein, shall include any successors and assigns of the original Lender hereunder.

"Lender's Environmental Liability" means any and all losses, liabilities, obligations, penalties, claims, litigation, demands, defenses, costs, judgments, suits, proceedings, damages (including consequential damages), disbursements or expenses of any kind or nature whatsoever (including actual attorneys' fees at trial and appellate levels and experts' fees and disbursements and expenses incurred in

investigating, defending against or prosecuting any litigation, claim or proceeding) that may at any time be imposed upon, incurred by or asserted or awarded against the Lender or any of its Affiliates, shareholders, directors, officers, employees, representatives and agents in connection with or arising from:

(i) any Hazardous Material on, in, under or affecting all or any portion of any property of the Borrower or any of its Subsidiaries, the groundwater thereunder, or any surrounding areas thereof to the extent caused by Releases from the Borrower's or any of its Subsidiaries' or any of their respective predecessors' properties;

(ii) any misrepresentation, inaccuracy or breach of any warranty, contained or referred to in Section 6.20;

(iii) any violation or claim of violation by Holdings or any of its Subsidiaries of any Environmental Laws; or

(iv) the imposition of any lien for damages caused by or the recovery of any costs for the cleanup, release or threatened release of Hazardous Material by Holdings or any of its Subsidiaries, or in connection with any property owned or formerly owned by Holdings or any of its Subsidiaries.

"Leverage Ratio" has the meaning set forth in Section 8.1(b).

"Lien" means any mortgage, pledge, hypothecation, assignment, deposit arrangement, encumbrance, lien or right of subrogation or analogous right (statutory or other), charge or other security interest or any preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever (including any conditional sale or other title retention agreement and any capital lease having substantially the same economic effect as any of the foregoing).

"LIBOR Rate" means, at any time of determination, a rate per annum equal to the greater of (i) three percent (3.0%), and (ii) the latest rate for one month Eurodollars published in the "Money Rates" section of The Wall Street Journal (or if such rate ceases to be so published, as quoted from such other generally available and recognizable source as the Lender may select). The LIBOR Rate shall be determined (i) on the first Business Day immediately prior to the Closing Date and (ii) thereafter, on the last Business Day of each calendar month for calculation of interest for the following month.

"Loan Documents" means this Agreement, the Guaranty, each Intercompany Subordination Agreement, if any, the Security Documents, the Borrower Closing Date Certificate, each Compliance Certificate and each other agreement, document or instrument delivered in connection with this Agreement or any other Loan Document, whether or not specifically mentioned herein or therein.

"Material Adverse Change" means a material adverse change in, or a material adverse effect upon (i) the business, condition (financial or otherwise), assets, liabilities (actual or contingent), operations, management, performance, properties or prospects of Holdings since December 31, 2005, (ii) the ability of Holdings, Borrower or any of their respective Subsidiaries to perform their respective obligations under the Loan Documents, or (iii) the ability of the Lender to enforce the Loan Documents.

"Material Adverse Effect" means (a) a material adverse effect on the Transaction, (b) a material adverse change in, or a material adverse effect upon, the business, properties, operations (including results of operation), condition (financial or otherwise), assets, liabilities (actual or contingent), value, solvency or prospects of Holdings, the Borrower (individually) or of the Borrower and its Subsidiaries taken as a

whole, (c) a material adverse effect upon the legality, validity, binding effect or enforceability of this Agreement or any of the other Loan Documents against any Obligor party thereto, or (d) a material impairment of the rights or remedies of the Lender under any Loan Document to which it is a party, or of the ability of any Obligor to perform and satisfy its obligations under any Loan Document to which it is a party.

"Material Contract" means (i) each contract and agreement listed on Schedule IV hereto and (ii) each other contract or agreement with Medicare, Blue Cross or any other contracted payor (including without limitation any insurance company) covering more than 2,000,000 lives.

"Material Environmental Amount" means an amount payable by the Borrower and/or its Subsidiaries in excess of $100,000 for remedial costs, compliance costs, compensatory damages, punitive damages, fines, penalties or any combination thereof.

"Merger" is defined in the recitals hereto.

"Monthly Payment Date" means the last day of each calendar month; provided, that if any such day is not a Business Day, the Monthly Payment Date for such month shall be the next succeeding Business Day.

"Mortgaged Properties" means, collectively, any real properties that may, from time to time pursuant to the terms hereof, become subject to a Mortgage in favor of the Lender.

"Mortgage" means a mortgage and/or deed of trust made pursuant to the terms hereof by any Obligor in favor of, or for the benefit of, the Lender, in form and substance satisfactory to the Lender, as the same may be amended, supplemented or otherwise modified from time to time.

"Multiemployer Plan" means a Plan that is a multiemployer plan as defined in Section 4001(a)(3) of ERISA.

"Net Cash Proceeds" means (a) in connection with any Asset Sale or any Recovery Event, the proceeds thereof in the form of cash and Cash Equivalents (including any such proceeds received by way of deferred payment of principal pursuant to a note or installment receivable or purchase price adjustment receivable or otherwise, but only as and when received), net of attorneys' fees, accountants' fees, investment banking fees, amounts required to be applied to the repayment of Indebtedness secured by a Lien expressly permitted hereunder on any asset that is the subject of such Asset Sale or Recovery Event (other than any Lien pursuant to a Security Document) and other reasonable and customary fees and expenses actually incurred in connection therewith and net of income or transfer taxes paid or reasonably estimated to be payable as a result thereof (after taking into account any available tax credits or deductions and any tax sharing arrangements) and (b) in connection with any issuance or sale of Equity Interests or securities or instruments evidencing Indebtedness, or the incurrence of Indebtedness (whether or not a security or instrument is issued in connection therewith), the cash proceeds and Cash Equivalents received from such issuance or incurrence, net of reasonable attorneys' fees, reasonable and customary investment banking fees, accountants' fees, underwriting discounts and commissions and other reasonable and customary fees and expenses actually incurred in connection therewith.

"Net Income" means, for any period, the consolidated net income (or loss) of Holdings and its Subsidiaries, determined on a Consolidated basis; provided, however, that there shall be excluded (a) the income (or deficit) of any Person accrued prior to the date it becomes a Subsidiary of Holdings or is merged into or consolidated with Holdings or any of its Subsidiaries, (b) the income (or deficit) of any Person (other than a Subsidiary of Holdings) in which Holdings or any of its Subsidiaries has an

ownership interest, except to the extent that any such income is actually received by Holdings or such Subsidiary in the form of dividends or similar distributions and (c) the undistributed earnings of any Subsidiary of Holdings to the extent that the declaration or payment of dividends or similar distributions by such Subsidiary is restricted or prohibited at such time by Applicable Law or the terms of any Contractual Obligation (other than under any Loan Document) applicable to Holdings or such Subsidiary.

"Obligations" means the unpaid principal of and interest on (including interest accruing after the maturity of the Term Loan and interest accruing after the filing of any petition in bankruptcy, or the commencement of any insolvency, reorganization or like proceeding, relating to the Borrower, whether or not a claim for post-filing or post-petition interest is allowed in such proceeding) the Term Loan and all other obligations and liabilities of any Obligor to the Lender, whether direct or indirect, absolute or contingent, due or to become due, or now existing or hereafter incurred, that may arise under, out of, or in connection with, this Agreement, any other Loan Document or any other document made, delivered or given in connection herewith or therewith, whether on account of principal, interest, reimbursement obligations, fees, indemnities, costs, expenses (including all fees, charges and disbursements of counsel to the Lender that are required to be paid by the Borrower pursuant hereto) or otherwise.

"Obligor Security Agreement" means the Security Agreement executed and delivered pursuant to the terms of this Agreement by Holdings, the Borrower and each of the Borrower's Subsidiaries pursuant to the terms of this Agreement, substantially in the form of Exhibit F, as amended, supplemented, amended and restated or otherwise modified from time to time, and includes each Copyright Security Agreement, Patent Security Agreement and Trademark Security Agreement executed and delivered in connection therewith.

"Obligors" means, collectively, Holdings, the Borrower and each Subsidiary or Affiliate of the Borrower that is a party to a Loan Document (including each Subsidiary Guarantor).

"Organic Document" means, relative to any Obligor, as applicable, its certificate of incorporation, by-laws, certificate of partnership, partnership agreement, certificate of formation, limited liability company agreement or operating agreement and all shareholder agreements, voting trusts and similar arrangements applicable to any of such Obligor's partnership interests, limited liability company interests or authorized shares of Equity Interests.

"Other Taxes" is defined in Section 4.4(b).

"Patent Security Agreement" means any Patent Security Agreement executed and delivered by any Obligor in substantially the form of Exhibit B to the Obligor Security Agreement, as amended, supplemented, amended and restated or otherwise modified from tune to time.

"PBGC" means the Pension Benefit Guaranty Corporation established pursuant to Subtitle A of Title IV of ERISA (or any successor).

"Person" means an individual, partnership, corporation, limited liability company, business trust, joint stock company, trust, unincorporated association, joint venture, Governmental Authority or other entity of whatever nature.

"Plan" means, at a particular time, any employee benefit plan that is covered by ERISA and in respect of which the Borrower or a Commonly Controlled Entity is (or, if such plan were terminated at such time, would under Section 4069 of ERISA be deemed to be) an "employer" as defined in Section 3(5) of ERISA.

"Plan Insolvency" means, with respect to any Multiemployer Plan, that such Plan is insolvent within the meaning of Section 4245 of ERISA.

"Pledged Equity Interests" means, collectively, all Equity Interests upon which a Lien is purported to be created by any Security Document, including all Pledged Stock and all Pledged Interests (each as defined in the Obligor Security Agreement).

"Pledged Notes" is defined in the Obligor Security Agreement.

"Pledged Subsidiary" means each Subsidiary of the Borrower in respect of which the Lender has been granted a security interest in or a pledge of (i) any of the Equity Interests of such Subsidiary or (ii) any intercompany notes of such Subsidiary owing to the Borrower or another Subsidiary.

"Projections" is defined in Section 7.2(e).

"Property" means any property or asset, real or personal, tangible or intangible, of whatever nature, including general intangibles. "Properties" is the collective reference to the foregoing.

"Quarterly Payment Date" means the last day of March, June, September and December; provided, that if any such day is not a Business Day, the applicable Quarterly Payment Date shall be the next succeeding Business Day.

"Real Property" means any real property with respect to which the Borrower or any of its Subsidiaries or any Obligor has fee simple title or a leasehold interest.

"Recovery Event" means any settlement of or payment in respect of any property, environmental or casualty insurance claim or any condemnation, expropriation or analogous proceeding or event relating to any asset of Holdings or any of its Subsidiaries that yields gross proceeds to Holdings or any of its Subsidiaries in excess of $100,000.

"Regulation U" means Regulation U of the Board as in effect from time to time.

"Reinvestment Deferred Amount" means, with respect to any Reinvestment Event, the portion of the Net Cash Proceeds received by Holdings or any of its Subsidiaries in connection therewith that, as a result of the delivery of a Reinvestment Notice, is not applied to prepay the Term Loan pursuant to Section 3.1.4(c).

"Reinvestment Event" means any Asset Sale or Recovery Event in respect of which the Borrower has delivered a Reinvestment Notice.

"Reinvestment Notice" means a written notice executed by a Responsible Officer stating that no Default or Event of Default has occurred and is continuing and that Holdings (directly or indirectly through a Subsidiary) intends and expects to use all or a specified portion of the Net Cash Proceeds of an Asset Sale or Recovery Event to acquire prior to the relevant Reinvestment Prepayment Date tangible assets (other than inventory) useful in the Business.

"Reinvestment Prepayment Amount" means, with respect to any Reinvestment Event, the Reinvestment Deferred Amount relating thereto less any amount expended prior to the relevant Reinvestment Prepayment Date to acquire tangible assets other than inventory useful in the Business.

"Reinvestment Prepayment Date" means, with respect to any Reinvestment Event, the earlier of (a) the date occurring 180 days after such Reinvestment Event and (b) the date on which the Borrower shall have determined not to, or failed to, or shall have otherwise ceased to, acquire tangible assets other than inventory useful in the Borrower's business with all or any portion of the relevant Reinvestment Deferred Amount.

"Related Parties" means, with respect to any Person, such Person's Affiliates and the partners, directors, officers, employees, agents and advisors of such Person and of such Person's Affiliates.

"Release" means, without limitation, any release, spilling, emission, leaking, pumping, pouring, injecting, depositing, disposal, discharge, dispersal, leaching, dumping or migration into the indoor or outdoor Environment, including, without limitation, the movement of Hazardous Materials through ambient air, soil, surface water, groundwater, wetlands, land or subsurface strata.

"Reportable Event" means any of the events set forth in Section 4043(b) of ERISA, other than those events as to which the thirty day notice period is waived under subsections .27, .28, .29, .30, .31, .32, .34 or .35 of PBGC Reg. § 4043.

"Responsible Officer" means the chief executive officer, president or chief financial officer of the Borrower, but in any event, with respect to financial matters, the chief financial officer of Holdings.

"Restricted Payments" is defined in Section 8.6.

"SEC" means the Securities and Exchange Commission, any successor thereto and any analogous Governmental Authority.

"Security Documents" means the collective reference to the Obligor Security Agreement, each Trademark Security Agreement, each Copyright Security Agreement, each Patent Security Agreement, each Mortgage, if any, and all other security documents hereafter delivered to the Lender granting a Lien on any property of any Person to secure the obligations and liabilities of any Obligor under any Loan Document.

"Seller" is defined in the recitals hereto.

"Single Employer Plan" means any Plan that is covered by Title IV of ERISA, but that is not a Multiemployer Plan.

"Solvent" means, when used with respect to any Person, that, as of any date of determination, (a) the amount of the "present fair saleable value" of the assets of such Person will, as of such date, exceed the amount of all "liabilities of such Person, contingent or otherwise", as of such date, as such quoted terms are determined in accordance with applicable federal and state laws governing determinations of the insolvency of debtors, (b) the present fair saleable value of the assets of such Person will, as of such date, be greater than the amount that will be required to pay the liability of such Person on its debts as such debts become absolute and matured, (c) such Person will not have, as of such date, an unreasonably small amount of capital with which to conduct its business, and (d) such Person will be able to pay its debts as they mature. For purposes of this definition, (i) "debt" means liability on a "claim", and (ii) "claim" means any (x) right to payment, whether or not such a right is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured or unsecured or (y) right to an equitable remedy for breach of performance if such breach gives rise to a right to payment, whether or not such right to an equitable remedy is reduced to judgment, fixed, contingent, matured, unmatured, disputed, undisputed, secured or unsecured.

"Specified Payment Premium" is defined in Section 3.1.5.

"Specified Payments" is defined in Section 3.1.5.

"Specified Revolver Collateral" means all Collateral consisting of the following:

(a) all Accounts;

(b) all Inventory;

(c) any Deposit Accounts specifically established for purposes of collection of Accounts and all cash, checks and other property held therein or credited thereto (other than identifiable cash proceeds of Term Priority Collateral held therein);

(d) to the extent evidencing, governing, securing or otherwise related to the items referred to in the preceding clauses (a) through (c), all General Intangibles, Chattel Paper, Instruments, and Documents, provided that to the extent any of the foregoing also relates to Term Priority Collateral, only that portion related to the items referred to in the preceding clauses (a) through (c) shall be included in the Specified Revolver Collateral;

(e) to the extent evidencing, governing, securing or otherwise related to the items referred to in the preceding clauses (a) through (d), all Supporting Obligations, provided that to the extent any of the foregoing also relates to Term Priority Collateral, only that portion related to the items referred to in the preceding clauses (a) through (d) shall be included in the Specified Revolver Collateral;

(f) all books and records relating to the foregoing; and

(g) all Proceeds and products of each of the foregoing and all accessions to, substitutions and replacements for, and rents, profits and products of, each of the foregoing, any and all Proceeds of any insurance, indemnity, warranty or guaranty payable to such Grantor from time to time with respect to any of the foregoing.

All capitalized terms used in this definition and not defined elsewhere in this Agreement have the meanings assigned to them in the U.C.C. For the avoidance of doubt, the Lender shall have a first priority lien on all Specified Revolver Collateral unless and until a revolving credit facility permitted by Section 8.2(h) is entered into and, thereafter, shall have a second priority lien on such Specified Revolver Collateral pursuant to intercreditor arrangements reasonably satisfactory to the Lender.

"Stated Maturity Date" means October 24, 2011.

"Subordinated Debt" means unsecured Indebtedness postponed and subordinated in right of payment to the Obligations pursuant to documentation containing maturities, amortization schedules, redemption and other prepayment events, covenants, defaults, remedies, acceleration rights, subordination provisions and other material terms satisfactory to the Lender.

"Subordinated Debt Documents" means, collectively, any loan agreements, indentures, note purchase agreements, promissory notes, guarantees and other instruments and agreements evidencing the terms of Subordinated Debt, as amended, supplemented, amended and restated or otherwise modified in accordance with Section 8.13.

"Subsidiary" means, as to any Person, any Business Entity of which more than 50% of the outstanding Equity Interests having ordinary voting power to elect or appoint the managing member, or analogous Person, or the board of directors, managers or other voting members of the governing body, of such Business Entity (irrespective of whether at the time securities (or other Equity Interests) of any other class or classes of such Business Entity shall or might have voting power upon the occurrence of any contingency) is at the time directly or indirectly owned or controlled by such Person, by such Person and one or more other Subsidiaries of such Person, or by one or more other Subsidiaries of such Person. Unless otherwise qualified, all references to a "Subsidiary" or to "Subsidiaries" in this Agreement shall refer to a Subsidiary or Subsidiaries of the Borrower.

"Subsidiary Guarantor" means each Subsidiary of Holdings that is a party to the Guaranty (including each such Subsidiary that shall have become a party to the Guaranty by executing and delivering a Supplement thereto substantially in the form of Exhibit G).

"Synthetic Obligations" means as to any Person, all (a) obligations of such Person to pay rent or other amounts as a lessee under any lease that is treated as an operating lease for financial accounting purposes and a financing lease for tax purposes (i.e., a "synthetic lease"), (b) obligations of such Person in respect of transactions entered into by such Person, the proceeds from which would be reflected on the financial statement of such Person in accordance with GAAP as cash flows from financings at the time such transaction was entered into (other than as a result of the issuance of Equity Interests) and (c) obligations of such Person in respect of other transactions entered into by such Person that are not otherwise addressed in the definition of "Debt" or in clause (a) or (b) above that are intended to function primarily as a borrowing of funds.

"Tax Refund" means any and all tax refunds, tax rebates and other payments of any nature from any Governmental Authority in respect of Taxes.

"Taxes" means any and all present and future taxes, levies, imposts, deductions, assessments, fees, withholdings, duties and other charges, now or hereafter imposed, levied, collected, withheld or assessed by any Governmental Authority, including all penalties, interest and liabilities with respect thereto.

"Tax Return" means all returns, reports, statements, filings, attachments and other documents or certifications required to be prepared or filed in respect of Taxes.

"Term Loan Commitment" means the Lender's obligation (if any) to make the Term Loan pursuant to Section 2.1.

"Term Loan Commitment Amount" means $32,703,000.00.

"Term Loan" is defined in Section 2.1.1.

"Term Priority Collateral" means all Collateral except Specified Revolver Collateral.

"Termination Date" means the earliest date on which both (a) the Term Loan Commitment shall have been permanently terminated and (b) the Term Loan and all other Obligations shall have been paid in full in cash.

"Total Debt" means, at any date, the aggregate principal amount of all Debt of Holdings and its Subsidiaries.

"Trademark Security Agreement" means any Trademark Security Agreement executed and delivered by any Obligor substantially in the form of Exhibit C to the Obligor Security Agreement, as amended, supplemented, amended and restated or otherwise modified from time to time.

"Transaction" is defined in the recitals hereto.

"Transaction Documents" means, collectively, the Loan Documents and the Acquisition Documentation, and includes all schedules, exhibits and annexes thereto and all side letters and agreements affecting the terms thereof or entered into in connection therewith.

"Treasury Regulations" means the existing U.S. federal income tax regulations promulgated or proposed under the Code.

"U.C.C." means the Uniform Commercial Code, as at any time adopted and in effect in the State of New York.

"United States" means the United States of America.

"Voting Interests" means, with respect to any Person, Equity Interests of any class or kind ordinarily having the power to vote for the election of, or to appoint, the managing member or analogous Person, or directors, managers or other voting members of the governing or managing body of, such Person.

"Wholly Owned Subsidiary" means as to any Person, any other Person all of the Equity Interests of which (other than directors' qualifying shares required by law) are owned by such Person directly and/or indirectly through one or more other Wholly Owned Subsidiaries.

"Wholly Owned Subsidiary Guarantor" means any Subsidiary Guarantor that is a Wholly Owned Subsidiary of the Borrower.

1.2 Other Definitional Provisions.

(a) Unless otherwise specified therein, all terms defined in this Agreement shall have the defined meanings when used in the other Loan Documents or any certificate or other document made or delivered pursuant hereto or thereto.

(b) As used herein and in the other Loan Documents, and any certificate or other document made or delivered pursuant hereto or thereto:

(i) accounting terms relating to Holdings and its Subsidiaries not defined in Section 1.1 and accounting terms partly defined in Section 1.1, to the extent not defined, shall have the respective meanings given to them under GAAP;

(ii) the words "include", "includes" and "including" shall be deemed to be followed by the phrase "without limitation";

(iii) the word "incur" shall be construed to mean incur, create, issue, assume, become liable in respect of or suffer to exist (and the words "incurred" and "incurrence" shall have correlative meanings);

(iv) the words "asset" and "property" shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties (whether real or personal), including cash, Equity Interests, securities, revenues, accounts, leasehold interests and contract rights; and

(v) references to an agreement or other document (whether or not such agreement or other document is a Loan Document or other Transaction Document) shall, unless otherwise expressly stated in such reference or in the definition thereof, mean the agreement or other document and all schedules, exhibits, annexes and other materials that constitute part of such agreement or document pursuant to the terms thereof, as amended, supplemented, restated or otherwise modified in accordance with its terms and the provisions of the Loan Documents.

(c) The words "hereof", "herein" and "hereunder" and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement, and Section, Article, Schedule, Annex, Exhibit and analogous references are to this Agreement unless otherwise specified.

(d) The meanings given to terms defined herein shall be equally applicable to both the singular and plural forms of such terms.

1.3 Cross References. Unless otherwise specified, references in a Loan Document to any Article, Section, Schedule, Exhibit or Annex are references to such Article or Section of, or Schedule, Exhibit or Annex to, such Loan Document, and references in any Article, Section or definition to any clause are references to such clause of such Article, Section or definition.

## SECTION 2
## THE TERM LOAN COMMITMENT;
## DESIGNATION OF APPLICABLE INTEREST RATE

2.1 Term Loan Commitment. On the terms and subject to the conditions of this Agreement (including all applicable conditions set forth in SECTION 5), the Lender agrees to make the Term Loan as set forth below.

2.1.1 Term Loan Commitment.

The Lender agrees to make a term loan (the "Term Loan") to the Borrower in an amount equal to the Term Loan Commitment Amount. No amounts paid or prepaid with respect to the Term Loan may be reborrowed. The Term Loan may from time to time be designated to bear interest based on the Base Rate or on the LIBOR Rate, as determined by the Borrower and notified to the Lender in accordance with Section 2.2. Notwithstanding any contrary provision hereof, the Borrower and the Lender agree that the borrowing by the Borrower of the full amount of the Term Loan hereunder shall be deemed to occur automatically (and without any wire transfer of funds or any other or further action of any party) concurrently with the receipt by the Lender of the Cash Purchase Price (as defined in the Acquisition Agreement) and upon such receipt by the Lender of such Cash Purchase Price the Term Loan shall be outstanding in the principal amount of $32,703,000.00 and shall be payable by the Borrower to the Lender in accordance with the terms hereof.

2.2. Designation of Applicable Interest Rate. The Term Loan shall initially bear interest at the LIBOR Rate plus the Applicable Margin. The Borrower may elect from time to time after the Closing Date, on any Monthly Payment Date, to designate the Base Rate (or to re-designate the

LIBOR Rate), in each case plus the Applicable Margin, as the rate applicable to the Term Loan by giving the Lender at least three Business Days' prior irrevocable notice of such election; provided, however, that the LIBOR Rate may not be selected at any time during which a Default under Section 9.1(a) or 9.1(f) or an Event of Default shall be continuing.

## SECTION 3
## REPAYMENTS, PREPAYMENTS, INTEREST AND FEES

3.1 Maturity of Term Loan; Repayments and Prepayments of Term Loan. The Borrower agrees that the Term Loan shall be repaid and prepaid as set forth in this Section 3.1.

3.1.1. Maturity of Term Loan. The Borrower shall repay in full the unpaid principal amount of the Term Loan upon the Stated Maturity Date.

3.1.2. Optional Prepayments. The Borrower may at any time and from time to time prepay the Term Loan, in whole or in part, subject to the provisions of Section 3.1.5), upon irrevocable notice delivered to the Lender at least three Business Days prior thereto, which notice shall specify the date and amount of prepayment; provided, however, that each such voluntary partial prepayment shall be in an amount equal to $500,000 or a whole multiple of $100,000 in excess thereof (or, if less, the aggregate outstanding principal amount of the Term Loan). If any such notice is given, the amount specified in such notice shall be due and payable on the date specified therein, together with accrued interest to such date on the amount prepaid.

3.1.3. Scheduled Repayments of Term Loan.

Term Loan. The Borrower shall, on each Quarterly Payment Date commencing with the Quarterly Payment Date occurring on December 31, 2007, make a scheduled repayment of the aggregate outstanding principal amount of the Term Loan in an amount equal to the amount set forth below opposite the period in which such Quarterly Payment Date occurs:

| Period | | Amount of Each Required Quarterly Principal Repayment |
|---|---|---|
| 12/31/07 through (and including) 9/30/08 | $ | 408,787.50 |
| 12/31/08 through (and including) 9/30/10 | $ | 817,575.00 |
| 12/31/10 and thereafter | $ | 1,226,362.50 |

3.1.4. Mandatory Prepayments. Prior to the Stated Maturity Date, the Borrower shall make payments and prepayments of the Term Loan as set forth in this Section 3.1.4.

(a) Issuance of Equity Interests. If any Equity Interests shall be issued by Holdings or any of its Subsidiaries (other than shares issued to employees pursuant to any management equity plan or stock option plan), an amount equal to 100% of the Net Cash Proceeds thereof shall be applied on the date of such issuance or incurrence toward the prepayment of the Term Loan as set forth in Section 3.2.

(b) Incurrence of Indebtedness; Revolving Credit Facility.

(1) If any Indebtedness (excluding any Indebtedness permitted to be issued or incurred pursuant to Section 8.2 except as provided in the following clause (2)) shall be issued or incurred by Holdings or any of its Subsidiaries after the Closing Date, an amount equal to 100% of the Net Cash Proceeds thereof shall be applied on the date of such issuance or incurrence toward the prepayment of the Term Loan as set forth in Section 3.2;

(2) If any Indebtedness shall be issued or incurred by Holdings or any of its Subsidiaries after the Closing Date pursuant to a revolving credit facility of any nature, an amount equal to 100% of the Net Cash Proceeds thereof in excess of $5,000,000.00 outstanding at any one time shall be applied on the date of such issuance or incurrence toward the prepayment of the Term Loan as set forth in Section 3.2;

(c) Asset Sales; Recovery Events. If on any date Holdings or any of its Subsidiaries shall receive Net Cash Proceeds from any Asset Sale or Recovery Event then, unless a Reinvestment Notice shall be delivered in respect thereof, such Net Cash Proceeds shall be applied on such date toward the prepayment of the Term Loan as set forth in Section 3.2; provided, however, that, notwithstanding the foregoing, (i) the aggregate Net Cash Proceeds of Asset Sales and Recovery Events that may be excluded from the foregoing requirement pursuant to a Reinvestment Notice shall not exceed $500,000 in any Fiscal Year of the Borrower and (ii) on each Reinvestment Prepayment Date, an amount equal to the Reinvestment Prepayment Amount with respect to the relevant Reinvestment Event shall be applied toward the prepayment of the Term Loan as set forth in Section 3.2.

(d) Excess Cash Flow. If, for any Fiscal Year of the Borrower commencing with the Fiscal Year ending December 31, 2008, there shall be Excess Cash Flow, the Borrower shall, no later than the relevant Excess Cash Flow Application Date, apply Seventy-Five Percent (75%) of such Excess Cash Flow toward the prepayment of the Term Loan as set forth in Section 3.2.

(e) Acquisition Payments. If on any date, Holdings, the Borrower, any Subsidiary Guarantor or any of their respective Subsidiaries receives any Acquisition Payment, an amount equal to (i) in the case of any Acquisition Payment of the type described in clause (a) of the definition thereof, 100% of such amount, and (ii) in the case of any Acquisition Payment of the type described in clause (b) of the definition thereof, the excess of (x) 100% of such amount over (y) any third-party costs, liabilities and expenses actually paid or payable in cash by an Obligor in respect of which such indemnification or reimbursement payment is received, shall be applied toward the prepayment of the Term Loan as set forth in Section 3.2 no later than three Business Days following such receipt. In furtherance of the foregoing and notwithstanding any provision to the contrary in the Acquisition Agreement or any other Acquisition Documentation, in the event the Lender is required to pay any amounts to any Obligor that would constitute an Acquisition Payment hereunder, then to the extent such Acquisition Payment would be required to be paid to the Lender under this Section 8.5(e), the Lender may make such payment by applying it as an offset against the Obligations.

(f) Tax Refunds. If on any date Holdings or any of its Subsidiaries shall receive any Tax Refund in an aggregate amount in any fiscal year in excess of $100,000, an amount equal to 100% of such Tax Refund shall be applied within 10 Business Days after receipt by Holdings or such Subsidiary toward the prepayment of the Term Loan as set forth in Section 3.2.

(g) Acceleration. Immediately upon any acceleration of the maturity of the Term Loan pursuant to Section 9.2 or Section 9.3, the Borrower shall repay the Term Loan unless, pursuant to Section 9.3, only a portion of the Term Loan is so accelerated (in which case the portion so accelerated shall be so repaid).

Each prepayment of the Term Loan made pursuant to this Section shall be accompanied by payment of any premium as may be required by Section 3.1.5.

3.1.5. Specified Payment Premiums. All (w) optional principal prepayments of the Term Loan, (x) mandatory principal prepayments of the Term Loan (other than pursuant to clause (d) of Section 3.1.4), and (y) principal payments upon or following acceleration of the Term Loan upon or following an Event of Default (collectively, "Specified Payments") shall be accompanied by a Specified Payment premium (the "Specified Payment Premium") in an amount equal to the following percentages of the principal amount of the Term Loan so paid:

(a) in the case of any such prepayment, repayment or other payment made on or prior to the first anniversary of the Closing Date, 2.0% of the amount of each such Specified Payment; and

(b) in the case of any such prepayment, repayment or other payment made after the first anniversary of the Closing Date but on or prior to the third anniversary of the Closing Date, 1.0% of the amount of each such Specified Payment;

plus, in each case above, any accrued and unpaid interest thereon to the date of such Specified Payment. The Borrower agrees that the Specified Payment Premium is reasonable in the circumstances and shall in all events be included in the Obligations. The Borrower agrees that the Specified Payment Premium shall be payable upon the occurrence of any Event of Default described in Section 9.1(f), even if the Lender does not exercise its rights under SECTION 9, but elects, at its option, to provide financing to the Borrower or permit the use of cash collateral under the United States Bankruptcy Code.

3.2. Application of Prepayments. Amounts required to be applied to the repayment or prepayment of the Term Loan pursuant to Section 3.1 shall be applied as follows:

(a) All repayments required to be made under Section 3.1.1 or 3.1.3 shall be applied to repay amounts owing in respect of the Term Loan. All payments hereunder (including any offsets) shall be applied in the following order: (i) first to due and unpaid fees and expenses (for the avoidance of doubt, including without limitation any unpaid fees or expenses under the Acquisition Documentation); (ii) second, to accrued interest at the default rate specified in Section 3.3.2 (if applicable); (iii) third, to accrued and unpaid interest not described in the foregoing clause (ii); (iv) fourth, to any premium payable pursuant to Section 3.1.5 (if applicable); (v) fifth, to the outstanding principal amount of the Term Loan (and to the remaining amortization payments thereof as specified in Sections 3.2(b), (c) and (d) below); and (vi) sixth, to any remaining amounts due to the Lender under the Loan Documents.

(b) Subject to Section 3.2(a), voluntary prepayments made by the Borrower pursuant to Section 3.1.2 shall be applied to the amortization payments of the Term Loan, as specified by the Borrower in its notice delivered pursuant to Section 3.1.2.

(c) Subject to Section 3.2(a), amounts to be applied pursuant to Section 3.1.4 shall be applied to the prepayment of the outstanding principal amount of the Term Loan (with the amount of such prepayment being applied to reduce, in inverse order, the remaining amortization payments required in respect thereof pursuant to Section 3.1.3).

(d) All other payments and prepayments of the Term Loan by the Borrower for which the application thereof is not specified herein shall be applied, subject to Section 3.2(a), to repay the Term Loan and to reduce, in inverse order of maturity, the remaining amortization payments required in respect thereof pursuant to Section 3.1.3.

3.3. Interest Provisions. Interest on the outstanding principal amount of the Term Loan shall accrue and be payable in accordance with this Section 3.3.

3.3.1. Rates.

(a) If and for so long as the Borrower has selected the LIBOR Rate to be the applicable rate (subject to Section 3.3.2), the Term Loan shall bear interest for each day during such period at a rate per annum equal to the LIBOR Rate determined for such day plus the Applicable Margin on such day.

(b) If and for so long as the Borrower has selected the Base Rate to be the applicable rate, the Term Loan shall bear interest for each day during such period at a rate per annum equal to the Base Rate on such day plus the Applicable Margin on such day.

3.3.2. Default Rate and Overdue Rate; No LIBOR Rate After Default. Notwithstanding Section 3.3.1, (i) immediately upon the occurrence of a Default under Section 9.1(a) or 9.1(f) or an Event of Default and for so long as such Default or Event of Default shall be continuing, the Term Loan (whether or not overdue) shall bear interest at a rate per annum equal to the rate that would otherwise be applicable thereto pursuant to Section 3.3.1(b) plus an additional 2% per annum and (ii) all amounts (other than the principal of the Term Loan) not paid when due hereunder (including, to the extent permitted by law, all overdue interest) shall bear interest at a rate per annum equal to the Base Rate plus the Applicable Margin for the Base Rate plus an additional 2% per annum.

3.3.3. Payment Dates. Interest accrued on the Term Loan shall be payable in arrears, without duplication:

(a) on each Monthly Payment Date (provided that interest accruing pursuant to Section 3.3.2 shall be payable from time to time on demand);

(b) on the Stated Maturity Date;

(c) on the date of any payment or prepayment, in whole or in part, of principal outstanding on the Term Loan on the principal amount so paid or prepaid (including each payment or prepayment made pursuant to Section 3.1); and

(d) on that portion of the Term Loan the maturity of which is accelerated pursuant to Section 9.2 or Section 9.3, immediately upon such acceleration.

3.4. Fees. The Borrower agrees to pay the fees set forth below. All such fees shall be non-refundable.

3.4.1. Administration Fee. The Borrower agrees to pay to the Lender an annual non-refundable administration fee in the amount of $75,000.00 per annum, payable annually in advance on the Closing Date and on each annual anniversary thereof.

3.4.2. Facility Fee. The Borrower agrees to pay to the Lender on the Closing Date the Facility Fee (as defined in the Acquisition Agreement).

3.4.3. Certain Other Fees. The Borrower agrees to pay to the Lender all other fees payable by any Obligor to the Lender in the amounts and on the dates previously agreed to pursuant to the Acquisition Documentation.

## SECTION 4
## CERTAIN LIBOR RATE AND OTHER PROVISIONS

4.1 Computation of Interest and Fees; Payments. (a) All interest and fees payable pursuant hereto shall be calculated on the basis of a 360-day year for the actual days elapsed.

(b) Each determination of an interest rate by the Lender pursuant to any provision of this Agreement shall be conclusive and binding on the Borrower in the absence of clear and manifest error.

(c) All payments (including prepayments) to be made by the Borrower hereunder, whether on account of principal, interest, fees or otherwise, shall be made without setoff or counterclaim and shall be made prior to 11:00 a.m. (Los Angeles, California time), on the due date thereof to the Lender, at the Lender's account set forth on Schedule II (or to such other account as the Lender may notify the Borrower in writing from time to time), in Dollars and in immediately available funds. If any payment hereunder becomes due and payable on a day other than a Business Day, such payment shall be extended to the next succeeding Business Day. In the case of any extension of any payment of principal pursuant to the preceding sentence, interest thereon shall be payable at the then applicable rate during such extension.

4.2 Proceeds of Exercise of Remedies. All monies received by the Lender from the exercise of remedies hereunder, under the other Loan Documents or under any other documents relating to this Agreement shall, unless otherwise required by the terms of the other Loan Documents or by applicable law, be applied as follows:

first, to the payment of all expenses (to the extent not otherwise paid by the Borrower or any of the other Obligors) incurred by the Lender in connection with the exercise of such remedies, including, without limitation, all costs and expenses of collection, actual attorneys' fees and disbursements, court costs and any foreclosure expenses;

next, in the order set forth for payments hereunder in Section 3.2(a), and if such proceeds are insufficient to pay such amounts in full, to the payment of such amounts pro rata; and

thereafter, any surplus remaining after the indefeasible payment in full in cash of all of the Obligations shall be distributed to the Borrower or to whomsoever shall be lawfully entitled thereto.

4.3. Increased Costs. (a) If the adoption of or any change in any Applicable Law or in the interpretation or application thereof or compliance by the Lender with any request or directive (whether or not having the force of law) from any Governmental Authority made subsequent to the Closing Date:

(i) shall subject the Lender to any Tax of any kind whatsoever with respect to this Agreement or any payment hereunder, or change the basis of taxation of payments to the Lender in respect thereof; or

(ii) shall impose on the Lender any other condition;

and the result of any of the foregoing is to increase the cost to the Lender of making or maintaining the Term Loan, or to reduce any amount receivable hereunder in respect thereof, then, in any such case, the Borrower shall promptly pay the Lender, upon its demand *(which demand shall be accompanied by a statement setting forth the basis for such demand and a calculation of the amount thereof in reasonable detail), the Borrower shall pay to Lender such additional amount as will compensate Lender for such increased cost or such reduction, so long as such amount have accrued on or after the date which is 180 days prior to the date on which Lender first made demand therefor. If the Lender becomes entitled to claim any additional amounts pursuant to this clause (a), it shall promptly notify the Borrower of the event by reason of which it has become so entitled.

(b) A certificate as to any additional amounts payable pursuant to this Section submitted by the Lender to the Borrower shall be conclusive absent clear and manifest error. In determining any such additional amounts, the Lender may use any method of averaging and attribution that it (in its reasonable discretion) shall deem applicable. The obligations of the Borrower pursuant to this Section shall survive the termination of this Agreement and the payment of the Term Loan and all other amounts payable hereunder.

(c) This Section 4.3 shall apply only to a lender that is a bank or other financial institution.

4.4. Taxes.

(a) Any and all payments by or on account of any obligation of the Borrower or any other Obligor (including any payments pursuant to Sections 12.5 or 12.6), under this Agreement, or any other Loan Document shall be made without setoff, counterclaim or defense of and free and clear of and without deduction or withholding for any and all Taxes, excluding taxes measured by overall net income and franchise taxes in lieu of overall net income imposed on the Lender, by the jurisdiction (or political subdivision thereof) in which it is organized or in which its principal office is located (all such non-excluded Taxes being herein referred to as "Covered Taxes"). If the Borrower, Holdings or Subsidiary Guarantor shall be required by any Applicable Law to deduct any Covered Taxes from or in respect of any payment hereunder or otherwise under the Loan Documents to any Person, then (i) the sum payable shall be increased as may be necessary so that after making all required deductions and withholdings (including deductions and withholdings applicable to any additional payments made under this Section 4.4) such Person receives an amount equal to the sum it would have received had no such deductions or withholdings been made, (ii) the Borrower, Holdings or Subsidiary Guarantor (or the Lender, as applicable) shall make such deductions or withholdings at the applicable rate and (iii) the Borrower, Holdings or the Subsidiary Guarantor (or the Lender, as applicable) shall pay the full amount deducted to the relevant taxation authority or other authority in accordance with Applicable Law.

(b) In addition, the Borrower agrees to pay any present or future stamp or documentary Taxes or any other excise, transfer, sales, use, recordation or property Taxes, charges or similar levies that arise from any payment made under this Agreement or any other Loan Document or from the execution, enforcement, delivery or registration of, performance under, or otherwise with respect to, this Agreement or any other Loan Document, including all penalties, interest, additions and liabilities in respect thereof (hereinafter referred to as "Other Taxes").

(c) If any Obligor is required to deduct or pay any Covered Taxes, Other Taxes or other amount under this Section 4.4 from or in respect of any amount payable under this Agreement or any other Loan Document to any Indemnified Party, then such Obligor shall also pay to such Indemnified Party at the time interest is paid, such additional amount that such Indemnified Party specifies is necessary to preserve the after-Tax yield (after figuring in all Taxes, including taxes imposed on or measured by net income) that such Indemnified Party would have received if such Covered Taxes, Other Taxes or other amount had not been payable.

(d) The Borrower will indemnify each Indemnitee (i) for the full amount of Covered Taxes and Other Taxes, (including any Covered Taxes and Other Taxes imposed by any jurisdiction (or any political subdivision thereof) on amounts payable under this Section 4.4), payable by such Indemnitee and any liability (including penalties, interest, additions and expenses) arising therefrom or with respect thereto, and (ii) for any present or future claims, liabilities or losses with respect to or resulting from any failure or delay by the Borrower to pay, or any failure or delay by the Borrower to file any Tax Return with respect to, any Covered Taxes or Other Taxes (including interest, penalties, additions and expenses, whether or not such Taxes were correctly or legally asserted. This indemnification shall be made within ten days from the date such Indemnitee makes written demand therefor.

(e) Within ten days after the date of any payment of Covered Taxes, Other Taxes or any interest, penalties, or any liability related thereto, the Borrower shall furnish to the Lender, at its address referred to in Section 12.2, the original or certified copy of a receipt evidencing payment thereof.

(f) Without prejudice to the survival of any other agreement of the Borrower, Holdings or the Subsidiary Guarantors hereunder, the agreements and obligations of the Borrower, Holdings or the Subsidiary Guarantors contained in this Section 4.4 shall survive the termination of this Agreement and the occurrence of the Termination Date.

## SECTION 5
## CONDITIONS PRECEDENT

5.1. Conditions to Initial Credit Extension. The agreement of the Lender to make the Term Loan is subject to the satisfaction, prior to or concurrently with the making of such Term Loan on the Closing Date, of the following conditions precedent:

(a) Credit Agreement. The Lender shall have received this Agreement, executed and delivered by each Obligor.

(b) Acquisition Agreement Conditions. All conditions to effectiveness set forth in the Acquisition Agreement (including, without limitation, Section 12.3 thereof) shall have been satisfied (or waived by the Lender).

(c) Consummation of Transaction, etc. The following transactions shall have been consummated, in each case on terms and conditions reasonably satisfactory to the Lender:

(i) the InfuSystem Acquisition shall be consummated on the Closing Date; and

(ii) the Lender shall have received satisfactory evidence that the fees and expenses payable to third parties to be incurred in connection with the Transaction and the financing thereof (including the financing pursuant to this Agreement) shall not exceed $4,700,000.00;

and the Lender shall be reasonably satisfied with all aspects of the Transaction, including the capital and Business Entity structure of Holdings, the Borrower and each of their respective Subsidiaries, the sources and uses of proceeds utilized to consummate the Transaction, and the tax, legal, accounting and environmental due diligence investigations of Holdings and its Subsidiaries.

(d) Joinder Agreement. The Lender shall have received the Joinder Agreement duly executed by InfuSystem.

(e) Solvency Certificate. The Lender shall have received a Solvency Certificate in the form of Exhibit H, duly executed and delivered by the Chief Executive Officer or Chief Financial Officer of the Borrower, certifying that, after giving effect to the transactions occurring on the Closing Date (including the borrowing of the Term Loan), Holdings and its Subsidiaries, on a Consolidated basis, are Solvent.

(f) Payment of Outstanding Indebtedness, etc. All Indebtedness identified in Item 8.2(b) of the Disclosure Schedule, together with all interest, all payment premiums and all other amounts due and payable with respect thereto, shall have been paid in full from the proceeds of the initial Credit Extension and the commitments in respect of such Indebtedness shall have been permanently terminated, and all Liens securing payment of any such Indebtedness shall have been released and the Lender shall have received all payoff and release letters, Uniform Commercial Code Form UCC-3 termination statements or other instruments or agreements as may be suitable or appropriate in connection with the release of any such Liens.

(g) Representations and Warranties. Both before and immediately after giving effect to the Transaction, (i) all representations and warranties of the Borrower set forth in this Agreement and the other Loan Documents to which the Borrower is a party shall be true and correct in all respects (except to the extent that such representations and warranties relate to InfuSystem (without giving effect to the transactions contemplated by the Acquisition Agreement) and would not have been true and correct if such representations and warranties were made by InfuSystem immediately prior to Closing (as defined in the Acquisition Agreement)); and (ii) all representations and warranties of Holdings and/or the Borrower set forth in the Acquisition Agreement and the other Acquisition Documentation to which Holdings and/or the Borrower or the Seller is a party shall be true and correct in all respects.

(h) Closing Date Certificate. The Lender shall have received the Borrower Closing Date Certificate, dated the date of the initial Credit Extension and duly executed and delivered by an Authorized Officer of the Borrower, in which certificate the Borrower shall represent and warrant as of the Closing Date that, among other things, both before and immediately after giving effect to the InfuSystem Acquisition, all representations and warranties of each Obligor set forth in each Loan Document to which any Obligor is a party are true and correct in all respects (except with respect to the extent that such representations and warranties relate to InfuSystem (without giving effect to the transactions contemplated by the Acquisition Agreement) and would not have been true and correct if such representations and warranties were made by InfuSystem immediately prior to Closing (as defined in the Acquisition Agreement)).

(i) Receipt. The Lender shall have received a Receipt, duly executed by Iceland and Holdings, with respect to the occurrence of the deemed funding hereunder, in form and substance satisfactory to the Lender.

(j) [Intentionally Omitted.]

(k) Obligor Security Agreement. The Lender shall have received the Obligor Security Agreement, dated as of the date hereof, duly executed and delivered by Holdings and each of its Subsidiaries, together with:

(i) [intentionally omitted];

(ii) certificates evidencing all of the issued and outstanding Equity Interests owned by Holdings or any of its Subsidiaries, which certificates in each case shall be accompanied by undated instruments of transfer duly executed in blank or, if any Equity Interests are uncertificated Equity Interests, confirmation and evidence satisfactory to the Lender that the security interest therein has been transferred to and perfected by the Lender in accordance with Articles 8 and 9 of the U.C.C. and all laws otherwise applicable to the perfection of the pledge of such Equity Interests;

(iii) all Pledged Notes (as defined in the Obligor Security Agreement), if any, evidencing Indebtedness payable to Holdings by any of its Subsidiaries or payable to any Subsidiary of Holdings by any other Subsidiary of Holdings, duly indorsed to the order of the Lender;

(iv) Financing Statements naming each of Holdings and each Subsidiary of Holdings as a debtor and the Lender as the secured party, or other similar instruments or documents to be filed under the Uniform Commercial Code of all jurisdictions as may be necessary or, in the opinion of the Lender, desirable to perfect the security interests of the Lender pursuant to the Obligor Security Agreement (including all jurisdictions listed in Item 6.20(a) of the Disclosure Schedule);

(v) evidence reasonably satisfactory to the Lender that the Liens indicated by the financing statements (or similar documents) disclosed by the search described in clause (i) above are permitted by Section 8.3 or have been released or, in the case of Liens referred to in Section 5.1(f) above, will be released on the Closing Date, including (x) executed copies of proper Uniform Commercial Code Form UCC-3 termination statements, if any, necessary to release such Liens and other rights of any Person and (y) such other Uniform Commercial Code Form UCC-3 termination statements as the Lender may reasonably request from any Obligor; and

(vi) lockbox agreements and such other agreements or instruments as may be necessary or, in the opinion of the Lender, desirable to establish and maintain lockbox arrangements with respect to cash received by Holdings and its Subsidiaries from time to time;

and the Lender and its counsel shall be satisfied that (i) the Liens granted to the Lender in the collateral described in this clause (k) constitute a first priority (or local equivalent thereof) security interest; and (ii) no Lien exists on any of the collateral described in this clause (k), other than (x) Liens created in favor of the Lender pursuant to the Security Documents and (y) with respect to Collateral other than Pledged Equity Interests and Pledged Notes, Liens expressly permitted under Section 8.3.

(l) [Intentionally Omitted].

(m) [Intentionally Omitted.]

(n) [Intentionally Omitted.]

(o) [Intentionally Omitted.]

(p) Due Diligence. The Lender shall have completed a due diligence investigation of Holdings and its Subsidiaries in scope, and with results, satisfactory to the Lender, including without limitation, as to general affairs, management, corporate structure, capital structure, other debt instruments, material contracts, governing documents, prospects, financial position, stockholders' equity and results of operations, and the tax, accounting, legal, regulatory, environmental and other issues relevant to Holdings and its Subsidiaries, and shall have been given access to the external independent auditors, management, records, books of account, contracts and properties of Holdings and its Subsidiaries and shall have received such financial, business and other information regarding Holdings and its Subsidiaries as the Lender shall have requested

(q) Material Adverse Change. No Material Adverse Change shall have occurred.

(r) Resolutions, etc. The Lender shall have received from each Obligor, as applicable, (1) a copy of a good standing certificate, dated a date reasonably close to the Effective Date, for each such Person and (2) a certificate, dated the Closing Date, duly executed and delivered by such Person's Secretary or Assistant Secretary, managing member or general partner, as applicable, as to

(i) resolutions of each such Person's board of directors (or other managing body, in the case of any entity other than a corporation) then in full force and effect authorizing, to the extent relevant, all aspects of the Transaction applicable to such Person and the execution, delivery and performance of each Loan Document to be executed by such Person and the transactions contemplated hereby and thereby;

(ii) the incumbency and signatures of those of its officers, managing member or general partner, as applicable, authorized to act with respect to each Loan Document to be executed by such Person; and

(iii) the full force and validity of each Organic Document of such Person and copies thereof;

upon which certificates the Lender may conclusively rely until it shall have received a further certificate of the Secretary, Assistant Secretary, managing member or general partner, as applicable, of any such Person canceling or amending the prior certificate of such Person.

(s) Approvals; Absence of Suits. All governmental, regulatory, shareholder and third party approvals and consent necessary or desirable in connection with the Transaction, the Loan Documents and the consummation of the transactions contemplated hereby and thereby, and the continuing operations of Holdings and its Subsidiaries to the transactions contemplated

hereby shall have been obtained and be in full force and effect, and all applicable waiting periods shall have expired without any action being taken or threatened by any competent authority that could reasonably be expected to restrain, prevent or otherwise impose adverse conditions on the Transaction or the financing contemplated hereby. No action, suit, arbitration, litigation, investigation or proceeding shall be pending or, to the knowledge of Holdings, threatened in any court or before any arbitrator or Governmental Authority that could reasonably be expected to have a Closing Date Material Adverse Change or that challenges the Loan Documents or the transactions contemplated hereby.

(t) Lien Searches. The Lender shall have received the results of a recent lien search in each of the jurisdictions where assets of the Obligors are located, and such search shall reveal no Liens on any of the assets of Holdings or its Subsidiaries except for Liens permitted by Section 8.3 or discharged on or prior to the Closing Date pursuant to documentation satisfactory to the Lender.

[(u) Intentionally Omitted.]

(v) Certificates of Insurance. The Lender shall have received a certificate of insurance, together with the endorsements thereto, and naming the Lender as loss payee (in the case of property insurance) or additional insured (in the case of liability insurance), as required by Section 7.5, the form and substance of which shall be satisfactory to the Lender.

(w) Fees, Expenses, etc. The Lender shall have received all fees due and payable pursuant to the Acquisition Documentation (including, without limitation, Section 12 of the Acquisition Agreement) and pursuant to Section 3.4 hereof and all costs and expenses due and payable pursuant to Section 12.5 hereof for which invoices have been presented (including the actual fees and expenses of legal counsel).

(x) Legal Opinion. The Lender shall have received the legal opinion of Morgan, Lewis & Bockius LLP, counsel to the Obligors, substantially in the form of Exhibit I.

Such legal opinion shall cover such other matters incident to the transactions contemplated by this Agreement as the Lender may reasonably require, and shall be in form and substance reasonably satisfactory to the Lender. The Borrower, on behalf of itself and each other Obligor, hereby requests that each counsel described in this Section 5.1(x) deliver the opinions and/or reliance letters described herein and acknowledges and agrees that the Lender shall be entitled to rely thereon.

(y) Filings, Registrations and Recordings. (i) Each document (including any Uniform Commercial Code financing statement) required by the Security Documents or under law or reasonably requested by the Lender to be filed, registered or recorded in order to create in favor of the Lender a perfected Lien on the Collateral described therein, prior and superior in right to any other Person (other than with respect to Liens expressly permitted by Section 8.3), shall be in proper form for filing, registration or recordation.

(i) All Financing Statements and Uniform Commercial Code (Form UCC-3) termination statements required pursuant to the Loan Documents shall have been delivered to CT Corporation System or another similar filing service company acceptable to the Lender (the "Filing Agent"). The Filing Agent shall have acknowledged in a writing satisfactory to the Lender and its counsel (i) the Filing Agent's receipt of all such Financing Statements and termination statements, (ii) that such Financing Statements and

termination statements have either been submitted for filing in the appropriate filing offices or will be submitted for filing in the appropriate offices within ten days following the Effective Date and (iii) that the Filing Agent will notify the Lender and its counsel of the results of such submissions within 30 days following the Effective Date.

5.2 All Credit Extensions. The obligation of the Lender to make the Term Loan is further subject to the conditions precedent that all documents executed or submitted pursuant hereto by or on behalf of the Borrower or any of its Subsidiaries or any other Obligors shall be reasonably satisfactory in form and substance to the Lender and its counsel; and the Lender and its counsel shall have received all information, approvals, opinions, documents or instruments as the Lender or its counsel may reasonably request.

## SECTION 6
## REPRESENTATIONS AND WARRANTIES

To induce the Lender to enter into this Agreement and to make the Term Loan, Holdings and the Borrower hereby jointly and severally represent and warrant to the Lender as set forth in this Section 6:

6.1 Financial Condition. (a) The Initial Projections, copies of which have heretofore been furnished to the Lender, have been prepared giving effect (as if such events had occurred on such date) to (i) the consummation of the Transaction, (ii) the Term Loan to be made on the Closing Date and the use of proceeds thereof and (iii) the payment of fees and expenses in connection with the foregoing. The Initial Projections have been prepared based on the best information available to Holdings as of the date of delivery thereof, and presents fairly on a pro forma basis the estimated financial position of Holdings and its consolidated Subsidiaries as at the dates set forth in the Initial Projections, assuming that the applicable events specified in the preceding sentence had actually occurred at such dates and assuming the accuracy of projections provided by InfuSystem to Holdings.

(b) The Initial Financial Statements, including reports thereon by and accompanied by an unqualified report from Deloitte and Touche LLP, present fairly the consolidated financial condition of Holdings and its consolidated Subsidiaries as at the dates set forth therein, and the consolidated results of its operations and its consolidated cash flows for the respective periods then ended. All such financial statements, including the related schedules and notes thereto, have been prepared in accordance with GAAP applied consistently throughout the periods involved (except as approved by the aforementioned firm of accountants and disclosed therein). Neither Holdings nor any of its Subsidiaries has any material Guarantee Obligations, contingent liabilities or liabilities for Taxes, or any long-term leases or unusual forward or long-term commitments, including any interest rate or foreign currency swap or exchange transaction or other obligation in respect of derivatives, that is not reflected in the most recent financial statements referred to in this clause (b). During the period from December 31, 2006 to and including the Closing Date there has been no Disposition by Holdings or any of its Subsidiaries of any material part of its business or property.

6.2. No Material Adverse Change. Since December 31, 2005, there has been no material adverse change in, or a material adverse effect upon the business, condition (financial or otherwise), assets, liabilities (actual or contingent), operations, management, performance, properties or prospects of Holdings.

6.3 Existence, Power and Qualification. Each of Holdings and its Subsidiaries (a) is duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization, (b) has full power and authority, and the legal right, to own and operate its property, to lease the property it operates as lessee and to conduct the business in which it is currently engaged and (c) is duly qualified as a foreign entity and in good standing under the laws of each jurisdiction where its ownership, lease or operation of property or the conduct of its business requires such qualification.

6.4 Due Authorization. Each Obligor has the power and authority, and the legal right, to make, deliver and perform the Loan Documents and other Transaction Documents to which it is a party, grant the Liens contemplated thereby, participate in the consummation of all aspects of the Transaction and, in the case of the Borrower, to borrow hereunder. Each Obligor has taken all necessary applicable Business Entity action to authorize the execution, delivery and performance of the Loan Documents and other Transaction Documents to which it is a party, each agreement executed and delivered in connection with the Transaction to which it is a party, the grant of the Liens contemplated thereby and, in the case of the Borrower, to authorize the borrowings on the terms and conditions of this Agreement.

6.5 Government Approval. No consent or authorization of, filing with, notice to or other act by or in respect of, any Governmental Authority or any other Person is required in connection with the Transaction and the borrowings hereunder or with the execution, delivery, performance, validity or enforceability of this Agreement, any other Loan Document or Transaction Document or any agreement executed and delivered in connection with the Transaction, or the grant of any Lien pursuant to any of the foregoing, except (i) consents, authorizations, filings and notices described in Item 6.5 of the Disclosure Schedule, which consents, authorizations, filings and notices have been obtained or made and are in full force and effect, and (ii) the filings and recordations referred to in Section 6.22.

6.6. Due Execution and Delivery; Enforceable Obligations. Each Loan Document has been duly executed and delivered by each Obligor party thereto. This Agreement constitutes, and each other Loan Document and agreement or instrument executed and delivered in connection with the Transaction will, upon execution by the applicable Obligor, constitute, a legal, valid and binding obligation of each Obligor party thereto, enforceable against each such Obligor in accordance with its terms, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally or by general equitable principles (whether enforcement is sought by proceedings in equity or at law).

6.7. Non-Contravention. The execution, delivery and performance of this Agreement and the other Loan Documents and Transaction Documents, the borrowings hereunder, the use of the proceeds thereof and the grant of the Liens contemplated by the Loan Documents, do not and will not (a) violate or contravene any Applicable Law or any Organic Documents of any Obligor, (b) conflict with or result in a breach or contravention of, or require any payment to be made under, any Contractual Obligation of any Obligor or (c) result in or require the creation or imposition of any Lien on any of the properties or revenues of any Obligor pursuant to any Applicable Law or any such Contractual Obligation (other than the Liens created by the Security Documents). No Applicable Law or Contractual Obligation applicable to the Borrower or any of its Subsidiaries could reasonably be expected to have a Material Adverse Effect.

6.8. Compliance with Law. Each of Holdings and its Subsidiaries is in compliance with all Applicable Law except to the extent that the failure to comply with any such Applicable Law, in the aggregate with all other such noncompliance by Holdings and its Subsidiaries, could not reasonably be expected to have a Material Adverse Effect.

6.9. Litigation. No litigation, investigation or proceeding of or before any arbitrator or Governmental Authority is pending or, to the knowledge of Holdings or the Borrower, threatened by or against Holdings or the Borrower or any of their respective Subsidiaries or against any of their respective properties or revenues (a) with respect to the Acquisition, any of the Loan Documents or any agreement

or instrument executed and delivered or to be executed and delivered in connection with the Transaction, (b) with respect to the Transaction or the financing hereunder, or (c) that could reasonably be expected to have a Material Adverse Effect.

6.10. No Default. Neither Holdings nor the Borrower nor any of their respective Subsidiaries is in default under or with respect to any of its Contractual Obligations in any respect that could reasonably be expected to have a Material Adverse Effect. No Default or Event of Default has occurred and is continuing.

6.11. Ownership of Property; Liens. Each of Holdings and its Subsidiaries and each other Obligor has title in fee simple to, or a valid leasehold interest in, all its Real Property, and good title to, or a valid leasehold interest in, all its other property, and none of such property is subject to any Lien except as permitted by Section 8.3.

6.12. Intellectual Property. Each of Holdings and the Borrower and each of their respective Subsidiaries owns, or is licensed to use, all Intellectual Property necessary for the conduct of its business as currently conducted. No material claim has been asserted and is pending by any Person challenging or questioning the use of any Intellectual Property or the validity or effectiveness of any Intellectual Property, nor does Holdings or the Borrower know of any valid basis for any such claim. The use of Intellectual Property by Holdings and its Subsidiaries does not infringe on the rights of any Person in any material respect or in any manner that could reasonably be expected to have a Material Adverse Effect. Neither Holdings nor the Borrower nor any of their respective Subsidiaries owns any material registered Intellectual Property except as set forth in Item 6.12 of the Disclosure Schedule.

6.13. Taxes. Each of the Borrower, Holdings and each of their Subsidiaries has timely (a) filed or caused to be filed all U.S. federal, state and local, non-U.S. and other Tax Returns that it is required to file and (b) paid all Taxes, fees or other charges imposed on it or any of its property by any Governmental Authority, other than any Tax, fee or other charge the amount or validity of which is currently being contested in good faith by appropriate proceedings and with respect to which reserves in conformity with GAAP have been provided on the books of the applicable company. All Tax Returns referred to in clause (a) above are true, correct and complete in all material respects. Each of the Borrower, Holdings and each of their Subsidiaries has made adequate provision in accordance with GAAP for all Taxes not yet due and payable. Each of the Borrower, Holdings and each of their Subsidiaries is unaware of any proposed or pending Tax assessments, deficiencies or audits that could be reasonably expected to, individually or in the aggregate, result in a Material Adverse Effect. No Lien for Taxes of Holdings, the Borrower or any of their respective Subsidiaries has been filed.

6.14. Margin Stock.

No part of the proceeds of the Term Loan will be used for, and no Obligor is in the business of, "buying" or "carrying" any "margin stock" within the respective meanings of each of the quoted terms under Regulation U as now and from time to time hereafter in effect or for any purpose that violates the provisions of the Regulations of the Board. If requested by the Lender, the Borrower will furnish to the Lender a statement to the foregoing effect in conformity with the requirements of FR Form G-3 or FR Form U-1, as applicable, referred to in Regulation U.

6.15. Labor Matters. Except as, in the aggregate, could not reasonably be expected to have a Material Adverse Effect: (a) there are no strikes or other labor disputes against Holdings or the Borrower or any of their respective Subsidiaries pending or, to the knowledge of Holdings or the Borrower, threatened; (b) hours worked by and payment made to employees of Holdings and its Subsidiaries have not been in violation of the Fair Labor Standards Act or any other Applicable Law

dealing with such matters; and (c) all payments due from Holdings or the Borrower or any of their respective Subsidiaries on account of employee health and welfare insurance have been paid or accrued as a liability on the books of Holdings or the Borrower or the relevant Subsidiary.

6.16. ERISA. Neither a Reportable Event nor an "accumulated funding deficiency" (within the meaning of Section 412 of the Code or Section 302 of ERISA) has occurred during the five-year period prior to the date on which this representation is made or deemed made with respect to any Plan, and each Plan has complied in all material respects with the applicable provisions of ERISA and the Code. No termination of a Single Employer Plan has occurred, and no Lien in favor of the PBGC or a Plan has arisen, during such five-year period. The present value of all accrued benefits under each Single Employer Plan (based on those assumptions used to fund such Plans) did not, as of the last annual valuation date prior to the date on which this representation is made or deemed made, exceed the value of the assets of such Plan allocable to such accrued benefits by a material amount. Neither Holdings nor the Borrower nor any Commonly Controlled Entity has had a complete or partial withdrawal from any Multiemployer Plan that has resulted or could reasonably be expected to result in a liability under ERISA that could reasonably be expected to have a Material Adverse Effect, and neither Holdings nor the Borrower nor any Commonly Controlled Entity would become subject to any material liability under ERISA if Holdings or the Borrower or any such Commonly Controlled Entity were to withdraw completely from all Multiemployer Plans as of the valuation date most closely preceding the date on which this representation is made or deemed made. No such Multiemployer Plan is in reorganization (within the meaning of Section 4241 of ERISA) or insolvent (within the meaning of Section 4245 of ERISA).

6.17. Investment Company Act; Other Regulations. No Obligor is an "investment company", or a company "controlled" by an "investment company", within the meaning of the Investment Company Act of 1940, as amended. No Obligor is subject to regulation under any Applicable Law (other than Regulation X of the Board) that limits its ability to incur Indebtedness or grant any Lien or that would or might adversely affect the legality or enforceability against any Obligor of any of its obligations under any of the Loan Documents.

6.18. Subsidiaries. (a) Item 6.18 of the Disclosure Schedule sets forth the name and jurisdiction of organization of each Subsidiary of Holdings and, as to each such Subsidiary, the percentage of each class of Equity Interests owned by any Obligor and (b) there are no outstanding subscriptions, options, warrants, calls, rights or other agreements or commitments (other than directors' qualifying shares) of any nature relating to any Equity Interests of Holdings or the Borrower or any of their respective Subsidiaries, except as created by the Loan Documents.

6.19. Use of Proceeds. The proceeds of the Credit Extensions will be used solely as set forth in Section 7.10.

6.20. Environmental Matters. Except as (i) in the aggregate, would not reasonably be expected to result in the payment by Holdings or the Borrower or any of their respective Subsidiaries of a Material Environmental Amount or (ii) would not have a Material Adverse Effect in the aggregate:

(a) the Properties do not contain, and have not previously contained, any Hazardous Material in amounts or concentrations or under circumstances that constitute or constituted a violation of, or could give rise to an Environmental Liability under, any Environmental Law;

(b) neither Holdings nor the Borrower nor any of their respective Subsidiaries has received or is aware of any notice of violation, alleged violation, non-compliance, liability or potential liability regarding environmental matters or compliance with Environmental Laws with regard to any of the Properties or the Business, nor does Holdings or the Borrower have knowledge or reason to believe that any such notice will be received or is being threatened;

(c) no Hazardous Materials have been transported or disposed of from the Properties in violation of, or in a manner or to a location that could give rise to an Environmental Liability under, any Environmental Law, nor has any Hazardous Material been generated, treated, stored or disposed of at, on or under any of the Properties in violation of, or in a manner that could give rise to an Environmental Liability under, any applicable Environmental Law;

(d) no judicial proceeding or governmental or administrative action is pending or, to the knowledge of Holdings or the Borrower, threatened, under any Environmental Law to which Holdings or the Borrower or any of their respective Subsidiaries is or will be named as a party with respect to the Properties or the Business, nor are there any consent decrees or other decrees, consent orders, administrative orders or other orders, or other administrative or judicial requirements outstanding under any Environmental Law with respect to the Properties or the Business;

(e) there has been no Release or threat of Release of any Hazardous Material at or from the Properties, or arising from or related to the operations of Holdings or the Borrower or any of their respective Subsidiaries in connection with the Properties or otherwise in connection with the Business, in violation of or in amounts or in a manner that could give rise to liability under Environmental Laws;

(f) the Properties and all operations at the Properties are in compliance, and have in the last five years been in compliance, with all applicable Environmental Laws, and there is no contamination at, under or about the Properties nor is there a violation of any Environmental Law or Environmental Permit required by Environmental Law with respect to the Properties or the Business that could give rise to an Environmental Liability; and

(g) neither Holdings nor the Borrower nor any of their respective Subsidiaries has assumed any liability of any other Person under Environmental Laws.

6.21. Accuracy of Information, etc. No statement or information contained in this Agreement, any other Loan Document or any other document, certificate or statement furnished by or on behalf of any Obligor to the Lender, for use in connection with the transactions contemplated by this Agreement or the other Loan Documents (including the Transaction), contained as of the date such statement, information, document or certificate was so furnished, any untrue statement of a material fact or omitted to state a material fact necessary to make the statements contained herein or therein not misleading, and no other factual information furnished after the Effective Date in connection with any Loan Document by or on behalf of any Obligor to the Lender will contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements contained therein not misleading. The projections and pro forma financial information contained in the materials referenced above (including, without limitation, the Initial Projections) are based upon good faith estimates and assumptions believed by management of Holdings and the Borrower to be reasonable at the time made, it being recognized by the Lender that such financial information as it relates to future events is not to be viewed as fact and that actual results during the period or periods covered by such financial information may differ from the projected results set forth therein by a material amount. There is no fact known to any Obligor that could reasonably be expected to have a Material Adverse Effect that has not been expressly disclosed herein, in the other Loan Documents or in any other documents, certificates and statements furnished to the Lender for use in connection with the transactions contemplated hereby and by the other Loan Documents.

6.22. Security Documents. The Security Documents are effective to create in favor of the Lender a legal, valid and enforceable security interest in the Collateral described therein and proceeds thereof. In the case of the Pledged Equity Interests, when certificates representing such Pledged Equity Interests are delivered to the Lender, and in the case of the other Collateral described in the Obligor Security Agreement, when financing statements and other filings specified in Item 6.22(a) of the Disclosure Schedule in appropriate form are recorded in the offices specified in Item 6.22(a) of the Disclosure Schedule, the Obligor Security Agreement shall constitute a fully perfected Lien on, and security interest in, all right, title and interest of the Obligors in such Collateral and the proceeds thereof, as security for the Secured Obligations (as defined in the Obligor Security Agreement), in each case prior and superior in right to any other Person (except, in the case of Collateral other than Pledged Equity Interests, Liens permitted by Sections 8.3(c), (d), (h) and (j)).

6.23. Solvency. Each Obligor is, and after giving effect to the Transaction and the incurrence of all Indebtedness and obligations being incurred in connection herewith and therewith will be and will continue to be, Solvent.

6.24. Real Properties. Item 6.24A of the Disclosure Schedule lists each of the real properties in the United States owned in fee simple by Holdings or the Borrower or any of their respective Subsidiaries and their respective fair market values (as determined by Holdings or the Borrower in its reasonable judgment) on and as of the Closing Date. Item 6.24B of the Disclosure Schedule lists the address and landlord of each real property leased by Holdings or the Borrower or any of their respective Subsidiaries and the fair market values (as determined by the Borrower in its reasonable judgment) of all tangible items of Collateral located at each such leased real property. The HQ Lease is in full force and effect and the Borrower is in compliance with all terms thereof.

6.25. Capitalization. As of the Closing Date, Item 1.1 of the Disclosure Schedule is a true, complete and accurate description of the equity capital structure of Holdings and the Borrower and their respective Subsidiaries showing, for each such Person, accurate ownership percentages of the equityholders of record and accompanied by a statement of authorized and issued Equity Interests for each such Person. Except as set forth on Item 1.1 of the Disclosure Schedule, as of the Closing Date (a) there are no preemptive rights, outstanding subscriptions, warrants or options to purchase any Equity Interests of Holdings or the Borrower or any of their respective Subsidiaries, (b) there are no obligations of Holdings or the Borrower or any of their respective Subsidiaries to redeem or repurchase any of Equity Interests and (c) there is no agreement, arrangement or plan to which Holdings or the Borrower or any of their respective Subsidiaries is a party or of which Holdings or the Borrower has knowledge that could directly or indirectly affect the capital structure of Holdings or the Borrower or their respective Subsidiaries. The Equity Interests of Holdings and the Borrower and their respective Subsidiaries described on Item 1.1 of the Disclosure Schedule (i) are validly issued and fully paid and non-assessable and (ii) are owned of record and beneficially as set forth on Item 1.1 of the Disclosure Schedule, free and clear of all Liens (other than Liens created under the Security Documents).

6.26. Special Purpose Acquisition Company. Holdings has received all necessary approvals of its shareholders to consummate the Transaction. Holdings cannot be required to redeem any additional shares of its capital stock in connection with, or as a result of, the consummation of the Transaction.

6.27. Brokers. Except for fees payable by the Lender to Banc of America Securities LLC in connection with the Acquisition Agreement and except for fees payable by Holdings to FTN Midwest Securities Corp. as previously disclosed to the Lender pursuant to the Acquisition Agreement, there are no brokerage commissions, finder's fees or investment banking fees payable in connection with any transactions contemplated by the Loan Documents and the Obligors jointly and severally hereby agree to indemnify the Lender and hold the Lender harmless from and against any claim of any other potential lender, broker or finder arising out any transaction or commitment issued to the Borrower.

## SECTION 7
## AFFIRMATIVE COVENANTS

The Obligors hereby covenant and agree with the Lender that, until the Termination Date has occurred, Holdings and the Borrower shall, and shall cause each of their respective Subsidiaries to perform or cause to be performed the obligations set forth in this SECTION 7.

7.1 Financial Statements. Holdings and the Borrower shall furnish to the Lender:

(a) Annual Financial Statements. As soon as available, but in any event within 90 days after the end of each Fiscal Year of Holdings, a copy of the audited consolidated balance sheet of Holdings and its consolidated Subsidiaries as at the end of such year and the related audited consolidated (and unaudited consolidating) statements of income and of cash flows for such year, setting forth in each case in comparative form the figures for the previous year, reported on without a "going concern" or like qualification or exception, or qualification arising out of the scope of the audit, by Deloitte & Touche LLP or other independent certified public accountants of nationally recognized standing, together with (i) copies of any notes and auditor's letters (to the extent available), and (ii) a management comparison against the prior fiscal year and the annual fiscal budget.

(b) Quarterly Financial Statements. As soon as available, but in any event not later than 45 days after the end of each Fiscal Quarter of Holdings, the unaudited consolidated and consolidating balance sheet of Holdings and its consolidated Subsidiaries as at the end of such quarter and the related unaudited consolidated and consolidating statements of income and of cash flows for such quarter and the portion of the Fiscal Year through the end of such Fiscal Quarter, setting forth in each case in comparative form (i) the figures for the previous Fiscal Year and (ii) the figures from the Annual Budget covering the current Fiscal Year, certified by a Responsible Officer as being fairly stated in all material respects (subject to normal year-end audit adjustments).

(c) Monthly Financial Statements. As soon as available, but in any event not later than 30 days after the end of each month occurring during each Fiscal Year (other than the third, sixth, ninth and twelfth such month), the unaudited consolidated and consolidating balance sheets of Holdings and its Subsidiaries as at the end of such month and the related unaudited consolidated and consolidating statements of income and of cash flows for such month and the portion of the Fiscal Year through the end of such month, setting forth in each case in comparative form the figures for the previous year and the figures from the Annual Budget covering the current Fiscal Year, certified by a Responsible Officer as being fairly stated in all material respects (subject to normal year-end audit adjustments).

All financial statements required to be delivered pursuant to this Section shall be complete and correct in all material respects and shall be prepared in reasonable detail and in accordance with GAAP applied consistently throughout the periods reflected therein and with prior periods (except as approved by such accountants or officer, as the case may be, and disclosed therein).

7.2 Certificates; Other Information. The Borrower shall furnish to the Lender:

(a) Accounts Receivable/Payable Reports. As soon as practicable and in any event within 30 days after the end of each Fiscal Quarter, (i) a written report, reasonably satisfactory in form and scope to the Lender, as to the accounts receivable and accounts payable of Holdings and its Subsidiaries as of the end of such Fiscal Quarter, setting forth the type, amount, value and aging of Holdings' and such Subsidiaries' accounts receivable and accounts payable as of the end of such Fiscal Quarter, all certified by a Responsible Officer of the Borrower.

(b) Annual Certificate of Certified Public Accountants. Concurrently with the delivery of the financial statements referred to in Section 7.1(a), a certificate of the independent certified public accountants reporting on such financial statements stating that in making the examination necessary therefor no knowledge was obtained of any Default or Event of Default, except as specified in such certificate.

(c) Responsible Officer's Certificate. Concurrently with the delivery of any financial statements pursuant to Section 7.1, a certificate of a Responsible Officer stating that, to the best of such Responsible Officer's knowledge, each Obligor during such period has observed or performed all of its covenants and other agreements, and satisfied every condition, contained in this Agreement and the other Loan Documents to which it is a party to be observed, performed or satisfied by it, and that such Responsible Officer has obtained no knowledge of any Default or Event of Default except as specified in such certificate.

(d) Compliance Certificate; Location of Collateral. Concurrently with the delivery of any quarterly or annual financial statements pursuant to Section 7.1, (i) a Compliance Certificate containing all information and calculations necessary for determining compliance by Holdings and its Subsidiaries with the provisions of this Agreement (including Section 8.1) referred to therein as of the last day of the applicable Fiscal Quarter or Fiscal Year, as the case may be, and (ii) to the extent not previously expressly disclosed in writing to the Lender, a listing of (A) each county and state within the United States where any Obligor owns any real property interest (fee, lease or other), (B) any Intellectual Property acquired by any Obligor, and (C) each change of Business Entity form or of legal name or of address or jurisdiction of organization of the Borrower or any Subsidiary or Obligor, in each case above since the date of the most recent list delivered pursuant to this clause (ii) (or, in the case of the first such list so delivered, since the Closing Date).

(e) Annual Budget; Projections. As soon as available, and in any event no later than 30 days after the end of each Fiscal Year, (i) a detailed Consolidated and consolidating budget for Holdings and its Subsidiaries for the following Fiscal Year (the "Annual Budget") and (ii) a projected Consolidated and consolidating balance sheet of Holdings and its Subsidiaries as of the end of the following Fiscal Year and through the Stated Maturity Date, the related Consolidated and consolidating statements of projected cash flow, projected changes in financial position and projected income and a description of the underlying assumptions applicable thereto (such information described in this clause (ii), the "Projections") and, as soon as available, significant revisions, if any, of such Annual Budget and Projections with respect to such Fiscal Year, which Projections shall in each case be accompanied by a certificate of a Responsible Officer stating that such Annual Budget and Projections are based on reasonable estimates, information and assumptions.

(f) Discussion and Analysis of Financial Condition, etc. Within 30 days after the end of each Fiscal Quarter, a narrative discussion and analysis of the financial condition and

results of operations of Holdings and its Subsidiaries for such Fiscal Quarter and for the period from the beginning of the then current Fiscal Year to the end of such Fiscal Quarter, as compared to the portion of the Projections covering such periods and to the comparable periods of the previous year.

(g) Proposed Amendments, etc. to Certain Agreements. No later than 10 Business Days prior to the effectiveness thereof, copies of substantially final drafts of any proposed amendment, supplement, waiver or other modification with respect to any Subordinated Debt Document, any other agreement or instrument subject to the restrictions contained in Section 8.13 or any Acquisition Documentation.

(h) Financial Statements and Reports, etc. Within five days after the same are sent, copies of all financial statements and reports that any Obligor sends to the holders of any class of its debt securities or public equity securities and, within five days after the same are filed, copies of all financial statements and reports that any Obligor may make to, or file with, the SEC.

(i) Collateral Report. Upon the request of the Lender from time to time after the occurrence and during the continuation of an Event of Default, the Borrower will, at its own cost and expense, obtain and deliver to the Lender a report of an independent collateral auditor satisfactory to the Lender (which may be, or be affiliated with, the Lender) with respect to the Collateral, which report shall indicate whether or not the information set forth in the Accounts Receivable/Payable Report most recently delivered is accurate and complete in all material respects based upon a review by such auditors of the accounts (including verification with respect to the amount, aging, identity and credit of the respective account debtors and the billing practices of the Borrower and its Subsidiaries).

(j) Tax Returns. Within 15 days of filing Holdings' federal income tax returns, the Borrower will deliver copies of such Tax Returns to the Lender.

(k) Other Information. Promptly, such additional financial, operating reports and other information as the Lender may from time to time reasonably request.

7.3 Notice of Default, Litigation or Certain Other Matters. The Borrower shall furnish to the Lender the following notices within the time periods specified below:

(a) notice of any Default or Event of Default as soon as possible after the occurrence thereof and in any event within three days after the Borrower or any other Obligor obtains knowledge of such occurrence;

(b) notice of (i) the occurrence of any default or event of default under any Contractual Obligation of Holdings or the Borrower or any of their respective Subsidiaries or (ii) the commencement of, or any material adverse development with respect to, any litigation, investigation or proceeding that may exist at any time between Holdings or the Borrower or any of their respective Subsidiaries and any Governmental Authority, that, in either clause (i) or (ii), if not cured or if adversely determined, as the case may be, could reasonably be expected to have a Material Adverse Effect, as soon as possible and in any event within three days after the Borrower or any other Obligor obtains knowledge of such occurrence, commencement or development;

(c) notice of the commencement of, or any material adverse development with respect to, any litigation or proceeding affecting Holdings or the Borrower or any of their

respective Subsidiaries in which the amount involved is $100,000 or more and not fully covered by insurance or in which injunctive or similar relief is sought, as soon as possible and in any event within three days after the Borrower or any other Obligor obtains knowledge of such commencement or development;

(d) notice of (i) the occurrence of any Reportable Event with respect to any Plan, a failure to make any required contribution to a Plan, the creation of any Lien in favor of the PBGC or a Plan or any withdrawal from, or the termination, reorganization (within the meaning of Section 4241 of ERISA) or Plan Insolvency of, any Multiemployer Plan or (ii) the institution of proceedings or the taking of any other action by the PBGC or Holdings or the Borrower or any Commonly Controlled Entity or any Multiemployer Plan with respect to the withdrawal from, or the termination, reorganization (within the meaning of Section 4241 of ERISA) or Plan Insolvency of, any Plan, as soon as possible and in any event within three days after the Borrower or any other Obligor obtains knowledge thereof;

(e) notice of any significant adverse change in Holdings' or the Borrower's or any of their respective Subsidiaries' relationship with, or any significant event or circumstance that is likely to adversely affect Holdings' or the Borrower's or any such Subsidiary's relationship with, (i) any customer (or related group of customers) representing more than 5% of the Borrower's consolidated revenues during its most recent Fiscal Year or (ii) any supplier that is material to the operations of Holdings or the Borrower and their respective Subsidiaries, as soon as possible and in any event within 10 days after the Borrower or any other Obligor obtains knowledge thereof; and

(f) notice of any other development or event that has had or could reasonably be expected to have a Material Adverse Effect, as soon as possible and in any event within 10 days after the Borrower or any other Obligor obtains knowledge thereof.

Each notice pursuant to this Section 7.3 shall be accompanied by a statement of a Responsible Officer setting forth details of the occurrence referred to therein and stating what action the Borrower or the relevant Subsidiary proposes to take with respect thereto. In addition, each notice delivered pursuant to clause (b), (c) or (d) above shall also include, to the extent requested by the Lender, copies of all documentation relating to the applicable occurrence or event.

7.4 Maintenance of Existence; Compliance with Laws, etc. Each Obligor and its Subsidiaries shall: (a)(i) preserve, renew and keep in full force and effect its existence and (ii) take all reasonable action to maintain all rights, privileges and franchises necessary or desirable in the normal conduct of its business, except, in each case, as otherwise permitted by Section 8.4 and except, in the case of clause (ii) above, to the extent that failure to do so could not reasonably be expected to have a Material Adverse Effect; and (b) comply with all Contractual Obligations and Applicable Law except to the extent that failure to comply therewith could not, in the aggregate, reasonably be expected to have a Material Adverse Effect.

7.5 Insurance. Each Obligor will, and will cause each of its Subsidiaries to:

(a) maintain insurance on its property with financially sound and reputable insurance companies against loss and damage in at least the amounts (and with only those deductibles) customarily maintained, and against such risks (but including in any event coverage for public liability, product liability and business interruptions) as are typically insured against in the same general area, by Persons of comparable size engaged in the same or similar business as Holdings and its Subsidiaries; and

(b) all worker's compensation, employer's liability insurance or similar insurance as may be required under the laws of any state or jurisdiction in which it may be engaged in business.

Without limiting the foregoing, all insurance policies required pursuant to this Section shall (i) name the Lender as loss payee (in the case of property insurance) or additional insured (in the case of liability insurance), as applicable, and provide that no cancellation or modification of the policies will be made without thirty days' prior written notice to the Lender and (ii) be in addition to any requirements to maintain specific types of insurance contained in the other Loan Documents.

7.6 Maintenance of Properties; Maintenance of HQ Lease. Each Obligor will, and will cause each of its Subsidiaries to, maintain, preserve, protect and keep all of its and their respective Properties (other than Properties that Holdings or such Subsidiary determines in its reasonable, good faith judgment are no longer necessary, useful or economically desirable for the business of Holdings or such Subsidiary, as the case may be) in good repair, working order and condition (ordinary wear and tear excepted), and make necessary repairs, renewals and replacements so that the business carried on by Holdings and its Subsidiaries may be properly conducted at all times. Borrower shall cause the HQ Lease to remain in full force and effect and shall comply with all material terms thereof.

7.7 Inspection of Property; Books and Records; Discussions. Each Obligor and its Subsidiaries shall (a) keep proper books of records and account in which full, true and correct entries in conformity with GAAP and all Applicable Law shall be made of all dealings and transactions in relation to its business and activities and (b) permit representatives of the Lender to visit and inspect any of its properties and examine and make abstracts from any of its books and records at any reasonable time and as often as may reasonably be desired and to discuss the business, operations, properties and financial and other condition of Holdings and its Subsidiaries with officers and employees of Holdings and its Subsidiaries and with its independent certified public accountants. The Borrower shall pay all costs and expenses incurred by the Lender in connection with any such visit, inspection or examination pursuant to this Section. Without in any way limiting the foregoing, to the extent requested by the Lender, Holdings and the Borrower will participate and will cause their respective key management personnel to participate in one meeting per year with the Lender, which meeting shall be held at such time and such place as may be reasonably acceptable to the Lender, Holdings and the Borrower.

7.8 Payment of Obligations. Each Obligor and its Subsidiaries shall pay, discharge or otherwise satisfy at or before maturity or before they become delinquent, as the case may be, all its material obligations of whatever nature, except where the amount or validity thereof is currently being contested in good faith by appropriate proceedings and reserves in conformity with GAAP with respect thereto have been provided on the books of the Borrower or its Subsidiaries, as the case may be.

7.9 Environmental Laws. Each Obligor and its Subsidiaries shall:

(a) comply in all material respects with, and ensure compliance in all material respects by all tenants and subtenants, if any, with, all applicable Environmental Laws, and obtain and comply in all material respects with and maintain, and ensure that all tenants and subtenants obtain and comply in all material respects with and maintain, any and all licenses, approvals, notifications, registrations or Environmental Permits required by applicable Environmental Laws; and

(b) conduct and complete all investigations, studies, sampling and testing, and all remedial, removal and other actions required under Environmental Laws and promptly comply in all material respects with all lawful orders and directives of all Governmental Authorities regarding Environmental Laws.

7.10 Use of Proceeds. The Borrower shall apply the proceeds of the Term Loan to finance the InfuSystem Acquisition and to pay transaction costs incurred in connection with the Transaction.

7.11 Additional Collateral; Additional Subsidiaries, etc. (a) With respect to any asset or other property acquired after the Closing Date by Holdings or any of its Subsidiaries (other than any asset or property described in clause (b) or (c) below and excluding any Equity Interests or assets of a Foreign Subsidiary that are not required to be pledged pursuant to the last sentence of clause (c) below) as to which the Lender does not have a perfected Lien, Holdings or such applicable Subsidiary shall promptly (i) execute and deliver to the Lender such amendments to the Security Documents or such other documents as the Lender deems necessary or advisable to grant to the Lender a legal, valid and enforceable perfected, first priority security interest in such property, subject only to Liens permitted under Section 8.3, (ii) take all actions necessary or advisable, or reasonably requested by the Lender, to perfect the security interest of the Lender in such property and assets, including the filing of Uniform Commercial Code financing statements in such jurisdictions as may be required by the Obligor Security Agreement or by law or as may be requested by the Lender and to cause such security interest to be prior to all other Liens on such Property, and (iii) if requested by the Lender, deliver to the Lender legal opinions relating to the matters described above, which opinions shall be in form and substance, and from counsel, reasonably satisfactory to the Lender.

(b) With respect to any fee interest in any real property acquired after the Closing Date by Holdings or any of its Subsidiaries or owned by a Subsidiary that is acquired after the Closing Date by any Obligor, such Obligor or such applicable Subsidiary shall promptly (i) execute and deliver a first priority Mortgage, in favor of the Lender covering such real property, (ii) if requested by the Lender, provide the Lender with (x) title and extended coverage insurance covering such real property in an amount at least equal to the purchase price of such real property (or such other amount as shall be reasonably specified by the Lender) as well as a current ALTA survey thereof, together with a surveyor's certificate and (y) any consents or estoppels reasonably deemed necessary or advisable by the Lender in connection with such mortgage or deed of trust, each of the foregoing in form and substance reasonably satisfactory to the Lender and (iii) if requested by the Lender, deliver to the Lender legal opinions relating to the matters described above, which opinions shall be in form and substance, and from counsel, reasonably satisfactory to the Lender.

(c) With respect to any new Subsidiary created or acquired on or after the Closing Date by any Obligor, the applicable Obligor or such applicable Subsidiary shall promptly:

(i) execute and deliver to the Lender such amendments or supplements to the Obligor Security Agreement as the Lender deems necessary or advisable to grant to the Lender a perfected first priority security interest in all Equity Interests of such new Subsidiary that are owned by any Obligor;

(ii) deliver to the Lender the certificates representing such Equity Interests, together with undated stock or other analogous powers, in blank, executed and delivered by a duly authorized officer of the applicable Obligor or such Subsidiary, as the case may be;

(iii) cause such new Subsidiary (A) to become a party to the Guaranty and the Obligor Security Agreement, (B) to take such actions necessary or advisable to grant to the Lender a perfected, first priority security interest in the Collateral described in the Security

Documents with respect to such new Subsidiary, including (x) the filing of Uniform Commercial Code financing statements in such jurisdictions as may be required by the Obligor Security Agreement or by law or as may be requested by the Lender, (y) the execution of any Mortgages required to be delivered pursuant to clause (b) and (z) if requested by the Lender, the delivery to the Lender of Landlord Agreements duly executed and delivered by each lessor of any real property leased by such new Subsidiary and (C) to deliver to the Lender a certificate of the Secretary or an Assistant Secretary of such Subsidiary as to the matters set forth in Section 5.1(r) (together with appropriate attachments) and a copy of a good standing certificate for such Subsidiary, dated a date reasonably acceptable to the Lender; and

(iv) if requested by the Lender, deliver to the Lender legal opinions relating to the matters described above, which opinions shall be in form and substance, and from counsel, reasonably satisfactory to the Lender.

Notwithstanding the foregoing, (1) the Equity Interests required to be delivered to the Lender pursuant to Section 7.11(c)(i) and the obligation to deliver certificates representing Equity Interests pursuant to Section 7.11(c)(ii) shall exclude any Equity Interests of a Foreign Subsidiary created or acquired after the Closing Date other than (a) Equity Interests of each first-tier Foreign Subsidiary representing 66% of the total voting power of all outstanding "stock entitled to vote" within the meaning of Treasury Regulations section 1.956-2(c)(2) and (b) 100% of the Equity Interests in each first-tier Foreign Subsidiary that does not constitute "stock entitled to vote" within the meaning of Treasury Regulations section 1.956-2(c)(2) and (2) none of the actions specified in Section 7.11(c)(iii) will be required to be taken in respect of any Foreign Subsidiary.

7.12 Hedging Arrangements. Within 60 days following the Effective Date, the Borrower shall enter into, and shall at all times thereafter maintain, interest rate protection agreements in a form and upon terms acceptable to the Lender, issued by an institution acceptable to the Lender, with a duration of a period of at least two years at a time, which ensure that the net interest cost to the Borrower is fixed, capped, or hedged with respect to at least 50% of the total Indebtedness of the Loan Parties outstanding as of the Closing Date (after giving effect to the borrowing of the Term Loan) or any renewal date of such interest protection agreements.

7.13 Lockbox Arrangements; Cash Management. The Obligors will establish and at all times maintain lockbox deposit account control arrangements satisfactory to the Lender with respect to all cash and other collections received by Holdings and its Subsidiaries. The cash management systems of the Obligors shall at all times be structured and maintained in a manner satisfactory to the Lender.

## SECTION 8
## NEGATIVE COVENANTS

The Obligors hereby covenant and agree with the Lender that, until the Termination Date has occurred, Holdings and the Borrower will, and will cause each of their respective Subsidiaries to, perform or cause to be performed the obligations set forth in this SECTION 8.

8.1 Financial Condition Covenants.

(a) Fixed Charge Coverage Ratio. Holdings and the Borrower will not permit the Fixed Charge Coverage Ratio as of the last day of any Fiscal Quarter to be less than 1.00 to 1; provided, however, that, for purposes of determining the Fixed Charge Coverage Ratio as of the last day of the Fiscal Quarters ending December 31, 2007, March 31, 2008 and June 30, 2008, "EBITDA" and "Fixed Charges" shall be deemed to equal the EBITDA and Fixed Charges, as the case may be, for (x) in the case

of the Fiscal Quarter ending December 31, 2007, such Fiscal Quarter, (y) in the case of the Fiscal Quarter ending March 31, 2008, such Fiscal Quarter and the immediately preceding Fiscal Quarter and (z) in the case of the Fiscal Quarter ending June 30, 2008, such Fiscal Quarter and the two immediately preceding Fiscal Quarters.

(b) Leverage Ratio. Holdings and the Borrower will not permit the Leverage Ratio as of the last day of any Fiscal Quarter occurring during any period set forth below to be greater than the ratio set forth below opposite such period:

| Period | Leverage Ratio |
|---|---|
| 10/1/2007 through (and including) 9/30/2008 | 4.00 to 1 |
| 10/1/2008 through (and including) 9/30/2009 | 3.50 to 1 |
| 10/1/2009 and thereafter | 3.00 to 1 |

For purposes hereof, the term "Leverage Ratio" means, as at the last day of any Fiscal Quarter, the ratio of Total Debt outstanding on such day to EBITDA of Holdings and its Subsidiaries on a Consolidated basis computed for the period of four consecutive Fiscal Quarters ending on such day; provided that for purposes of determining EBITDA as of the last day of the Fiscal Quarters ending December 31, 2007, March 31, 2008 and June 30, 2008, "EBITDA" shall be deemed to equal (i) for the Fiscal Quarter ending December 31, 2007, the product of (A) EBITDA for such Fiscal Quarter multiplied by (B) 4.0, (ii) for the Fiscal Quarter ending March 31, 2008, the product of (A) the sum of EBITDA for such quarter plus EBITDA for the immediately preceding Fiscal Quarter multiplied by (B) 2.0, and (iii) for the Fiscal Quarter ending June 30, 2008, the product of (A) the sum of EBITDA for such Fiscal Quarter plus EBITDA for the two preceding Fiscal Quarters multiplied by (B) 1.33333.

(c) Minimum EBITDA. Holdings and the Borrower will not permit EBITDA of Holdings and its Subsidiaries on a Consolidated basis for any period of four consecutive Fiscal Quarters (or, in the case of the Fiscal Quarters ending December 31, 2007, March 31, 2008 and June 30, 2008, the period of one, two and three (respectively) consecutive Fiscal Quarters then ended) to be less than, as of the last day of any Fiscal Quarter (commencing with the Fiscal Quarter ending on December 31, 2007), the amount set forth below opposite such Fiscal Quarter:

| Fiscal Quarter Ending on: | Minimum EBITDA |
|---|---|
| December 31, 2007 | $ 2,000,000 |
| March 31, 2008 | $ 4,400,000 |
| June 30, 2008 | $ 6,700,000 |
| September 30, 2008 | $ 9,000,000 |
| December 31, 2008 | $ 10,000,000 |
| March 31, 2009 | $ 10,250,000 |
| June 30, 2009 | $ 10,500,000 |
| September 30, 2009 | $ 10,750,000 |

| Fiscal Quarter Ending on: | Minimum EBITDA |
|---|---|
| December 31, 2009 | $ 11,000,000 |
| March 31, 2010 | $ 11,250,000 |
| June 30, 2010 | $ 11,500,000 |
| September 30, 2010 and each Fiscal Quarter thereafter | $ 11,750,000 |

8.2 Indebtedness. Each of Holdings and the Borrower will not, and will not permit any of its Subsidiaries to, create, issue, incur, assume, become liable in respect of or permit to exist any Indebtedness, except:

(a) Indebtedness in respect of the Credit Extensions and other Obligations;

(b) until the date of the initial Credit Extension, Indebtedness that is to be repaid in full on or prior to such date as further identified in Item 8.2(b) of the Disclosure Schedule;

(c) unsecured Indebtedness of the Borrower and its Subsidiaries (i) incurred in the ordinary course of business of the Borrower and its Subsidiaries (including open accounts extended by suppliers on normal trade terms in connection with purchases of goods and services that are not overdue for a period of more than 90 days or, if overdue for more than 90 days, as to which a dispute exists and adequate reserves in conformity with GAAP have been established on the books of the Borrower or such Subsidiary) or (ii) in respect of performance, surety or appeal bonds provided in the ordinary course of business, but excluding (in each case described in this clause (c)), Indebtedness incurred through the borrowing of money or the incurrence of Guarantee Obligations in respect thereof;

(d) Indebtedness of the Borrower and its Subsidiaries (i) evidencing the deferred purchase price of any newly acquired equipment of the Borrower and its Subsidiaries used in the ordinary course of business of the Borrower and its Subsidiaries (provided, that such Indebtedness is incurred within 60 days of the acquisition of such equipment), or (ii) in respect of Capital Lease Obligations; provided, that the aggregate amount of all Indebtedness outstanding pursuant to this clause (d) and pursuant to clause (h) below shall not at any time exceed $5,000,000.00;

(e) debt and liens of InfuSystem permitted to exist under the Acquisition Agreement;

(f) Indebtedness of any Subsidiary Guarantor owing to the Borrower or any other Subsidiary, provided, that (i) such Indebtedness is evidenced by one or more promissory notes in form and substance reasonably satisfactory to the Lender duly executed by the obligor thereunder and, indorsed to the order of the Lender (or indorsed in blank) and delivered in pledge to the Lender pursuant to a Security Document, and shall not be forgiven or otherwise discharged for any consideration other than payment in full or in part in cash (provided, that only the amount repaid in part shall be discharged), and (ii) such Subsidiary Guarantor and the Borrower have previously executed and delivered to the Lender an Intercompany Subordination Agreement;

(g) unsecured intercompany Indebtedness of the Borrower owing to a Subsidiary Guarantor in an aggregate principal amount outstanding at any time not to exceed $25,000.00, provided, that (i) such Indebtedness is evidenced by one or more promissory notes in form and

substance reasonably satisfactory to the Lender duly executed by the Borrower and, indorsed to the order of the Lender (or indorsed in blank) and delivered in pledge to the Lender pursuant to a Security Document, and shall not be forgiven or otherwise discharged for any consideration other than payment in full or in part in cash (provided, that only the amount repaid in part shall be discharged), and (ii) such Subsidiary Guarantor and the Borrower have previously executed and delivered to the Lender an Intercompany Subordination Agreement;

(h) Indebtedness of the Borrower under a revolving credit facility, on terms and conditions satisfactory to the Lender, in an aggregate principal amount outstanding at any time not to exceed $5,000,000.00 minus the aggregate amount of Indebtedness outstanding at such time under clause (d) above;

(i) Indebtedness existing as of the Effective Date that is identified in Item 8.2(i) of the Disclosure Schedule and refinancings and replacements of such Indebtedness, so long as any such refinancing or replacement does not increase the principal amount of such Indebtedness or, with respect to Guarantee Obligations, the amount guaranteed;

(j) Hedging Obligations required pursuant to Section 7.12 and others assumed in the ordinary course of business (and not for speculation) to protect against fluctuations in interest rates, foreign exchange rates and commodities used in the Business;

(k) Subordinated Debt in such amount as the Lender may approve in writing in advance; and

(l) other Indebtedness of the Borrower and its Subsidiaries in an aggregate amount at any time outstanding at any time not to exceed $100,000;

provided, however, that no Indebtedness otherwise permitted by Sections 8.2(e), 8.2(e), 8.2(h) or 8.2(k) shall be assumed or otherwise incurred if a Default has occurred and is then continuing or would result therefrom.

8.3 Liens. Each of Holdings and the Borrower will not, and will not permit any of its Subsidiaries to, create, incur, assume or permit to exist any Lien upon any of its property (including Capital Stock of any Person), revenues or assets, whether now owned or hereafter acquired, except:

(a) Liens securing payment of the Obligations;

(b) [Intentionally Omitted];

(c) Liens on assets of the Borrower and its Subsidiaries in favor of carriers, warehousemen, mechanics, materialmen and landlords or construction Liens created by law, arising in the ordinary course of business for amounts that are not overdue for a period of more than 30 days or are being diligently contested in good faith by appropriate proceedings for which adequate reserves in accordance with GAAP shall have been set aside on its books; provided, that the aggregate Indebtedness secured by Liens described in this clause (c) shall not exceed $100,000 at any one time outstanding;

(d) Liens on assets of the Borrower and its Subsidiaries securing Indebtedness of the type permitted under Section 8.2(d) incurred to finance the acquisition of equipment; provided, that (i) such Lien is created substantially simultaneously with (and in any event within 60 days of) the incurrence of such Indebtedness, (ii) such Lien encumbers only the specific assets that are financed by such Indebtedness and does not attach to assets of such Person generally and (iii) the amount of Indebtedness secured thereby is not increased;

(e) Any Lien on assets of the Borrower and its Subsidiaries created by, or arising under any statute or regulation or common law (in contrast with Liens voluntarily granted) in connection with, without limiting the foregoing, workers' compensation, unemployment insurance, employers' health tax or other social security or statutory obligations that secure amounts that are not yet overdue or which are being contested in good faith by proper proceedings diligently pursued and as to which adequate reserves have been established on the Person's books and records and a stay of enforcement of the Lien is in effect;

(f) Liens on assets of the Borrower and its Subsidiaries made or incurred in the ordinary course of business to secure the performance of bids, tenders, contracts (other than for the borrowing of money), leases, statutory obligations or surety and performance bonds;

(g) judgment Liens in existence for less than 45 days after the entry thereof or with respect to which execution has been stayed or the payment of which is covered in full (subject to a customary deductible) by insurance maintained with responsible insurance companies and that do not otherwise result in an Event of Default under Section 9.1(h);

(h) easements, rights-of-way, zoning restrictions, minor defects or irregularities in title and other similar encumbrances not interfering in any material respect with the value or use of the property to which such Lien is attached;

(i) Liens existing as of the Effective Date and disclosed in Item 8.3(i) of the Disclosure Schedule securing Indebtedness described in Section 8.2(i) and refinancings of such Indebtedness; provided, that no such Lien shall encumber any additional property and the amount of Indebtedness secured by such Lien is not increased from that existing on the Effective Date (as such Indebtedness may have been permanently reduced subsequent to the Effective Date);

(j) Liens on Specified Revolver Collateral securing Indebtedness permitted under Section 8.2(h) but only if such Liens are subject to intercreditor arrangements satisfactory to the Lender; and

(k) Liens for Taxes, assessments or other governmental charges or levies not at the time delinquent or thereafter payable without penalty or being diligently contested in good faith by appropriate proceedings and for which adequate reserves in accordance with GAAP shall have been set aside on its books.

8.4 Fundamental Changes.

(a) Each of Holdings and the Borrower will not, and will not permit any of its Subsidiaries to, enter into any merger, consolidation or amalgamation, or liquidate, wind up or dissolve itself (or suffer any liquidation or dissolution), or Dispose of, all or substantially all of its assets (including accounts receivable and Equity Interests in Subsidiaries or other Persons) or business, except that:

(i) any Subsidiary of the Borrower may be merged or consolidated with or into the Borrower (provided that the Borrower shall be the continuing or surviving corporation) or with or into any Wholly Owned Subsidiary Guarantor (provided that the Wholly Owned Subsidiary Guarantor shall be the continuing or surviving corporation); and

(ii) any Subsidiary of the Borrower may Dispose of any or all of its assets (upon voluntary liquidation or otherwise) to the Borrower or any Wholly Owned Subsidiary Guarantor.

(b) Each of Holdings and the Borrower will not, and will not permit any of its Subsidiaries to, amend its Certificate of Incorporation, Certificate of Formation or other analogous Organic Document, as applicable; provided that Holdings may amend its Certificate of Incorporation to change its name to InfuSystem Holdings, Inc.

8.5 Disposition of Assets. Each of Holdings and the Borrower will not, and will not permit any of its Subsidiaries to, Dispose of any of its assets (including accounts receivable and Equity Interests in Subsidiaries or other Persons), whether now owned or hereafter acquired, except:

(a) the Disposition of obsolete or worn out property in the ordinary course of business;

(b) the sale of inventory in the ordinary course of business;

(c) the sale of new infusion pumps at prices at least equal to their original cost;

(d) Dispositions permitted by Section 8.4(a); and

(e) the Disposition of other property having a fair market value not to exceed $25,000 in the aggregate for any Fiscal Year; provided that the cash consideration received for any property Disposed of pursuant to this clause (d) shall not be less than the fair market value of such property.

8.6 Restricted Payments. Each of Holdings and the Borrower will not, and will not permit any of its Subsidiaries to, declare or pay any dividend (other than dividends payable solely in common stock of the Person making such dividend) on, or make any payment on account of, or set apart assets for a sinking or other analogous fund for, the purchase, redemption, defeasance, retirement or other acquisition of, any Equity Interests of Holdings, the Borrower or any of their respective Subsidiaries, whether now or hereafter outstanding, or make any other distribution in respect thereof, either directly or indirectly, whether in cash or property or in obligations of Holdings, the Borrower or any of their respective Subsidiaries (collectively, "Restricted Payments"), except that any Subsidiary of the Borrower may pay cash dividends to the Borrower or any Wholly Owned Subsidiary Guarantor.

8.7 Capital Expenditures. Each of Holdings and the Borrower will not, and will not permit any of its Subsidiaries to, make or commit to make any Capital Expenditure, except:

(a) Capital Expenditures of the Borrower and its Subsidiaries in the ordinary course of business not exceeding $4,500,000.00 in any Fiscal Year; provided, that (i) up to $1,000,000.00 of any such amount referred to above, if not so expended in the Fiscal Year for which it is permitted, may be carried over for expenditure in the next succeeding Fiscal Year and (ii) Capital Expenditures made pursuant to this clause (a) during any Fiscal Year shall be deemed made, first, in respect of amounts permitted for such Fiscal Year as provided above and, second, in respect of amounts carried over from the prior Fiscal Year pursuant to subclause (i) above; and

(b) Capital Expenditures of the Borrower and its Subsidiaries with respect to assets useful in the business of the Borrower and its Subsidiaries made with the proceeds of any Reinvestment Deferred Amount.

8.8 Investments. Each of Holdings and the Borrower will not, and will not permit any of its Subsidiaries to (or to enter into any agreement to), purchase, make, incur, assume or permit to exist any Investment in any other Person, except:

(a) Investments of the Borrower and its Subsidiaries constituting accounts receivable arising in the ordinary course of business, trade debt granted in the ordinary course of business or deposits made in connection with the purchase price of goods or services in the ordinary course of business;

(b) Investments of the Borrower and its Subsidiaries in Cash Equivalents;

(c) Guarantee Obligations permitted by Section 8.2;

(d) Investments permitted as Capital Expenditures pursuant to Section 8.7;

(e) loans and advances to employees of the Borrower or any Subsidiary of the Borrower in the ordinary course of business (including for travel, entertainment and relocation expenses) in an aggregate amount not to exceed $25,000 at any time outstanding;

(f) Investments of the type described in clause (b) of the definition thereof (i) by the Borrower or any of its Subsidiaries in any Subsidiary Guarantor or (ii) by any Subsidiary in the Borrower;

(g) the InfuSystem Acquisition;

(h) Investments of the type described in clause (a) of the definition thereof by the Borrower in any Subsidiary Guarantor, to the extent such Investment is permitted as Indebtedness of such Subsidiary Guarantor pursuant to Section 8.2(f);

(i) Investments existing on the Effective Date and identified in Item 8.8(i) of the Disclosure Schedule; and

(j) in addition to Investments otherwise expressly permitted by this Section, Investments by the Borrower or any of its Subsidiaries in an aggregate amount (valued at cost) not to exceed $50,000 over the term of this Agreement.

8.9 No Prepayment of Indebtedness; Designated Senior Indebtedness. Each of Holdings and the Borrower will not, and will not permit any of its Subsidiaries to, prepay, redeem, purchase, defease, exchange, repurchase or otherwise satisfy prior to the scheduled maturity thereof in any manner any Indebtedness, or make any payment in violation of any subordination terms of any Subordinated Debt, except (a) as long as no Event of Default then exists, (i) regularly scheduled or mandatory repayments or redemptions of Indebtedness (other than Subordinated Debt) permitted under Section 8.2, and (ii) prepayments of Indebtedness permitted under Sections 8.2(d) and 8.2(h), and (b) refinancings and refundings of such Indebtedness in compliance with Section 8.2.

Furthermore, neither Holdings nor the Borrower nor any of their Subsidiaries shall designate any Indebtedness other than the Obligations as "Designated Senior Indebtedness" (or any analogous term) in any Subordinated Debt Document.

8.10 Transactions with Affiliates. Each of Holdings and the Borrower will not, and will not permit any of its Subsidiaries to, enter into any transaction, including any purchase, sale, lease or exchange of property, the rendering of any service or the payment of any management, advisory or similar fees, with any Affiliate (other than the Borrower or any Subsidiary Guarantor) unless such transaction is (a) otherwise permitted under this Agreement, (b) in the ordinary course of business of the Borrower or such Subsidiary, as the case may be, and (c) upon fair and reasonable terms no less favorable to the Borrower or such Subsidiary, as the case may be, than it would obtain in a comparable arm's length transaction with a Person that is not an Affiliate; provided that the foregoing shall not prohibit reasonable and customary fees paid to (including customary indemnities in respect of) members of the board of directors (or similar governing body) of Holdings, the Borrower and their respective Subsidiaries.

8.11 Sales and Leasebacks. Each of Holdings and the Borrower will not, and will not permit any of its Subsidiaries to, enter into any arrangement with any Person providing for the leasing by Holdings, the Borrower or any Subsidiary of real or personal property that has been or is to be sold or transferred by Holdings, the Borrower or such Subsidiary to such Person or to any other Person to whom funds have been or are to be advanced by such Person on the security of such property or rental obligations of Holdings, the Borrower or such Subsidiary.

8.12 Changes in Fiscal Periods. Each of Holdings and the Borrower will not, and will not permit any of its Subsidiaries to, permit the fiscal year of Holdings, the Borrower or any of their Subsidiaries to end on a day other than December 31 or change their method of determining fiscal quarters.

8.13 Modification of Certain Agreements. Without the prior written consent of the Lender, each of Holdings and the Borrower will not, and will not permit any of their respective Subsidiaries to, amend, modify, supplement, terminate, waive or otherwise change, or consent or agree to any amendment, modification, supplement, waiver or other change to, or enter into any forbearance from exercising any rights with respect to the terms or provisions contained in:

(a) any Subordinated Debt Documents or any other documents, instruments or agreements governing any other Indebtedness (other than any such amendment, modification, supplement, waiver or other change for which no fee is payable to the holders of the Subordinated Debt or such other Indebtedness, as applicable, and which (i) would extend the maturity or reduce the amount of any repayment, prepayment or redemption of the principal of such Subordinated Debt or other Indebtedness, (ii) would reduce the rate or extend any date for payment of interest, premium (if any) or fees payable on such Subordinated Debt or other Indebtedness or (iii) makes the covenants, events of default or remedies in such Subordinated Debt Documents or other documents, instruments or agreements less restrictive on the Obligors);

(b) any of the terms of any preferred stock of Holdings, the Borrower or any of their respective Subsidiaries (other than any such amendment, modification, supplement, waiver or other change for which no fee is payable to the holders of such preferred stock and which (i) would extend the scheduled redemption date or reduce the amount of any scheduled redemption payment or (ii) would reduce the rate or extend any date for payment of dividends thereon); or

(c) any other material contract to the extent such amendment, modification, supplement, termination, waiver or other change would reasonably be expected to be materially adverse to the Loan Parties taken as a whole.

8.14 Agreements Restricting Liens. Each of Holdings and the Borrower will not, and will not permit any of its Subsidiaries to, enter into or suffer to exist or become effective any agreement that prohibits or limits the ability of Holdings, the Borrower or any of their Subsidiaries to create, incur, assume or suffer to exist any Lien upon any of its property or revenues, whether now owned or hereafter acquired, other than (a) this Agreement and the other Loan Documents and (b) any agreements governing any purchase money Liens, Capital Lease Obligations or Synthetic Obligations, provided, in the case of this clause (b), that (x) such Indebtedness and Liens are permitted under Sections 8.2(d) and 8.3(d) and (y) such prohibitions or limitations apply only against the assets financed thereby).

8.15 Agreements Restricting Subsidiary Distributions. Each of Holdings and the Borrower will not, and will not permit any of its Subsidiaries to, enter into or suffer to exist or become effective any consensual encumbrance or restriction on the ability of any Subsidiary of the Borrower to (a) make Restricted Payments in respect of any Equity Interests of such Subsidiary held by, or pay any Indebtedness owed to, the Borrower or any other Subsidiary of the Borrower, (b) make loans or advances to, or other Investments in, the Borrower or any other Subsidiary of the Borrower or (c) transfer any of its assets to the Borrower or any other Subsidiary of the Borrower, except for such encumbrances or restrictions existing under or by reason of any restrictions existing under the Loan Documents.

8.16 Lines of Business; Suspension of Business. Each of Holdings and the Borrower will not, and will not permit any of its Subsidiaries to, (x) enter into any business, either directly or through any Subsidiary, except for those businesses in which Holdings, the Borrower and its Subsidiaries are engaged on the date of this Agreement or that are reasonably related thereto or (y) except to the extent permitted under Section 8.4 or 8.5 with respect to a Subsidiary of the Borrower, cease to carry on and conduct its business in substantially the same manner as it is presently conducted. Holdings shall remain a holding company and shall engage in no business other than holding the equity interests of the Borrower and activities reasonably incidental thereto.

8.17 Issuance of Equity Interests. The Borrower will not, and will not permit any of its Subsidiaries to, (a) issue any Equity Interests (whether for value or otherwise) to any Person (other than Equity Interests of Subsidiaries of the Borrower issued to the Borrower or any of its Subsidiaries prior to the Closing Date) or (b) become liable in respect of any obligation (contingent or otherwise) to purchase, redeem, retire, acquire or make any other payment in respect of any Equity Interests of the Borrower or any Subsidiary of the Borrower or any option, warrant or other right to acquire any such Equity Interests, except that Subsidiaries of the Borrower may issue Equity Interests to the Borrower or to any Wholly Owned Subsidiary Guarantor.

8.18 Hazardous Materials. None of Holdings, the Borrower or any of their Subsidiaries shall cause or permit a Release of any Hazardous Material on, at, in, under, above, to, from or about any of the Properties where such Release would (a) violate in any respect, or form the basis for any Environmental Liabilities under, any Environmental Laws or Environmental Permits or (b) otherwise adversely impact the value or marketability of any of the Properties, other than in the case of clauses (a) and (b) such violations or Environmental Liabilities that could not reasonably be expected to result in a Material Environmental Amount.

## SECTION 9
## EVENTS OF DEFAULT

9.1 Listing of Events of Default. Each of the following events or occurrences described in this Section shall constitute an "Event of Default".

(a) Non-Payment of Obligations. The Borrower shall (i) fail to pay any principal of the Term Loan when due in accordance with the terms hereof, (ii) fail to pay any interest on the Term Loan or any fee due hereunder within three days after the date due in accordance with the terms hereof, or (iii) fail to pay any other amount payable hereunder or under any other Loan Document within three days after any such other amount becomes due in accordance with the terms hereof.

(b) Breach of Representation or Warranty. Any representation or warranty made or deemed made by any Obligor herein or in any other Loan Document or that is contained in any certificate, document or financial or other statement furnished by it at any time under or in connection with this Agreement or any such other Loan Document shall prove to have been inaccurate in any material respect on or as of the date made or deemed made (except to the extent that such representations and warranties relate to InfuSystem (without giving effect to the transactions contemplated by the Acquisition Agreement) and would not have been true and correct if such representations and warranties were made by InfuSystem immediately prior to Closing (as defined in the Acquisition Agreement)).

(c) Non-Performance of Certain Covenants and Obligations. (i) Any Obligor shall default in the observance or performance of any agreement contained in Section 7.3(a), Section 7.3(e), Section 7.3(f), Section 7.4(a)(i), Section 7.10 or SECTION 8 of this Agreement or Section 4.1, 4.4, 5.1, 5.2, 5.3 or 5.7 of the Obligor Security Agreement or (ii) any Subsidiary Guarantor or Holdings shall default in the performance of its payment obligations under the Guaranty, or (ii) an "Event of Default" under and as defined in any Mortgage shall have occurred and be continuing.

(d) Non-Performance of Other Covenants and Agreements. Any Obligor shall default in the observance or performance of any other agreement contained in this Agreement or any other Loan Document (other than as provided in clauses (a) through (c) of this Section), and such default shall continue unremedied for a period of 30 days after the earlier of (i) the date on which an officer of the Borrower obtains actual knowledge of such default and (ii) the date on which the Borrower receives notice of such default from the Lender.

(e) Default Under Acquisition Documentation or on Other Indebtedness. (i) A default shall occur in the payment when due (subject to any applicable grace period), whether by acceleration or otherwise, of (A) any amount payable to the Lender under any Acquisition Documentation or (B) any Indebtedness (other than Indebtedness described in Section 9.1(a) above) of Holdings or any of its Subsidiaries or any other Obligor, including any Guarantee Obligation; or (ii) a default shall occur in the performance or observance of any obligation, agreement or condition with respect to any such Indebtedness or contained in any instrument or agreement evidencing, securing or relating thereto or any other event shall occur or condition exist and (x) the effect of such default, event or condition is to accelerate the maturity of any such Indebtedness or (y) such default, event or condition shall continue unremedied for any applicable period of time sufficient to permit the holder or holders of such Indebtedness, or any trustee or agent for such holders, to cause or declare such Indebtedness to become due and payable or to require such Indebtedness to be prepaid, redeemed, purchased or defeased, or require an offer to

purchase or defease such Indebtedness to be made, prior to its expressed maturity; provided that a default, event or condition described in this clause (e) with respect to other Indebtedness shall not at any time constitute an Event of Default unless, at such time, one or more defaults, events or conditions of the type described in this clause (e) shall have occurred and be continuing with respect to Indebtedness having, in the aggregate, an outstanding principal amount equal to or in excess of $100,000.

(f) Bankruptcy, Insolvency, etc. (i) Holdings, the Borrower, any of their respective Subsidiaries or any other Obligor shall (A) commence any case, proceeding or other action under any existing or future law of any jurisdiction, domestic or foreign, relating to bankruptcy, insolvency, reorganization or relief of debtors, seeking to have an order for relief entered with respect to it, or seeking to adjudicate it a bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, winding-up, liquidation, dissolution, composition or other relief with respect to it or its debts, or (B) apply for, consent to or acquiesce in the appointment of a receiver, trustee, custodian, conservator or other similar official for it or for all or any substantial part of its assets, or (C) make a general assignment for the benefit of its creditors; or (ii) there shall be commenced against Holdings, the Borrower, any of their respective Subsidiaries or any other Obligor any case, proceeding or other action of a nature referred to in clause (i) (A) above or Holdings, the Borrower, any of their respective Subsidiaries or any other Obligor shall permit or suffer to exist the appointment of a receiver, trustee, custodian, conservator or other official described in clause (i)(B) above that, in either case, (A) results in the entry of an order for relief or any such adjudication or appointment or (B) remains undismissed or undischarged for a period of 60 days or (C) is consented to or acquiesced in by Holdings, the Borrower, such Subsidiary or such other Obligor; or (iii) there shall be commenced against Holdings, the Borrower or any of their respective Subsidiaries or any other Obligor any case, proceeding or other action seeking issuance of a warrant of attachment, execution, distraint or similar process against all or any substantial part of its assets that results in the entry of an order for any such relief that shall not have been vacated, discharged, stayed or bonded pending appeal within 60 days from the entry thereof; or (iv) Holdings, the Borrower, any of their respective Subsidiaries or any other Obligor shall become insolvent or generally fail to pay, or shall admit in writing its inability or unwillingness generally to pay, its debts as they become due; or (v) Holdings, the Borrower, any of their respective Subsidiaries or any other Obligor shall take any action authorizing or in furtherance of, any of the acts described in clause (i), (ii), (iii) or (iv) above.

(g) Pension Plans. (i) Any Person shall engage in any "prohibited transaction" (as defined in Section 406 of ERISA or Section 4975 of the Code) involving any Plan, (ii) any "accumulated funding deficiency" (as defined in Section 302 of ERISA), whether or not waived, shall exist with respect to any Plan or any Lien in favor of the PBGC or a Plan shall arise on the assets of Holdings, the Borrower or any Commonly Controlled Entity, (iii) a Reportable Event shall occur with respect to, or proceedings shall commence to have a trustee appointed, or a trustee shall be appointed, to administer or to terminate, any Single Employer Plan, which Reportable Event or commencement of proceedings or appointment of a trustee is, in the reasonable opinion of the Lender, likely to result in the termination of such Plan for purposes of Title IV of ERISA, (iv) any Single Employer Plan shall terminate for purposes of Title IV of ERISA, (v) Holdings, the Borrower or any Commonly Controlled Entity shall, or in the reasonable opinion of the Lender is likely to, incur any liability in connection with a withdrawal from, or the Plan Insolvency or reorganization (within the meaning of Section 4241 of ERISA) of, a Multiemployer Plan or (vi) any other event or condition shall occur or exist with respect to a Plan; and in each case in clauses (i) through (vi) above, such event or condition, together with all other such events or conditions, if any, could, in the sole judgment of Lender, reasonably be expected to result in liability in excess of $100,000.

(h) Judgments. (i) Any judgment, order or decree for the payment of money individually or in the aggregate in excess of $100,000 (exclusive of any amounts fully covered by insurance (less any applicable deductible) and as to which the insurer has acknowledged its responsibility to cover such judgment or order) shall be rendered against Holdings, the Borrower or any of their respective Subsidiaries or any other Obligor and such judgment shall not have been vacated or discharged or stayed or bonded pending appeal within 30 days after the entry thereof or enforcement proceedings shall have been commenced by any creditor upon such judgment or order or (ii) any judgment, order or decree shall be rendered against Holdings, the Borrower or any of their respective Subsidiaries or any other Obligor involving a required divestiture of any material properties, assets or business that are (x) reasonably estimated to have a fair value in excess of $100,000 or (y) necessary for Holdings, the Borrower and their respective Subsidiaries to continue in the lines of business in which they are engaged immediately prior to such judgment, and, in each case, such judgment shall not have been vacated or discharged or stayed or bonded pending appeal within 30 days after the entry thereof or enforcement proceedings shall have been commenced by any creditor upon such judgment or order.

(i) Impairment of Security, etc. Any of the Security Documents shall cease for any reason (other than termination in accordance with its terms) to be in full force and effect, or any Obligor or any Affiliate of any Obligor shall so assert; or any Lien granted under any of the Security Documents shall cease to be enforceable and of the same effect and priority purported to be created thereby; or the Guaranty shall cease, for any reason, to be in full force and effect or any Obligor or any Affiliate of any Obligor shall so assert.

(j) Failure of Subordination. Unless otherwise waived or consented to by the Lender in writing, the subordination provisions relating to any Subordinated Debt (the "Subordination Provisions") shall fail to be enforceable by the Lender in accordance with the terms thereof, or the monetary Obligations shall fail to constitute "Senior Indebtedness" (or similar term) referring to the Obligations; or Holdings, the Borrower or any of their respective Subsidiaries shall, directly or indirectly, disavow or contest in any manner (i) the effectiveness, validity or enforceability of any of the Subordination Provisions, (ii) that the Subordination Provisions exist for the benefit of the Lender or (iii) that all payments of principal of or premium and interest on the Subordinated Debt, or realized from the liquidation of any property of any Obligor, shall be subject to any of such Subordination Provisions.

(k) Change in Control. Any Change in Control shall occur.

(l) Termination of Material Contracts. (i) any Material Contract shall terminate or fail to be renewed for any reason whatever, or (ii) Holdings, the Borrower or any other Obligor party to any Material Contract shall default in the performance or observance of any obligation or condition contained in the Material Contract or any agreement relating thereto or any other event shall occur or condition exist, if the effect of such default, event or condition is to permit any other Person party to such Material Contract or agreement to terminate such Material Contract or agreement.

(m) Material Adverse Change. A Material Adverse Change shall occur as determined by the Lender.

9.2 Action if Bankruptcy. If any Event of Default specified in any of Section 9.1(f)(i) through (iv) occurs with respect to Holdings, the Borrower or any of their respective Subsidiaries, the Term Loan Commitment (if not theretofore terminated) shall automatically and

immediately terminate (and the Term Loan Commitment Amount shall automatically be reduced to zero) and the outstanding principal amount of the Term Loan (with accrued interest thereon) and all other Obligations shall automatically be and become immediately due and payable, without notice or demand to Holdings, the Borrower, any other Obligor or any other Person.

9.3 Action if Other Event of Default. If any Event of Default (other than an Event of Default specified in any of Section 9.1(f)(i) through (iv)) shall occur for any reason, whether voluntary or involuntary, and be continuing, either or both of the following actions may be taken: (i) the Lender may, by notice to the Borrower, declare the Term Loan Commitment to be terminated forthwith, whereupon such Term Loan Commitment shall immediately terminate and the Term Loan Commitment Amount shall reduce to zero; and (ii) the Lender may, by notice to the Borrower, declare all or any portion of the outstanding principal amount of the Term Loan and other Obligations (including all accrued interest on the Term Loan) and all other amounts owing under this Agreement and the other Loan Documents to be due and payable forthwith, whereupon the full unpaid amount (or such portion) of the Term Loan and other Obligations that shall be so declared due and payable shall be and become immediately due and payable, without further notice, demand or presentment. Except as expressly provided above in this SECTION 9, presentment, demand, protest and all other notices of any kind are hereby expressly waived by the Borrower.

## SECTION 10
## GUARANTY

10.1 Guaranty of the Obligations. Subject to the provisions of Section 10.2, Guarantors jointly and severally hereby irrevocably and unconditionally guaranty to the Lender the due and punctual payment in full of all Obligations when the same shall become due, whether at stated maturity, by required prepayment, declaration, acceleration, demand or otherwise (including amounts that would become due but for the operation of the automatic stay under Section 362(a) of the Bankruptcy Code, 11 U.S.C. § 362(a)) (collectively, the "Guaranteed Obligations").

10.2 Contribution by Guarantors. All Guarantors desire to allocate among themselves (collectively, the "Contributing Guarantors"), in a fair and equitable manner, their obligations arising under this Guaranty. Accordingly, in the event any payment or distribution is made on any date by a Guarantor (a "Funding Guarantor") under this Guaranty such that its Aggregate Payments exceeds its Fair Share as of such date, such Funding Guarantor shall be entitled to a contribution from each of the other Contributing Guarantors in an amount sufficient to cause each Contributing Guarantor's Aggregate Payments to equal its Fair Share as of such date. "Fair Share" means, with respect to a Contributing Guarantor as of any date of determination, an amount equal to (a) the ratio of (i) the Fair Share Contribution Amount with respect to such Contributing Guarantor to (ii) the aggregate of the Fair Share Contribution Amounts with respect to all Contributing Guarantors multiplied by (b) the aggregate amount paid or distributed on or before such date by all Funding Guarantors under this Guaranty in respect of the obligations Guaranteed. "Fair Share Contribution Amount" means, with respect to a Contributing Guarantor as of any date of determination, the maximum aggregate amount of the obligations of such Contributing Guarantor under this Guaranty that would not render its obligations hereunder or thereunder subject to avoidance as a fraudulent transfer or conveyance under Section 548 of Title 11 of the United States Code or any comparable applicable provisions of state law; provided, solely for purposes of calculating the "Fair Share Contribution Amount" with respect to any Contributing Guarantor for purposes of this Section 10.2, any assets or liabilities of such Contributing Guarantor arising by virtue of any rights to subrogation, reimbursement or indemnification or any rights to or obligations of contribution hereunder shall not be considered as assets or liabilities of such Contributing Guarantor. "Aggregate Payments" means, with respect to a Contributing Guarantor as of any date of determination, an amount equal to (1) the aggregate amount of all payments and distributions made on or before such date by such

Contributing Guarantor in respect of this Guaranty (including, without limitation, in respect of this Section 10.2), minus (2) the aggregate amount of all payments received on or before such date by such Contributing Guarantor from the other Contributing Guarantors as contributions under this Section 10.2. The amounts payable as contributions hereunder shall be determined as of the date on which the related payment or distribution is made by the applicable Funding Guarantor. The allocation among Contributing Guarantors of their obligations as set forth in this Section 10.2 shall not be construed in any way to limit the liability of any Contributing Guarantor hereunder. Each Guarantor is a third party beneficiary to the contribution agreement set forth in this Section 10.2.

10.3 Payment by Guarantors. Subject to Section 10.2, Guarantors hereby jointly and severally agree, in furtherance of the foregoing and not in limitation of any other right which the Lender may have at law or in equity against any Guarantor by virtue hereof, that upon the failure of the Borrower to pay any of the Guaranteed Obligations when and as the same shall become due, whether at stated maturity, by required prepayment, declaration, acceleration, demand or otherwise (including amounts that would become due but for the operation of the automatic stay under Section 362(a) of the Bankruptcy Code, 11 U.S.C. § 362(a)), Guarantors will upon demand pay, or cause to be paid, in cash, to the Lender an amount equal to the sum of the unpaid principal amount of all Guaranteed Obligations then due as aforesaid, accrued and unpaid interest on such Guaranteed Obligations (including interest which, but for the Borrower's becoming the subject of a case under the Bankruptcy Code, would have accrued on such Guaranteed Obligations, whether or not a claim is allowed against the Borrower for such interest in the related bankruptcy case) and all other Guaranteed Obligations then owed to the Lender as aforesaid.

10.4 Liability of Guarantors Absolute. Each Guarantor agrees that its obligations hereunder are irrevocable, absolute, independent and unconditional and shall not be affected by any circumstance which constitutes a legal or equitable discharge of a guarantor or surety other than payment in full of the Guaranteed Obligations. In furtherance of the foregoing and without limiting the generality thereof, each Guarantor agrees as follows:

(a) the Lender may enforce this Guaranty upon the occurrence and during the continuance of an Event of Default notwithstanding the existence of any dispute between the Borrower and the Lender with respect to the existence and continuance of such Event of Default;

(b) the Lender may enforce this Guaranty upon the occurrence and during the continuance of an Event of Default notwithstanding the existence of any dispute between the Borrower and the Lender with respect to the existence and continuance of such Event of Default;

(c) the obligations of each Guarantor hereunder are independent of the obligations of the Borrower and the obligations of any other guarantor (including any other Guarantor) of the obligations of the Borrower, and a separate action or actions may be brought and prosecuted against such Guarantor whether or not any action is brought against the Borrower or any of such other guarantors and whether or not the Borrower is joined in any such action or actions;

(d) payment by any Guarantor of a portion, but not all, of the Guaranteed Obligations shall in no way limit, affect, modify or abridge any Guarantor's liability for any portion of the Guaranteed Obligations which has not been paid. Without limiting the generality of the foregoing, if the Lender is awarded a judgment in any suit brought to enforce any Guarantor's covenant to pay a portion of the Guaranteed Obligations, such judgment shall not be deemed to release such Guarantor from its covenant to pay the portion of the Guaranteed Obligations that is not the subject of such suit, and such judgment shall not, except to the extent satisfied by such Guarantor, limit, affect, modify or abridge any other Guarantor's liability hereunder in respect of the Guaranteed Obligations;

(e) the Lender, upon such terms as it deems appropriate, without notice or demand and without affecting the validity or enforceability hereof or giving rise to any reduction, limitation, impairment, discharge or termination of any Guarantor's liability hereunder, from time to time may (i) renew, extend, accelerate, increase the rate of interest on, or otherwise change the time, place, manner or terms of payment of the Guaranteed Obligations; (ii) settle, compromise, release or discharge, or accept or refuse any offer of performance with respect to, or substitutions for, the Guaranteed Obligations or any agreement relating thereto and/or subordinate the payment of the same to the payment of any other obligations; (iii) request and accept other guaranties of the Guaranteed Obligations and take and hold security for the payment hereof or the Guaranteed Obligations; (iv) release, surrender, exchange, substitute, compromise, settle, rescind, waive, alter, subordinate or modify, with or without consideration, any security for payment of the Guaranteed Obligations, any other guaranties of the Guaranteed Obligations, or any other obligation of any Person (including any other Guarantor) with respect to the Guaranteed Obligations; (v) enforce and apply any security now or hereafter held by or for the benefit of the Lender in respect hereof or the Guaranteed Obligations and direct the order or manner of sale thereof, or exercise any other right or remedy that the Lender may have against any such security, in each case as the Lender in its discretion may determine consistent herewith and any applicable security agreement, including foreclosure on any such security pursuant to one or more judicial or nonjudicial sales, whether or not every aspect of any such sale is commercially reasonable, and even though such action operates to impair or extinguish any right of reimbursement or subrogation or other right or remedy of any Guarantor against the Borrower or any security for the Guaranteed Obligations; and (vi) exercise any other rights available to it under the Loan Documents; and

(f) this Guaranty and the obligations of Guarantors hereunder shall be valid and enforceable and shall not be subject to any reduction, limitation, impairment, discharge or termination for any reason (other than payment in full of the Guaranteed Obligations), including the occurrence of any of the following, whether or not any Guarantor shall have had notice or knowledge of any of them: (i) any failure or omission to assert or enforce an agreement or election not to assert or enforce, or the stay or enjoining, by order of court, by operation of law or otherwise, of the exercise or enforcement of, any claim or demand or any right, power or remedy (whether arising under the Loan Documents, at law, in equity or otherwise) with respect to the Guaranteed Obligations or any agreement relating thereto, or with respect to any other guaranty of or security for the payment of the Guaranteed Obligations; (ii) any rescission, waiver, amendment or modification of, or any consent to departure from, any of the terms or provisions (including provisions relating to events of default) hereof, any of the other Loan Documents, or any agreement or instrument executed pursuant thereto, or of any other guaranty or security for the Guaranteed Obligations, in each case whether or not in accordance with the terms hereof or such Loan Document, or any agreement relating to such other guaranty or security; (iii) the Guaranteed Obligations, or any agreement relating thereto, at any time being found to be illegal, invalid or unenforceable in any respect; (iv) the application of payments received from any source (other than payments received pursuant to the other Loan Documents or from the proceeds of any security for the Guaranteed Obligations, except to the extent such security also serves as collateral for indebtedness other than the Guaranteed Obligations) to the payment of indebtedness other than the Guaranteed Obligations, even though the Lender might have elected to apply such payment to any part or all of the Guaranteed Obligations; (v) the Lender's consent to the change, reorganization or termination of the corporate structure or existence of Holdings or any of its Subsidiaries and to any corresponding restructuring of the Guaranteed Obligations; (vi) any failure to perfect or continue perfection of a security interest in any collateral which secures any of the Guaranteed Obligations; (vii) any defenses, set-offs or counterclaims which the Borrower may allege or assert against the Lender in respect of the Guaranteed Obligations, including failure of consideration, breach of warranty, payment, statute of frauds, statute of limitations, accord and satisfaction and usury; and (viii) any other act or thing or omission, or delay to do any other act or thing, which may or might in any manner or to any extent vary the risk of any Guarantor as an obligor in respect of the Guaranteed Obligations.

10.5 Waivers by Guarantors. Each Guarantor hereby waives, for the benefit of the Lender: (a) any right to require the Lender, as a condition of payment or performance by such Guarantor, to (i) proceed against the Borrower, any other guarantor (including any other Guarantor) of the Guaranteed Obligations or any other Person, (ii) proceed against or exhaust any security held from the Borrower, any such other guarantor or any other Person, (iii) proceed against or have resort to any balance of any deposit account or credit on the books of the Lender in favor of the Borrower or any other Person, or (iv) pursue any other remedy in the power of the Lender whatsoever; (b) any defense arising by reason of the incapacity, lack of authority or any disability or other defense of the Borrower or any other Guarantor including any defense based on or arising out of the lack of validity or the unenforceability of the Guaranteed Obligations or any agreement or instrument relating thereto or by reason of the cessation of the liability of the Borrower or any other Guarantor from any cause other than payment in full of the Guaranteed Obligations; (c) any defense based upon any statute or rule of law which provides that the obligation of a surety must be neither larger in amount nor in other respects more burdensome than that of the principal; (d) any defense based upon the Lender's errors or omissions in the administration of the Guaranteed Obligations, except behavior which amounts to bad faith; (e) (i) any principles or provisions of law, statutory or otherwise, which are or might be in conflict with the terms hereof and any legal or equitable discharge of such Guarantor's obligations hereunder, (ii) the benefit of any statute of limitations affecting such Guarantor's liability hereunder or the enforcement hereof, (iii) any rights to set-offs, recoupments and counterclaims, and (iv) promptness, diligence and any requirement that the Lender protect, secure, perfect or insure any security interest or lien or any property subject thereto; (f) notices, demands, presentments, protests, notices of protest, notices of dishonor and notices of any action or inaction, including acceptance hereof, notices of default hereunder, or any agreement or instrument related thereto, notices of any renewal, extension or modification of the Guaranteed Obligations or any agreement related thereto, notices of any extension of credit to the Borrower and notices of any of the matters referred to in Section 7.4 and any right to consent to any thereof; and (g) any defenses or benefits that may be derived from or afforded by law which limit the liability of or exonerate guarantors or sureties, or which may conflict with the terms hereof.

10.6 Guarantors' Right of Subrogation, Contribution, etc. Until the Guaranteed Obligations shall have been indefeasibly paid in full and the Revolving Loan Commitments shall have terminated and all Letters of Credit shall have expired or been cancelled, each Guarantor hereby waives and agrees not to assert any claim, right or remedy, direct or indirect, that such Guarantor now has or may hereafter have against the Borrower or any other Guarantor or any of its assets in connection with this Guaranty or the performance by such Guarantor of its obligations hereunder, in each case whether such claim, right or remedy arises in equity, under contract, by statute, under common law or otherwise and including without limitation (a) any right of subrogation, reimbursement or indemnification that such Guarantor now has or may hereafter have against the Borrower with respect to the Guaranteed Obligations, (b) any right to enforce, or to participate in, any claim, right or remedy that the Lender now has or may hereafter have against the Borrower, and (c) any benefit of, and any right to participate in, any collateral or security now or hereafter held by the Lender. In addition, until the Guaranteed Obligations shall have been indefeasibly paid in full in cash, each Guarantor shall withhold exercise of any right of contribution such Guarantor may have against any other guarantor (including any other Guarantor) of the Guaranteed Obligations, including, without limitation, any such right of contribution as contemplated by Section 7.2. Each Guarantor further agrees that, to the extent the waiver or agreement to withhold the exercise of its rights of subrogation, reimbursement, indemnification and contribution as set forth herein is found by a court of competent jurisdiction to be void or voidable for any reason, any rights of subrogation, reimbursement or indemnification such Guarantor may have against the Borrower or against any collateral or security, and any rights of contribution such Guarantor may have against any such other guarantor, shall be junior and subordinate to any rights the Lender may have against the Borrower, to all right, title and interest the Lender may have in any such collateral or security, and to any right the Lender may have against such other guarantor. If any amount shall be paid to any Guarantor on account of any

such subrogation, reimbursement, indemnification or contribution rights at any time when all Guaranteed Obligations shall not have been finally and indefeasibly paid in full, such amount shall be held in trust for the Lender and shall forthwith be paid over to the Lender to be credited and applied against the Guaranteed Obligations, whether matured or unmatured, in accordance with the terms hereof.

10.7 Subordination of Other Obligations. Any Indebtedness of the Borrower or any Guarantor now or hereafter held by any Guarantor (the "Obligee Guarantor") is hereby subordinated in right of payment to the Guaranteed Obligations, and any such indebtedness collected or received by the Obligee Guarantor after an Event of Default has occurred and is continuing shall be held in trust for the Lender and shall forthwith be paid over to the Lender to be credited and applied against the Guaranteed Obligations but without affecting, impairing or limiting in any manner the liability of the Obligee Guarantor under any other provision hereof.

10.8 Continuing Guaranty. This Guaranty is a continuing guaranty and shall remain in effect until all of the Guaranteed Obligations shall have been paid in full and the Revolving Loan Commitments shall have terminated and all Letters of Credit shall have expired or been cancelled. Each Guarantor hereby irrevocably waives any right to revoke this Guaranty as to future transactions giving rise to any Guaranteed Obligations.

10.9 Authority of Guarantors or the Borrower. It is not necessary for the Lender to inquire into the capacity or powers of any Guarantor or the Borrower or the officers, directors or any agents acting or purporting to act on behalf of any of them.

10.10 Financial Condition of the Borrower. Any Credit Extension may be made to the Borrower or continued from time to time without notice to or authorization from any Guarantor regardless of the financial or other condition of the Borrower at the time of any such grant or continuation. The Lender shall have no obligation to disclose or discuss with any Guarantor its assessment, or any Guarantor's assessment, of the financial condition of the Borrower. Each Guarantor has adequate means to obtain information from the Borrower on a continuing basis concerning the financial condition of Holdings and its ability to perform its obligations under the Loan Documents, and each Guarantor assumes the responsibility for being and keeping informed of the financial condition of the Borrower and of all circumstances bearing upon the risk of nonpayment of the Guaranteed Obligations. Each Guarantor hereby waives and relinquishes any duty on the part of the Lender to disclose any matter, fact or thing relating to the business, operations or conditions of the Borrower now known or hereafter known by the Lender.

10.11 Bankruptcy, etc.

(a) So long as any Guaranteed Obligations remain outstanding, no Guarantor shall, without the prior written consent of the Lender, commence or join with any other Person in commencing any bankruptcy, reorganization or insolvency case or proceeding of or against the Borrower or any other Guarantor. The obligations of Guarantors hereunder shall not be reduced, limited, impaired, discharged, deferred, suspended or terminated by any case or proceeding, voluntary or involuntary, involving the bankruptcy, insolvency, receivership, reorganization, liquidation or arrangement of the Borrower or any other Guarantor or by any defense which the Borrower or any other Guarantor may have by reason of the order, decree or decision of any court or administrative body resulting from any such proceeding.

(b) Each Guarantor acknowledges and agrees that any interest on any portion of the Guaranteed Obligations which accrues after the commencement of any case or proceeding referred to in clause (a) above (or, if interest on any portion of the Guaranteed Obligations ceases to accrue by operation of law by reason of the commencement of such case or proceeding, such interest as would have

accrued on such portion of the Guaranteed Obligations if such case or proceeding had not been commenced) shall be included in the Guaranteed Obligations because it is the intention of Guarantors and the Lender that the Guaranteed Obligations which are guaranteed by Guarantors pursuant hereto should be determined without regard to any rule of law or order which may relieve the Borrower of any portion of such Guaranteed Obligations. Guarantors will permit any trustee in bankruptcy, receiver, debtor in possession, assignee for the benefit of creditors or similar person to pay the Lender, or allow the claim of the Lender in respect of, any such interest accruing after the date on which such case or proceeding is commenced.

(c) In the event that all or any portion of the Guaranteed Obligations are paid by the Borrower, the obligations of Guarantors hereunder shall continue and remain in full force and effect or be reinstated, as the case may be, in the event that all or any part of such payment(s) are rescinded or recovered directly or indirectly from the Lender as a preference, fraudulent transfer or otherwise, and any such payments which are so rescinded or recovered shall constitute Guaranteed Obligations for all purposes hereunder.

## SECTION 11
## LENDER REGISTRATION RIGHTS

11.1. Piggyback Registrations.

(a) Exercise of Rights. Should Holdings propose to register any of its securities under the Securities Act for sale (other than in connection with the registration of securities issuable pursuant to an employee stock option, stock purchase or similar plan), Holdings shall give the Lender notice of such proposed registration (a "Piggyback Registration") at least 30 days prior to the filing of a registration statement in connection therewith. At the written request of the Lender delivered to Holdings within 15 days after the receipt of the notice from Holdings, which request shall state the number of Registrable Securities that the Lender wishes to sell or distribute publicly in the Piggyback Registration, Holdings shall effect the registration under the Securities Act of the Registrable Securities requested by the Lender to be included in the Piggyback Registration (the "Piggyback Securities") as expeditiously as possible and use its reasonable commercial efforts to have such registration become and remain effective as provided in Section 11.2 hereof. The Lender shall be permitted to withdraw all or any part of the Piggyback Securities from any Piggyback Registration at any time prior to the effective date of such Piggyback Registration. "Registrable Securities" means (i) any common stock, par value $0.0001 per share, of Holdings (the "Common Stock"), and (ii) any Common Stock or other securities issued as (or issuable upon the conversion, exercise or exchange of any option, warrant, right or other security which is issued as) a dividend or other distribution with respect to, or in exchange for or in replacement of, the securities referred to in clause (i), in each case held at any time by the Lender.

(b) Additional Requirements. If a Piggyback Registration is to cover, in whole or in part, any underwritten distribution, then Holdings shall use its reasonable commercial efforts to cause all Piggyback Securities to be included in the underwriting on the same terms and conditions as the securities (other than Piggyback Securities) being sold through the underwriters.

(c) Cutbacks. If the managing underwriters of any Piggyback Registration advise Holdings in writing that in their good faith judgment the number of securities to be included in the Piggyback Registration exceeds the number that can be sold in the offering in light of marketing factors or because the sale of a greater number would adversely affect the price of the Registrable Securities to be sold in such Piggyback Registration, then the total number of securities the underwriters advise can be

included in such Piggyback Registration shall be allocated first to the securities that the Lender proposes to issue and sell for its own account. Notwithstanding the foregoing, Lender's priority rights are subject and subordinate to rights granted to other security holders prior to the Closing Date.

11.2. Registration Covenants of Holdings. If any Piggyback Securities of the Lender are to be registered pursuant to Section 11.1, Holdings covenants and agrees that it shall use its reasonable commercial efforts to effect the registration and cooperate in the sale of the Piggyback Securities to be registered and shall as expeditiously as possible:

(a) (i) prepare and file with the SEC a registration statement with respect to the Piggyback Securities (including all amendments and supplements thereto, a "Registration Statement") and (ii) use its reasonable commercial efforts to cause the Registration Statement to become effective;

(b) prior to the filing described above in paragraph (a), furnish to the Lender no less than 7 Business Days prior to filing such offering copies of the Registration Statement and any amendments or supplements thereto and any prospectus forming a part thereof, which documents shall be subject to the review of counsel representing the Lender and use its reasonable commercial efforts to reflect in each such document when so filed with the SEC such comments as counsel representing the Lender shall reasonably propose within three (3) Business Days of the delivery of such copies to the Lender;

(c) file any "free writing prospectus" (as defined in Rule 405 under the Securities Act) that is required to be filed with the SEC in accordance with the Securities Act;

(d) notify the Lender, promptly after receiving notice thereof, of the time when the Registration Statement becomes effective or when any amendment or supplement or any prospectus forming a part of the Registration Statement has been filed;

(e) notify the Lender promptly of any request by the SEC for the amending or supplementing of the Registration Statement or prospectus or for additional information;

(f) (i) advise the Lender after Holdings shall receive notice or otherwise obtain knowledge of the issuance of any order by the SEC suspending the effectiveness of the Registration Statement or any amendment thereto or of the initiation or threatening of any proceeding for that purpose and (ii) promptly use its reasonable commercial efforts to prevent the issuance of any stop order or to obtain its withdrawal promptly if a stop order should be issued;

(g) (i) prepare and file with the SEC such amendments and supplements to the Registration Statement and the prospectus forming a part thereof as may be necessary to keep the Registration Statement effective for a period of time necessary to permit the Lender to dispose of all its Piggyback Securities and (ii) comply with the provisions of the Securities Act of 1933, as amended, and the rules and regulations thereunder (the "Securities Act"), with respect to the disposition of all Piggyback Securities covered by the Registration Statement during such period in accordance with the intended methods of disposition by the Lender set forth in the Registration Statement;

(h) furnish to the Lender such number of copies of the Registration Statement, each amendment and supplement thereto, the prospectus included in the Registration Statement (including such preliminary prospectus) and such other documents the Lender may reasonably request in order to facilitate the disposition of the Piggyback Securities;

(i) use its reasonable commercial efforts to register or qualify the Piggyback Securities under such other securities or blue sky laws of such jurisdictions as determined by the underwriters after consultation with Holdings and the Lender and do any and all other acts and things which may be reasonably necessary or advisable to enable the Lender to consummate the disposition in such jurisdictions of the Piggyback Securities;

(j) notify the Lender at any time when a prospectus relating to the Piggyback Securities is required to be delivered under the Securities Act, promptly upon Holdings' becoming aware that the prospectus included in such registration statement, as then in effect, includes an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances then existing, and, as promptly as possible (but in no event later than three days), prepare and furnish to the Lender a reasonable number of copies of an amended or supplemental prospectus as may be necessary so that, as thereafter delivered to the buyers of the Piggyback Securities, such prospectus shall not include an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances then existing;

(k) cause senior representatives of Holdings to participate in any "road show" or "road shows" reasonably requested by any underwriter of an underwritten or "best efforts" offering;

(l) provide a transfer agent and registrar, which may be a single entity, for all the Piggyback Securities not later than the effective date of the Registration Statement;

(m) enter into such customary agreements (including an underwriting agreement in customary form) and take all such other action, if any, as the Lender or the underwriters shall reasonably request in order to expedite or facilitate the disposition of the Piggyback Securities;

(n) (i) make available for inspection by the Lender, any underwriter participating in any distribution pursuant to the Registration Statement and any attorney, accountant or other agent retained by the Lender or any such underwriter all relevant financial and other records, pertinent corporate documents and properties of Holdings and (ii) cause Holdings' officers, directors and employees to supply all relevant information reasonably requested by the Lender or any such underwriter, attorney, accountant or agent in connection with the Registration Statement; and

(o) furnish to the Lender a signed counterpart, addressed to the Lender (or to the underwriters, in the case of any underwritten offering), of (i) an opinion of counsel for Holdings, dated the effective date of the Registration Statement, and (ii) a "comfort" letter signed by the independent public accountants who have certified Holdings' financial statements included in the Registration Statement, covering substantially the same matters with respect to the Registration Statement (and the prospectus included therein) and (in the case of the "comfort" letter), as are customarily covered (at the time of such registration) in opinions of issuer's counsel and in "comfort" letters, respectively, delivered to the underwriters in underwritten public offerings of securities.

11.3 Registration Expenses. All fees and expenses incident to the performance of or compliance with this Sections 11.1 and 11.2 by Holdings shall be borne by Holdings whether or not any Piggyback Securities are sold pursuant to a Registration Statement. The fees and expenses referred to in the foregoing sentence shall include, without limitation, (i) all registration and filing fees (including, without limitation, fees and expenses of Holdings' counsel and auditors) (A) with respect to filings made with the SEC, (B) with respect to filings required to be made with any trading market on which the Common Stock is then listed for trading, (C) in compliance with applicable state securities or blue sky laws (including, without limitation, fees and disbursements of counsel for Holdings in connection with

blue sky qualifications or exemptions of the Piggyback Securities) and (D) fees and expenses in connection with any review by the Financial Industry Regulatory Authority of the underwriting arrangements or other terms of the offering, and all fees and expenses related to any "qualified independent underwriter," including any fees and expenses of counsel thereto, (ii) printing expenses (including, without limitation, expenses of printing certificates for Piggyback Securities), (iii) messenger, telephone and delivery expenses, (iv) fees and disbursements of counsel for Holdings, and (v) fees and expenses of all other Persons retained by Holdings in connection with the consummation of the transactions contemplated by Sections 11.1 and 11.2. In addition, Holdings shall be responsible for all of its internal expenses incurred in connection with the consummation of the transactions contemplated by Sections 11.1 and 11.2 (including, without limitation, all salaries and expenses of its officers and employees performing legal or accounting duties), the expense of any annual audit and the fees and expenses incurred in connection with the listing of the Piggyback Securities on any securities exchange as required hereunder.

11.4. Other Registration Rights. From and after the date of this Agreement, Holdings shall not, without the prior written consent of the Lender, grant to any prospective holder of any securities of Holdings the right to request Holdings to register any securities of Holdings on a parity with or superior to the rights granted herein.

11.5 Indemnification Relating to Registration

(a) Indemnification by the Issuer. Solely in connection with this Section 11 and without limiting the scope of Section 12.6, Holdings shall, notwithstanding any termination of this Agreement, indemnify and hold harmless the Lender, the officers, directors, members, partners, agents, brokers (including brokers who offer and sell Registrable Securities as principal as a result of a pledge or any failure to perform under a margin call of Common Stock), investment advisors and employees (and any other Persons with a functionally equivalent role of a Person holding such titles, notwithstanding a lack of such title or any other title) of each of them, each Person who controls the Lender (within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act) and the officers, directors, members, shareholders, partners, agents and employees (and any other Persons with a functionally equivalent role of a Person holding such titles, notwithstanding a lack of such title or any other title) of each such controlling Person, to the fullest extent permitted by applicable law, from and against any and all losses, claims, damages, liabilities, costs (including, without limitation, actual attorneys' fees) and expenses (collectively, "Losses"), as incurred, arising out of or relating to (1) any untrue or alleged untrue statement of a material fact contained in a Registration Statement, any prospectus or any form of prospectus or in any amendment or supplement thereto or in any preliminary prospectus, or any free writing prospectus or any "issuer information" filed or required to be filed pursuant to Rule 433(d) under the Securities Act or arising out of or relating to any omission or alleged omission of a material fact required to be stated therein or necessary to make the statements therein (in the case of any prospectus or supplement thereto and any free writing prospectus or "issuer information," in light of the circumstances under which they were made) not misleading or (2) any violation or alleged violation by Holdings of the Securities Act, the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder, or any state securities law, or any rule or regulation thereunder, in connection with the performance of its obligations under this Agreement, except to the extent, but only to the extent, that such untrue statements or omissions are based solely upon information regarding Holdings furnished in writing to Holdings by the Lender expressly for use therein, or to the extent that such information relates to the Lender or the Lender's proposed method of distribution of Registrable Securities and was reviewed and expressly approved in writing by the Lender expressly for use in a Registration Statement, such prospectus, in any amendment or supplement thereto or any free writing prospectus or any "issuer information" filed or required to be filed pursuant to Rule 433(d) under the Securities Act. Holdings shall notify the Lender promptly of the institution, threat or assertion of any proceeding whatsoever arising from or in connection with the transactions contemplated by this Agreement of which the Issuer is aware.

(b) Conduct of Indemnification Proceedings. If any proceeding whatsoever shall be brought or asserted against any Person entitled to indemnity under Section 11.5(a) (an "Indemnified Party"), such Indemnified Party shall promptly notify Holdings (the "Indemnifying Party") in writing, and the Indemnifying Party shall have the right to assume the defense thereof, including the employment of counsel reasonably satisfactory to the Indemnified Party and the payment of all fees and expenses incurred in connection with defense thereof; provided, that the failure of any Indemnified Party to give such notice shall not relieve the Indemnifying Party of its obligations or liabilities pursuant to this Agreement.

An Indemnified Party shall have the right to employ separate counsel in any such proceeding and to participate in the defense thereof, but the fees and expenses of such counsel shall be at the expense of such Indemnified Party or Parties unless: (1) the Indemnifying Party has agreed in writing to pay such fees and expenses; (2) the Indemnifying Party shall have failed promptly to assume the defense of such proceeding and to employ counsel reasonably satisfactory to such Indemnified Party in any such proceeding; or (3) the named parties to any such proceeding (including any impleaded parties) include both such Indemnified Party and the Indemnifying Party, and counsel to the Indemnified Party shall reasonably believe that a material conflict of interest is likely to exist if the same counsel were to represent such Indemnified Party and the Indemnifying Party (in which case, if such Indemnified Party notifies the Indemnifying Party in writing that it elects to employ separate counsel at the expense of the Indemnifying Party, the Indemnifying Party shall not have the right to assume the defense thereof and the actual fees and expenses of separate counsel shall be at the expense of the Indemnifying Party). The Indemnifying Party shall not be liable for any settlement of any such Proceeding effected without its written consent, which consent shall not be unreasonably withheld, delayed or conditioned. The Indemnifying Party shall, without the prior written consent of the Indemnified Party, effect any settlement of any pending proceeding in respect of which any Indemnified Party is a party, unless such settlement includes an unconditional release of such Indemnified Party from all liability on claims that are the subject matter of such proceeding.

All actual fees and expenses of the Indemnified Party (including actual fees and expenses to the extent incurred in connection with investigating or preparing to defend such proceeding in a manner not inconsistent with this Section 11.5) shall be paid to the Indemnified Party, as incurred, within ten Business Days of written notice thereof to the Indemnifying Party.

(c) Contribution. If the indemnification under Section 11.5(a) is unavailable to an Indemnified Party or insufficient to hold an Indemnified Party harmless for any Losses, then the Indemnifying Party shall contribute to the amount paid or payable by such Indemnified Party, in such proportion as is appropriate to reflect the relative fault of the Indemnifying Party and Indemnified Party in connection with the actions, statements or omissions that resulted in such Losses as well as any other relevant equitable considerations. The relative fault of the Indemnifying Party and Indemnified Party shall be determined by reference to, among other things, whether any action in question, including any untrue or alleged untrue statement of a material fact or omission or alleged omission of a material fact, has been taken or made by, or relates to information supplied by, the Indemnifying Party or Indemnified Party, and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such action, statement or omission. The amount paid or payable by a party as a result of any Losses shall be deemed to include any reasonable attorneys' or other fees or expenses incurred by such party in connection with any proceeding to the extent such party would have been indemnified for such fees or expenses if the indemnification provided for in this Section 11.5 was available to such party in accordance with its terms.

The parties hereto agree that it would not be just and equitable if contribution pursuant to this Section 11.5(c) were determined by pro rata allocation or by any other method of allocation that does not take into account the equitable considerations referred to in the immediately preceding paragraph.

The indemnity and contribution agreements contained in this Section 11.5 are in addition to any liability that the Indemnifying Parties may have to the Indemnified Parties.

## SECTION 12
## MISCELLANEOUS

12.1 Amendments and Waivers. Neither this Agreement, any other Loan Document, nor any terms hereof or thereof may be amended, supplemented, waived or modified except in accordance with the provisions of this Section 12.1. The Lender and each Obligor party to the relevant Loan Document may, from time to time, (a) enter into written amendments, supplements or modifications hereto and to the other Loan Documents for the purpose of adding any provisions to this Agreement or the other Loan Documents or changing in any manner the rights of the Lender or of the Obligors hereunder or thereunder or (b) waive, on such terms and conditions as the Lender may specify in such instrument, any of the requirements of this Agreement or the other Loan Documents or any Default or Event of Default and its consequences.

Any such waiver and any such amendment, supplement or modification shall be binding upon the Obligors, the Lender and all future holders of the Term Loan. In the case of any waiver, the Obligors and the Lender shall be restored to their former position and rights hereunder and under the other Loan Documents, and any Default or Event of Default waived shall be deemed to be cured and not continuing; but no such waiver shall extend to any subsequent or other Default or Event of Default, or impair any right consequent thereon.

12.2 Notices, etc.

(a) All notices, requests and demands to or upon the respective parties hereto to be effective shall be in writing (including by facsimile) and, except as otherwise expressly provided herein, shall be deemed to have been duly given or made when delivered, or three Business Days after being deposited in the mail, postage prepaid, or, in the case of facsimile notice, when the confirmation of transmission thereof is received by the transmitter, addressed as set forth on Schedule I, or to such other address as may be hereafter notified by the respective parties hereto.

(b) [Intentionally Omitted].

12.3 No Waiver; Cumulative Remedies. No failure to exercise and no delay in exercising, on the part of the Lender, any right, remedy, power or privilege hereunder or under the other Loan Documents shall operate as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege. The rights, remedies, powers and privileges herein provided are cumulative and not exclusive of any rights, remedies, powers and privileges provided by law.

12.4 Survival of Representations and Warranties. All representations and warranties made hereunder, in the other Loan Documents and in any document, certificate or statement delivered pursuant hereto or in connection herewith shall survive the execution and delivery of, and the termination of, this Agreement and the making and repayment of the Term Loan and other extensions of credit hereunder.

12.5 Payment of Expenses and Taxes. The Borrower agrees (a) to pay or reimburse the Lender for all the Lender's out-of-pocket costs and expenses incurred in connection with the development, preparation and execution of, and any amendment, supplement or modification to, this Agreement and the other Loan Documents and any other documents prepared in connection herewith or therewith, and the consummation and administration of the transactions contemplated hereby and thereby, including the actual fees and disbursements of counsel to the Lender and filing and recording fees and expenses, (b) to pay or reimburse the Lender for all its costs and expenses incurred in connection with (x) the enforcement or preservation of any rights under this Agreement, the other Loan Documents and any such other documents and (y) the negotiation of any restructuring or "work-out", whether or not consummated, of any Obligations, including, in each case, the fees and disbursements of counsel (including the allocated fees and expenses of in-house counsel) to the Lender, (c) to pay, indemnify, and hold the Lender harmless from, any and all recording and filing fees and any and all liabilities with respect to, or resulting from any delay in paying, stamp, excise and other Taxes, if any, that may be payable or determined to be payable in connection with the execution and delivery of, or consummation or administration of any of the transactions contemplated by, or any amendment, supplement or modification of, or any waiver or consent under or in respect of, this Agreement, the other Loan Documents and any such other documents, and (d) pay or reimburse the Lender for all amounts payable to the Lender pursuant to the indemnity and expense provisions set forth in the Acquisition Agreement. All amounts due under this Section 12.5 shall be payable not later than 10 days after written demand therefor. Statements of amounts payable by the Borrower pursuant to this Section 12.5 shall be submitted to the Borrower at its address, and to the attention of the contact person, set forth below the Borrower's name in Schedule I, or to such other contact person or address as may be hereafter designated by the Borrower in a written notice to the Lender.

The agreements in this Section 12.5 shall survive the payment in full of all Obligations and the termination of the Term Loan Commitment.

12.6 Indemnification. In consideration of the execution and delivery of this Agreement by the Lender, the Borrower hereby indemnifies, exonerates and holds the Lender and each of its Affiliates, officers, directors, employees, representatives and agents (each, an "Indemnitee") free and harmless from and against any and all actions, causes of action, suits, claims, losses, costs, liabilities and damages, and all expenses incurred in connection with any of the foregoing (irrespective of whether any such Indemnified Party is a party to the action for which indemnification hereunder is sought), including actual attorneys' fees and disbursements, whether incurred in connection with actions between or among the parties hereto or the parties hereto and third parties, and agrees to reimburse each Indemnitee upon demand for all legal and other expenses reasonably incurred by it in connection with investigating, preparing to defend or defending, or providing evidence in or preparing to serve or serving as a witness with respect to, any claim, litigation, investigation or proceeding relating to any of the foregoing (collectively, the "Indemnified Liabilities"), incurred by the Indemnitees or any of them as a result of, or arising out of, or relating to

(i) any transaction financed or to be financed in whole or in part, directly or indirectly, with the proceeds of any Credit Extension, including all Indemnified Liabilities arising in connection with the Transaction;

(ii) execution, delivery, enforcement, performance and administration of this Agreement, the other Loan Documents and any agreements executed and delivered in connection with the Transaction (including any action brought by or on behalf of the Borrower as the result of any determination pursuant to SECTION 5 not to fund any Credit Extension, provided that any such action is resolved in favor of such Indemnified Party);

(iii) any investigation, litigation or proceeding related to any acquisition or proposed acquisition by any Obligor or any Subsidiary thereof of all or any portion of the Equity Interests or assets of any Person, whether or not an Indemnified Party is party thereto;

(iv) any investigation, litigation or proceeding related to any environmental cleanup, audit, noncompliance with or liability under any Environmental Law or other matter relating to the protection of the environment applicable to the operations of Holdings, the Borrower or any of their respective Subsidiaries or any of the Properties;

(v) the presence on or under, or the Releases from, any real property owned or operated by any Obligor or any Subsidiary thereof of any Hazardous Material (including any losses, liabilities, damages, injuries, costs, expenses or claims asserted or arising under any Environmental Law), regardless of whether caused by, or within the control of, such Obligor or Subsidiary; or

(vi) the Lender's Environmental Liability (the indemnification herein shall survive repayment of the Obligations and any transfer of the property of any Obligor or its Subsidiaries by foreclosure or by a deed in lieu of foreclosure for the Lender's Environmental Liability, regardless of whether caused by, or within the control of, such Obligor or such Subsidiary);

except to the extent that Indemnified Liabilities arising for the account of a particular Indemnitee are found by a final, non-appealable judgment of a court of competent jurisdiction to have resulted primarily by reason of such Indemnitee's gross negligence or willful misconduct. Without limiting the foregoing, and to the extent permitted by applicable law, each of Holdings and the Borrower agrees not to assert and to cause its Subsidiaries not to assert, and hereby waives and agrees to cause its Subsidiaries to so waive, all rights for contribution or any other rights of recovery with respect to all claims, demands, penalties, fines, liabilities, settlements, damages, costs and expenses of whatever kind or nature, under or related to Environmental Laws, that any of them might have by statute or otherwise against any Indemnitee. It is expressly understood and agreed that to the extent that any Indemnitee is strictly liable under any Environmental Laws, each Obligor's obligation to such Indemnified Party under this indemnity shall likewise be without regard to fault on the part of any Obligor with respect to the violation or condition that results in an Environmental Liability of an Indemnitee. If and to the extent that the foregoing undertaking may be unenforceable for any reason, each Obligor agrees to make the maximum contribution to the payment and satisfaction of each of the Indemnified Liabilities that is permissible under applicable law.

The agreements in this Section 12.6 shall survive the payment in full of all Obligations and the termination of the Term Loan Commitment.

12.7 Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the Borrower, the Guarantors, the Lender, all future holders of the Term Loan and their respective successors and assigns; provided that neither the Borrower nor any other Obligor may assign or transfer any of its rights or obligations under this Agreement without the prior written consent of the Lender, in Lender's sole discretion. Lender may, at any time, without the consent of or notice to the Borrower or any other Obligor, sell, transfer, negotiate, or grant participations in all or any part of, or any interest in, the Term Loan and all or any part of Lender's obligations, rights, and benefits under this Agreement and the other Loan Documents. Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto, their respective successors and assigns permitted hereby) any legal or equitable right, remedy or claim under or by reason of this Agreement.

12.8 Set-off. The Lender shall, upon the occurrence and during the continuance of any Default described in Section 9.1(f) or upon the occurrence and during the continuance of any other Event of Default, have the right to appropriate and apply to the payment of the Obligations owing to it (whether or not then due), and the Borrower hereby grants to the Lender (as security for such Obligations) a continuing security interest in, any and all balances, credits, deposits, accounts or moneys of the Borrower from time to time maintained with, or any amount otherwise owed to the Borrower by, the Lender or any of Lender's Affiliates. The Lender agrees promptly to notify the Borrower after any such setoff and application made by the Lender; provided, however, that the failure to give such notice shall not affect the validity of such setoff and application. The rights of the Lender under this Section are in addition to other rights and remedies (including other rights of setoff under applicable law or otherwise) that the Lender may have.

12.9 Counterparts. This Agreement may be executed by one or more of the parties to this Agreement on any number of separate counterparts, and all of said counterparts taken together shall be deemed to constitute one and the same instrument. Delivery of an executed signature page of this Agreement by facsimile or electronic transmission shall be effective as delivery of a manually executed counterpart hereof.

12.10 Severability. Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

12.11 Other Transactions. Nothing contained herein shall preclude the Lender from engaging in any transaction, in addition to those contemplated by the Loan Documents, with the Borrower or any of its Affiliates in which the Borrower or such Affiliate is not restricted hereby from engaging with any other Person.

12.12 Integration. This Agreement and the other Loan Documents constitute the entire understanding among the parties hereto with respect to the subject matter hereof and thereof and supersede any prior agreements, written or oral, with respect thereto.

12.13 GOVERNING LAW. **THIS AGREEMENT AND EACH OTHER LOAN DOCUMENT EXCEPT AS OTHERWISE EXPRESSLY SET FORTH IN A LOAN DOCUMENT) AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER AND THEREUNDER SHALL, PURSUANT TO N.Y. GOL §5-1401, BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE INTERNAL LAW OF THE STATE OF NEW YORK.**

12.14 Submission To Jurisdiction; Waivers. **(a) EACH OBLIGOR HEREBY IRREVOCABLY AND UNCONDITIONALLY CONSENTS AND SUBMITS, FOR ITSELF AND ITS PROPERTY, TO THE NON-EXCLUSIVE JURISDICTION OF ANY UNITED STATES FEDERAL OR NEW YORK STATE COURT SITTING IN NEW YORK CITY, AND ANY APPELLATE COURT FROM ANY THEREOF, IN ANY ACTION OR PROCEEDING BASED ON, OR ARISING OUT OF, UNDER, OR IN CONNECTION WITH, ANY LOAN DOCUMENT, OR ANY COURSE OF CONDUCT, COURSE OF DEALING, STATEMENTS (WHETHER ORAL OR WRITTEN) OR ACTIONS OF THE LENDER OR ANY OBLIGOR IN CONNECTION HEREWITH OR THEREWITH; PROVIDED, HOWEVER, THAT ANY ACTION OR PROCEEDING SEEKING ENFORCEMENT AGAINST ANY COLLATERAL OR OTHER PROPERTY MAY BE BROUGHT, AT THE LENDER'S OPTION, IN THE COURTS**

**OF ANY JURISDICTION WHERE SUCH COLLATERAL OR OTHER PROPERTY MAY BE FOUND; PROVIDED, FURTHER, THAT NOTHING HEREIN SHALL LIMIT THE RIGHT OF THE LENDER TO BRING PROCEEDINGS AGAINST ANY OBLIGOR IN THE COURTS OF ANY OTHER JURISDICTION.**

**(b) EACH OBLIGOR IRREVOCABLY CONSENTS TO THE SERVICE OF PROCESS BY REGISTERED OR CERTIFIED MAIL, OR IF THE FOREGOING ARE UNAVAILABLE, REGULAR MAIL, POSTAGE PREPAID, OR BY PERSONAL SERVICE WITHIN OR WITHOUT THE STATE OF NEW YORK AT THE ADDRESS FOR NOTICES SPECIFIED IN SECTION 10.2. EACH OBLIGOR HEREBY EXPRESSLY AND IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY OBJECTION THAT IT MAY HAVE OR HEREAFTER MAY HAVE TO THE LAYING OF VENUE OF ANY SUCH ACTION OR PROCEEDING BROUGHT IN ANY SUCH COURT REFERRED TO IN CLAUSE (a) ABOVE AND ANY CLAIM THAT ANY SUCH ACTION OR PROCEEDING HAS BEEN BROUGHT IN AN INCONVENIENT FORUM AND IRREVOCABLY CONSENTS TO THE LAYING OF VENUE IN ANY SUCH COURT. TO THE EXTENT THAT THE BORROWER HAS OR HEREAFTER MAY ACQUIRE ANY IMMUNITY FROM JURISDICTION OF ANY COURT OR FROM ANY LEGAL PROCESS WHETHER THROUGH SERVICE OR NOTICE, ATTACHMENT PRIOR TO JUDGMENT, ATTACHMENT IN AID OF EXECUTION OR OTHERWISE) WITH RESPECT TO ITSELF OR ITS PROPERTY, EACH OBLIGOR HEREBY IRREVOCABLY WAIVES TO THE FULLEST EXTENT PERMITTED BY LAW SUCH IMMUNITY IN RESPECT OF ITS OBLIGATIONS UNDER THE LOAN DOCUMENTS. EACH OBLIGOR HEREBY WAIVES, TO THE MAXIMUM EXTENT NOT PROHIBITED BY LAW, ANY RIGHT THAT IT MAY HAVE TO CLAIM OR RECOVER IN ANY LEGAL ACTION OR PROCEEDING REFERRED TO IN THIS SECTION ANY SPECIAL, EXEMPLARY, PUNITIVE OR CONSEQUENTIAL DAMAGES.**

12.15. Acknowledgments. The Borrower hereby acknowledges that:

(a) it has been advised by counsel in the negotiation, execution and delivery of this Agreement and the other Loan Documents;

(b) the Lender has no fiduciary relationship with or duty to the Borrower arising out of or in connection with this Agreement or any of the other Loan Documents, and the relationship between the Lender, on one hand, and the Borrower, on the other hand, in connection herewith or therewith is solely that of debtor and creditor; and

(c) no joint venture is created hereby or by the other Loan Documents or otherwise exists by virtue of the transactions contemplated hereby between the Borrower and the Lender.

12.16 Releases of Guarantees and Liens. Upon the occurrence of the Termination Date, the Collateral shall be released from the Liens created by the Security Documents, and the Security Documents and all obligations (other than those expressly stated to survive such termination) of the Lender and each Obligor under the Security Documents shall terminate, all without delivery of any instrument or performance of any act by any Person.

12.17 WAIVER OF JURY TRIAL. **THE LENDER AND EACH OBLIGOR HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVE TO THE FULLEST EXTENT PERMITTED BY LAW ANY RIGHTS THEY MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION BASED HEREON, OR ARISING OUT OF, UNDER, OR IN CONNECTION WITH, EACH LOAN DOCUMENT, OR ANY COURSE OF**

**CONDUCT, COURSE OF DEALING, STATEMENTS (WHETHER ORAL OR WRITTEN) OR ACTIONS OF THE LENDER OR ANY OBLIGOR IN CONNECTION THEREWITH. EACH OBLIGOR ACKNOWLEDGES AND AGREES THAT IT HAS RECEIVED FULL AND SUFFICIENT CONSIDERATION FOR THIS PROVISION (AND EACH OTHER PROVISION OF EACH OTHER LOAN DOCUMENT TO WHICH IT IS A PARTY) AND THAT THIS PROVISION IS A MATERIAL INDUCEMENT FOR THE LENDER ENTERING INTO THE LOAN DOCUMENTS.**

**IN WITNESS WHEREOF**, the parties hereto have caused this Agreement to be duly executed and delivered by their proper and duly authorized officers as of the day and year first above written.

**ICELAND ACQUISITION SUBSIDIARY, INC.**

By: /s/ Pat LaVecchia
Name: Pat LaVecchia
Title: Secretary

**HAPC, INC.**

By: /s/ Pat LaVecchia
Name: Pat LaVecchia
Title: Secretary

**I-FLOW CORPORATION**, as Lender

By: /s/ Donald M. Earhart
Name: Donald M. Earhart
Title: Chairman, President & Chief Executive Officer

**SCHEDULE I**

**NOTICE INFORMATION**

| | |
|---|---|
| The Borrower: | c/o HAPC, Inc.<br>350 Madison Avenue<br>New York, NY 10017<br>Attn: Chief Executive Officer<br>Facsimile: (212) 418-5081 |
| Lender: | I-Flow Corporation<br>20202 Windrow Drive<br>Lake Forest, CA 92630<br>Facsimile: (949) 206-2603 |
| *with a copy (which shall not constitute notice) to:* | Gibson, Dunn & Crutcher LLP<br>4 Park Plaza, Suite 1700<br>Irvine, CA 92614<br>Attn: Mark W. Shurtleff, Esq.<br>Facsimile: (949) 451-4220 |
| HAPC, Inc.: | HAPC, Inc.<br>350 Madison Avenue<br>New York, NY 10017<br>Attn: Chief Executive Officer<br>Facsimile: (212) 418-5081 |
| *With a copy (which shall not constitute notice) to:* | Morgan, Lewis & Bockius LLP<br>101 Park Avenue<br>New York, NY 20178<br>Attn: Howard Kenny, Esq.<br>Facsimile: (212) 309-6001 |

**SCHEDULE II**

**WIRE INSTRUCTIONS**

**I-Flow Corporation**
**Silicon Valley Bank**
**38 Technology Drive Suite 150**
**Irvine, California, 92618, USA**
**ABA # 121140399**
**Account # 3300493747**

**Please reference "Loan Payment" on all wires.**

**SCHEDULE III**

**DISCLOSURE SCHEDULE**

| | |
|---|---|
| Item 1.1 | Capitalization of Borrower |
| Item 6.4 | Consents, Authorizations, Filings and Notices |
| Item 6.10 | Intellectual Property |
| Item 6.16 | Subsidiaries |
| Item 6.22(a) | UCC Filing Jurisdictions |
| Item 6.24A | Real Properties Owned by Borrower or Subsidiaries |
| Item 6.24B | Real Properties Leased by Borrower or Subsidiaries |
| Item 8.2(b) | Indebtedness to be Repaid |
| Item 8.2(i) | Continuing Indebtedness |
| Item 8.3(h) | Continuing Liens |
| Item 8.8(h) | Existing Investments |

**SCHEDULE IV**

**CERTAIN MATERIAL CONTRACTS**

Participating Ancillary Professional Agreement effective as of November 15, 2004 by and between UNICARE Life & Health Insurance Co. and InfuSystem, Inc.

HMO Ancillary Provider Managed Care Agreement effective as of November 15, 2004 by and between UNICARE Health Plans of Texas, Inc. and InfuSystem, Inc.

National Ancillary Services Agreement effective as of November 1, 2004 by and between Aetna Health Management, LLC and InfuSystem, Inc., as amended by an Amendment effective as of November 12, 2004.

Ancillary Services Agreement effective as of December 1, 2001 by and between PacifiCare of Oregon, Inc. and InfuSystem, Inc.

Ancillary Services Agreement effective as of December 1, 2001 by and between PacifiCare of Washington, Inc. and InfuSystem, Inc.

Ancillary Services Agreement effective as of November 1, 2004 by and between PacifiCare of Texas, Inc. and I-Flow Corporation.

Ancillary Services Agreement effective as of November 1, 2004 by and between PacificCare of Oklahoma, Inc. and I-Flow Corporation.

Provider Participation Agreement effective as of January 1, 2006 by and between Humana, Inc. and InfuSystem, Inc.

Ancillary Service Agreement effective as of August 1, 2006 by and between InfuSystem, Inc. and Humana Military Healthcare Services, Inc.

Provider and Network Participation Agreement effective as of March 24, 2006 by and between ABP Administration, Inc. and InfuSystem, Inc.

PPO Participating Facility Agreement effective as of February 20, 1997 by and between MultiPlan, Inc. and InfuSystem, Inc.

Ancillary Services Agreement effective as of April 1, 1992 by and between Health Alliance Plan and InfuSystem, Inc. (as successor in interest to Venture Medical, Inc.), as amended by an Amendment effective as of June 1, 1997 and an Amendment effective as of April 15, 1999.

Home Medical Equipment Provider Participation Agreement effective as of June 1, 2005 by and between InfuSystem, Inc. and Blue Cross Blue Shield of North Dakota.

Medical Products and Services Agreement effective as of May 1, 2006 between Blue Cross of California and its Affiliates and InfuSystem, Inc.

Participating Ancillary Provider Agreement effective as of May 2, 2006 between Blue Cross and Blue Shield of Georgia, Inc. and InfuSystem, Inc.

Ancillary Provider Agreement for Preferred Provider Organization effective as of May 2, 2006 between Blue Cross and Blue Shield of Georgia, Inc. and InfuSystem, Inc.

Ancillary Provider Agreement effective as of May 2, 2006 between Blue Cross Blue Shield Healthcare Plan of Georgia, Inc. and InfuSystem, Inc.

Home Infusion Provider Affiliation Agreement effective as of March 1, 2000 by and between BCN of Michigan and InfuSystem, Inc. (as successor in interest to Venture Medical, Inc.).

Ancillary Provider Agreement for Traditional Indemnity Business effective as of September 1, 2006 by and between Blue Cross and Blue Shield of Texas and InfuSystem, Inc.

Ancillary Provider Agreement for PPO/POS Network Participation effective as of September 1, 2006 by and between Blue Cross and Blue Shield of Texas and InfuSystem, Inc.

Ancillary Provider Agreement effective as of September 1, 2006 by and between Blue Cross and Blue Shield of Texas and InfuSystem, Inc.

**EXHIBIT 10.18**

**EXECUTION COPY**

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SECURITY AGREEMENT

dated as of

October 25, 2007,

among

ICELAND ACQUISITION SUBSIDIARY, INC.,

and

HAPC, INC. ,

as Grantors

and

I-FLOW CORPORATION,
as Secured Party

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**TABLE OF CONTENTS**

**Table of Contents**
**(Continued)**

**Table of Contents**
**(Continued)**

SCHEDULES

Schedule I Notice Addresses

ANNEXES

Annex I Form of Assumption Agreement for Additional Grantors
Annex II Form of Deposit Account Control Agreement
Annex III Form of Securities Account Control Agreement
Annex IV Certain Collateral Matters

**SECURITY AGREEMENT**

THIS SECURITY AGREEMENT (this "Agreement"), dated as of October 25, 2007, is made by ICELAND ACQUISITION SUBSIDIARY, INC., a Delaware corporation (the "Borrower"), HAPC, INC., a Delaware corporation ("Holdings"), and each other Person that may become an additional Grantor hereunder as provided in Section 8.15 hereof (any such Person, a "Subsidiary Grantor"; the Subsidiary Grantors, the Borrower and Holdings are collectively referred to herein as the "Grantors"), in favor of I-FLOW CORPORATION, a Delaware corporation, as secured party (together with its successors and assigns, the "Secured Party") .

**WITNESSETH:**

WHEREAS, pursuant to the Credit and Guaranty Agreement dated as of October 25, 2007 (as such Credit and Guaranty Agreement may be amended, amended and restated, supplemented or otherwise modified from time to time, the "Credit Agreement") among the Borrower, Holdings, the Secured Party and the other parties thereto, the Secured Party has agreed to make Loan to the Borrower;

WHEREAS, the Borrower and the other Grantors are engaged in related businesses, and each Grantor will derive substantial direct and indirect benefit from the making of the Loan to the Borrower under the Credit Agreement;

WHEREAS, it is a condition precedent to the obligations of the Secured Party to make the Loan under the Credit Agreement that the Borrower and each other Grantor shall have executed and delivered this Agreement to the Secured Party;

NOW, THEREFORE, in consideration of the mutual conditions and agreements set forth herein, to induce the Lender to enter into the Credit Agreement and make the Loan thereunder and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

**SECTION 1.**

**DEFINITIONS**

**1.1 Credit Agreement Defined Terms; New York UCC Definitions.** All capitalized terms used in this Agreement and not otherwise defined herein shall have the meanings assigned to them in the Credit Agreement. The following terms are used herein as defined in the New York UCC: Accounts, Certificated Security, Chattel Paper, Commercial Tort Claims, Deposit Account, Documents, Equipment, Farm Products, Goods, Instruments, Inventory, Letter of Credit Rights, Securities Account, Securities Intermediary and Supporting Obligations.

**1.2 Other Defined Terms.** For purposes of this Agreement, the following terms shall have the respective meanings given to them below.

"Account Collateral" each Grantor's right, title and interest, whether now existing or hereafter acquired or arising, in, to and under, each Deposit Account and Securities Account (including any successor accounts to any such accounts) and all amounts, investments and any other property (including, but not limited to, Checks, securities, financial assets, investment property, security entitlements and instruments) at any time deposited in or credited to any such account and all security entitlements with respect thereto, including all income or gain earned thereon and any Proceeds thereof.

"Agreement" means this Security Agreement, as the same may be amended, supplemented or otherwise modified from time to time.

"Books and Records" means all books, records and other written, electronic or other documentation in whatever form maintained now or hereafter by or for the Borrower in connection with, and relating to, the ownership of, or evidencing or containing information relating to, the Collateral.

"Checks" means checks and other instruments and other payment instructions deposited into any Deposit Account or Securities Account.

"Collateral" has the meaning set forth in Section 2.1.

"Collateral Account" means any collateral account established by the Secured Party as provided in Section 5.1 or 5.4.

"Computer Hardware and Software" means all rights (including rights as licensee and lessee) with respect to (i) computer and other electronic data processing hardware, including all integrated computer systems, central processing units, memory units, display terminals, printers, computer elements, card readers, tape drives, hard and soft disc drives, cables, electrical supply hardware, generators, power equalizers, accessories, peripheral devices and other related computer hardware; (ii) all software and all software programs designed for use on the computers and electronic data processing hardware described in clause (i) above, including all operating system software, utilities and application programs in any form (service code and object code in magnetic tape, disc or hard copy format or any other listings whatsoever); (iii) any firmware associated with any of the foregoing; (iv) any documentation for hardware, software and firmware described in clauses (i), (ii) and (iii) above, including flow charts, logic diagrams, manuals, specifications, training materials, charts and pseudo codes; and all rights with respect thereto, including any and all licenses, options, warrants, service contracts, program services, test rights, maintenance rights, support rights, improvement rights, renewal rights and indemnifications, and any substitutions, replacements, additions or model conversions of any of the foregoing.

"Contracts" means all contracts, agreements, instruments and credit agreements in any form (including, without limitation, any interest rate protection agreements, Hedge Agreements, licensing agreements and any partnership agreements, joint venture agreements and limited liability company agreements), and portions thereof, to which any Grantor is a party or under which any Grantor or any property of any Grantor is subject, as the same may from time to time be amended, supplemented, waived or otherwise modified, including, without limitation, (i) all rights of any Grantor to receive moneys due and to become due to it thereunder or in connection therewith, (ii) all rights of any Grantor to damages arising thereunder, (iii) all rights of any Grantor to perform and to exercise all remedies thereunder, (iv) any and all rights to receive and compel performance under any or all Contracts and (v) any and all other rights, interests and claims now existing or in the future arising in connection with any or all Contracts.

"Copyright Licenses" means any written agreement naming any Grantor as licensor or licensee, granting any right under any Copyright, including, without limitation, the grant of rights to manufacture, distribute, exploit and sell materials derived from any Copyright.

"Copyrights" means (i) all copyrights arising under the laws of the United States, any other country or any political subdivision thereof, whether registered or unregistered and whether published or unpublished, all registrations and recordings thereof, and all applications in connection therewith, including, without limitation, all registrations, recordings and applications in the United States Copyright Office, and (ii) the right to obtain all renewals thereof.

"Credit Agreement" has the meaning set forth in the recitals hereto.

"Deposit Account Control Agreement" means a Deposit Account Control Agreement, in substantially the form set forth on Annex II attached hereto or otherwise reasonably acceptable to the Secured Party, by and among a Grantor, the Secured Party and a depositary institution.

"Domain Names" means all Internet domain names and associated URL addresses in or to which any Grantor now or hereafter has any right, title or interest.

"Filings" means the filing or recording of (i) the financing statements in the filing offices listed in Annex IV, and (ii) any filings after the date hereof in any other jurisdiction as may be necessary under any requirement of law.

"General Intangibles" means all "general intangibles" as such term is defined in Section 9-102(a)(42) of the Uniform Commercial Code in effect in the State of New York on the date hereof and, in any event, including, without limitation, with respect to any Grantor, all contracts, agreements, instruments and Credit Agreements in any form, and portions thereof, to which such Grantor is a party or under which such Grantor has any right, title or interest or to which such Grantor or any property of such Grantor is subject, as the same may from time to time be amended, supplemented or otherwise modified, including, without limitation, (i) all rights of such Grantor to receive moneys due and to become due to it thereunder or in connection therewith, (ii) all rights of such Grantor to damages arising thereunder and (iii) all rights of such Grantor to perform and to exercise all remedies thereunder.

"Intellectual Property" means the collective reference to all rights, priorities and privileges relating to intellectual property, whether arising under United States, multinational or foreign laws or otherwise, including, without limitation, the Copyrights, the Copyright Licenses, the Domain Names, the Patents, the Patent Licenses, the Trade Secrets, the Trade Secret Licenses, the Trademarks and the Trademark Licenses and all rights to sue at law or equity or otherwise recover for any and all past, present and future infringements, misappropriations, dilutions or other impairments thereof and all income, royalties, damages and other payments now and hereafter due and/or payable with respect thereto (including, without limitation, payments under all licenses entered into in connection therewith, and damages and payments for past, present or future infringements, misappropriations, dilutions or other impairments thereof).

"Intercompany Note" means any promissory note evidencing loans made by any Grantor to the Borrower or any of its Subsidiaries.

"Investment Property" means the collective reference to (a) all "investment property" as such term is defined in Section 9-102(a)(49) of the New York UCC and (b) whether or not constituting "investment property" as so defined, all Pledged Notes and all Pledged Equity Interests.

"Issuers" means the collective reference to each issuer of any Investment Property.

"New York UCC" means the Uniform Commercial Code as from time to time in effect in the State of New York.

"Patent License" means any agreements, whether written or oral, providing for the grant by or to any Grantor of any right to manufacture, have manufactured, use or sell or import any invention covered in whole or in part by a Patent.

"Patents" means (i) all letters patent of the United States, any other country or any political subdivision thereof, all reissues and extensions thereof and all goodwill associated therewith, (ii) all applications for letters patent of the United States or any other country and all provisionals, divisions, continuations and continuations-in-part thereof, and (iii) all rights to obtain any reissues or extensions of the foregoing.

"Permitted Liens" means Liens permitted under Section 8.3 of the Credit Agreement.

"Pledged Equity Interests" means all Equity Interests of InfuSystem, Inc., a California corporation, together with any other shares, stock certificates, options, interests or rights of any nature whatsoever in respect of the Equity Interests of any Person that may be issued or granted to, or held by, any Grantor while this Agreement is in effect.

"Pledged Notes" means all Intercompany Notes at any time issued to any Grantor and all other promissory notes issued to or held by any Grantor (other than promissory notes issued in connection with extensions of trade credit by any Grantor in the ordinary course of business).

"Pledged Securities" means the Pledged Notes and the Pledged Equity Interests.

"Proceeds" means all "proceeds" as such term is defined in Section 9-102(a)(64) of the New York UCC and, in any event, shall include, without limitation, all dividends or other income from the Investment Property, collections thereon or distributions or payments with respect thereto.

"Receivable" means any right to payment for goods sold or leased or for services rendered, whether or not such right is evidenced by an Instrument or Chattel Paper and whether or not it has been earned by performance (including, without limitation, any Account).

"Release Date" means (a) with respect to the Borrower, the Termination Date, and (b) with respect to any Subsidiary Grantor or other Grantor (other than the Borrower), the earlier to occur of (i) the date upon which all Obligations and all other Secured Obligations shall have been paid in full in cash and all Term Loan Commitments shall have been permanently terminated and (ii) the date upon which all the capital stock or substantially all the assets of such Subsidiary Grantor shall have been sold or otherwise disposed of in accordance with the terms of the Credit Agreement.

"Secured Obligations" means all Obligations and all other obligations and liabilities of every nature of the Borrower, Holdings and the Subsidiary Grantors or any other Obligor (including, without limitation, the obligations under the Guaranty) now or hereafter existing under or arising out of or in connection with the Credit Agreement or the other Loan Documents, in each case together with all extensions or renewals thereof, whether for principal, interest (including, without limitation, interest that, but for the filing of a petition in bankruptcy with respect to the Borrower or any other Grantor, would accrue at the applicable rate provided for in the Credit Agreement on such obligations, whether or not a claim for post-filing or post-completion interest is allowed against the Borrower or such Grantor in the related bankruptcy, insolvency or similar proceeding), fees, expenses, indemnities or otherwise, whether voluntary or involuntary, direct or indirect, absolute or contingent, liquidated or unliquidated, whether or not jointly owed with others, and whether or not from time to time decreased or extinguished and later increased, created or incurred, and all or any portion of such obligations or liabilities that are paid, to the extent all or any part of such payment is avoided or recovered directly or indirectly from the Secured Party as a preference, fraudulent transfer or otherwise, and all obligations of every nature of the Grantors now or hereafter existing under this Agreement.

"Securities Account Control Agreement" means a Securities Account Control Agreement, in substantially the form set forth on Annex III attached hereto or otherwise reasonably acceptable to the Secured Party, by and among a Grantor, the Secured Party and a Securities Intermediary.

"Securities Act" means the Securities Act of 1933, as amended.

"Subsidiary Grantor Claims" means indebtedness owing to a Grantor by another Grantor.

"Trade Secret Licenses" means any agreement, whether written or oral, providing for the grant by or to any Grantor of any right to use any Trade Secret.

"Trade Secrets" means all trade secrets, including, without limitation, know how, processes, formulae, compositions, designs, and confidential business and technical information, and all rights of any kind whatsoever accruing thereunder or pertaining thereto.

"Trademark License" means any agreement, whether written or oral, providing for the grant by or to any Grantor of any right to use any Trademark, including.

"Trademarks" means (i) all trademarks, trade names, corporate names, company names, business names, fictitious business names, trade styles, service marks, domain names, logos and other source or business identifiers, and all goodwill associated therewith, now existing or hereafter adopted or acquired, all registrations and recordings thereof, and all applications in connection therewith, whether in the United States Patent and Trademark Office or in any similar office or agency of the United States, any State thereof or any other country or any political subdivision thereof, or otherwise, and all common-law rights related thereto, and (ii) the right to obtain all renewals thereof.

**1.3 Rules of Interpretation.** The provisions of this Agreement shall be construed and interpreted in accordance with the rules of construction set forth in Sections 1.2 and 1.3 of the Credit Agreement. As used herein, and any certificate or other document made or delivered pursuant hereto:

(a) the words "hereof", "herein" and "hereunder" and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement, and clause, subsection, Section, Schedule, Annex, Exhibit and analogous references are to this Agreement unless otherwise specified;

(b) the expressions "payment in full", "paid in full" and any other similar terms or phrases when used herein with respect to the Secured Obligations shall mean the payment in full, in immediately available funds, of all the Secured Obligations; and

(c) where the context requires, terms relating to the Collateral or any part thereof, when used in relation to a Grantor, shall refer to such Grantor's Collateral or the relevant part thereof.

## SECTION 2.

## SECURITY INTEREST

**2.1 Grant of Security Interest.** Each Grantor hereby pledges, assigns and transfers to the Secured Party, and hereby grants to the Secured Party a security interest in, all of the following property now owned or at any time hereafter acquired by such Grantor or in which such Grantor now has or at any time in the future may acquire any right, title or interest (collectively, the "Collateral"):

(a) all Accounts;

(b) all Account Collateral;

(c) all Books and Records;

(d) all Chattel Paper;

(e) all Commercial Tort Claims;

(f) all Computer Hardware and Software;

(g) all Contracts;

(h) all Documents;

(i) all Equipment;

(j) all General Intangibles;

(k) all Goods;

(l) all Instruments;

(m) all Intellectual Property;

(n) all Inventory;

(o) all Investment Property;

(p) all Letter of Credit Rights;

(q) all plant fixtures, business fixtures and other fixtures and storage and office facilities, and all accessions thereto and products thereof;

(r) all other personal property to the extent not otherwise described above; and

(s) to the extent not otherwise included, all Proceeds, Supporting Obligations and products of any and all of the foregoing and all collateral security and guarantees given by any Person with respect to any of the foregoing.

Each item of Collateral listed in this Section 2.1 that is defined in Articles 8 or 9 of the New York UCC and that is not otherwise defined herein shall have the meaning set forth in the New York UCC, it being the intention of the Grantors that the description of the Collateral set forth above be construed to include the broadest possible range of assets.

**2.2 Security for Secured Obligations.** This Agreement secures, and the Collateral assigned by each Grantor is collateral security for, the prompt payment or performance in full when due, whether at stated maturity, by required prepayment, declaration, acceleration, demand or otherwise (including without limitation the payment of amounts that would become due but for the operation of the automatic stay under Section 362(a) of the Bankruptcy Code), of all Secured Obligations of such Grantor.

**2.3 Transfer of Collateral.** All certificates and instruments representing or evidencing the Pledged Securities shall be delivered to and held pursuant hereto by the Secured Party or a Person designated by the Secured Party and shall be in suitable form for transfer by delivery, or shall be accompanied by duly executed instruments of transfer or assignment in blank, and accompanied by any required transfer tax stamps to effect the pledge of the Pledged Securities to the Secured Party. Notwithstanding the preceding sentence, at the Secured Party's discretion, all such Pledged Securities must be delivered or transferred in such manner as to permit the Secured Party to be a "protected purchaser" to the extent of its security interest as provided in Section 8-303 of the New York UCC (if the Secured Party otherwise qualifies as a protected purchaser). During the continuance of an Event of Default, the Secured Party shall have the right, at any time in its discretion and without notice, to transfer to or to register in the name of the Secured Party or any of its nominees any or all of the Pledged Securities. In addition, during the continuance of an Event of Default, the Secured Party shall have the right at any time to exchange certificates or instruments representing or evidencing Pledged Securities for certificates or instruments of smaller or larger denominations.

**2.4 Bailees.** Any Person (other than the Secured Party) at any time and from time to time holding all or any portion of the Collateral shall be deemed to, and shall, hold the Collateral as pledge holder and bailee and agent for perfection for, and for the benefit of, the Secured Party. At any time and from time to time during the continuance of an Event of Default, the Secured Party may give notice to any such Person holding all or any portion of the Collateral that such Person is holding the Collateral as the bailee of and agent for perfection for, and as pledge holder for, and for the benefit of, the Secured Party, and request such Person's written acknowledgment thereof. Without limiting the generality of the foregoing, during the continuance of an Event of Default, each Grantor will join with the Secured Party upon the Secured Party's request in notifying any Person who has possession of any Collateral of the Secured Party's security interest therein and requesting an acknowledgment from such Person that it is holding the Collateral for the benefit of the Secured Party.

## SECTION 3.

## Representations and Warranties.

To induce the Secured Party to enter into the Credit Agreement and to make Loans thereunder, each Grantor hereby represents and warrants to the Secured Party that:

**3.1 Annex IV and Representations in Other Loan Documents.** The statements and information set forth in Annex IV hereto and the representations and warranties of such Grantor set forth in the Credit Agreement and the other Loan Documents to which such Grantor is a party, each of which is hereby incorporated herein by reference, are true and correct, and the Secured Party shall be entitled to rely on each of them as if they were fully set forth herein.

**3.2 Title; No Other Liens.** Except for Permitted Liens, such Grantor owns each item of the Collateral free and clear of any and all Liens or claims of others. No financing statement or other public notice with respect to all or any part of the Collateral is on file or of record in any public office, except (i) such as have been filed in favor of the Secured Party pursuant to this Agreement and (ii) as are permitted by the Credit Agreement.

**3.3 Perfected First Priority Liens.** Upon completion of the Filings (or, in the case of (x) all Deposit Accounts, Securities Accounts and Collateral Accounts, the obtaining and maintenance of "control" (as described in the Code), (y) in the case of Commercial Tort Claims, the taking of the actions required by Section 4.13 herein and (z) in the case of Letter-of-Credit Rights, the taking of the actions

required by Section 4.5(c) hereof), the security interests granted pursuant to this Agreement (1) will constitute valid perfected security interests in all of the Collateral in which a security interest may be perfected by Filings, and in all Collateral constituting Deposit Accounts, Securities Accounts and Collateral Accounts, all commercial tort claims and Letter-of-Credit Rights, as applicable, in favor of the Secured Party as collateral security for such Grantor's Secured Obligations, enforceable in accordance with the terms hereof against all creditors of such Grantor and any Persons purporting to purchase any Collateral from such Grantor and (2) are prior to all other Liens on the Collateral in existence on the date hereof, and the Collateral will be subject to no Liens other than Permitted Liens.

**3.4 Jurisdiction of Organization; Chief Executive Office.** On the date hereof, such Grantor's jurisdiction of organization, identification number from the jurisdiction of organization (if any), and the location of such Grantor's chief executive office or sole place of business or principal residence, as the case may be, are specified on Annex IV.

**3.5 Inventory and Equipment.** On the date hereof, the Inventory and the Equipment (other than mobile goods) are kept at the locations listed on Annex IV.

**3.6 Farm Products.** None of the Collateral constitutes, or is the Proceeds of, Farm Products.

**3.7 Investment Property.**

(a) The shares of Pledged Equity Interests pledged by such Grantor hereunder constitute all the issued and outstanding Equity Interests of each Issuer owned by such Grantor.

(b) All the shares of the Pledged Equity Interests have been duly and validly issued and are fully paid and nonassessable.

(c) Such Grantor is the record and beneficial owner of, and has good and marketable title to, the Investment Property pledged by it hereunder, free of any and all Liens or options in favor of, or claims of, any other Person, except the Liens created by this Agreement.

**3.8 Receivables.**

(a) No amount payable to such Grantor under or in connection with any Receivable is evidenced by any Instrument or Chattel Paper which has not been delivered to the Secured Party.

(b) [intentionally omitted].

(c) The amounts represented by such Grantor to the Secured Party from time to time as owing to such Grantor in respect of the Receivables will at such times be accurate in all material respects.

**3.9 Intellectual Property.**

(a) There are no material registrations and/or applications for Intellectual Property and trade names (whether or not subject to an application or registration) that are owned by such Grantor in its own name on the date hereof.

(b) On the date hereof, all material Intellectual Property owned or used by such Grantor is valid, subsisting, unexpired and enforceable, has not been abandoned and does not infringe the intellectual property rights of any other Person.

(c) On the date hereof, none of the Intellectual Property owned or used by such Grantor is the subject of any licensing or franchise agreement pursuant to which such Grantor is the licensor or franchisor.

(d) No holding, decision or judgment has been rendered by any Governmental Authority which would limit, cancel or question the validity of, or such Grantor's rights in, any Intellectual Property in any respect that could reasonably be expected to have a Material Adverse Effect.

(e) No action or proceeding is pending, or, to the knowledge of such Grantor, threatened, on the date hereof (i) seeking to limit, cancel or question the validity of any Intellectual Property or such Grantor's ownership interest therein, or (ii) which, if adversely determined, would have a material adverse effect on the value of any Intellectual Property.

**3.10 Deposit Accounts and Securities Accounts.** Each Grantor is the record and beneficial owner of, and has good title to, the Deposit Accounts and Securities Accounts pledged by it hereunder, free of any and all Liens or options in favor or, or claims of, any other Person, except the Security Interest created by this Agreement, and rights of setoff of any depository bank or securities intermediary and other Permitted Liens. As of the date hereof, all Deposit Accounts and Securities Accounts held by a Grantor (other than those maintained with the Secured Party) are subject to a Deposit Account Control Agreement and a Securities Account Control Agreement, as applicable.

**3.11 Benefit to each Subsidiary Grantor.** The Borrower is a member of an affiliated group of companies that includes Holdings and each Subsidiary Grantor, and the Borrower, Holdings and the Subsidiary Grantors are engaged in related businesses. Holdings is the parent company of, and each Subsidiary Grantor is a Subsidiary of, the Borrower and each such Grantor's obligations pursuant to this Agreement reasonably may be expected to benefit it, directly or indirectly, and it has determined that this Agreement is necessary and convenient to the conduct, promotion and attainment of the business of Holdings and such Subsidiary Grantor and the Borrower.

**3.12 Consents.** No consent of any party (other than a Grantor) to any Copyright License, Patent License, Trade Secret License or Trademark License constituting Collateral or any obligor in respect of any material Account constituting Collateral or which owes in the aggregate a material portion of all the Accounts constituting Collateral is required, or purports to be required, to be obtained by or on behalf of any Grantor in connection with the execution, delivery and performance of this Agreement that has not been obtained. Each Copyright License, Patent License, Trade Secret License, Trademark License and Account constituting Collateral is in full force and effect and constitutes a valid and legally enforceable obligation of the Grantor party thereto and (to the knowledge of such Grantor) each other party thereto except as enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditor's rights generally and by general equitable principles (whether enforcement is sought by proceedings in equity or at law) and except to the extent the failure of any such Copyright License, Patent License, Trade Secret License, Trademark Licenses, Accounts, Contracts and General Intangibles constituting Collateral to be in full force and effect or valid or legally enforceable could not be reasonably expected, in the aggregate, to have a material adverse effect on the value of the Collateral. No consent or authorization of, filing with or other act by or in respect of any Governmental Authority is required in connection with the execution, delivery, performance, validity or enforceability of this Agreement or any of the Copyright Licenses, Patent Licenses, Trade Secret Licenses, Trademark Licenses and Accounts constituting Collateral by any party thereto other than those which have been duly obtained, made or performed and are in full force and effect and those the failure of which to make or obtain could not be reasonably expected, in the aggregate, to have a material adverse effect on the value of the Collateral. No Grantor nor (to the knowledge of any

Grantor) any other party to any Copyright License, Patent License, Trade Secret License, Trademark License or Account, Contract or other General Intangible constituting Collateral is in default in the performance or observance of any of the terms thereof, except for such defaults as could not reasonably be expected, in the aggregate, to have a material adverse effect on the value of the Collateral.

**SECTION 4.**

**COVENANTS**

Each Grantor covenants and agrees with the Secured Party that, from and after the date of this Agreement until the Release Date with respect to such Grantor:

**4.1 Covenants in Credit Agreement.** In the case of each Grantor, such Grantor shall take, or shall refrain from taking, as the case may be, each action that is necessary to be taken or not taken, as the case may be, so that no Default or Event of Default is caused by the failure to take such action or to refrain from taking such action by such Grantor or any of its Subsidiaries.

**4.2 Delivery of Instruments, Certificated Securities and Chattel Paper.** If any amount payable under or in connection with any of the Collateral shall be or become evidenced by any Instrument, Certificated Security or Chattel Paper, such Instrument, Certificated Security or Chattel Paper shall be promptly delivered to the Secured Party, duly indorsed in a manner satisfactory to the Secured Party, to be held as Collateral pursuant to this Agreement.

**4.3 Maintenance of Insurance.**

(a) Such Grantor will maintain, with financially sound and reputable companies, insurance policies (i) insuring the Inventory, the Equipment and all real property subject to a Mortgage against loss by fire, explosion, theft and such other casualties as may be reasonably satisfactory to the Secured Party and (ii) insuring such Grantor and the Secured Party against liability for personal injury and property damage relating to such Inventory and Equipment, such policies to be in such form and amounts and having such coverage as may be reasonably satisfactory to the Secured Party.

(b) All such insurance shall (i) provide that no cancellation, material reduction in amount or material change in coverage thereof shall be effective until at least 30 days after receipt by the Secured Party of written notice thereof, (ii) name the Secured Party as insured party and loss payee as its interests may appear, (iii) if reasonably requested by the Secured Party, include a breach of warranty clause and (iv) be reasonably satisfactory in all other respects to the Secured Party.

(c) The Borrower shall deliver to the Secured Party a report of a reputable insurance broker with respect to such insurance substantially concurrently with each delivery of the Borrower's annual financial statements pursuant to Section 7.1(a) of the Credit Agreement and such supplemental reports with respect thereto as the Secured Party may from time to time reasonably request.

**4.4 Payment of Obligations.** Such Grantor will pay and discharge or otherwise satisfy at or before maturity or before they become delinquent, as the case may be, all taxes, assessments and governmental charges or levies imposed upon the Collateral or in respect of income or profits therefrom, as well as all claims of any kind (including, without limitation, claims for labor, materials and supplies) against or with respect to the Collateral, except that no such charge need be paid if the amount or validity thereof is currently being contested in good faith by appropriate proceedings, reserves in conformity with GAAP with respect thereto have been provided on the books of such Grantor and such proceedings could not reasonably be expected to result in the sale, forfeiture or loss of any significant portion of the Collateral or any interest therein.

**4.5 Maintenance of Perfected Security Interest; Further Documentation.**

(a) Other than as permitted by this Agreement or the Credit Agreement, such Grantor shall maintain the security interest created by this Agreement as a perfected security interest having at least the priority described in Section 3.3 and shall defend such security interest against the claims and demands of all Persons whomsoever including without limitation, completing the Filings and filing any financing or continuation or analogous statements or filings under the Uniform Commercial Code (or other applicable laws) in effect in any jurisdiction with respect to the security interests created hereby.

(b) Such Grantor will furnish to the Secured Party from time to time statements and schedules further identifying and describing the Collateral of such Grantor and such other reports in connection therewith as the Secured Party may reasonably request, all in reasonable detail.

(c) At any time and from time to time, upon the written request of the Secured Party, and at the sole expense of such Grantor, such Grantor will promptly and duly execute and deliver, and have recorded, such further instruments and documents and take such further actions as the Secured Party may reasonably request for the purpose of obtaining or preserving the full benefits of this Agreement and of the rights and powers herein granted, including, without limitation, (i) filing any financing or continuation or analogous statements or filings under the Uniform Commercial Code (or other Applicable Laws) in effect in any jurisdiction with respect to the security interests created hereby, (ii) in the case of Investment Property, Account Collateral, Letter-of-Credit Rights and any other relevant Collateral, taking any actions reasonably necessary to enable the Secured Party to obtain "control" (within the meaning of the applicable Uniform Commercial Code (or other Applicable Laws)) with respect thereto, and (iii) in the case of any item of Equipment that is covered by a certificate of title under a statute of any jurisdiction under the law of which indication of a security interest on such certificate is required as a condition of perfection thereof, at the request of the Secured Party, execute and file with the registrar of motor vehicles or other appropriate authority in such jurisdiction an application or other document requesting the notation or other indication of the security interest created hereunder on such certificate of title, and within 30 days after the end of each calendar quarter, deliver to the Secured Party copies of all such certificates of title issued during such calendar quarter indicating the security interest created hereunder in the items of Equipment covered thereby.

**4.6 Changes in Locations, Name, etc.** Such Grantor will not, except upon 30 days' prior written notice to the Secured Party and delivery to the Secured Party of copies of all filed additional financing statements, and other documents (in each case, properly executed) reasonably requested by the Secured Party, to maintain the validity, perfection and priority of the security interests provided for herein:

(a) change its jurisdiction of organization or the location of its chief executive office or sole place of business from that referred to in Section 3.4; or

(b) change its name or Business Entity type.

**4.7 Notices.** Such Grantor will advise the Secured Party promptly, in reasonable detail, of:

(a) any Lien (other than Permitted Liens) on any of the Collateral; and

(b) the occurrence of any other event that could reasonably be expected to have a material adverse effect on the aggregate value of the Collateral or on the security interests created hereby.

**4.8 Investment Property.**

(a) If such Grantor shall become entitled to receive or shall receive any (i) certificate (including, without limitation, any certificate representing a dividend or a distribution in connection with any reclassification, increase or reduction of capital or any certificate issued in connection with any reorganization), option or rights in respect of the Equity Interests of any Issuer, whether in addition to, in substitution of, as a conversion of, or in exchange for, any shares of the Pledged Equity Interests, or otherwise in respect thereof, or (ii) note, bond or other debt obligation or security, such Grantor shall accept the same as the agent of the Secured Party, hold the same in trust for the Secured Party and deliver the same forthwith to the Secured Party in the exact form received, duly indorsed by such Grantor to the Secured Party, together with an undated stock power covering such certificate or bond or note power covering such promissory note, in each case above duly executed in blank by such Grantor and with signature guaranteed, to be held by the Secured Party, subject to the terms hereof, as additional collateral security for the Secured Obligations. Any sums paid upon or in respect of the Investment Property upon the liquidation or dissolution of any Issuer or obligor thereon shall be paid over to the Secured Party to be held by it hereunder as additional collateral security for the Secured Obligations, and in if any distribution of capital, or payment of principal, interest or other amounts, is made on or in respect of the Investment Property or any property is distributed upon or with respect to the Investment Property pursuant to the recapitalization or reclassification of the capital of any Issuer or pursuant to the reorganization thereof, or otherwise, the property so distributed shall, unless otherwise subject to a perfected security interest in favor of the Secured Party, be delivered to the Secured Party to be held by it hereunder as additional collateral security for the Secured Obligations. If any sums of money or other property so paid or distributed in respect of the Investment Property are received by such Grantor, such Grantor shall, until such money or property is paid or delivered to the Secured Party, hold such money or property in trust for the Secured Party, segregated from other funds of such Grantor, as additional collateral security for the Secured Obligations. For the avoidance of doubt, if for any reason the Merger is not consummated on the date hereof, Holdings shall, on the date hereof, deliver and pledge to the Secured Party hereunder and in accordance with the terms hereof all share certificates representing any and all equity interests in Iceland Acquisition Subsidiary, Inc., a Delaware corporation.

(b) Without the prior written consent of the Secured Party, such Grantor will not (i) vote to enable, or take any other action to permit, any Issuer to issue any Equity Interests of any nature or to issue any other securities convertible into or granting the right to purchase or exchange for any Equity Interests of any nature of any Issuer, (ii) sell, assign, transfer, exchange, or otherwise dispose of, or grant any option with respect to, the Investment Property or Proceeds thereof (except pursuant to a transaction expressly permitted by the Credit Agreement), (iii) create, incur or permit to exist any Lien or option in favor of, or any claim of any Person with respect to, any of the Investment Property or Proceeds thereof, or any interest therein, except for the security interests created by this Agreement and Permitted Liens or (iv) enter into any agreement or undertaking that restricts the right or ability of such Grantor or the Secured Party to sell, assign or transfer, or requires or results in any change of rights relating to, or the value of, any of the Investment Property or Proceeds thereof.

(c) In the case of each Grantor that is an Issuer, such Issuer agrees that (i) it will be bound by the terms of this Agreement relating to the Investment Property issued by it and will comply with such terms insofar as such terms are applicable to it, (ii) it will notify the Secured Party promptly in writing of the occurrence of any of the events described in Section 4.8(a) with respect to the Investment Property issued by it and (iii) the terms of Sections 5.3(c) and 5.7 shall apply to it, mutatis mutandis, with respect to all actions that may be required of it pursuant to Section 5.3(c) or 5.7 with respect to the Investment Property issued by it.

**4.9 Receivables.**

(a) Other than in the ordinary course of business consistent with its past practice, such Grantor will not, without prior written consent from the Secured Party (such consent to be provided at the Secured Party's sole discretion), (i) grant any extension of the time of payment of any Receivable, (ii) compromise or settle any Receivable for less than the full amount thereof, (iii) release, wholly or partially, any Person liable for the payment of any Receivable, (iv) allow any credit or discount whatsoever on any Receivable or (v) amend, supplement or modify any Receivable in any manner that could adversely affect the value thereof.

(b) Such Grantor will deliver to the Secured Party a copy of all material demands, notices or documents received by it that, in the aggregate, questions or calls into doubt the validity or enforceability of more than 5% of the aggregate amount of the then outstanding Receivables.

**4.10 Intellectual Property.**

(a) Except as otherwise permitted under the Credit Agreement, such Grantor (either itself or through licensees) will (i) continue to use each material Trademark in order to maintain such Trademark in full force free from any claim of abandonment for non-use, (ii) maintain as in the past the quality of products and services offered under such Trademark, (iii) use such Trademark with the appropriate notice of registration and all other notices and legends required by applicable law and (iv) not (and not permit any licensee or sublicensee thereof to) do any act or knowingly omit to do any act whereby such Trademark may become invalidated or impaired in any way.

(b) Except as otherwise permitted under the Credit Agreement, such Grantor (either itself or through licensees) will not do any act, or omit to do any act, whereby any material Patent owned or used by such Grantor may become forfeited, abandoned or dedicated to the public.

(c) Except as otherwise permitted under the Credit Agreement, such Grantor (either itself or through licensees) (i) will employ each material Copyright and (ii) will not (and will not permit any licensee or sublicensee thereof to) do any act or knowingly omit to do any act whereby any material portion of the Copyrights may become invalidated or otherwise impaired. Such Grantor will not (either itself or through licensees) do any act whereby any material portion of the Copyrights may fall into the public domain.

(d) Such Grantor (either itself or through licensees) will not do any act that knowingly uses any material Intellectual Property owned or used by such Grantor to infringe the intellectual property rights of any other Person.

(e) Such Grantor will notify the Secured Party immediately if it knows, or has reason to know, that any application or registration relating to any material Intellectual Property may become forfeited, abandoned or dedicated to the public, or of any adverse determination or development (including, without limitation, the institution of, or any such determination or development in, any proceeding in the United States Patent and Trademark Office, the United States Copyright Office or any court or tribunal in any country) regarding such Grantor's ownership of, or the validity of, any material Intellectual Property or such Grantor's right to register the same or to own and maintain the same.

(f) Whenever such Grantor, either by itself or through any agent, employee, licensee or designee, shall file an application for the registration of any Intellectual Property with the United States Patent and Trademark Office, the United States Copyright Office or any similar office or agency in any other country or any political subdivision thereof, such Grantor shall report such filing to the Secured Party within five Business Days after the last day of the fiscal quarter in which such filing occurs and will notify the Secured Party of any acquisition by such Grantor of any exclusive rights under a material Copyright License, Patent License, Trade Secret License or Trademark License within five Business Days after the last day of the fiscal quarter in which such agreement shall have become effective. Such Grantor shall execute and deliver, and have recorded, any and all agreements, instruments, documents, and papers necessary to evidence the Secured Party's security interest in any Copyright, Patent or Trademark and the goodwill and general intangibles of such Grantor relating thereto or represented thereby; provided, if, in the reasonable judgment of such Grantor, after due inquiry, so evidencing such interest would result in the grant of a Trademark registration or Copyright registration in the name of the Secured Party, such Grantor shall give written notice to the Secured Party as soon as reasonably practicable and the Filing shall instead be undertaken as soon as practicable but in no case later than immediately following the grant of the applicable Trademark registration or Copyright registration, as the case may be.

(g) Except as otherwise permitted under the Credit Agreement, such Grantor will take all reasonable and necessary steps, including, without limitation, in any proceeding before the United States Patent and Trademark Office, the United States Copyright Office or any similar office or agency in any other country or any political subdivision thereof, to maintain and pursue each application (and to obtain the relevant registration) and to maintain each registration of the material Intellectual Property, including, without limitation, filing of applications for renewal, affidavits of use and affidavits of incontestability.

(h) In the event that any material Intellectual Property is infringed, misappropriated or diluted by a third party, such Grantor shall (i) take such actions as such Grantor shall reasonably deem appropriate under the circumstances to protect such Intellectual Property and (ii) if such Intellectual Property is of material economic value, promptly notify the Secured Party after it learns thereof and sue for infringement, misappropriation or dilution, to seek injunctive relief where appropriate and to seek to recover any and all damages for such infringement, misappropriation or dilution.

(i) such Grantor will take all reasonable and necessary steps to preserve and protect the secrecy of all material Trade Secrets of such Grantor.

**4.11 Deposit Accounts.** No Grantor shall deposit or in any way transfer any money into any account used exclusively for payroll purposes, except to the extent required to pay such Grantor's employees' wages, or as otherwise required by law (and except accounts subject to an effective deposit account control agreement in favor of Secured Party).

**4.12 New Accounts.** No Grantor shall open any new Deposit Account or Securities Account unless such account is subject to a Deposit Account Control Agreement or Securities Account Control Agreement, as applicable, or such Deposit Account or Securities Account is maintained with the Secured Party. All such Deposit Account Control Agreements and Securities Account Control Agreements shall be in substantially the same form as Annex II and Annex III, as applicable, or in such other form as the Secured Party shall reasonably approve, and the Grantors shall deliver true, correct and complete and fully executed copies of the same to the Secured Party. This Section 4.12 will not apply to one or more such new Deposit Accounts and Securities Accounts containing cash in the amount of (or in the case of any Securities Accounts, Investment Property having a fair market value of) no more than $25,000 in the aggregate with all other such new Deposit Accounts and Securities Accounts.

**4.13 Commercial Tort Claims.** If any Grantor shall at any time hold or acquire, or otherwise become plaintiff or claimant in respect of, any Commercial Tort Claim, such Grantor will (a) promptly notify the Secured Party thereof, including a reasonably detailed description of such Commercial Tort Claim, and (b) if in excess of $50,000, grant to the Secured Party a security interest therein and in the Proceeds thereof, all upon the terms of this Agreement, pursuant to one or more written supplements in form and substance reasonably satisfactory to the Secured Party.

## SECTION 5.

## REMEDIAL PROVISIONS

**5.1 Certain Matters Relating to Receivables.**

(a) At any time and from time to time after the occurrence and during the continuance of an Event of Default, the Secured Party shall have the right to make test verifications of the Receivables in any manner and through any medium that it reasonably considers advisable, and each Grantor shall furnish all such assistance and information as the Secured Party may require in connection with such test verifications. At any time and from time to time after the occurrence and during the continuance of an Event of Default, upon the Secured Party's request, at the expense of the relevant Grantor, such Grantor shall cause independent public accountants or others satisfactory to the Secured Party to furnish to the Secured Party reports showing reconciliations, aging and test verifications of, and trial balances for, the Receivables.

(b) The Secured Party hereby authorizes each Grantor to collect such Grantor's Receivables, and the Secured Party may curtail or terminate said authority at any time after the occurrence and during the continuance of an Event of Default. If required by the Secured Party at any time after the occurrence and during the continuance of an Event of Default, any payments of Receivables, when collected by any Grantor, (i) shall be forthwith (and, in any event, within two Business Days) deposited by such Grantor in the exact form received, duly indorsed by such Grantor to the Secured Party if required, in a Collateral Account maintained under the sole dominion and control of the Secured Party, subject to withdrawal by the Secured Party only as provided in Section 5.5, and (ii) until so turned over, shall be held by such Grantor in trust for the Secured Party, segregated from other funds of such Grantor. Each such deposit of Proceeds of Receivables shall be accompanied by a report identifying in reasonable detail the nature and source of the payments included in the deposit.

(c) During the continuance of a Default, at the Secured Party's request, each Grantor shall deliver to the Secured Party all original and other documents evidencing, and relating to, the agreements and transactions which gave rise to the Receivables, including, without limitation, all orders, invoices and shipping receipts.

**5.2 Communications with Obligors; Grantors Remain Liable.**

(a) At any time and from time to time after the occurrence and during the continuance of an Event of Default, the Secured Party in its own name or in the name of others may at any time communicate with obligors under the Receivables to verify with them to the Secured Party's satisfaction the existence, amount and terms of any Receivables.

(b) Upon the written request of the Secured Party at any time after the occurrence and during the continuance of an Event of Default, each Grantor shall notify obligors on the Receivables that the Receivables have been assigned to the Secured Party and that payments in respect thereof shall be made directly to the Secured Party.

(c) Anything herein to the contrary notwithstanding, each Grantor shall remain liable under each of the Receivables to observe and perform all the conditions and obligations to be observed and performed by it thereunder, all in accordance with the terms of any agreement giving rise thereto. The Secured Party shall have no obligation or liability under any Receivable (or any agreement giving rise thereto), whether by reason of or arising out of this Agreement or the receipt by the Secured Party of any payment relating thereto or otherwise, to make any payment, to make any inquiry as to the nature or the sufficiency of any payment received by it or as to the sufficiency of any performance by any party thereunder, to present or file any claim, to take any action to enforce any performance or to collect the payment of any amounts which may have been assigned to it or to which it may be entitled at any time or times, nor shall the Secured Party be obligated in any manner to perform any of the obligations of any Grantor under or pursuant to any Receivable (or any agreement giving rise thereto).

**5.3 Investment Property.**

(a) Unless an Event of Default shall have occurred and be continuing and (unless any of the events described in clauses (i) through (v) of Section 9.1(f) of the Credit Agreement shall have occurred with respect to such Grantor, in which case no notice shall be required) the Secured Party shall have given written notice to the relevant Grantor of the Secured Party's intent to exercise its corresponding rights pursuant to Section 5.3(b), each Grantor shall be permitted to receive all cash dividends paid in respect of the Pledged Equity Interests and all payments made in respect of the Pledged Notes, in each case paid in the normal course of business of the relevant Issuer and consistent with past practice, to the extent permitted in the Credit Agreement, and to exercise all voting and corporate or other organizational rights with respect to the Investment Property; provided, however, that no vote shall be cast or corporate or other organizational right exercised or other action taken that, in the Secured Party's reasonable judgment, would impair the Collateral or which would be inconsistent with or result in any violation of any provision of the Credit Agreement, this Agreement or any other Loan Document.

(b) If an Event of Default shall occur and be continuing and the Secured Party elects to exercise one of the following remedies and shall have give written notice of its intent to exercise such rights to the relevant Grantor or Grantors (unless any of the events described in clauses (i) through (v) of Section 9.1(f) of the Credit Agreement shall have occurred with respect to such Grantor, in which case no notice shall be required): (i) the Secured Party shall have the right to receive any and all cash dividends, distributions, payments or other Proceeds paid in respect of the Investment Property and make application thereof to the Secured Obligations in such order as the Secured Party may determine, and (ii) the Secured Party shall have the right to cause any or all of the Investment Property to be registered or re-issued in the name of the Secured Party or its nominee, and the Secured Party or its nominee may thereafter exercise (x) all voting, corporate and other rights pertaining to such Investment Property at any meeting of shareholders (or other equivalent body) of the relevant Issuer or Issuers or otherwise and (y) any and all rights of conversion, exchange and subscription and any other rights, privileges or options pertaining to such Investment Property as if it were the absolute owner thereof (including, without limitation, the right to exchange at its discretion any and all of the Investment Property upon the merger, consolidation, reorganization, recapitalization or other fundamental change in the corporate or other organizational structure of any Issuer, or upon the exercise by any Grantor or the Secured Party of any right, privilege or option pertaining to such Investment Property, and in connection therewith, the right to deposit and deliver any and all of the Investment Property with any committee, depositary, transfer agent, registrar or other designated agency upon such terms and conditions as the Secured Party may determine), all without liability except to account for property actually received by it, but the Secured Party shall have no duty to any Grantor to exercise any such right, privilege or option and shall not be responsible for any failure to do so or delay in so doing.

(c) Each Grantor hereby authorizes and instructs each Issuer of any Investment Property pledged by such Grantor hereunder to (i) comply with any instruction received by it from the Secured Party in writing that (x) states that an Event of Default has occurred and is continuing and (y) is otherwise in accordance with the terms of this Agreement without any other or further instructions from such Grantor, and each Grantor agrees that each Issuer shall be fully protected in so complying, and (ii) unless otherwise expressly permitted hereby, pay any dividends or other payments with respect to the Investment Property directly to the Secured Party.

(d) After the occurrence and during the continuation of an Event of Default, if the Issuer of any Pledged Equity Interests or Pledged Notes is the subject of bankruptcy, insolvency, receivership, custodianship or other proceedings under the supervision of any Governmental Authority, then all rights of the Grantor in respect thereof to exercise the voting and other consensual rights which such Grantor would otherwise be entitled to exercise with respect to the Pledged Equity Interests or Pledged Notes issued by such Issuer shall cease, and all such rights shall thereupon become vested in the Secured Party who shall thereupon have the sole right to exercise such voting and other consensual rights, but the Secured Party shall have no duty to exercise any such voting or other consensual rights and shall not be responsible for any failure to do so or delay in so doing.

**5.4 Proceeds To Be Turned Over to Secured Party.** In addition to the rights of the Secured Party specified in Section 5.1 with respect to payments of Receivables and Section 5.3 with respect to payments in respect of Investment Property, if an Event of Default shall occur and be continuing, all Proceeds received by any Grantor consisting of cash, checks and cash equivalents shall be held by such Grantor in trust for the Secured Party, segregated from other funds of such Grantor, and shall, forthwith upon receipt by such Grantor, be turned over to the Secured Party in the exact form received by such Grantor (duly indorsed by such Grantor to the Secured Party, if required). All Proceeds received by the Secured Party hereunder shall be held by the Secured Party in a Collateral Account maintained under its sole dominion and control. All Proceeds while held by the Secured Party in a Collateral Account (or by such Grantor in trust for the Secured Party) shall continue to be held as collateral security for all the Secured Obligations and shall not constitute payment thereof until applied as provided in Section 5.5.

**5.5 Application of Proceeds.** At any time that an Event of Default shall have occurred and be continuing, the Secured Party may apply all or any part of the Proceeds of any collection or sale of the Collateral, and any Collateral consisting of cash, whether or not held in any Collateral Account, in payment of the Secured Obligations in the following order:

(a) FIRST, to the payment of all reasonable costs and expenses incurred by the Secured Party in connection with this Agreement, the Credit Agreement, any other Loan Document or any of the Secured Obligations, including, without limitation, all court costs and the reasonable fees and expenses of its agents and legal counsel, and any other reasonable costs or expenses incurred in connection with the exercise or preservation by the Secured Party of any right or remedy under this Agreement, the Credit Agreement or any other Loan Document;

(b) SECOND, to the ratable satisfaction of all other Secured Obligations (with any amounts so payable in respect of Secured Obligations under the Credit Agreement paid to the Secured Party for application in accordance with the Credit Agreement); and

(c) THIRD, to the relevant Grantor or its successors or assigns, or to whomsoever may be lawfully entitled to receive the same.

**5.6 Code and Other Remedies.**

(a) If an Event of Default shall occur and be continuing, the Secured Party may exercise, in addition to all other rights and remedies granted to them in this Agreement, the Credit Agreement and the other Loan Documents and in any other instrument or agreement securing, evidencing or relating to the Secured Obligations, all rights and remedies of a secured party under the New York UCC or any other Applicable Law or otherwise available at law or in equity. Without limiting the generality of the foregoing, the Secured Party, without demand of performance or other demand, presentment, protest, advertisement or notice of any kind (except any notice required by law referred to below) to or upon any Grantor or any other Person (all and each of which demands, defenses, advertisements and notices are hereby waived), may in such circumstances, forthwith collect, receive, appropriate and realize upon the Collateral, or any part thereof, and/or may forthwith sell, lease, assign, give option or options to purchase, or otherwise dispose of and deliver the Collateral or any part thereof (or contract to do any of the foregoing), in one or more parcels at public or private sale or sales, at any exchange, broker's board or office of the Secured Party or elsewhere upon such terms and conditions as it may deem advisable and at such prices as it may deem best, for cash or on credit or for future delivery without assumption of any credit risk. The Secured Party shall have the right upon any such public sale or sales, and, to the extent permitted by law, upon any such private sale or sales, to purchase the whole or any part of the Collateral so sold, free of any right or equity of redemption in any Grantor, which right or equity is hereby waived and released. Each Grantor further agrees, at the Secured Party's request, to assemble the Collateral and make it available to the Secured Party at places which the Secured Party shall reasonably select, whether at such Grantor's premises or elsewhere. Upon any such sale or transfer, the Secured Party shall have the right to deliver, assign and transfer to the purchaser or transferee thereof the Collateral so sold or transferred. The Secured Party shall apply the net proceeds of any action taken by it pursuant to this Section 5.6, after deducting all reasonable costs and expenses of every kind incurred in connection therewith or incidental to the care or safekeeping of any of the Collateral or in any way relating to the Collateral or the rights of the Secured Party hereunder, including, without limitation, attorneys' fees and disbursements, to the payment in whole or in part of the Secured Obligations, in such order as the Secured Party may elect, and only after such application and after the payment by the Secured Party of any other amount required by any provision of law, including, without limitation, Section 9-615(a)(3) of the New York UCC, need the Secured Party account for the surplus, if any, to any Grantor. To the extent permitted by Applicable Law, each Grantor waives all claims, damages and demands it may acquire against the Secured Party arising out of the exercise by them of any rights hereunder. If any notice of a proposed sale or other disposition of Collateral shall be required by law, such notice shall be deemed reasonable and proper if given at least 10 days before such sale or other disposition.

(b) In the event that the Secured Party elects not to sell the Collateral, the Secured Party retains its rights to dispose of or utilize the Collateral or any part or parts thereof in any manner authorized or permitted by law or in equity, and to apply the proceeds of the same towards payment of the Secured Obligations. Each and every method of disposition of the Collateral described in this Agreement shall constitute disposition in a commercially reasonable manner.

(c) The Secured Party will not submit a "Notice of Exclusive Control" under a Deposit Account Control Agreement or a Securities Account Control Agreement, as applicable, unless an Event of Default has occurred and is continuing.

(d) The Secured Party may appoint any Person as agent to perform any act or acts necessary or incident to any sale or transfer of the Collateral.

**5.7 Private Sale.**

(a) If the Secured Party shall determine to exercise its right to sell any or all of the Pledged Equity Interests pursuant to Section 5.6, and if in the opinion of the Secured Party it is necessary or advisable to have the Pledged Equity Interests, or that portion thereof to be sold, registered under the provisions of the Securities Act, the relevant Grantor will cause the Issuer thereof to (i) execute and deliver, and use its best efforts to cause the directors and officers of such Issuer to execute and deliver, all such instruments and documents, and do or cause to be done all such other acts as may be, in the opinion of the Secured Party, necessary or advisable to register the Pledged Equity Interests, or that portion thereof to be sold, under the provisions of the Securities Act, (ii) use its best efforts to cause the registration statement relating thereto to become effective and to remain effective for a period of one year from the date of the first public offering of the Pledged Equity Interests, or that portion thereof to be sold, and (iii) make all amendments thereto and/or to the related prospectus which, in the opinion of the Secured Party, are necessary or advisable, all in conformity with the requirements of the Securities Act and the rules and regulations of the Securities and Exchange Commission applicable thereto. Each Grantor agrees to cause such Issuer to comply with the provisions of the securities or "Blue Sky" laws of any and all jurisdictions which the Secured Party shall designate and to make available to its security holders, as soon as practicable, an earnings statement (which need not be audited) which will satisfy the provisions of Section 11(a) of the Securities Act.

(b) Each Grantor recognizes that the Secured Party may be unable to effect a public sale of any or all the Pledged Equity Interests, by reason of certain prohibitions contained in the Securities Act and applicable state or foreign securities laws or otherwise, and may be compelled to resort to one or more private sales thereof to a restricted group of purchasers which will be obliged to agree, among other things, to acquire such securities for their own account for investment and not with a view to the distribution or resale thereof. Each Grantor acknowledges and agrees that any such private sale may result in prices and other terms less favorable than if such sale were a public sale and, notwithstanding such circumstances, agrees that any such private sale shall be deemed to have been made in a commercially reasonable manner. The Secured Party shall be under no obligation to delay a sale of any of the Pledged Equity Interests for the period of time necessary to permit the Issuer thereof to register such securities for public sale under the Securities Act, or under applicable state or foreign securities laws, even if such Issuer would agree to do so.

(c) Each Grantor agrees to use its best efforts to do or cause to be done all such other acts as may be necessary to make such sale or sales of all or any portion of the Pledged Equity Interests pursuant to this Section 5.7 valid and binding and in compliance with any and all other Applicable Laws. Each Grantor further agrees that a breach of any of the covenants contained in this Section 5.7 will cause irreparable injury to the Secured Party, that the Secured Party has no adequate remedy at law in respect of such breach and, as a consequence, that each and every covenant contained in this Section 5.7 shall be specifically enforceable against such Grantor, and such Grantor hereby waives and agrees not to assert any defenses against an action for specific performance of such covenants except for a defense that no Event of Default has occurred under the Credit Agreement.

**5.8 Deficiency.** Each Grantor shall remain liable for any deficiency if the proceeds of any sale or other disposition of the Collateral are insufficient to pay its Secured Obligations and the fees and disbursements of any attorneys employed by the Secured Party to collect such deficiency.

**5.9 Non-Judicial Enforcement.** The Secured Party may enforce its rights hereunder without prior judicial process or judicial hearing, and to the extent permitted by law, each Grantor expressly waives any and all legal rights which might otherwise require the Secured Party to enforce its rights by judicial process.

## SECTION 6.

## THE SECURED PARTY

**6.1 Secured Party's Appointment as Attorney-in-Fact, etc.**

(a) Each Grantor hereby irrevocably constitutes and appoints the Secured Party and any officer or agent thereof, with full power of substitution, as its true and lawful attorney-in-fact with full irrevocable power and authority in the place and stead of such Grantor and in the name of such Grantor or in its own name, for the purpose of carrying out the terms of this Agreement, to take any and all appropriate action and to execute any and all documents and instruments which may be necessary or desirable to accomplish the purposes of this Agreement, and, without limiting the generality of the foregoing, each Grantor hereby gives the Secured Party the power and right, on behalf of such Grantor, without notice to or assent by such Grantor, to do any or all of the following:

(i) in the name of such Grantor or its own name, or otherwise, (x) require any Investment Property to be registered or re-issued in the name of the Secured Party or its transferee or assign, (y) take possession of and indorse and collect any checks, drafts, notes, acceptances or other instruments for the payment of moneys due under any Receivable or with respect to any other Collateral and (z) file any claim or take any other action or proceeding in any court of law or equity or otherwise deemed appropriate by the Secured Party for the purpose of collecting any and all such moneys due under any Receivable or with respect to any other Collateral whenever payable;

(ii) in the case of any Intellectual Property, execute and deliver, and have recorded, any and all agreements, instruments, documents and papers as the Secured Party may request to evidence the Secured Party's security interest in such Intellectual Property and the goodwill and general intangibles of such Grantor relating thereto or represented thereby;

(iii) pay or discharge taxes and Liens levied or placed on or threatened against the Collateral, effect any repairs or any insurance called for by the terms of this Agreement and pay all or any part of the premiums therefor and the costs thereof;

(iv) execute, in connection with any sale provided for in Section 5.6 or 5.7, any endorsements, assignments or other instruments of conveyance or transfer with respect to the Collateral; and

(v) direct any party liable for any payment under any of the Collateral to make payment of any and all moneys due or to become due thereunder directly to the Secured Party or as the Secured Party shall direct; ask or demand for, collect, and receive payment of and receipt for, any and all moneys, claims and other amounts due or to become due at any time in respect of or arising out of any Collateral; sign and indorse any invoices, freight or express bills, bills of lading, storage or warehouse receipts, drafts against debtors, assignments, verifications, notices and other documents in connection with any of the Collateral; commence and prosecute any suits, actions or proceedings at law or in equity in any court of competent jurisdiction to collect the Collateral or any portion thereof and to enforce any other right in respect of any Collateral; defend any suit, action or proceeding brought against such Grantor

with respect to any Collateral; settle, compromise or adjust any such suit, action or proceeding and, in connection therewith, give such discharges or releases as the Secured Party may deem appropriate; assign any Copyright, Patent, Domain Name, Trade Secret or Trademark (along with the goodwill of the business to which any such Copyright, Patent, Domain Name, Trade Secret or Trademark pertains), throughout the world for such term or terms, on such conditions, and in such manner, as the Secured Party shall in its sole discretion determine; and generally, sell, transfer, pledge and make any agreement with respect to or otherwise deal with any of the Collateral as fully and completely as though the Secured Party were the absolute owner thereof for all purposes, and do, at the Secured Party's option and such Grantor's expense, at any time, or from time to time, all acts and things which the Secured Party deems necessary to protect, preserve or realize upon the Collateral and the Secured Party's security interests therein and to effect the intent of this Agreement, all as fully and effectively as such Grantor might do.

(b) Anything in this Section 6.1 to the contrary notwithstanding, the Secured Party agrees that it will not exercise any rights under the power of attorney provided for in this Section 6.1 unless an Event of Default shall have occurred and be continuing.

(c) If any Grantor fails to perform or comply with any of its agreements contained herein, the Secured Party, at its option, but without any obligation so to do, may perform or comply, or otherwise cause performance or compliance, with such agreement.

(d) The expenses of the Secured Party incurred in connection with actions undertaken as provided in this Section 6.1, together with interest thereon at a rate per annum equal to the rate set forth in Section 3.3.2 of the Credit Agreement as applicable to amounts not paid when due, from the date of payment by the Secured Party to the date reimbursed by the relevant Grantor, shall be payable by such Grantor to the Secured Party on demand.

(e) Each Grantor hereby ratifies all that said attorneys shall lawfully do or cause to be done by virtue hereof. All powers, authorizations and agencies contained in this Agreement are coupled with an interest and are irrevocable until this Agreement is terminated and the security interests created hereby are released.

**6.2 [Intentionally Omitted].**

**6.3 Duty of the Secured Party.** The Secured Party's sole duty with respect to the custody, safekeeping and physical preservation of the Collateral in its possession, under Section 9-207 of the New York UCC or otherwise, shall be to deal with it in the same manner as the Secured Party deals with similar property for its own account. None of the Secured Party, or any of their respective officers, directors, employees or agents shall be liable for failure to demand, collect or realize upon any of the Collateral or for any delay in doing so or shall be under any obligation to sell or otherwise dispose of any Collateral upon the request of any Grantor or any other Person or to take any other action whatsoever with regard to the Collateral or any part thereof. The powers conferred on the Secured Party hereunder are solely to protect the Secured Party's interests in the Collateral and shall not impose any duty upon the Secured Party to exercise any such powers. The Secured Party shall be accountable only for amounts that they actually receive as a result of the exercise of such powers, and neither they nor any of their officers, directors, employees or agents shall be responsible to any Grantor for any act or failure to act hereunder, except for their own gross negligence or willful misconduct. To the fullest extent permitted by applicable law, the Secured Party shall be under no duty whatsoever to make or give any presentment, notice of dishonor, protest, demand for performance, notice of non-performance, notice of intent to accelerate, notice of acceleration, or other notice or demand in connection with any Collateral or the Secured Obligations, to take any steps necessary to preserve any rights against any Grantor or other Person or to

ascertain or take action with respect to calls, conversions, exchanges, maturities, tenders or other matters relative to any Collateral, whether or not it has or is deemed to have knowledge of such matters. Each Grantor, to the extent permitted by applicable law, waives any right of marshaling in respect of any and all Collateral, and waives any right to require the Secured Party to proceed against any Grantor or other Person, exhaust any Collateral or enforce any other remedy which the Secured Party now has or may hereafter have against each Grantor, any Grantor or other Person.

**6.4 Execution of Financing Statements.** Pursuant to any Applicable Law, each Grantor authorizes the Secured Party to file or record financing statements and other filing or recording documents or instruments with respect to the Collateral without the signature of such Grantor in such form and in such offices as the Secured Party reasonably determines appropriate to perfect the security interests of the Secured Party under this Agreement. Each Grantor authorizes the Secured Party to use the collateral description "all assets" or "all personal property" in any such financing statements and other filing or recording documents or instruments with respect to the Collateral. Each Grantor hereby ratifies and authorizes the filing by the Secured Party of any financing statement and other filing or recording documents or instruments with respect to the Collateral made prior to the date hereof. Nothing in this Section 6.4 shall relieve any Grantor from its obligation to make the Filings or file any continuation or analogous statements or filings.

## SECTION 7.

## SUBORDINATION OF INDEBTEDNESS

7.1 **Subordination of All Subsidiary Grantor Claims.** As used herein, the term "Subsidiary Grantor Claims" shall mean all debts and obligations of the Borrower or any other Grantor to any Grantor, whether such debts and obligations now exist or are hereafter incurred or arise, or whether the obligation of the debtor thereon be direct, contingent, primary, secondary, several, joint and several, or otherwise, and irrespective of whether such debts or obligations be evidenced by note, contract, open account, or otherwise, and irrespective of the Person or Persons in whose favor such debts or obligations may, at their inception, have been, or may hereafter be created, or the manner in which they have been or may hereafter be acquired. After and during the continuation of an Event of Default, no Grantor shall receive or collect, directly or indirectly, from any obligor in respect thereof any amount upon the Subsidiary Grantor Claims unless otherwise consented to by the Secured Party and all such amounts shall be payable to the Secured Party as security for the Secured Obligations.

**7.2 Claims in Bankruptcy.** In the event of receivership, bankruptcy, reorganization, arrangement, debtor's relief or other insolvency proceedings involving any Grantor, the Secured Party shall have the right to prove its claim in any proceeding, so as to establish its rights hereunder and receive directly from the receiver, trustee or other court custodian, dividends and payments that would otherwise be payable upon Subsidiary Grantor Claims. Each Grantor hereby assigns such dividends and payments to the Secured Party for application against the Secured Obligations in the manner determined by the Secured Party. Should the Secured Party receive, for application upon the Secured Obligations, any such dividend or payment that is otherwise payable to any Grantor, and that, as between such Grantor and the Secured Party, shall constitute a credit upon the Subsidiary Grantor Claims, then upon payment in full of the Secured Obligations, the intended recipient shall, following payment in full in cash of all other Secured Obligations, become subrogated to the rights of the Secured Party to the extent that such payments to the Secured Party on the Subsidiary Grantor Claims have contributed toward the liquidation of the Secured Obligations, and such subrogation shall be with respect to that proportion of the Secured Obligations that would have been unpaid if the Secured Party had not received dividends or payments upon the Subsidiary Grantor Claims, but in no event shall exercise such subrogation rights prior to payment in full in cash of all other Secured Obligations.

**7.3 Payments Held in Trust.** In the event that notwithstanding Section 7.1 and Section 7.2 any Grantor should receive any funds, payments, claims or distributions which are prohibited by such Sections, then it agrees: (a) to hold in trust for the Secured Party an amount equal to the amount of all funds, payments, claims or distributions so received, and (b) that it shall have absolutely no dominion over the amount of such funds, payments, claims or distributions except to pay them promptly to the Secured Party; and each Grantor covenants promptly to pay the same to the Secured Party.

**7.4 Liens Subordinate.** Each Grantor agrees that, until the Release Date with respect to such Grantor, any Liens securing payment of the Subsidiary Grantor Claims shall be and remain inferior and subordinate to any Liens securing payment of the Secured Obligations, regardless of whether such encumbrances in favor of such Grantor or the Secured Party presently exist or are hereafter created or attach. Without the prior written consent of the Secured Party, no Grantor, during the period in which any of the Secured Obligations are outstanding shall (a) exercise or enforce any creditor's right it may have against any debtor in respect of the Subsidiary Grantor Claims, or (b) foreclose, repossess, sequester or otherwise take steps or institute any action or proceeding (judicial or otherwise, including without limitation the commencement of or joinder in any liquidation, bankruptcy, rearrangement, debtor's relief or insolvency proceeding) to enforce any Lien held by it.

**7.5 Notation of Records.** All promissory notes and all accounts receivable ledgers or other evidence of the Subsidiary Grantor Claims accepted by or held by any Grantor shall contain a specific written notice thereon that the indebtedness evidenced thereby is subordinated under the terms of this Agreement.

## SECTION 8.

## MISCELLANEOUS

**8.1 Amendments in Writing.** None of the terms or provisions of this Agreement may be waived, amended, supplemented or otherwise modified except in accordance with Section 11.1 of the Credit Agreement.

**8.2 Notices.** All notices, requests and demands to or upon the Secured Party or any Grantor hereunder shall be effected in the manner provided for in Section 11.2 of the Credit Agreement; provided that any such notice, request or demand to or upon any Subsidiary Grantor shall be addressed to such Subsidiary Grantor at its notice address set forth on Schedule I hereto.

**8.3 No Waiver by Course of Conduct; Cumulative Remedies.** The Secured Party shall not by any act (except by a written instrument pursuant to Section 8.1), delay, indulgence, omission or otherwise be deemed to have waived any right or remedy hereunder or to have acquiesced in any Default or Event of Default. No failure to exercise, nor any delay in exercising, on the part of the Secured Party, any right, power or privilege hereunder shall operate as a waiver thereof. No single or partial exercise of any right, power or privilege hereunder shall preclude any other or further exercise thereof or the exercise of any other right, power or privilege. A waiver by the Secured Party of any right or remedy hereunder on any one occasion shall not be construed as a bar to any right or remedy which the Secured Party would otherwise have on any future occasion. The rights and remedies herein provided are cumulative, may be exercised singly or concurrently and are not exclusive of any other rights or remedies provided by law.

**8.4 Enforcement Expenses; Indemnification.** (a) Each Subsidiary Grantor agrees to pay or reimburse the Secured Party for all its costs and expenses incurred in enforcing or preserving any rights under this Agreement and the other Loan Documents to which such Subsidiary Grantor is a party, including, without limitation, the reasonable fees and disbursements of counsel (including the allocated fees and expenses of in-house counsel) to the Secured Party.

(b) Each Subsidiary Grantor agrees to pay, and to save the Secured Party harmless from, any and all liabilities with respect to, or resulting from any delay in paying, any and all stamp, excise, sales or other taxes which may be payable or determined to be payable with respect to any of the Collateral or in connection with any of the transactions contemplated by this Agreement.

(c) Each Subsidiary Grantor agrees to pay, and to save the Secured Party harmless from, any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever with respect to the execution, delivery, enforcement, performance and administration of this Agreement to the extent the Borrower would be required to do so pursuant to Section 11.6 of the Credit Agreement.

(d) The agreements in this Section 8.4 shall survive repayment of the Secured Obligations and all other amounts payable under the Credit Agreement and the other Loan Documents and shall survive, as to the Secured Party, the resignation or removal of such Secured Party.

**8.5 Successors and Assigns.** This Agreement shall be binding upon the successors and assigns of each Grantor and shall inure to the benefit of the Secured Party and its successors and permitted assigns; provided that no Grantor may assign, transfer or delegate any of its rights or obligations under this Agreement without the prior written consent of the Secured Party.

**8.6 Set-Off.** Each Grantor hereby irrevocably authorizes the Secured Party at any time and from time to time while an Event of Default shall have occurred and be continuing, without notice to such Grantor or any other Grantor, any such notice being expressly waived by each Grantor, to set-off and appropriate and apply any and all deposits (general or special, time or demand, provisional or final), in any currency, and any other credits, indebtedness or claims, in any currency, in each case whether direct or indirect, absolute or contingent, matured or unmatured, at any time held or owing by the Secured Party to or for the credit or the account of such Grantor, or any part thereof in such amounts as the Secured Party may elect, against and on account of the obligations and liabilities of such Grantor to the Secured Party hereunder and claims of every nature and description of the Secured Party against such Grantor, in any currency, whether arising hereunder, under the Credit Agreement, any other Loan Document or otherwise, as the Secured Party may elect, whether or not the Secured Party has made any demand for payment and although such obligations, liabilities and claims may be contingent or unmatured. The Secured Party shall notify such Grantor promptly of any such set-off and the application made by the Secured Party of the proceeds thereof, provided that the failure to give such notice shall not affect the validity of such set-off and application. The rights of the Secured Party under this Section 8.6 are in addition to other rights and remedies (including, without limitation, other rights of set-off) which the Secured Party may have.

**8.7 Counterparts.** This Agreement may be executed by one or more of the parties to this Agreement on any number of separate counterparts (including by facsimile), and all of said counterparts taken together shall be deemed to constitute one and the same instrument.

**8.8 Severability.** Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or

unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

**8.9 Section Headings.** The Section headings used in this Agreement are for convenience of reference only and are not to affect the construction hereof or be taken into consideration in the interpretation hereof.

**8.10 Integration.** This Agreement, the Credit Agreement and the other Loan Documents represent the agreement of the Grantors and the Secured Party with respect to the subject matter hereof and thereof, and there are no promises, undertakings, representations or warranties by the Secured Party relative to subject matter hereof and thereof not expressly set forth or referred to herein or in the Credit Agreement or the other Loan Documents.

**8.11 GOVERNING LAW.** THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE INTERNAL LAW OF THE STATE OF NEW YORK.

**8.12 Submission To Jurisdiction; Waivers.**

Each Grantor hereby irrevocably and unconditionally:

(a) submits, for itself and its property, to the nonexclusive jurisdiction of the Supreme Court of the State of New York sitting in New York County and of the United States District Court of the Southern District of New York, and any appellate court from any thereof, in any action or proceeding arising out of or relating to any Loan Document, or for recognition or enforcement of any judgment, and each of the parties hereto hereby irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in such New York State or, to the extent permitted by law, in such Federal court;

(b) consents that any such action or proceeding may be brought in such courts and waives any objection that it may now or hereafter have to the venue of any such action or proceeding in any such court or that such action or proceeding was brought in an inconvenient court and agrees not to plead or claim the same;

(c) agrees that service of process in any such action or proceeding may be effected by mailing a copy thereof by registered or certified mail (or any substantially similar form of mail), postage prepaid, to such Grantor at its address referred to in Section 8.2 or at such other address of which the Secured Party shall have been notified pursuant thereto;

(d) agrees that nothing herein shall affect the right to effect service of process in any other manner permitted by law or shall limit the right to sue in any other jurisdiction; and

(e) waives, to the maximum extent not prohibited by law, any right it may have to claim or recover in any legal action or proceeding any special, exemplary, punitive or consequential damages.

**8.13 Acknowledgements.** Each Grantor hereby acknowledges that:

(a) it has been advised by counsel in the negotiation, execution and delivery of this Agreement and the other Loan Documents to which it is a party;

(b) the Secured Party has no fiduciary relationship with or duty to any Grantor arising out of or in connection with this Agreement or any of the other Loan Documents, and the relationship between the Grantors, on the one hand, and the Secured Party, on the other hand, in connection herewith or therewith is solely that of debtor and creditor; and

(c) no joint venture is created hereby or by the other Loan Documents or otherwise exists by virtue of the transactions contemplated hereby among the Grantors and the Secured Party.

**8.14 WAIVER OF JURY TRIAL.** EACH PARTY HERETO HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT, ANY OTHER LOAN DOCUMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

**8.15 Additional Grantors.** Each Subsidiary of any Grantor that is required to become a party to this Agreement pursuant to Section 7.11 of the Credit Agreement shall become a Grantor for all purposes of this Agreement upon execution and delivery by such Subsidiary of an Assumption Agreement in the form of Annex I hereto.

**8.16 Releases.**

(a) After the Termination Date, the Collateral shall be released from the Liens created hereby and this Agreement and all obligations (other than those expressly stated to survive such termination) of the Secured Party and each Grantor hereunder shall terminate, all without delivery of any instrument or performance of any act by any party, and all rights to the Collateral shall revert to the Grantors. At the request and sole expense of any Grantor following any such termination, the Secured Party shall deliver to such Grantor any Collateral owned by such Grantor and held by the Secured Party hereunder, and execute and deliver to such Grantor such documents as such Grantor shall reasonably request to evidence such termination, at such Grantor's sole cost and expense.

(b) If any of the Collateral or any Mortgaged Property (as defined in any Mortgage) shall be sold, transferred or otherwise disposed of by any Grantor in a transaction permitted by the Credit Agreement, then the Secured Party, at the request and sole expense of such Grantor, shall execute and deliver to such Grantor, without any representation or warranty by the Secured Party, all releases or other documents reasonably necessary or desirable for the release of the Liens created hereby on such Collateral or Mortgaged Property. At the request and sole expense of the Borrower, a Subsidiary Grantor shall be released from its obligations hereunder in the event that all the Equity Interests of such Subsidiary Grantor shall be sold, transferred or otherwise disposed of in a transaction permitted by the Credit Agreement; provided that the Borrower shall have delivered to the Secured Party, at least ten Business Days prior to the date of the proposed release, a written request for release identifying the relevant Subsidiary Grantor and the terms of the sale or other disposition in reasonable detail, including the price thereof and any expenses in connection therewith, together with a certification by the Borrower stating that such transaction is in compliance with the Credit Agreement and the other Loan Documents.

IN WITNESS WHEREOF, each of the undersigned has caused this Agreement to be duly executed and delivered as of the date first above written.

I-FLOW CORPORATION, as Secured Party

By: /s/ Donald M. Earhart
Name: Donald M. Earhart
Title: Chairman, President & Chief Executive Officer

ICELAND ACQUISITION SUBSIDIARY, INC.

By: /s/ Pat LaVecchia
Name: Pat LaVecchia
Title: Secretary

HAPC, INC.

By: /s/ Pat LaVecchia
Name: Pat LaVecchia
Title: Secretary

Schedule I

NOTICE ADDRESSES OF GRANTORS

To Holdings at:

HAPC, Inc.
350 Madison Avenue
New York, NY 10017

To Iceland Acquisition Subsidiary, Inc. at:

c/o HAPC, Inc.
350 Madison Avenue
New York, NY 10017

To InfuSystem, Inc. at:

1551 East Lincoln Avenue
Suite 200
Madison Heights, MI 48071-4148

Annex I to
Security Agreement

ASSUMPTION AGREEMENT, dated as of __, 20[ ], made by _____, a _____ (the "Additional Grantor"), in favor of I-FLOW CORPORATION, as the Secured Party under the Security Agreement referred to below (together with its successors and assigns, the "Secured Party").

All capitalized terms not defined herein shall have the meaning ascribed to them in such Security Agreement.

**WITNESSETH:**

WHEREAS, InfuSystem, Inc. (successor by merger to Iceland Acquisition Subsidiary, Inc.) (the "Borrower"), the Guarantors (as defined therein) party thereto and the Secured Party (in its capacity as Lender thereunder) have entered into the Credit and Guaranty Agreement, dated as of September [ ], 2007 (as amended, supplemented or otherwise modified from time to time, the "Credit Agreement");

WHEREAS, in connection with the Credit Agreement, the Borrower and certain of its Subsidiaries (other than the Additional Grantor) have entered into the Security Agreement, dated as of September [__], 2007 (as amended, supplemented or otherwise modified from time to time, the "Security Agreement") in favor of the Secured Party;

WHEREAS, the Credit Agreement requires the Additional Grantor to become a party to the Security Agreement; and

WHEREAS, the Additional Grantor has agreed to execute and deliver this Assumption Agreement in order to become a party to the Security Agreement;

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

1. SECURITY AGREEMENT. By executing and delivering this Assumption Agreement, the Additional Grantor, as provided in Section 8.15 of the Security Agreement, hereby becomes a party to the Security Agreement as a Grantor thereunder with the same force and effect as if originally named therein as a Grantor and, without limiting the generality of the foregoing, hereby expressly assumes all obligations and liabilities of a Grantor thereunder. The Additional Grantor hereby represents and warrants that each of the representations and warranties contained in Section 3 of the Security Agreement is true and correct on and as the date hereof (after giving effect to this Assumption Agreement) as if made on and as of such date.

2. GOVERNING LAW. THIS ASSUMPTION AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE INTERNAL LAW OF THE STATE OF NEW YORK.

IN WITNESS WHEREOF, the undersigned has caused this Assumption Agreement to be duly executed and delivered as of the date first above written.

[ADDITIONAL GRANTOR]

By: _____

Name: _____

Title: _____

**DEPOSIT ACCOUNT CONTROL AGREEMENT**

DEPOSIT ACCOUNT CONTROL AGREEMENT, dated as of October __, 2007, between I-FLOW CORPORATION, as the Secured Party under the Security Agreement referred to below (together with its successors and assigns, the "Secured Party"), INFUSYSTEM, INC., a California corporation (the "Depositor") and [Name of Bank] (the "Bank").

**WITNESSETH:**

WHEREAS, the Depositor (as successor by merger to Iceland Acquisition Subsidiary, Inc.), HAPC, Inc., a Delaware corporation ("Parent") and the Secured Party, in its capacity as Lender, have entered into the Credit and Guaranty Agreement, dated as of October [__], 2007 (as amended, supplemented or otherwise modified from time to time, the "Credit Agreement");

WHEREAS, in connection with the Credit Agreement, the Depositor and Parent have entered into the Security Agreement, dated as of October __, 2007 (as amended, supplemented or otherwise modified from time to time, the "Security Agreement") in favor of the Secured Party;

WHEREAS, pursuant to the Security Agreement, the Depositor has granted to the Secured Party a security interest in certain collateral, including but not limited to all right, title or interest of the Depositor in deposit account number [_____] maintained by the Bank (the "Account"); and

WHEREAS, the Secured Party, the Depositor and the Bank have agreed to execute and deliver this Deposit Account Control Agreement in order to perfect the security interest of the Secured Party in the Account;

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

SECTION 1. The Account. All parties agree that the Account is a "deposit account" within the meaning of Article 9 of the Uniform Commercial Code of the State of New York (the "UCC"). The Bank has not and will not agree with any third party to comply with instructions or other directions concerning the Account or the disposition of funds in the Account originated by such third party without the prior written consent of the Secured Party and the Depositor.

SECTION 2. Subordination of Security Interest. The Bank hereby subordinates all security interests, encumbrances, claims and rights of setoff it may have, now or in the future, against the Account or any funds in the Account other than in connection with the payment of the Bank's customary fees and charges pursuant to its agreement with the Depositor.

SECTION 3. Control. The Bank will comply with instructions originated by the Secured Party directing disposition of the funds in the Account without further consent by the Depositor. The Secured Party agrees that the Bank may comply with instructions directing the disposition of funds in the Account originated by the Depositor or its authorized representatives until such time as the Secured Party delivers a notice to the Bank that the Secured Party is thereby exercising exclusive control over the Account. Such notice is referred to herein as the "Notice of Exclusive Control." After the Bank receives a Notice of Exclusive Control, it will cease complying with instructions concerning the Account or funds on deposit therein originated by the Depositor or its representatives.

SECTION 4. Statements, Confirmations and Notices of Adverse Claims. The Bank will send copies of all statements concerning the Account to each of the Depositor and the Secured Party at the address set forth in SECTION 13 below. Upon receipt of written notice of any lien, encumbrance or adverse claim against the Account or any funds credited thereto, the Bank will make reasonable efforts promptly to notify the Secured Party and the Depositor thereof.

SECTION 5. Limited Responsibility of the Bank. Except for acting on the Depositor's instructions in violation of SECTION 3 above, the Bank shall have no responsibility or liability to the Secured Party for complying with instructions concerning the Account from the Depositor or the Depositor's authorized representatives which are received by the Bank before the Bank receives a Notice of Exclusive Control. The Bank shall have no responsibility or liability to the Depositor for complying with a Notice of Exclusive Control or complying with instructions concerning the Account originated by the Secured Party, and shall have no responsibility to investigate the appropriateness of any such instruction or Notice of Exclusive Control, even if the Depositor notifies the Bank that the Secured Party is not legally entitled to originate any such instruction or Notice of Exclusive Control.

SECTION 6. Indemnification of the Bank. The Depositor hereby agrees to indemnify and hold harmless the Bank, its directors, officers, agents and employees against any and all claims, causes of action, liabilities, lawsuits, demands and damages, including without limitation, any and all court costs and reasonable attorney's fees, in any way related to or arising out of or in connection with this Agreement or any action taken or not taken pursuant hereto, except to the extent caused by the Bank's gross negligence or willful misconduct.

SECTION 7. Other Agreements. In the event of a conflict between this Agreement and any other agreement between the Bank and the Depositor, the terms of this Agreement will prevail; provided, however, that this Agreement shall not alter or affect any mandatory arbitration provision currently in effect between the Bank and the Depositor pursuant to a separate agreement.

SECTION 8. Termination. This Agreement shall continue in effect until the Secured Party has notified the Bank in writing that this Agreement, or its security interest in the Account, is terminated. Upon receipt of such notice the obligations of the Bank hereunder with respect to the operation and maintenance of the Account after the receipt of such notice shall terminate, the Secured Party shall have no further right to originate instructions concerning the Account and any previous Notice of Exclusive Control delivered by the Secured Party shall be deemed to be of no further force and effect.

SECTION 9. Complete Agreement. This Agreement and the instructions and notices required or permitted to be executed and delivered hereunder set forth the entire agreement of the parties with respect to the subject matter hereof, and, subject to SECTION 7 above, supersede any prior agreement and contemporaneous oral agreements of the parties concerning its subject matter.

SECTION 10. Amendments. No amendment, modification or (except as otherwise specified in SECTION 8 above) termination of this Agreement, nor any assignment of any rights hereunder (except to the extent contemplated under SECTION 12 below), shall be binding on any party hereto unless it is in writing and is signed by each of the parties hereto, and any attempt to so amend, modify, terminate or assign except pursuant to such a writing shall be null and void. No waiver of any rights hereunder shall be binding on any party hereto unless such waiver is in writing and signed by the party against whom enforcement is sought.

SECTION 11. Severability. If any term or provision set forth in this Agreement shall be invalid or unenforceable, the remainder of this Agreement, other than those provisions held invalid or unenforceable, shall be construed in all respects as if such invalid or unenforceable term or provision were omitted.

SECTION 12. Successors. The terms of this Agreement shall be binding upon, and shall inure to the benefit of, the parties hereto and their respective corporate successors or heirs and personal representatives. This Agreement may be assigned by the Secured Party to any successor of the Secured Party under its security agreement with the Depositor, provided that written notice thereof is given by the Secured Party to the Bank.

SECTION 13. Notices. All notices, requests and demands to or upon the Secured Party or the Depositor shall be effected in the manner provided for in Section 11.2 of the Credit Agreement; provided that any such notice, request or demand to or upon the Bank shall be addressed to the Bank at its notice address set forth on Schedule 1.

SECTION 14. Counterparts. This Agreement may be executed in any number of counterparts, all of which shall constitute one and the same instrument, and any party hereto may execute this Agreement by signing and delivering (including by facsimile) one or more counterparts.

SECTION 15. Choice of Law. This Agreement shall be governed by and construed in accordance with the law of the State of New York. The parties agree that New York is the "bank's jurisdiction" for purposes of the UCC.

**SIGNATURES:**

INFUSYSTEM, INC.

By: _____
Name:
Title:

I-FLOW CORPORATION

By: _____
Name:
Title:

[BANK]

By: _____
Name:
Title:

Schedule 1

NOTICE ADDRESS OF THE BANK

**SECURITIES ACCOUNT CONTROL AGREEMENT**

SECURITIES ACCOUNT CONTROL AGREEMENT, dated as of October __, 2007, between I-FLOW CORPORATION, as the Secured Party under the Security Agreement referred to below (together with its successors and assigns, the "Secured Party"), INFUSYSTEM, INC., a California corporation (the "Depositor") and [Name of Bank] (the "Bank").

**WITNESSETH:**

WHEREAS, the Depositor (as successor by merger to Iceland Acquisition Subsidiary, Inc.), HAPC, Inc, a Delaware corporation ("Parent") and the Secured Party, in its capacity as Lender, have entered into the Credit and Guaranty Agreement, dated as of October [__], 2007 (as amended, supplemented or otherwise modified from time to time, the "Credit Agreement");

WHEREAS, in connection with the Credit Agreement, the Depositor and Parent have entered into the Security Agreement, dated as of October [__], 2007 (as amended, supplemented or otherwise modified from time to time, the "Security Agreement") in favor of the Secured Party;

WHEREAS, pursuant to the Security Agreement, the Depositor has granted to the Secured Party a security interest in certain collateral, including but not limited to all right, title or interest of the Depositor in account number [_____] maintained by the Bank (the "Account"); and

WHEREAS, the Secured Party, the Depositor and the Bank have agreed to execute and deliver this Securities Account Control Agreement in order to perfect the security interest of the Secured Party in the Account;

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

SECTION 1. The Account. The Bank hereby represents and warrants to the Secured Party and the Depositor that (a) the Account has been established in the name of the Depositor as recited above, and (b) except for the claims and interest of the Secured Party and the Depositor in the Account (subject to any claim in favor of the Bank permitted under SECTION 2), the Bank does not know of any claim to or interest in the Account. All parties agree that the Account is a "securities account" within the meaning of Article 8 of the Uniform Commercial Code as in effect from time to time in the State of New York (the "UCC"), that all property held by the Bank in the Account will be treated as financial assets under the UCC and that the Bank is a "securities intermediary" within the meaning of Article 8 of the UCC.

SECTION 2. Priority of Security Interest. The Bank hereby acknowledges the security interest granted to the Secured Party by the Depositor. The Bank hereby confirms that the Account is a cash account and that it will not advance any margin or other credit to the Depositor nor hypothecate any securities carried in the Account except in connection with the settlement of trading activity permitted to be conducted by the Depositor hereunder. The Bank hereby subordinates all liens, encumbrances, claims and rights of setoff it may have, now or in the future, against the Account or any property carried in the Account or any free credit balance in the Account other than in connection with activities in which the Depositor is permitted to engage hereunder, including the payment of the Bank's customary fees, commissions and other charges pursuant to its agreement with the Depositor and for payment or delivery of financial assets purchased or sold for or from the Account.

SECTION 3. Control. The Bank will comply with entitlement orders originated by the Secured Party concerning the Account without further consent by the Depositor. Except as otherwise

provided in SECTION 4 below, the Secured Party agrees that the Bank shall also comply with entitlement orders and other instructions concerning the Account originated by the Depositor, or the Depositor's authorized representatives, until such time as the Secured Party delivers a written notice to the Bank that the Secured Party is thereby exercising exclusive control over the Account. Such notice is referred to herein as the "Notice of Exclusive Control." Until the Bank receives a Notice of Exclusive Control, the Bank may distribute to the Depositor all interest and regular cash dividends on property in the Account. After the Bank receives a Notice of Exclusive Control and has had a reasonable opportunity to comply, it will cease complying with entitlement orders or other instructions concerning the Account originated by the Depositor or its representatives and cease distributing interest and dividends on property in the Account to the Depositor. The Bank shall be entitled to rely upon any entitlement order or Notice of Exclusive Control that it reasonably believes to be from the Secured Party. Until it receives a Notice of Exclusive Control, the Bank shall be entitled to continue to act on such instructions from the Depositor as are delivered in form satisfactory to the Bank. The Bank has not agreed and will not agree with any third party that the Bank will comply with entitlement orders concerning the Account originated by such third party without the prior written consent of the Secured Party and the Depositor.

SECTION 4. No Withdrawals. Notwithstanding the provisions of SECTION 3 above, the Bank shall not comply with any entitlement order from the Depositor requiring a free delivery of any financial assets from the Account nor deliver any such financial assets to the Depositor nor pay any free credit balance or other amount owing from the Bank to the Depositor with respect to the Account, except for the distribution of interest or dividends permitted under SECTION 3 above, without the prior written consent of the Secured Party.

SECTION 5. Statements, Confirmations and Notices of Adverse Claims. The Bank will send copies of all statements and confirmations concerning the Account to each of the Depositor and the Secured Party at the address set forth in SECTION 14 below. Upon receipt of written notice of any lien, encumbrance or adverse claim against the Account or in any financial asset carried therein, the Bank will make reasonable efforts promptly to notify the Secured Party and the Depositor thereof.

SECTION 6. Limited Responsibility of The Bank. Except for permitting a withdrawal or payment in violation of SECTION 3 or 4 above or advancing margin or other credit to the Depositor in violation of SECTION 2 above, the Bank shall have no responsibility or liability to the Secured Party for complying with entitlement orders concerning the Account from the Depositor or the Depositor's authorized representatives which are received by the Bank before the Bank receives a Notice of Exclusive Control and has had reasonable opportunity to act on it. The Bank shall have no responsibility or liability to the Depositor for complying with a Notice of Exclusive Control or complying with entitlement orders concerning the Account originated by the Secured Party, and shall have no responsibility to investigate the appropriateness of any such entitlement order or Notice of Exclusive Control, even if the Depositor notifies the Bank that the Secured Party is not legally entitled to originate any such entitlement order or Notice of Exclusive Control. This Agreement does not create any obligation or duty of the Bank other than those expressly set forth herein.

SECTION 7. Indemnification of the Bank. The Depositor hereby agrees to indemnify and hold harmless the Bank, its directors, officers, agents and employees against any and all claims, causes of action, liabilities, lawsuits, demands and damages, including without limitation, any and all court costs and reasonable attorney's fees, in any way related to or arising out of or in connection with this Agreement or any action taken or not taken pursuant hereto, except to the extent caused by the Bank's gross negligence or willful misconduct.

SECTION 8. Other Agreement. In the event of a conflict between this Agreement and any other agreement between the Bank and the Depositor, the terms of this Agreement will prevail; provided, however, that this Agreement shall not alter or affect any mandatory arbitration provision currently in effect between the Bank and the Depositor pursuant to a separate agreement.

SECTION 9. Termination. This Agreement shall continue in effect until the Secured Party has notified the Bank in writing that this Agreement, or its security interest in the Account, is terminated. Upon receipt of such notice the obligations of the Bank under SECTION 2, 3, 4 and 5 above with respect to the operation and maintenance of the Account after the receipt of such notice shall terminate, the Secured Party shall have no further right to originate entitlement orders concerning the Account and any previous Notice of Exclusive Control delivered by the Secured Party shall be deemed to be of no further force and effect.

SECTION 10. Complete Agreement. This Agreement and the instructions and notices required or permitted to be executed and delivered hereunder set forth the entire agreement of the parties with respect to the subject matter hereof, and, subject to SECTION 8 above supersede any prior agreement and contemporaneous oral agreements of the parties concerning its subject matter.

SECTION 11. Amendments. No amendment, modification or (except as otherwise specified in SECTION 9 above) termination of this Agreement, nor any assignment of any rights hereunder (except to the extent contemplated under SECTION 13 below), shall be binding on any party hereto unless it is in writing and is signed by each of the parties hereto, and any attempt to so amend, modify, terminate or assign except pursuant to such a writing shall be null and void. No waiver of any rights hereunder shall be binding on any party hereto unless such waiver is in writing and signed by the party against whom enforcement is sought.

SECTION 12. Severability. If any term or provision set forth in this Agreement shall be invalid or unenforceable, the remainder of this Agreement, other than those provisions held invalid or unenforceable, shall be construed in all respects as if such invalid or unenforceable term or provision were omitted.

SECTION 13. Successors. The terms of this Agreement shall be binding upon, and shall inure to the benefit of, the parties hereto and their respective corporate successors or heirs and personal representatives. This Agreement may be assigned by the Secured Party to any successor of the Secured Party under its security agreement with the Depositor, provided that written notice thereof is given by the Secured Party to the Bank.

SECTION 14. Notices. All notices, requests and demands to or upon the Secured Party or the Depositor shall be effected in the manner provided for in Section 11.2 of the Credit Agreement; provided that any such notice, request or demand to or upon the Bank shall be addressed to the Bank at its notice address set forth on Schedule 1.

SECTION 15. Counterparts. This Agreement may be executed in any number of counterparts, all of which shall constitute one and the same instrument, and any party hereto may execute this Agreement by signing and delivering (including by facsimile) one or more counterparts.

SECTION 16. Choice of Law. Regardless of any provision in any other agreement relating to the Account, the parties hereto agree that, subject to SECTION 8 of this Agreement, the establishment and maintenance of the Account, and all interests, duties and obligations with respect to the Account, shall be governed by the law of the State of New York. The parties agree that New York is the “securities intermediary’s jurisdiction” for purposes of the UCC.

**SIGNATURES:**

INFUSYSTEM, INC.

By: _____
Name:
Title:

I-FLOW CORPORATION

By: _____
Name:
Title:

[BANK]

By: _____
Name:
Title:

Schedule 1

NOTICE ADDRESS OF THE BANK

Annex IV to
Security Agreement

**CERTAIN COLLATERAL MATTERS**

**Names**.

(a) The exact corporate name of each Grantor, as such name appears in its certificate of incorporation, is as follows:

1. The Borrower is as follows:

Iceland Acquisition Subsidiary, Inc., a Delaware corporation (pre-merger)

InfuSystem, Inc., a California corporation

2. HAPC is as follows:

HAPC, Inc. a Delaware corporation

(b) Except for the Merger (as defined in the Credit Agreement), no Grantor has changed its identity or corporate structure in any way within the past five years. Changes in identity or corporate structure would include mergers, consolidations and acquisitions, as well as any change in the form, nature or jurisdiction of corporate organization.

(c) Set forth below is the jurisdiction of organization and, if applicable, the organizational number of each Grantor that is a registered organization:

| Grantor | State/Province Incorporated | Organization Number |
|---|---|---|
| HAPC, Inc. | Delaware | |
| Iceland Acquisition Subsidiary, Inc. | Delaware | |
| InfuSystem, Inc. | California | N/A |

(d) Set forth below is the Federal Taxpayer Identification Number of each Grantor, if applicable:

| Grantor | FEIN |
|---|---|
| HAPC, INC. | 20-3341405 |
| Iceland Acquisition Subsidiary, Inc. | 26-1095527 |
| InfuSystem, Inc. | 94-3295573 |

**Current Locations**.

(a) The chief executive office of each Grantor is located at the address set forth opposite its name below:

| Grantor | Chief Executive Office |
|---|---|
| HAPC, Inc. | 350 Madison Avenue<br>New York, NY 10017 |
| Iceland Acquisition Subsidiary, Inc. | c/o HAPC, Inc.<br>350 Madison Avenue<br>New York, NY 10017 |
| InfuSystem, Inc. | 1551 East Lincoln Avenue<br>Suite 200<br>Madison Heights, MI 48071-4148 |

(b) [intentionally omitted]

(c) Set forth below opposite the name of each Grantor are (i) all the locations (other than the Chief Executive Office listed above) where such Grantor maintains (or has at any time during the preceding one year maintained) any Equipment or other Collateral, or any books and records related thereto, and (ii) all other places of business of each Grantor not otherwise identified in paragraph (a) or this paragraph (c):

| Grantor | Location |
|---|---|
| HAPC, Inc. | None |
| Iceland Acquisition Subsidiary, Inc. | None |
| InfuSystem, Inc. | None |

(d) [intentionally omitted]

(e) Set forth below are the names and addresses of all Persons other than the Grantors that have possession of any of the Collateral of any Grantor:

| Third Party Possessing Collateral | Address of Third Party |
|---|---|

**UCC-1 Filings**. Set forth below, with respect to each Grantor, is a list of the filing office in which a UCC-1 financing statement is required to be filed under Applicable Law to validly register or perfect the security interests granted under the Security Agreement.

**UCC-1 Filings for Security Agreement**

| Debtor | Filing Office |
|---|---|
| HAPC, Inc. | Delaware Secretary of State |
| Iceland Acquisition Subsidiary, Inc. | Delaware Secretary of State |
| InfuSystem, Inc. | California Secretary of State |

**Deposit Accounts and Securities Accounts**. Attached hereto as Schedule 11 is (i) a true and correct list of each and every Deposit Account and Securities Account owned by each Grantor and (ii) a true and correct list of Deposit Accounts owned by each Grantor used exclusively for payroll purposes.

**Bank Accounts and Lock Boxes**

| Institution | Account No./Type | Description |
|---|---|---|
| Fifth Third Bank | 7511748563 | Payroll account |
| Fifth Third Bank | 7511748571 | General account |
| Fifth Third Bank | 1909505 | Controlled disbursement |
| Fifth Third Bank | 7910703367 | Account where the Seller's ON-Q product revenues billed by the Company are deposited |
| Fifth Third Bank | Lock box | InfuSystem<br>P.O. Box 33321 Drawer #125<br>Detroit, MI 48232-5321 |
| Fifth Third Bank | Lock box | Venture Medical<br>P.O. Box 33321, Drawer #127<br>Detroit, MI 48232-5321 |
| Fifth Third Bank | Lock box | InfuSystem II<br>P.O. Box 33321, Drawer #130<br>Detroit, MI 48232-5321 |

HAPC, Inc.

**For Immediate Release**

**Investors:**
David K. Waldman or Klea K. Theoharis
Crescendo Communications, LLC
Tel: (212) 671-1020

**HAPC Shareholders Approve InfuSystem Acquisition**

**New York, October 24, 2007 – HAPC, Inc. (OTCBB: HAPN, HAPNW, HAPNU)** today announced shareholder approval for the acquisition of InfuSystem, Inc., a leading provider of ambulatory infusion pump services, from I-Flow Corporation (Nasdaq: IFLO). HAPC expects to complete the acquisition in the coming days.

Terms of the acquisition stipulate that HAPC will acquire all the outstanding shares of InfuSystem from I-Flow for $100 million, plus additional contingent consideration. The contingent consideration will be based on the compound annual growth rate (CAGR) of HAPC's net consolidated revenue over the three year period ending December 31, 2010 and would be paid in 2011. The maximum potential amount of the contingent consideration is $12 million and would be due if HAPC achieved revenue CAGR of 50% over the three year period. HAPC will pay the aggregate consideration of $100 million at closing through a combination of approximately $67 million in cash and a promissory note issued to I-Flow for the approximately $33 million balance. In addition, cash in the amount of approximately $20 million will be paid to shareholders of HAPC who voted against the transaction and exercised their right to convert their shares into a pro rata portion of the proceeds from HAPC's initial public offering held in trust.

Sean McDevitt, Chairman of HAPC, commented, "We are very pleased with the outcome of the vote. We aim to build upon InfuSystem's leadership position by expanding our base of oncologists and nurse oncologists around the country utilizing continuous infusion therapy for colorectal cancer treatment. We also plan to increase efforts to educate physicians and nurses about the benefits of continuous infusion therapy for additional types of cancer such as breast, gastrointestinal, and pancreatic cancer, as an effective alternative to standard chemotherapy treatment."

Steve Watkins, CEO of InfuSystem, stated, "Shareholder approval for HAPC's acquisition of InfuSystem is a defining moment for us, as we can now initiate our nationwide sales and marketing strategy to educate physicians and their patients on the benefits of infusion pump therapy. Since continuous infusion therapies are administered at lower but more constant dosages, side effects that otherwise interrupt or halt therapy – such as low levels of red blood cells, white blood cells or platelets – are reduced, and the overall efficacy of treatment is increased. Moreover, the market for these services is highly fragmented and regional, which provides InfuSystem a key competitive advantage—our nationwide platform of managed care contracts. We are very excited about the outlook going forward as this acquisition provides us the necessary tools to rapidly expand our market penetration as the premier provider of ambulatory infusion pump services."

(more)

**About InfuSystem, Inc.**

InfuSystem provides external ambulatory infusion pump services to doctors and their patients allowing for the gradual delivery of a drug over a period of days in the privacy of one's home, rather than higher dose treatments, as is the case of chemotherapy administered in a hospital setting or doctor's office.

**About HAPC, Inc.**

HAPC is a blank check company recently formed for the purpose of acquiring, through a merger, capital stock exchange, asset acquisition or other similar business combination, one or more operating businesses in the healthcare industry.

**Forward-Looking Statements**

Except for the historical information contained herein, the matters discussed in this press release are forward-looking statements that involve risks and uncertainties that could cause actual results to differ materially from those predicted by such forward-looking statements. These risks and uncertainties include general economic conditions, as well as other risks detailed from time to time in HAPC's publicly filed documents.

# # #

**EXHIBIT 99.2**

HAPC, Inc.

**For Immediate Release**

**Investors:**
David K. Waldman or Klea K. Theoharis
Crescendo Communications, LLC
Tel: (212) 671-1020

**HAPC Completes Acquisition of InfuSystem, Inc.;**
**Changes Name to InfuSystem Holdings, Inc.**

**New York, October 26, 2007 – HAPC, Inc. (OTCBB: HAPN, HAPNW, HAPNU)** today announced it has completed the acquisition of InfuSystem, Inc., a leading provider of ambulatory infusion pump services, from I-Flow Corporation (Nasdaq: IFLO). The company also announced that it has changed its name to InfuSystem Holdings, Inc., and will remain a Delaware corporation.

Sean McDevitt, Chairman of InfuSystem Holdings, Inc., commented, "We are happy to have completed the acquisition and with that now behind us, the name change will better reflect the company's operations going forward."

**About InfuSystem Holdings, Inc.**

InfuSystem provides external ambulatory infusion pump services to doctors and their patients allowing for the gradual delivery of a drug over a period of days in the privacy of one's home, rather than higher dose treatments, as is the case of chemotherapy administered in a hospital setting or doctor's office.

**Forward-Looking Statements**

Except for the historical information contained herein, the matters discussed in this press release are forward-looking statements that involve risks and uncertainties that could cause actual results to differ materially from those predicted by such forward-looking statements. These risks and uncertainties include general economic conditions, as well as other risks detailed from time to time in HAPC's publicly filed documents.

# # #

**Exhibit 99.3**

**Management's Discussion and Analysis of Results of Operations and Financial Condition of InfuSystem, Inc. for the Six Months ended June 30, 2007.**

Forward-Looking Statements

Statements about InfuSystem in this Form 8-K are and will be forward-looking in nature and express HAPC's current opinions about trends and factors that may impact future operating results. Statements that use words such as "may," "will," "should," "believes," "predicts," "projects," "anticipates" or "expects" or use similar expressions are intended to identify forward-looking statements. Forward-looking statements are subject to material risks, assumptions and uncertainties, which could cause actual results to differ materially from those currently expected, and readers are cautioned not to place undue reliance on these forward-looking statements. HAPC undertakes no obligation to provide revised forward-looking statements to reflect the occurrence of unanticipated or subsequent events. Readers are also urged to carefully review and consider the various disclosures made about InfuSystem in this Form 8-K and HAPC's other SEC filings that seek to advise interested parties of the risks and other factors that affect InfuSystem's business. The risks affecting InfuSystem's business include, among others, the following: physician acceptance of infusion-based therapeutic regimens; implementation of InfuSystem's sales strategy; dependence on InfuSystem's suppliers and the market availability to physicians of drugs used in chemotherapy; InfuSystem's continuing compliance with applicable laws and regulations, such as the Medicare Supplier Standards, and the concurrence of regulatory agencies with management's subjective judgment on compliance issues; the reimbursement system currently in place and future changes to that system; product availability and acceptance; competition in the industry; technological changes; intellectual property claims; InfuSystem's growth strategy, involving entry into new fields of infusion-based therapy; and inadequacy of booked reserves. All forward-looking statements, whether made in this Form 8-K or elsewhere, should be considered in context with the various disclosures made by HAPC about InfuSystem's business.

Interim Results of Operations as of June 30, 2007

*Revenues*

Revenues for the three and six months ended June 30, 2007 were $7.8 million and $15.7 million, respectively, compared to $8.0 million and $15.7 million for the same periods in the prior year, a decrease of 2% for the three months ended June 30, 2007. Revenues during the six months ended June 30, 2007 were comparable to the same period in the prior year. The decrease in revenues for the three months ended June 30, 2007 compared to the prior year was primarily due to reduced net billing revenue as a percentage of gross billings, offset in part by an increase in gross billing volume. Revenues did not increase during the six months ended June 30, 2007 compared to the prior year primarily due to reduced net billing revenue as a percentage of gross billings, offset by an increase in gross billing volume.

*Cost of Revenues*

Cost of revenues decreased 27%, or $0.6 million, to $1.5 million for the three months ended June 30, 2007 from $2.1 million for the same period in the prior year and decreased 7%, or $0.3 million, to $3.9 million for the six months ended June 30, 2007 from $4.2 million for the same period in the prior year. Cost of revenues decreased for the three and six months ended June 30, 2007 compared to the same periods in the prior year primarily due to the reversal of the cumulative effects of the liability and expense recorded to date related to the unpaid use taxes during the second quarter of 2007, resulting in a decrease of approximately $0.8 million in cost of revenues. The decrease from the reversal was partially offset by an increase in the amount of depreciation expense recognized in cost of revenues from additional pump purchases made towards the end of 2006.

Cost of revenues decreased as a percentage of revenues by seven percentage points for the three months ended June 30, 2007 and two percentage points for the six months ended June 30, 2007, compared to the same periods in the prior year.

In August 2005, the State of Michigan Department of Treasury issued a decision and order of determination which provided that InfuSystem is liable for use taxes on its purchases of infusion purchases. As a result, InfuSystem had recorded through March 31, 2007 a cumulative net increase to net fixed assets of $700,000, a tax liability of $1,466,000, and total expense of $1,033,000, consisting of $766,000 cost of sales and $267,000 accrued interest expense. InfuSystem appealed the decision on the belief that portable infusion pumps qualify for an exemption from tax under Michigan law. On April 24, 2007, the Michigan Tax Tribunal granted a Motion for Summary Disposition in favor of InfuSystem, which was not appealed by the State of Michigan Department of Treasury. The review period for the ruling by the Michigan Tax Tribunal has ended which effectively forecloses further appeal of the April 2007 decision. As such, InfuSystem reversed in the second quarter of 2007 the cumulative effects of the liability and expense recorded to date. InfuSystem's balance sheet reflected the decrease of $1,466,000 and $267,000 of accrued tax liability and accrued interest expense, respectively, and a decrease of $700,000 in cumulative net fixed assets. On its statement of income InfuSystem recorded a reversal of $1,033,000 in total expense, consisting of $766,000 of cost of sales and $267,000 of interest expense.

*Selling and Marketing Expenses*

Selling and marketing expenses for the three and six months periods ended June 30, 2007 were $1.0 million and $2.0 million, respectively, compared to $0.9 million and $1.9 million for the three and six months ended June 30, 2006, respectively, increases of 10% and 5%, respectively. The increase during the three months ended June 30, 2007 was primarily due to increases in advertising and promotion ($40,000) and salaries and commission expenses ($49,000). The increase during the six months ended June 30, 2007 was primarily due to increases in non-cash compensation expense related to the recognition of deferred compensation ($43,000) and salaries and commission expenses ($65,000).

As a percentage of net revenues, selling and marketing expenses increased by approximately one percentage point for the three and six months ended June 30, 2007, compared to the same periods in the prior year, primarily because of the increase in selling and marketing expenses described above.

*General and Administrative Expenses*

General and administrative expenses increased 24%, or $1.2 million, to $6.3 million for the six months ended June 30, 2007 from $5.1 million for same period in the prior year. General and administrative expenses for the three months ended June 30, 2007 was comparable to the same period in the prior year. The increase during the six months ended June 30, 2007 was primarily attributable to an increase in bad debt expense of $1.2 million. The increase in bad debt expense for the six months ended June 30, 2007 compared to the same period in the prior year included the effects of a delay in collections from a specific large third party insurer and continued application of an aging schedule in determining bad debt expense. The delays resulted from procedural and processing changes within the insurer's affiliated group of companies.

InfuSystem estimates that unreimbursed processing costs borne by InfuSystem for I-Flow's ON-Q billings and reflected in its financial statements were approximately $0.3 million and $0.7 million for the three and six months ended June 30, 2007, respectively, compared to $0.4 million and $0.7 million for the

same periods in the prior year. InfuSystem continued to bear these processing costs until the closing of the sale of InfuSystem to HAPC on October 25, 2007. At the time of closing, I-Flow and InfuSystem entered into a services agreement that will result in I-Flow compensating InfuSystem for its processing costs related to I-Flow's ON-Q® billings and providing InfuSystem with an incentive-based reimbursement arrangement. Pursuant to the terms of the services agreement, InfuSystem will continue to provide to I-Flow, from and after the closing, the billing and collection services and management services InfuSystem has been providing prior to the date of the closing. The term of the services agreement will be three years, but it may be terminated earlier, after 18 months. Fees paid by I-Flow under the services agreement will be set at the higher of a cost-plus or percentage of collections.

In connection with the sale of InfuSystem to HAPC, Inc., I-Flow incurred certain expenses related to the divestiture of InfuSystem, including legal and professional fees that resulted directly from the sale transaction. Divestiture expenses for the three and six months ended June 30, 2007 were $176,000 and $433,000, respectively, which were not reimbursed from InfuSystem to I-Flow and not reflected in InfuSystem's financial statements.

General and administrative expenses for the three and six months ended June 30, 2007 and 2006 do not include overhead costs associated with administrative services and corporate oversight that had historically been provided by I-Flow Corporation, InfuSystem's former parent, at no charge to InfuSystem, including with respect to the following: insurance, benefits, employee stock option administration, human resources, finance, information technology, investor relations, corporate governance, SEC compliance, general management, strategy development, taxes, audits, cash management, legal work, regulatory compliance and budgeting. As a result of the acquisition of InfuSystem by HAPC, Inc., these services will no longer be provided by I-Flow Corporation, and general and administrative expenses to InfuSystem may increase accordingly.

*Interest Income/Expense*

Interest income was $267,000 for the three months ended June 30, 2007 as compared to interest expense of $21,000 for the same period in the prior year. Interest income was $237,000 for the six months ended June 30, 2007 as compared to interest expense of $58,000 for the same period in the prior year. The changes in interest income and expense for three and six months ended June 30, 2007 were primarily due to the reversal during the second quarter of 2007 of $267,000 of accrued interest expense related to the unpaid Michigan use taxes.

*Income Tax Provision*

The income tax provision for the three and six months ended June 30, 2007 was $1.1 million and $1.5 million, respectively, compared to $0.8 million and $1.6 million for the same periods in the prior year, an increase of 39% for the three months ended June 30, 2007 and a decrease of 7% for the six months ended June 30, 2007 compared to the same periods in the prior year. The changes were primarily attributable to the increase in pretax income during the three months ended June 30, 2007 and the decrease in pretax income during the six months ended June 30, 3007 compared to the same periods in the prior year. InfuSystem's effective tax expense rates for the three and six months ended June 30, 2007 were 39.8% and 39.9%, respectively, compared to 37.0% and 36.6% for the same periods in the prior year. The increase in InfuSystem's effective tax expense rates for these periods was primarily due to the accrual of interest and penalties subsequent to InfuSystem's adoption of FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes, effective January 1, 2007.

*Net Income*

Net income for the three and six months ended June 30, 2007 was $1.7 million and $2.3 million, respectively, compared to $1.4 million and $2.9 million for the same periods in the prior year, an increase of 23% for the three months ended June 30, 2007 and a decrease of 19% for the six months ended June 30, 2007. The increase during the three months ended June 30, 2007 was primarily due to an increase of $0.4 million in gross profit and increase of $0.3 million in interest income, partially offset by an increase of $0.3 million in income tax expense. The decrease during the six months ended June 30, 2007 was primarily due to an increase of $1.2 million in general and administrative expenses, partially offset by an increase of $0.3 million in gross profit, $0.3 million increase in interest income and a decrease of $0.1 million in income tax provision.

*Liquidity and Capital Resources*

During the six months ended June 30, 2007, cash provided by operating activities was $4.4 million, compared to $2.7 million for the same period in the prior year. The increase in cash provided by operating activities was primarily due to a decrease in accounts receivable and increase in other liabilities, partially offset by an increase in payments for accounts payable due to the timing of payments.

During the six months ended June 30, 2007, cash used in investing activities was $1.2 million, compared $1.0 million for the same period in the prior year. The increase in cash used in investing activities was primarily due to an increase in the purchases of electronic infusion pumps to support the rental business, offset in part by an increase in the proceeds from the sale of property. InfuSystem spent $1.5 million on the purchases of electronic infusion pumps during the six months ended June 30, 2007, compared to $1.0 million during the same period in the prior year.

During the six months ended June 30, 2007, cash used in financing activities was $4.7 million, compared to cash used in financing activities of $3.6 million for the same period in the prior year. The increase in cash used in financing activities was primarily due to an increase in net dividends to I-Flow, InfuSystem's former parent.

As of June 30, 2007, InfuSystem had cash and cash equivalents of $0.4 million, net accounts receivable of $7.6 million and net working capital of $7.6 million. At that time, InfuSystem believed, notwithstanding the then-pending transaction with HAPC, that current funds were sufficient to provide for InfuSystem's projected needs to maintain operations for at least the following 12 months. After the closing of transaction with HAPC on October 25, 2007, InfuSystem is obligated to make principal and interest payments to I-Flow on the secured promissory note. HAPC believes that InfuSystem's funds, together with cash as may be provided by HAPC or Acquisition Sub, are sufficient to provide for InfuSystem's projected needs to maintain operations for at least the following 12 months.

During the six months ended June 30, 2007, InfuSystem had no material changes outside the normal course of business in the contractual obligations and commercial commitments described below under the caption "Contractual Obligations and Commercial Commitments as of 12/31/06." The table under the caption "Contractual Obligations and Commercial Commitments as of 12/31/06" excludes the $1,200,000 in long-term liability recorded as of June 30, 2007 in connection with the adoption of FASB Interpretation No. 48 "Accounting for Uncertainty in Income Taxes" effective January 1, 2007 because InfuSystem is unable to make a reasonable estimate of the period of cash settlement with the state taxing jurisdictions to which InfuSystem is subject. During the same period, InfuSystem had no material off-balance sheet arrangements as defined in Item 303(a)(4)(ii) of Regulation S-K.

**Exhibit 99.4**

**Selected Historical Financial Statements of InfuSystem, Inc.**

The following tables set forth selected audited historical financial data of InfuSystem for each of the four years ended December 31, 2003 through 2006, and selected unaudited historical financial data for the six months ended June 30, 2007 and June 30, 2006 and year ended December 31, 2002. The historical data was derived from InfuSystem's audited and unaudited historical financial statements. This information is only a summary and must be read in conjunction with the financial statements attached hereto and included in HAPC's definitive proxy statement and the related notes to such financial statements. The operating results are not necessarily indicative of future performance.

**Statement of Operations:**

| | *Year Ended December 31,* | | | | |
|---|---|---|---|---|---|
| *(in thousands)* | *2006* | *2005* | *2004* | *2003* | *2002* |
| Net rental income(1) | $31,716 | $28,525 | $19,349 | $13,022 | $10,292 |
| Cost of revenues(2) | 8,455 | 7,735 | 5,555 | 3,993 | 3,051 |
| Gross profit(3) | 23,261 | 20,790 | 13,794 | 9,029 | 7,241 |
| Operating expenses | | | | | |
| Selling and marketing | 3,803 | 4,315 | 3,195 | 2,962 | 2,129 |
| General and administrative | 11,288 | 8,394 | 5,947 | 4,168 | 2,901 |
| Total operating expenses(4) | 15,091 | 12,709 | 9,142 | 7,130 | 5,030 |
| Operating income | 8,170 | 8,081 | 4,652 | 1,899 | 2,211 |
| Interest expense(5) | 113 | 50 | 29 | 32 | 18 |
| Income before income taxes | 8,057 | 8,031 | 4,623 | 1,867 | 2,193 |
| Income tax provision(5) | 3,094 | 2,938 | 1,699 | 720 | 818 |
| Net income | $ 4,963 | $ 5,093 | $ 2,924 | $ 1,147 | $ 1,375 |

| | *Six months ended June 30, 2007* | *Six months ended June 30, 2006* |
|---|---|---|
| Net rental income(1) | $ 15,706 | $ 15,683 |
| Cost of revenues(2) | 3,862 | 4,161 |
| Gross profit(3) | 11,844 | 11,522 |
| Operating expenses | | |
| Selling and marketing | 1,994 | 1,900 |
| General and administrative | 6,267 | 5,066 |
| Total operating expenses(4) | 8,261 | 6,966 |
| Operating income | 3,583 | 4,556 |
| Interest (income) expense(5) | (237) | 58 |
| Income before income taxes | 3,820 | 4,498 |
| Income tax provision(5) | 1,524 | 1,646 |
| Net income | $ 2,296 | $ 2,852 |

(1) During 2002 and 2003, revenue growth was driven primarily by additional client facilities and additional managed care contracts. Beginning in the fourth quarter of 2003 and continuing through 2005, the clinical use of new drugs and combination drug therapies involving continuous infusion increased significantly, driven by clinical studies demonstrating improved survival with new drugs and protocols (FOLFOX and FOLFIRI). These protocols normally include continuous infusion of the drug 5-Fluorouracil using ambulatory electronic infusion pumps of the type provided by InfuSystem. InfuSystem estimates that it incurred a $1.9 million loss in revenue due to a shortage of 5-Fluorouracil in the fourth quarter of 2005. InfuSystem estimates the corresponding cost reduction in sales and sales commission expenses that would have been incurred without the 5-Fluorouracil shortage to be $0.3 million each. The 5-Fluorouracil shortage continued into the first quarter of 2006, but availability of 5-Fluorouracil returned to normal at the end of the first quarter of 2006. Revenue is believed to have been adversely affected during the second and third quarters of 2006, however, due to a decline in the number of patients in the pipeline who had to turn to other medications or treatments.

(2) Cost of revenues has two major components: the cost of operating supplies (primarily disposable tubing kits provided to customers with the pumps) and depreciation of rental equipment (pumps). The relative increase in gross profit from 2003 to 2006 reflected improved utilization of pumps and supplies. On August 24, 2005, the Michigan Department of Treasury assessed InfuSystem for unpaid use taxes. Through March 31, 2007, InfuSystem recognized $0.8 million as cost of sales (incremental depreciation expense) as a result of the Michigan tax dispute. InfuSystem disputed the assessment and appealed the determination. On April 24, 2007, the Michigan Tax Tribunal granted a Motion for Summary Disposition in favor of InfuSystem, which was not appealed by the Sate of Michigan Department of Treasury. The review period for the ruling by the Michigan Tax Tribunal has ended which effectively forecloses further appeal of the April 2007 decision. As such, InfuSystem reversed in the second quarter of 2007 the cumulative effects of the liability and expense recorded to date related to the unpaid use taxes, including the $0.8 million of cost of sales (incremental depreciation expense).

(3) Gross profit as a percentage of revenues increased from 70% in 2002 to 73% in 2006 and 75% for the six months ended June 30, 2007. The increase during the six months ended June 30, 2007 is primarily due to the reversal of the unpaid use taxes. See footnote 2 above.

(4) Operating expenses decreased from 49% of revenues in 2002 to 45% of revenues in 2005, indicating greater sales force efficiency (more revenues per sales representative) and billing efficiency (more billing dollars in proportion to the cost of administrative staff). For the year ended December 31, 2006 and six months ended June 30, 2007, operating expenses increased to 48% and 53% of revenues, respectively, which was primarily due to an increase in the bad debt expense related to a delay in collections from a specific large third party insurer and included processing costs of approximately $1.5 million and $0.7 million incurred during the year ended December 31, 2006 and six months ended June 30, 2007, respectively, borne by InfuSystem related to I-Flow's ON-Q product line. InfuSystem was not reimbursed by I-Flow for these services while InfuSystem was a subsidiary of I-Flow. After the closing of the acquisition of InfuSystem by HAPC, InfuSystem will continue to provide this service to I-Flow, and I-Flow will compensate InfuSystem for its costs and provide InfuSystem with an incentive-based reimbursement arrangement.

Administrative staff primarily consists of InfuSystem's in-house customer service representatives, billers and collectors. Operating expenses do not include overhead costs associated with administrative services and corporate oversight that have historically been provided by I-Flow Corporation, InfuSystem's parent, at no charge to InfuSystem, including with respect to the following: insurance, benefits, employee stock option administration, human resources, finance, information technology, investor relations, corporate governance, SEC compliance, general management, strategy development, taxes, audits, cash management, legal work, regulatory compliance and budgeting. As a result of the acquisition of InfuSystem by HAPC, Inc., these services will no longer be provided by I-Flow Corporation, and operating expenses to InfuSystem may increase accordingly.

(5) The audited and unaudited financial statements for the years 2002 through 2006 include the incremental expense that would have been reported if the use tax had been paid, capitalized, and subsequently depreciated on an ongoing basis. Due to the favorable ruling by the Michigan Tax Tribunal on April 24, 2007, InfuSystem reversed the cumulative effects of the liability and expense recorded to date related to the unpaid use taxes in the second quarter of 2007, including $0.3 million of interest expense. See footnote 2 above. Income taxes as presented in the table have been prepared on a separate tax return basis.

**Balance Sheet Data:**

| | As of December 31, | | | | |
|---|---|---|---|---|---|
| *(in thousands)* | *2006* | *2005* | *2004* | *2003* | *2002* |
| Accounts receivable, less allowance for doubtful accounts | $ 9,630 | $ 9,160 | $ 4,920 | $ 4,022 | $ 4,521 |
| Total current assets | 12,682 | 12,715 | 6,427 | 4,952 | 6,230 |
| Total current liabilities | 4,335 | 3,906 | 3,385 | 1,927 | 1,396 |
| Total assets | 27,628 | 27,831 | 17,665 | 11,647 | 11,546 |

| | *As of June 30, 2007* | *As of June 30, 2006* |
|---|---|---|
| Accounts receivable, less allowance for doubtful accounts | $ 7,577 | $ 10,390 |
| Total current assets | 9,068 | 11,936 |
| Total current liabilities | 1,507 | 3,056 |
| Total assets | 22,990 | 26,262 |

**Exhibit 99.5**

**INFUSYSTEM, INC.**
**CONDENSED BALANCE SHEETS**
**(Amounts in thousands)**
**(Unaudited)**

| | *June 30, 2007* | *December 31, 2006* |
|---|---|---|
| **Assets** | | |
| Current assets: | | |
| Cash | $ 413 | $ 1,956 |
| Accounts receivable, less allowance for doubtful accounts of $3,570 and $1,668 at June 30, 2007 and December 31, 2006, respectively | 7,577 | 9,630 |
| Inventory supplies | 345 | 252 |
| Prepaid expenses and other current assets | 53 | 155 |
| Deferred taxes | 680 | 689 |
| Total current assets | 9,068 | 12,682 |
| Property, net | 10,782 | 12,307 |
| Goodwill | 2,639 | 2,639 |
| Deferred taxes | 501 | — |
| Total assets | $22,990 | $ 27,628 |
| **Liabilities and Stockholder's Equity** | | |
| Current liabilities: | | |
| Accounts payable | $ 890 | $ 1,884 |
| Accrued payroll and related expenses | 591 | 1,055 |
| Accrued use taxes payable | — | 1,392 |
| State income taxes payable | 24 | — |
| Other current liabilities | 2 | 4 |
| Total current liabilities | 1,507 | 4,335 |
| Other liabilities | 1,322 | — |
| Deferred taxes | 1,276 | 1,285 |
| Commitments and contingencies (Note 5) | | |
| Stockholder's equity | | |
| Common stock, $0.01 par value; 100 shares authorized, issued and outstanding at June 30, 2007 and December 31, 2006 | — | — |
| Additional paid-in capital | 8,544 | 8,544 |
| Retained earnings | 10,341 | 13,464 |
| Total stockholder's equity | 18,885 | 22,008 |
| Total liabilities and stockholder's equity | $22,990 | $ 27,628 |

*See accompanying Notes to Condensed Financial Statements.*

**INFUSYSTEM, INC.**
**CONDENSED STATEMENTS OF INCOME**
**(Amounts in thousands)**
**(Unaudited)**

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2007 | 2006 | 2007 | 2006 |
| Net rental income | $ 7,832 | $ 7,966 | $15,706 | $15,683 |
| Cost of revenues - Michigan use taxes (Note 5) | (766) | — | (766) | — |
| Cost of revenues | 2,314 | 2,130 | 4,628 | 4,161 |
| Gross profit | 6,284 | 5,836 | 11,844 | 11,522 |
| Operating expenses: | | | | |
| Selling and marketing | 986 | 898 | 1,994 | 1,900 |
| General and administrative | 2,728 | 2,717 | 6,267 | 5,066 |
| Total operating expenses | 3,714 | 3,615 | 8,261 | 6,966 |
| Operating income | 2,570 | 2,221 | 3,583 | 4,556 |
| Interest income (expense), net | 267 | (21) | 237 | (58) |
| Income before income taxes | 2,837 | 2,200 | 3,820 | 4,498 |
| Income tax expense | 1,130 | 814 | 1,524 | 1,646 |
| Net income | $ 1,707 | $ 1,386 | $ 2,296 | $ 2,852 |

*See accompanying Notes to Condensed Financial Statements.*

**INFUSYSTEM, INC.**
**CONDENSED STATEMENTS OF CHANGES IN STOCKHOLDER'S EQUITY**
**(Amounts in thousands)**
**(Unaudited)**

| | *Common Stock* | | *Additional Paid-in Capital* | *Retained Earnings* | *Total* |
|---|---|---|---|---|---|
| | *Shares* | *Amount* | | | |
| Balance, December 31, 2006 | 100 | $ — | $ 8,544 | $13,464 | $22,008 |
| Cumulative effect of adjustments from adoption of FIN 48 (Note 4) | — | — | — | (821) | (821) |
| Balance, January 1, 2007 | 100 | — | 8,544 | 12,643 | 21,187 |
| Net dividends to parent | — | — | — | (4,598) | (4,598) |
| Net income | — | — | — | 2,296 | 2,296 |
| Balance, June 30, 2007 | 100 | $ — | $ 8,544 | $10,341 | $18,885 |

*See accompanying Notes to Condensed Financial Statements.*

**INFUSYSTEM, INC.**
**CONDENSED STATEMENTS OF CASH FLOWS**
**(Amounts in thousands)**
**(Unaudited)**

| | Six Months Ended June 30, | |
|---|---|---|
| | 2007 | 2006 |
| Cash flows from operating activities: | | |
| Net income | $ 2,296 | $ 2,852 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 1,361 | 1,823 |
| Provision for doubtful accounts receivable | 2,659 | 1,487 |
| Deferred taxes | (501) | (71) |
| Loss on disposal of property | 163 | 128 |
| Stock-based compensation | 146 | 98 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | (606) | (2,717) |
| Inventories | (93) | (27) |
| Prepaid expenses and other current assets | 86 | 117 |
| Accounts payable | (1,141) | (104) |
| Accrued payroll and related expenses | (464) | (789) |
| State income taxes payable | 40 | (126) |
| Other liabilities | 499 | (2) |
| Net cash provided by operating activities | 4,445 | 2,669 |
| Cash flows from investing activities: | | |
| Capital expenditures | (1,472) | (990) |
| Proceeds from sale of property | 228 | — |
| Net cash used in investing activities | (1,244) | (990) |
| Cash flows from financing activities: | | |
| Net capital distributions to parent | (4,744) | (3,621) |
| Net cash used in financing activities | (4,744) | (3,621) |
| Net decrease in cash | (1,543) | (1,942) |
| Cash at beginning of year | 1,956 | 2,463 |
| Cash at end of year | $ 413 | $ 521 |
| SUPPLEMENTAL CASH FLOW INFORMATION: | | |
| Interest paid | $ — | $ 37 |
| State income tax payments | $ 186 | $ 163 |
| SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING ACTIVITIES: | | |
| Property acquisitions | $ 31 | $ 1,556 |

*See accompanying Notes to Condensed Financial Statements.*

**Notes to Condensed Financial Statements**
**(Unaudited)**

## 1. General

InfuSystem, Inc. ("InfuSystem" or the "Company") is a wholly-owned subsidiary of I-Flow Corporation ("I-Flow" or the "Parent"). The Company was incorporated in California on December 18, 1997. The Company is a leading provider of ambulatory infusion pump management services and is based in Madison Heights, Michigan. It is primarily engaged in the rental of ambulatory electronic infusion pumps on a month-to-month basis for the administration of chemotherapy drugs for the treatment of cancer.

On September 29, 2006, I-Flow signed a definitive agreement to sell the Company to HAPC, Inc. for $140 million in the form of cash and a secured note, subject to certain purchase price adjustments based on the level of working capital. The cash portion of the purchase price will range from $65 to $85 million, depending on the amount HAPC, Inc. pays to its shareholders who choose to convert their HAPC shares into cash. The closing of the transaction is subject to standard conditions and approval by the shareholders of HAPC, Inc., and closed on October 25, 2007. In connection with the sale of the Company to HAPC, Inc., the Parent incurred certain expenses related to the divestiture of the Company, including legal and professional fees that resulted directly from the sale transaction. Divestiture expenses incurred by the Parent for the three and six months ended June 30, 2007 were $176,000 and $433,000, respectively. These amounts were not reimbursed by the Company and accordingly, are not included in the Company's financial statements.

The Company provided certain administrative services to the Parent during the three and six months ended June 30, 2007 and 2006 related to the Parent's ON-Q PainBuster® Pain Management System ("ON-Q"). Specifically, the Company provided customer service, billings to third party insurance, collections, and solicitation of managed care contracts with insurance companies on behalf of I-Flow and its ON-Q product line, primarily in ambulatory surgery centers ("ASC's"). The Company was not reimbursed from the Parent for these services.

The Company estimates that processing costs borne by the Company for ON-Q billings and reflected in its financial statements for the three and six months ended June 30, 2007 and 2006 were as follows:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| *(Amounts in thousands)* | 2007 | 2006 | 2007 | 2006 |
| Direct payroll expenses | $ 142 | $ 208 | $ 302 | $ 370 |
| Indirect or allocated expenses | 178 | 178 | 356 | 356 |
| Total | $ 320 | $ 386 | $ 658 | $ 726 |

The Parent also provided certain administrative services to the Company during the same time periods. Costs incurred by the Parent on behalf of the Company that were clearly applicable to the Company were charged to the Company and included the following administrative services:

- The Parent provided workers' compensation insurance to employees of the Company. The Company's financial statements for the three and six months ended June 30, 2007 include workers' compensation insurance expenses of approximately $7,000 and $13,000, respectively, which were recorded in general and administrative expenses. Workers' compensation insurance expenses for the three and six months ended June 30, 2006 were $7,000 and $14,000, respectively.

- Many of the Company's employees received stock options and other stock-based awards relating to the stock of I-Flow. The Parent determined the expense based on the outstanding stock-based awards granted specifically to employees of the Company. The Company's financial statements for the three and six months ended June 30, 2007 include stock-based compensation expense of approximately $64,000 (of which $30,000 and $34,000 were recorded in selling and marketing and general and administrative expenses, respectively) and $146,000 (of which $79,000 and $67,000 were recorded in selling and marketing and general and administrative expenses, respectively), respectively. Stock-based compensation expenses for the three and six months ended June 30, 2006 were $68,000 (of which $27,000 and $41,000 were recorded in selling and marketing and general and administrative expenses, respectively) and $98,000 (of which $36,000 and $62,000 were recorded in selling and marketing and general and administrative expenses, respectively), respectively.
- Although the Company files a consolidated and certain combined state tax returns with its Parent, the Company recorded income taxes payable as a result of preparing its financial statements on a separate tax return basis. Income taxes payable of $1.0 million and $1.3 million for the three and six months ended June 30, 2007 were recognized as contributions from the Parent, respectively. Income taxes payable of $0.8 million and $1.6 million for the three and six months ended June 30, 2006 were recognized as contributions from the Parent, respectively.

**2. Summary of Significant Accounting Policies**

*Basis of Presentation* – The accompanying unaudited condensed financial statements contain all adjustments (consisting only of normal recurring adjustments) that, in the opinion of management, are necessary to present fairly the financial position of the Company at June 30, 2007, the results of its operations for the three and six months ended June 30, 2007 and 2006 and cash flows for the six month periods ended June 30, 2007 and 2006. Certain information and footnote disclosures normally included in financial statements have been condensed or omitted pursuant to rules and regulations of the Securities and Exchange Commission (the "SEC"), although the Company believes that the disclosures in the financial statements are adequate to make the information presented not misleading. The December 31, 2006 balance sheet has been derived from the Company's December 31, 2006 audited financial statements.

The financial statements included herein should be read in conjunction with the Company's audited financial statements for the year ended December 31, 2006.

*Cash* – As of June 30, 2007, the Company maintains its cash primarily with a single financial institution.

*Accounts Receivable* – The Company performs periodic analyses to evaluate its accounts receivable balances. It records an allowance for doubtful accounts based on the estimated collectibility of the accounts such that the recorded amounts reflect estimated net realizable value. Upon determination that an account is uncollectible, the account is written-off and charged to the allowance.

In determining its accounts receivable balances and allowance for doubtful accounts, management considers historical realization data, accounts receivable aging trends, operating trends, and other relevant business conditions such as governmental and managed care payor claims processing procedures and system changes. The Company's analysis includes the application of specified percentages to the accounts receivable agings to estimate the amount that will ultimately be uncollectible and, therefore, should be reserved. The percentages are increased as the accounts age. Due to the 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 an impact on its financial position, results of operations and cash flows. For the three and six months ended June 30, 2007, the Company recorded bad debt expense totaling $966,000 and $2,659,000, respectively. For the three and six months ended June 30, 2006, the Company recorded bad debt expense totaling $887,000 and $1,487,000, respectively.

*Inventory Supplies* – Inventory supplies are stated at the lower of cost (determined on a first in, first out basis) or market. The Company records a period expense for inventory supplies obsolescence when incurred.

*Long-Lived Assets* – The Company accounts for the impairment and disposition of long-lived assets in accordance with Statement of Financial Accounting Standards ("SFAS") No. 144, *Accounting for Impairment or Disposal of Long-Lived Assets* ("SFAS 144"). SFAS 144 addresses financial accounting and reporting for the impairment of long-lived assets and for the disposal of long-lived assets. In accordance with SFAS 144, long-lived assets to be held are reviewed for events or changes in circumstances, which indicate that their carrying value may not be recoverable. 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. The Company periodically reviews the carrying value of long-lived assets to determine whether an impairment to such value has occurred. The Company has determined that there was no impairment as of June 30, 2007.

*Property* – Property is stated at cost and depreciated using the straight-line method over the estimated useful lives of the related assets, ranging from three to seven years. Rental equipment, consisting of ambulatory infusion pumps that the Company acquires from third-party manufacturers, is depreciated over five years. 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. Property consisted of the following as of June 30, 2007 and December 31, 2006:

| *(Amounts in thousands)* | June 30, 2007 | December 31, 2006 |
|---|---|---|
| Pump equipment | $ 21,655 | $ 23,010 |
| Furniture, fixtures and equipment | 1,336 | 1,279 |
| Accumulated depreciation and amortization | (12,209) | (11,982) |
| Total | $ 10,782 | $ 12,307 |

*Goodwill* – The Company recognizes goodwill in accordance with SFAS No. 142, *Goodwill and Other Intangible Assets* ("SFAS 142"). Under SFAS 142, goodwill is recorded at its carrying value and is tested for impairment at least annually. The Company reviews the recoverability of the carrying value of goodwill on an annual basis or more frequently if an event occurs or circumstances change to indicate that an impairment of goodwill has possibly occurred. The Company compares the fair value of its operating unit to the carrying value, as well as other factors, to determine whether or not any potential impairment of goodwill exists. If a potential impairment exists, an impairment loss is recognized to the extent the carrying value of goodwill exceeds the difference between the fair value of the operating unit and the fair value of its other assets and liabilities. The Company performed its annual impairment test on goodwill as of June 30, 2007 and identified no goodwill impairment.

*Revenue Recognition* – Rental revenue in the oncology market is the Company's strategic focus. The Company does not recognize revenue until all of the following criteria are met: persuasive evidence of an arrangement exists; shipment and passage of title has occurred; the price to the customer is fixed or determinable; and collectibility is reasonably assured. Persuasive evidence of an arrangement is determined to exist, and collectibility is reasonably assured, at the point in which a certificate of medical necessity and assignment of benefits, signed by the physician and patient, respectively, have been received by the Company, and the Company has verified actual pump usage and insurance coverage. Rental revenue from electronic infusion pumps is recognized as earned over the term of the related rental agreements, normally on a month-to-month basis. Pump rentals are billed at the Company's established rates, which often differ from contractually allowable rates provided by third party payors such as Medicare, Medicaid and commercial insurance carriers. Rental revenue is recorded at its estimated net realizable amount which approximates the allowable amount per such contractual rates. For the three months ended June 30, 2007, revenue from Medicare, Blue Cross Blue Shield and Medicaid accounted for 31%, 21% and 6% of total revenue, respectively. For the six months ended June 30, 2007, revenue from Medicare, Blue Cross Blue Shield and Medicaid accounted for 32%, 20% and 6% of total revenue, respectively. For the three months ended June 30, 2006, revenue from Medicare, Blue Cross Blue Shield and Medicaid accounted for 31%, 23% and 3% of total revenue, respectively. For the six months ended June 30, 2006, revenue from Medicare, Blue Cross Blue Shield and Medicaid accounted for 32%, 22% and 3% of total revenue, respectively.

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 they 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. Because of continuing changes in the healthcare industry and third-party reimbursement, it is possible that management's estimates could change in the near term, which could have an impact on operations and cash flows.

*Income Taxes* – The Company accounts for income taxes in accordance with SFAS No. 109, *Accounting for Income Taxes*, which requires that the Company recognize deferred tax liabilities and assets based on 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. Deferred income tax benefit (expense) 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. The Company's income taxes as presented in the financial statements have been prepared on a separate return basis.

*Accounting for Stock-Based Compensation* – I-Flow, the Parent company, historically granted stock-based awards to certain officers and employees of the Company. Total stock-based compensation expense incurred by the Company related to stock options and stock grants by I-Flow to the Company employees for the three and six months ended June 30, 2007 were $64,000 and $146,000, respectively. Total stock-based compensation expense incurred by the Company related to stock options and stock grants by I-Flow to the Company employees for the three and six months ended June 30, 2006 were $68,000 and $98,000, respectively.

Effective January 1, 2006, the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 123-revised 2004, *Share-Based Payment* ("SFAS 123R"), which requires the measurement and recognition of compensation expense based on estimated fair values for all equity-based compensation made to employees and directors. SFAS 123R replaces the guidance in SFAS No. 123, *Accounting for Stock-Based Compensation* ("SFAS 123") and supersedes Accounting Principles Board ("APB") Opinion No. 25, *Accounting for Stock Issued to Employees* ("APB 25").

The Company adopted SFAS 123R using the modified prospective application transition method. In accordance with the modified prospective application transition method, the Company's financial statements for prior periods do not have to be restated to reflect, and do not include, the impact of SFAS 123R. Prior to the adoption of SFAS 123R, the Company accounted for stock-based awards to officers and employees using the intrinsic value method in accordance with APB 25 and adopted the disclosure-only alternative of SFAS 123. Because the Company had adopted the disclosure-only provisions of SFAS 123, no compensation cost was recognized prior to 2006 for stock option grants to employees and officers with exercise prices at least equal to the fair market value of the underlying shares at the grant date.

SFAS 123R requires companies to estimate the fair value of equity awards on the date of grant using an option-pricing model. The Company uses the Black-Scholes option-pricing model, which it had previously used for valuation of option-based awards for its pro forma information required under SFAS 123 for periods prior to fiscal 2006. The determination of the fair value of option-based awards using the Black-Scholes model incorporates various assumptions including volatility, expected life of awards, risk-free interest rates and expected dividend. The expected volatility is based on the historical volatility of the price of the parent company's common stock over the most recent period commensurate with the estimated expected life of the Company's stock options and adjusted for the impact of unusual fluctuations not reasonably expected to recur. The expected life of an award is based on historical experience and on the terms and conditions of the stock awards granted to employees and non-employee directors. The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model. No stock options were granted to employees of the Company during the three and six months ended June 30, 2007 and 2006.

Stock-based compensation expense is recognized for all new and unvested equity awards that are expected to vest as the requisite service is rendered beginning on January 1, 2006. Stock-based compensation for awards granted prior to January 1, 2006 is based on the grant date fair value as

determined under the pro forma provisions of SFAS 123. In conjunction with the adoption of SFAS 123R, the Company changed its method of attributing the value of stock-based compensation expense from the accelerated multiple-option approach to the straight-line single-option method. Compensation expense for all unvested equity awards granted on or prior to December 31, 2005 will continue to be recognized using the accelerated multiple-option approach. Compensation expense for all equity awards granted subsequent to December 31, 2005 will be recognized using the straight-line single-option method. In accordance with SFAS 123R, the Company has factored in forfeitures in its recognition of stock-based compensation. SFAS 123R requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. The Company accounted for forfeitures as they occurred in the pro forma information required under SFAS 123 for periods prior to fiscal 2006.

SFAS 123R requires that cash flows resulting from tax deductions in excess of the cumulative compensation cost recognized for options exercised (excess tax benefits) be classified as cash inflows from financing activities and cash outflows from operating activities. Excess tax benefits that were attributed to the share-based compensation expense are currently reflected in contributions from Parent as a result of the Company preparing its financial statements on a separate tax return basis (see Note 3).

On November 10, 2005, the Financial Accounting Standards Board ("FASB") issued FASB Staff Position No. FAS 123R-3, *Transition Election Related to Accounting for Tax Effects of Share-Based Payment Awards*. The Company has elected to adopt the alternative transition method provided in the FASB Staff Position for calculating the tax effects of share-based compensation pursuant to SFAS 123R. The alternative transition method includes simplified methods to establish the beginning balance of the additional paid-in capital pool ("APIC Pool") related to the tax effects of employee share-based compensation, and to determine the subsequent impact on the APIC Pool and Statements of Cash Flows of the tax effects of employee share-based awards that were outstanding upon adoption of SFAS 123R.

From and after May 26, 2006, stock-based awards granted to officers and employees of the Company are granted from I-Flow active equity incentive plans that were approved by I-Flow's stockholders. All future grants of stock options (including incentive stock options or nonqualified stock options), restricted stock, restricted stock units or other forms of equity-based compensation to officers and employees of the Company are expected to be made under the I-Flow Corporation 2001 Equity Incentive Plan (the "2001 Plan"), which was approved by I-Flow's stockholders in May 2001. The maximum number of shares of common stock that may be issued pursuant to awards under the 2001 Plan is currently 7,750,000, subject to adjustments for stock splits or other adjustments as defined in the 2001 Plan.

*Stock Options*

Options granted under the 2001 Plan become exercisable at such times as determined by the I-Flow compensation committee of the board of directors or the I-Flow board of directors itself. Options granted to officers and employees of the Company generally have an exercise price equal to the market price of the I-Flow's stock at the date of the grant, with vesting and contractual terms of five years. Options generally provide for accelerated vesting if there is a change in control in I-Flow Corporation (as defined in the 2001 Plan or, as applicable, the officers' employment and change in control agreements). I-Flow issues new shares upon the exercise of stock options. The following table provides a summary of all the Company's outstanding options as of June 30, 2007 and of changes in options outstanding during the six months ended June 30, 2007:

| | Number of Shares | Weighted-Average Exercise Price per Share | Weighted-Average Remaining Contractual Term (in years) | Aggregate Intrinsic Value |
|---|---|---|---|---|
| Options outstanding at December 31, 2006 | 230,386 | $ 12.42 | | |
| Options granted | — | — | | |
| Options exercised | (25,164) | 3.99 | | |
| Options forfeited or expired | (263) | 2.74 | | |
| Options outstanding at June 30, 2007 | 204,959 | $ 13.47 | 1.84 | $755,044 |
| Options vested and exercisable at June 30, 2007 | 195,319 | $ 14.02 | 1.90 | $615,171 |

The above table excludes equity awards granted to sales representatives and sales management with exercise prices below fair market value. Such awards have been included in the restricted stock units table below.

No options were granted during the six months ended June 30, 2007 and 2006. The total intrinsic value of options exercised during the six months ended June 30, 2007 and 2006 was $306,000 and $296,000, respectively. A total of approximately 10,000 shares of unvested options are expected to vest.

As of June 30, 2007, total unrecognized compensation expense related to unvested stock options was $6,000. This expense is expected to be recognized over a remaining weighted-average period of 0.30 year.

On November 9, 2005, the board of directors of I-Flow approved the amendment of stock options that were previously granted to employees and officers with exercise prices at a discount to the fair market value. The amendments increased the exercise price to the fair market value on the date the options were granted and accelerated the vesting of approximately 150,000 unvested, "out-of-the-money" stock options previously awarded to officers and employees of the Company. A total of 175,000 stock options granted to officers and employees of the Company with original exercise prices of $11.52 and $14.94 per share were increased to $13.55 and $17.58 per share, respectively, effective November 9, 2005. In 2005, I-Flow compensated the officers and employees of the Company for the increased exercise prices by granting approximately 23,000 shares of I-Flow's common stock such that the value of the shares granted (based on the closing price of I-Flow's common stock on November 9, 2005 of $11.91) equaled the value of the lost discount in exercise price, net of shares withheld to pay withholding taxes. With respect to the acceleration of vesting, options with an exercise price greater than $11.91 per share (giving effect to the increased exercise price) were deemed "out-of-the-money." The accelerated options granted to officers and employees of the Company, which are considered fully vested as of November 9, 2005 have exercise prices ranging from $13.52 to $17.58 per share and a weighted average exercise price of $16.24 per share. Among the primary purposes of the amended exercise price and acceleration were to comply with new deferred compensation tax laws, to promote employee motivation, retention and the perception of option value and to avoid recognizing future compensation expense associated with "out-of-the-money" stock options upon adoption of SFAS 123R, which replaces SFAS 123, and supersedes APB 25 in fiscal 2006.

Effective January 1, 2006, under SFAS 123R, approximately 81,500 stock options with exercise prices of $1.33 or $2.47 per share were increased to $1.66 and $2.91 per share, respectively. In January 2006, I-Flow compensated the eight affected option holders for the increased exercise price by granting approximately 1,500 shares of I-Flow's common stock for a total incremental compensation cost of $14,000 for the year ended December 31, 2006.

*Restricted Stock Units*

Restricted stock units are granted pursuant to the 2001 Plan and as determined by the I-Flow compensation committee of the I-Flow board of directors or the board of directors itself. Restricted stock units granted to officers and employees of the Company generally have vesting periods ranging from three to five years from the date of grant. Restricted stock units granted to sales representatives and sales management have a maximum vesting term of three years from the date of grant. The Company issues new shares upon the vesting of restricted stock units. In accordance with SFAS 123R, the fair value of restricted stock units is estimated based on the closing market value stock price on the date of grant and the expense is recognized straight-lined over the requisite period. The total number of shares of restricted stock units expected to vest is adjusted by estimated forfeiture rates. The following table provides a summary of the Company's restricted stock units as of June 30, 2007 and of changes in restricted stock units outstanding under the 2001 Plan during the six months ended June 30, 2007:

| | Number of Shares | Weighted-Average Grant Date Fair Value Per Share |
|---|---|---|
| Nonvested shares outstanding at January 1, 2007 | 85,140 | $ 13.76 |
| Shares issued | 10,000 | 16.43 |
| Shares vested or released | (20,428) | 13.95 |
| Shares forfeited | — | — |
| Nonvested shares outstanding at June 30, 2007 | 74,712 | $ 14.07 |

As of June 30, 2007, total unrecognized compensation costs related to nonvested restricted stock units was approximately $759,000. The expense for the nonvested restricted stock units is expected to be recognized over a remaining weighted-average vesting period of 1.99 years. The total value of shares vested during the six months ended June 30, 2007 was approximately $285,000.

*Use of Estimates* – The preparation of financial statements in conformity with generally accepted accounting principles necessarily requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ materially from these estimates.

*New Accounting Pronouncements* – In July 2006, the FASB issued FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* ("FIN 48"), which prescribes a recognition threshold and measurement process for recording in the financial statements uncertain tax positions taken or expected to be taken in a tax return. Additionally, FIN 48 provides guidance on the derecognition, classification, interest and penalties, accounting in interim periods and disclosure requirements for uncertain tax positions. The accounting provisions of FIN 48 are effective for reporting periods beginning after December 15, 2006. The Company adopted FIN 48 effective January 1, 2007. See Note 4 on Income Taxes for additional information, including the effects of the adoption on the Company's financial statements.

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements* ("SFAS 157"), which defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. The provisions of SFAS 157 are effective as of the beginning of the Company's 2008 fiscal year. The Company is currently assessing the impact of the adoption of SFAS 157 and its impact on the Company's financial statements.

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities — Including an amendment of FASB Statement No. 115* ("SFAS 159"). SFAS 159 permits companies to measure many financial instruments and certain other items at fair value at specified election dates. SFAS 159 will be effective beginning January 1, 2008. The Company is currently assessing the impact of the adoption of SFAS 159 and its impact on the Company's financial statements.

**3. Shareholder's Equity**

At inception, the Company received capital contributions of approximately $3.3 million from the Parent, which were used primarily in the acquisition of the Company's operations. Net dividends to the Parent for the six months ended June 30, 2007 and 2006 were as follows:

| | Six Months Ended June 30, | |
|---|---|---|
| *(Amounts in thousands)* | **2007** | **2006** |
| Stock-based compensation expense charge | $ 146 | $ 98 |
| Workers' compensation insurance charge | 13 | 14 |
| Stock option income tax benefit | 100 | 116 |
| Income tax liability by Parent | 1,199 | 1,440 |
| Net cash transfer to Parent | (6,056) | (5,191) |
| Net dividends to Parent | $(4,598) | $(3,523) |

**4. Income Taxes**

In July 2006, the FASB issued FIN 48. FIN 48 is an interpretation of FASB Statement No. 109, "*Accounting for Income Taxes*," and it seeks to reduce the diversity in practice associated with certain aspects of measurement and recognition in accounting for income taxes. In addition, FIN 48 provides guidance on derecognition, classification, interest and penalties, and accounting in interim periods and requires expanded disclosure with respect to the uncertainty in income taxes. FIN 48 is effective as of the beginning of the Company's 2007 fiscal year. The cumulative effect, if any, of applying FIN 48 is to be reported as an adjustment to the opening balance of retained earnings in the year of adoption.

As a result of the implementation of FIN 48, the Company recognized a $1.2 million increase to its FIN 48 liability for uncertain tax positions, of which $821,000 would affect the Company's effective tax rate if recognized, net of federal tax benefits. Of this increase, approximately $821,000 is the cumulative affect adjustment to the opening balance of retained earnings.

The Company recognizes interest and penalties related to uncertain tax positions in income tax expense. As of December 31, 2006, the Company has approximately $62,000 of accrued interest expense related to uncertain tax positions and approximately $133,000 of penalties. As of June 30, 2007, the Company has approximately $66,500 of additional accrued interest and approximately $57,000 of penalties related to uncertain tax positions related to the FIN 48 liability balance as of December 31, 2006.

The Company is subject to U.S. federal income tax as well as income tax of multiple state jurisdictions. The tax years 2002 and forward remain open to examination by the major state taxing jurisdictions to which the Company is subject depending on the state taxing authority. In addition, there are a number of state taxing jurisdictions in which the Company is not filing tax returns that may consider the Company to have taxable income. The tax years 2003 and forward remain open to examination by the Internal Revenue Service.

**5. Commitments and Contingencies**

*Concentrations of Credit Risk* – The Company maintains cash deposits within a single depository institution in excess of federally insured limits.

*Leases* – The Company entered into leases in July 2002 for approximately 14,000 square feet of general office space and approximately 4,000 square feet of warehouse space in Madison Heights, Michigan. Both leases have a term of five years. In July 2007 both leases were renewed and extended for one additional year. Future minimum lease payments under these leases total $233,000 and $115,000 in 2007 and 2008, respectively. Rent expense for the three and six months ended June 30, 2007 was $57,000 and $114,000, respectively, which were recorded in general and administrative expenses in the accompanying financial statements. Rent expense for the three and six months ended June 30, 2006 was $57,000 and $108,000, respectively.

*Michigan Use Taxes* – In accordance with a decision and order of determination received from the State of Michigan Department of Treasury in August 2005, the Company was subject to sales and use taxes in the state of Michigan. As a result, the Company recorded use taxes on its purchases of ambulatory infusion pumps as an increase in fixed assets. As of March 31, 2007, the Company recorded a cumulative net increase to net fixed assets of $700,000, a tax liability of $1,466,000, and total expense of $1,033,000, consisting of $766,000 cost of sales and $267,000 accrued interest expense. The Company appealed the decision. The Company believes that portable infusion pumps qualify for an exemption from tax under Michigan law. On April 24, 2007, the Michigan Tax Tribunal granted a Motion for Summary Disposition in favor of InfuSystem, which was not appealed by the State of Michigan Department of Treasury. The review period for the ruling by the Michigan Tax Tribunal has ended which effectively forecloses further appeal of the August 2005 decision and order. As such, the Company reversed in the second quarter of 2007 the cumulative effects of the liability and expense recorded to date. The Company's balance sheet reflected the decrease of $1,466,000 and $267,000 of accrued tax liability and accrued interest expense, respectively, and a decrease of $700,000 in cumulative net fixed assets. On its statement of income the Company recorded a reversal of $1,033,000 in total expense, consisting of $766,000 of cost of sales and $267,000 of interest expense.

*Private Insurers and Government Reimbursement* – The Company is paid directly by private insurers and governmental agencies, often on a fixed fee bases, for infusion pump management services provided by the Company to patients. The healthcare reimbursement system is in a constant state of change. Changes to the healthcare system that favor technologies other than the Company's or that reduce the average fees allowable by private insurers or governmental agencies could have a material adverse effect on the Company's financial position, results of operations and cash flows.

*Guarantees and Indemnifications* – The Company enters into certain types of contracts from time to time that contingently require the Company to indemnify parties against third party claims. These contracts primarily relate to Company license, consulting, distribution and purchase agreements with its customers and other parties, under which the Company may be required to indemnify such parties for intellectual property infringement claims, product liability claims, and other claims arising from the Company's provision of products or services to such parties.

The terms of the foregoing types of obligations vary. A maximum obligation arising out of these types of agreements is not explicitly stated and, therefore, the overall maximum amount of these obligations cannot be reasonably estimated. Historically, the Company has not been obligated to make significant payments for these obligations and, thus, no liabilities have been recorded for these obligations on its balance sheet as of December 31, 2006 and June 30, 2007.

*Change in Control* – In connection with the pending sale of the Company to HAPC, Inc., I-Flow's executive management established performance criteria under the 2006 Management Incentive Plan (the "2006 MIP") that would allow the Company's executive officers to earn cash bonuses based on the gross sales price to be paid by HAPC, Inc. Because the sale did not close in 2006, no payment became due or was paid under the 2006 MIP. I-Flow's executive management approved the adoption of a 2007 Management Incentive Plan (the "2007 MIP"), which contained substantially the same terms of the 2006 MIP. Upon the closing of the sale of the Company, the Company's executives will be entitled to share a bonus pool ranging from approximately $150,000 to $270,000 under the 2007 MIP. In addition to the 2007 MIP, the Company entered into change in control agreements with certain of its executive officers. The change in control agreements provide for success bonuses to be paid to the executives equal to twelve months of the non-sales executive's current base salary or W-2 Medicare wages or six months of the sales executive's base salary plus six times the monthly average of commissions and overrides earned during the twelve months immediately preceding the closing date. The change in control agreements also provided for the immediate vesting of all restricted stock units and unvested stock options issued by I-Flow. All restrictions with respect to the restricted stock units would lapse and all vested options would remain exercisable for 30 days after the closing date of the transaction. In connection with the closing of the sale of the Company on October 25, 2007, the Company paid a total of $150,000 under the 2007 MIP bonus and approximately $815,000 of success bonuses to the executives. The Company also recorded approximately $583,000 of stock-based compensation expense related to the immediate vesting of the restricted stock units and stock options of the executives in connection with the close of the sale.

*Other Litigation* – The Company is involved in litigation arising from the normal course of operations. In the opinion of management, the ultimate impact of such litigation will not have a material adverse effect on the Company's financial position and results of operations.

**6. Employee Benefit Plan**

Employees of the Company working more than 1,040 hours annually may participate in the Parent's 401(k) retirement plan. The Company contributes $0.33 for each dollar of employee contribution up to a maximum contribution by the Company of 1.32% of each participant's annual salary. The maximum contribution by the Company of 1.32% corresponds to an employee contribution of 4% of annual salary.

Participants vest in the Company's contribution ratably over five years. Such contributions totaled $15,000 and $34,000 for the three and six months ended June 30, 2007, respectively, and were included in general and administrative expenses in the accompanying financial statements. Contributions for the three and six months ended June 30, 2006 were $15,000 and $43,000, respectively. The Company does not provide post-retirement benefits to its employees.

**7. Related Party Transactions**

Steven Watkins, President of the Company, owns 5% of Tu-Effs Limited Partnership, which owns the premises currently leased by the Company. Rent expense for the three and six months ended June 30, 2007 was $57,000 and $114,000, respectively, which were recorded in general and administrative expenses in the accompanying financial statements. Rent expense for the three and six months ended June 30, 2006 was $57,000 and $108,000, respectively.

**8. Subsequent Event**

On September 18, 2007, due to the prevailing conditions within the financial markets, I-Flow amended the definitive agreement resulting in a new purchase price of $100 million (subject to working capital adjustments in the definitive agreement) plus a contingent payment right to I-Flow of up to a maximum of $12 million (the "Earn-Out"). The amended purchase price is payable in the form of cash or a combination of cash equal to $85 million less the amount paid to HAPC's shareholders who chose to convert their HAPC shares into cash and a secured promissory note.

On October 19, 2007, I-Flow purchased approximately 2.8 million shares of common stock of HAPC at $5.97 per share through private transactions with third parties totaling approximately $17 million. With the shares purchased, I-Flow owns approximately 15% of the issued and outstanding HAPC common stock and disclosed its intentions to vote such shares in favor of the acquisition.

On October 24, 2007, the shareholders of HAPC approved the acquisition of the Company. The sale was completed on October 25, 2007 and the I-Flow received the $100 million purchase price at the closing in a combination of (i) cash equal to $67.3 million and (ii) a secured promissory note with a principal amount equal to $32.7 million.

On October 25, 2007, in connection with the closing of the sale, the Company and I-Flow entered into a services agreement that will result in I-Flow compensating the Company for its processing costs related to I-Flow's ON-Q® billings and providing the Company with an incentive-based reimbursement arrangement. Pursuant to the terms of the services agreement, the Company will continue to provide to I-Flow, from and after the closing, the billing and collection services and management services the Company has been providing prior to the date of the closing. The term of the services agreement will be three years, but it may be terminated earlier, after 18 months. Fees paid by I-Flow under the services agreement will be set at the higher of a cost-plus or percentage of collections.

**Exhibit 99.6**

**Selected Unaudited Pro Forma Combined Financial Information**

The merger of Acquisition Sub with and into InfuSystem will be accounted for as an acquisition of InfuSystem by the Company under the purchase method of accounting. Under the purchase method of accounting, the purchase price, including transaction costs, to acquire InfuSystem will be allocated to the underlying net assets, based on their respective estimated fair values. The excess of the purchase price over the estimated fair values of the net assets acquired will be recorded as goodwill.

Set forth below is selected unaudited pro forma combined financial information that reflects the purchase method of accounting and is intended to provide you with a better picture of what the Company's business might have looked like had the Company and InfuSystem actually been combined. The selected unaudited pro forma combined financial information does not reflect the effect of asset dispositions, if any, or cost savings that may result from the merger. The selected unaudited pro forma combined financial information may not be indicative of the historical results that would have occurred had the companies been combined or the future results that may be achieved after the purchase. The following selected unaudited pro forma combined financial information has been derived from, and should be read in conjunction with, the unaudited pro forma condensed combined financial statements and related notes thereto included elsewhere in this Current Report on Form 8-K.

| | Six Months Ended June 30, 2007 Actual Share Redemption (1) (in thousands, except share and per share data) | Year Ended December 31, 2006 Actual Share Redemption (1) (in thousands, except share and per share data) |
|---|---|---|
| Revenue | $ 15,706 | $ 31,716 |
| Net income (loss) | (299) | 11,358 |
| Net income (loss) per share—Basic | (0.02) | .71 |
| Weighted average number of shares—Basic | 15,898,764 | 15,898,764 |
| Net income (loss) per share—Diluted | (0.02) | .62 |
| Weighted average number of shares—Diluted | 15,898,764 | 18,286,804 |

| | June 30, 2007 Actual Share Redemption (1) (in thousands) |
|---|---|
| Total assets | $ 117,403 |
| Long-term debt | 32,703 |
| Total Stockholders' equity | 70,407 |

(1) 16.16% of the Company's stockholders redeemed their conversion rights.

**UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS**

The following unaudited pro forma condensed combined balance sheet combines the historical balance sheets of InfuSystem and the Company as of June 30, 2007, giving effect to the acquisition of InfuSystem as if the acquisition had been consummated on June 30, 2007. The following unaudited pro forma condensed combined statements of operations combined the historical statement of income of InfuSystem and the historical statement of operations of the Company for the year ended December 31, 2006 and the six months ended June 30, 2007, giving effect to the merger as if it had occurred on January 1, 2006. We are providing the following information to aid you in your analysis of the financial aspects of the merger. We derived this information for the year ended December 31, 2006 from the audited financial statements of InfuSystem and the audited financial statements of the Company for that period and for the six months ended June 30, 2007 from the unaudited financial statements of InfuSystem and the unaudited financial statements of the Company for that period. This information should be read together with the respective Company and InfuSystem financial statements and related notes included in this Current Report on Form 8-K.

The historical financial information has been adjusted to give effect to events that are directly attributable to the merger, factually supportable, and expected to have a continuing impact on the combined results. The unaudited pro forma condensed combined financial statements were prepared using the purchase method of accounting, with InfuSystem as the acquired company. Under the purchase method of accounting, the purchase price, including transaction costs, to acquire InfuSystem will be allocated to the underlying net assets, based on their respective estimated fair values. The excess of the purchase price over the estimated fair values of the net assets acquired will be recorded as goodwill. The purchase price allocation is preliminary and will be subject to a final determination upon closing of the acquisition of the acquired business. The final determination of the purchase price allocation may result in material allocation differences when compared to this preliminary allocation and the impact of the revised allocation may have a material effect on the actual results of operation and financial position of the combined entities.

The unaudited pro forma condensed combined information is for illustrative purposes only. The pro forma combined financial information may not be indicative of the historical results that would have been achieved had the companies always been combined or the future results that the combined company will experience nor do they purport to project the future financial position or operating results of the combined company.

The following information should be read in conjunction with the pro forma condensed combined financial statements:

- Accompanying notes to the unaudited pro forma condensed combined financial statements;
- Historical financial statements of the Company for the year ended December 31, 2006 and three and six months ended June 30, 2007 included elsewhere in this Current Report on Form 8-K; and
- Separate historical financial statements of InfuSystem for the year ended December 31, 2006 and three and six months ended June 30, 2007 included elsewhere in this Current Report on Form 8-K.

The unaudited pro forma condensed combined financial information has been prepared using the actual level of approval of the merger by the Company's stockholders, as follows:

- Actual Redemption: 16.16% of the Company's stockholders exercised their conversion rights.

**UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET**

**Actual Share Redemption**
**June 30, 2007**

**(Amounts in Thousands)**

| | InfuSystem, Inc. | HAPC, Inc. | | Pro Forma Adjustments | Pro Forma Combined |
|---|---|---|---|---|---|
| Current Assets: | | | | | |
| Cash and cash equivalents | $ 413 | $ 100 | 1 | (67,297) | |
| | | | 4 | (4,584) | |
| | | | 5 | (6,588) | |
| | | | 8 | (2,696) | |
| | | | 11 | 100,261 | |
| | | | 13 | (16,359) | $ 3,250 |
| Accounts receivable, net | 7,577 | | | | 7,577 |
| Inventories | 345 | | | | 345 |
| Investments held in trust | | 100,261 | 11 | (100,261) | — |
| Prepaid Expense | | 82 | | | 82 |
| Other current assets | 53 | | | | 53 |
| Deferred acquisition costs | | 2,271 | 5 | (2,271) | — |
| Deferred taxes | 1,181 | | 2 | (1,181) | — |
| Total current assets | 9,569 | 102,714 | | (100,976) | 11,307 |
| Property and equipment, net | 10,782 | | | | 10,782 |
| Goodwill and other intangible assets | 2,639 | | 1 | 41,420 | |
| | | | 5 | 8,859 | 52,918 |
| Financing Costs | | 100 | 8 | 2,696 | 2,796 |
| Trade Name and Trademarks | | | 1 | 7,300 | 7,300 |
| Physician Relationships | | | 1 | 32,300 | 32,300 |
| Total assets | **$ 22,990** | **$102,814** | | **$ (8,401)** | **$117,403** |
| Current liabilities: | | | | | |
| Accounts payable | $ 890 | $ 409 | | | $ 1,299 |
| Current portion of long-term debt | | | 1 | 1,635 | 1,635 |
| Other current liabilities | 617 | 1,942 | | | 2,559 |
| Deferred underwriting fees | | 5,468 | 4 | (5,468) | — |
| Warrant liabilities | | 9,113 | | | 9,113 |
| Total Current Liabilities | 1,507 | 16,932 | | (3,833) | 14,606 |
| Other Liabilities | 1,322 | | | — | 1,322 |
| Deferred Taxes | 1,276 | | 2 | (1,276) | — |
| Long-term debt, net of current portion | | | 1 | 31,068 | 31,068 |
| Total liabilities | 4,105 | 16,932 | | 25,959 | 46,996 |
| Common stock subject to possible conversion | | 20,042 | 13 | (20,042) | — |
| Stockholders' equity: | | | | | |
| Common stock | | 2 | | | 2 |
| Additional paid-in capital | 8,544 | 74,145 | 1 | (8,544) | |
| | | | 4 | 884 | |
| | | | 13 | 3,683 | 78,712 |
| Retained Earnings (Accumulated deficit) | 12,643 | (7,884) | 1 | (12,643) | (7,884) |
| Contributions (Distributions) from (to) Parent | (4,598) | | 1 | 4,598 | — |
| Income (loss) for current period | 2,296 | (423) | 1 | (2,296) | (423) |
| Total stockholders' equity | 18,885 | 65,840 | | (14,318) | 70,407 |
| Total liabilities and stockholders' equity | **$ 22,990** | **$102,814** | | **$ (8,401)** | **$117,403** |

**UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS**

**For the Six Months Ended June 30, 2007**
**Actual Share Redemption**
**(Amounts in Thousands, except share and per share data)**

| | InfuSystem, Inc. | HAPC, Inc. | | Pro Forma Adjustments | Pro Forma Combined |
|---|---|---|---|---|---|
| Revenue | $ 15,706 | $ — | | | $ 15,706 |
| Cost of Revenues—Michigan Use Tax | (766) | — | | | (766) |
| Cost of Revenues | 4,628 | — | | | 4,628 |
| **Gross Profit** | **11,844** | **—** | | **—** | **11,844** |
| Compensation expense | | 1,226 | 10 | (1,226) | — |
| Guaranty fee | | | 9 | 400 | 400 |
| Selling, general and administrative expense—Other | 8,261 | 724 | 3 | 125 | 9,110 |
| Amortization of physician relationships | | | 7 | 808 | 808 |
| **Total operating costs** | **8,261** | **1,950** | | **107** | **10,318** |
| **Operating income (loss)** | **3,583** | **(1,950)** | | **(107)** | **1,526** |
| Other income (expense) | | | | | |
| Interest income | 237 | 2,324 | 12 | (2,318) | 243 |
| Interest expense | | (16) | 6 | (1,670) | |
| | | | 7 | (350) | (2,036) |
| Ticking fee | | (352) | 9 | 352 | — |
| Gain on warrant liabilities | | | | | — |
| **Total other income (expense)** | **237** | **1,956** | | **(3,986)** | **(1,793)** |
| **Income (loss) before income taxes** | **3,820** | **6** | | (4,093) | **(267)** |
| Income tax provision | 1,524 | 429 | 2 | (1,921) | 32 |
| **Net income (loss)** | **$ 2,296** | **$ (423)** | | **$ (2,172)** | **$ (299)** |
| **Pro forma net income per common share—Basic** | | | | | $ (0.02) |
| **Weighted average number of common shares outstanding—Basic** | | | | | 15,898,764 |
| **Pro forma net income per common share—Diluted** | | | | | $ (0.02) |
| **Weighted average number of common shares outstanding—Diluted** | | | | | 15,898,764 |

**UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS**

**For the Year Ended December 31, 2006**
**Actual Share Redemption**
**(Amounts in Thousands, except share and per share data)**

| | InfuSystem, Inc. | HAPC, Inc. | | Pro Forma Adjustments | Pro Forma Combined |
|---|---|---|---|---|---|
| Revenue | $ 31,716 | $ — | | | $ 31,716 |
| Cost of Revenues | 8,455 | — | | | 8,455 |
| **Gross Profit** | **23,261** | **—** | | **—** | **23,261** |
| Compensation expense | | 19,710 | 10 | (19,710) | — |
| Guaranty fee | | 100 | 9 | 400 | 500 |
| Selling, general and administrative expense—Other | 15,091 | 919 | 3 | 268 | 16,278 |
| Amortization of physician relationships | | | 7 | 1,615 | 1,615 |
| **Total operating costs** | **15,091** | **20,729** | | **(17,427)** | **18,393** |
| **Operating income (loss)** | **8,170** | **(20,729)** | | **17,427** | **4,868** |
| Other income (expense) | | | | | |
| Interest income | | 3,204 | 12 | (3,204) | — |
| Interest expense | (113) | (1) | 6 | (3,433) | |
| | | | 7 | (699) | (4,246) |
| Ticking fee | | (95) | 9 | 95 | — |
| Gain on warrant liabilities | | 10,800 | | | 10,800 |
| **Total other income (expense)** | **(113)** | **13,908** | | **(7,241)** | **6,554** |
| **Income (loss) before income taxes** | **8,057** | **(6,821)** | | 10,186 | **11,422** |
| Income tax provision | 3,094 | 1,038 | 2 | (4,068) | 64 |
| **Net income (loss)** | **$ 4,963** | **$ (7,859)** | | **$ 14,254** | **$ 11,358** |
| **Pro forma net income per common share—Basic** | | | | | $ 0.71 |
| **Weighted average number of common shares outstanding—Basic** | | | | | 15,898,764 |
| **Pro forma net income per share—Diluted** | | | | | $ 0.62 |
| **Weighted average number of common shares outstanding—Diluted** | | | | | 18,286,804 |

**Notes to Unaudited Pro Forma Condensed Combined Financial Statements**

Adjustments included in the column under the heading "Pro Forma Adjustments" include:

(in thousands, except per share amounts)

**Actual Share Redemption**

1. To reflect payment for the purchase of the InfuSystem shares, to reflect seller secured promissory note issued by InfuSystem and to eliminate InfuSystem equity under the purchase method of accounting as follows:

| | |
|---|---|
| Cash Consideration paid | $ 67,297 |
| Seller Secured Promissory Note | 32,703 |
| Total Purchase Price | 100,000 |
| Current Assets | 8,388 |
| Property and Equipment | 10,782 |
| Current Liabilities | (1,507) |
| Other Liabilities | (1,322) |
| | 16,341 |
| Excess of Purchase Price over net assets acquired | $ 83,659 |

| | |
|---|---|
| Excess of Purchase Price over net asset acquired allocated as follows: | |
| Physician Relationships | $ 32,300 |
| Trade Name and Trademarks | 7,300 |
| Goodwill | 44,059 |
| | $ 83,659 |

The Company engaged the Economic and Valuation Services practice of an accounting firm to assist in the allocation of purchase price. Based on that work, which included discussions with InfuSystem management, the value assigned to each of the intangible asset categories was determined by taking into account InfuSystem-specific data on the estimated benefits of the assets. The fair value of the assets acquired were determined based on preliminary estimates and may be revised when remaining aspects of the purchase price allocation have been finalized.

The methodology used in determining the value of the physician relationships took into account the expected future operating income generated by the existing physicians, asset charges that would be paid to requisite operating assets from the operating income, and a discount rate that reflects the level of risk associated with receiving future cash flows attributable to the physician relationship. The remaining useful life of twenty years for the physician relationships was determined based on estimates of InfuSystem management. In arriving at those estimates, InfuSystem management relied upon their industry experience and familiarity with the physicians. InfuSystem determined that amortizing physician relationship costs over twenty years was an appropriate length of time based upon the average length of InfuSystem's past relationships with physicians.

The methodology used in determining the value of the trade name and trademarks assumes that the value of the trade name and trademark is equivalent to the present value of the future stream of economic benefits that can be derived from their ownership. The premise associated with this valuation technique is that if the trade name were licensed to an unrelated party, the unrelated party would pay a percentage of revenue for its use. The trade name and trademarks owner is, however, spared from this cost and therefore, this cost savings represents the value of the trade name and trademark. The Company intends to continue to utilize the trade name and trademarks and therefore they were deemed to have an indefinite useful life.

2. To eliminate deferred income taxes and reflect income tax provision impact. The transaction will be treated as an asset purchase for tax purposes. The Company has assumed a full valuation allowance for any deferred tax assets.

3. To record Michigan Single Business Tax.

4. To record payment at closing of the contingent deferred underwriting fees to FTN Midwest of $4,584 assuming actual share redemption.

5. To reflect payment of transaction related expense estimated at $8,859 lifetime to date through June 30, 2007.

6. To reflect interest expense under terms of promissory note to I-Flow in the amount of $1,670 and $3,433 for the six months ended June 30, 2007 and for the year ended December 31, 2006, respectively. The average interest rates during these periods were 10.82% and 10.56%, respectively.

Assuming interest rates increased or decreased by ten percent (10%) during the six months ended June 30, 2007, interest expense to I-Flow would have been $1,837 and $1,503, respectively.

Assuming interest rates increased or decreased by ten percent (10%) during the year ended December 31, 2006, interest

expense to I-Flow would have been $3,777 and $3,090, respectively.

7. To record amortization of financing costs over four years (life of promissory note) (included in interest expense) and physicians relationships costs (included in operating costs) over twenty years, respectively.

8. To reflect payment of financing fees which will be amortized over four years.

9. To record guarantee fee payable at closing and to reverse the ticking fee assuming a closing on January 1, 2006.

10. To eliminate nonrecurring stock based compensation charges of $1,226 and $19,710 recorded by the Company for the six months ended June 30, 2007 and for the year ended December 31, 2006, respectively. This charge is directly related to the transaction and was contingent upon the closing of the acquisition. The contingency related to the fact that in the event that the Company did not complete a business combination, Sean McDevitt and Pat LaVecchia would not be entitled to their common stock grants of 2,000,000 and 416,666 shares, respectively. Additionally, the shares of common stock granted to John Voris, Wayne Yetter, Erin Enright and JP Millon prior to the Company's initial public offering were not entitled to liquidation rights with respect to the proceeds held in the trust account if the Company did not complete a business combination and was forced to liquidate.

11. To reflect the release of funds raised by the Company's initial public offering which are currently held in trust at JP Morgan Chase Bank.

12. To eliminate interest income from trust funds held at JP Morgan Chase Bank assuming closing on January 1, 2006.

13. To record the payment of the common stock subject to conversion assuming actual stockholder approval in the amount of $16,359 on June 30, 2007.