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

FORM 10-Q

☒ **Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

for the quarterly period ended September 30, 2019
or

☐ **Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

for the transition period from ______ to ______

Commission File Number: 001-35020

INFUSYSTEM HOLDINGS, INC.

(Exact name of registrant as specified in its charter)

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

31700 Research Park Drive
Madison Heights, Michigan 48071
(Address of Principal Executive Offices) (Zip Code)

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

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

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

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

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

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

Emerging growth company ☐

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

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

As of November 8, 2019, 19,843,021 shares of the registrant's common stock, par value $0.0001 per share, were outstanding.

INFUSYSTEM HOLDINGS, INC. AND SUBSIDIARIES

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PART I—FINANCIAL INFORMATION

Item 1. Financial Statements

INFUSYSTEM HOLDINGS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

(in thousands, except share data)	As of September 30, 2019	As of December 31, 2018
ASSETS		
Current assets:		
Cash and cash equivalents	$ 3,157	$ 4,318
Accounts receivable, net	11,462	9,593
Inventories	2,768	2,254
Other current assets	1,605	1,372
Total current assets	18,992	17,537
Medical equipment for sale or rental	2,051	1,601
Medical equipment in rental service, net of accumulated depreciation	32,269	23,488
Property & equipment, net of accumulated depreciation	2,845	1,445
Intangible assets, net	16,539	19,865
Operating lease right of use assets	5,004	-
Other assets	195	137
Total assets	$ 77,895	$ 64,073
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 10,669	$ 7,091
Current portion of long-term debt	7,009	4,903
Other current liabilities	4,136	2,796
Total current liabilities	21,814	14,790
Long-term debt, net of current portion	30,342	28,842
Deferred income taxes	76	-
Operating lease liabilities, net of current portion	3,944	-
Total liabilities	56,176	43,632
Stockholders' equity:		
Preferred stock, $.0001 par value: authorized 1,000,000 shares; none issued	-	-
Common stock, $.0001 par value: authorized 200,000,000 shares; issued and outstanding 23,356,308 and 19,837,819, respectively, as of September 30, 2019 and 23,095,513 and 19,577,024, respectively, as of December 31, 2018	2	2
Additional paid-in capital	83,889	83,167
Retained deficit	(62,172)	(62,728)
Total stockholders' equity	21,719	20,441
Total liabilities and stockholders' equity	$ 77,895	$ 64,073

See accompanying notes to unaudited condensed consolidated financial statements.

INFUSYSTEM HOLDINGS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

(in thousands, except share and per share data)	Three Months Ended September 30		Nine Months Ended September 30	
	2019	2018	2019	2018
Net revenues	$ 21,489	$ 16,677	$ 59,405	$ 49,575
Cost of revenues	9,251	7,003	25,470	19,978
Gross profit	12,238	9,674	33,935	29,597
Selling, general and administrative expenses:				
Amortization of intangibles	1,077	1,160	3,326	3,512
Selling and marketing	2,402	2,323	7,480	6,950
General and administrative	7,096	6,286	20,915	18,846
Total selling, general and administrative	10,575	9,769	31,721	29,308
Operating income (loss)	1,663	(95)	2,214	289
Other expense:				
Interest expense	(488)	(370)	(1,436)	(981)
Other expense	(11)	(9)	(71)	(19)
Income (loss) before income taxes	1,164	(474)	707	(711)
Provision for income taxes	(29)	(45)	(151)	(109)
Net income (loss)	$ 1,135	$ (519)	$ 556	$ (820)
Net income (loss) per share:				
Basic	$ 0.06	$ (0.03)	$ 0.03	$ (0.04)
Diluted	0.05	(0.03)	0.03	(0.04)
Weighted average shares outstanding:				
Basic	19,781,527	20,672,688	19,690,737	22,043,213
Diluted	20,679,431	20,672,688	20,503,933	22,043,213

See accompanying notes to unaudited condensed consolidated financial statements.

INFUSYSTEM HOLDINGS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(UNAUDITED)

(in thousands)	Common Stock Shares	Common Stock Par Value Amount	Additional Paid in Capital	Retained Deficit	Treasury Stock Shares	Treasury Stock Par Value Amount	Total Stockholders' Equity
Balances at June 30, 2018	**23,032**	**$ 2**	**$ 91,587**	**$ (61,934)**	**(578)**	**$ -**	**$ 29,655**
Stock based shares issued upon vesting - gross	-	-	-	-	-	-	-
Stock-based compensation expense	-	-	453	-	-	-	453
Employee stock purchase plan	19	-	45	-	-	-	45
Common stock repurchased as part of Repurchase Program	-	-	(9,027)	-	(2,907)	-	(9,027)
Net loss	-	-	-	(519)	-	-	(519)
Balances at September 30, 2018	**23,051**	**$ 2**	**$ 83,058**	**$ (62,453)**	**(3,485)**	**$ -**	**$ 20,607**
Balances at June 30, 2019	**23,237**	**$ 2**	**$ 83,557**	**$ (63,307)**	**(3,518)**	**$ -**	**$ 20,252**
Stock based shares issued upon vesting - gross	121	-	109	-	-	-	109
Stock-based compensation expense	-	-	240	-	-	-	240
Employee stock purchase plan	14	-	70	-	-	-	70
Common stock repurchased to satisfy minimum statutory withholding on stock-based compensation	(16)	-	(87)	-	-	-	(87)
Net income	-	-	-	1,135	-	-	1,135
Balances at September 30, 2019	**23,356**	**$ 2**	**$ 83,889**	**$ (62,172)**	**(3,518)**	**$ -**	**$ 21,719**
Balances at December 31, 2017	**22,978**	**$ 2**	**$ 92,584**	**$ (61,633)**	**(198)**	**$ -**	**$ 30,953**
Stock based shares issued upon vesting - gross	29	-	-	-	-	-	-
Stock-based compensation expense	-	-	679	-	-	-	679
Employee stock purchase plan	44		91				91
Common stock repurchased to satisfy minimum statutory withholding on stock-based compensation	-	-	(5)	-	-	-	(5)
Common stock repurchased as part of Repurchase Program	-	-	(10,291)	-	(3,287)	-	(10,291)
Net loss	-	-	-	(820)	-	-	(820)
Balances at September 30, 2018	**23,051**	**$ 2**	**$ 83,058**	**$ (62,453)**	**(3,485)**	**$ -**	**$ 20,607**
Balances at December 31, 2018	**23,096**	**$ 2**	**$ 83,167**	**$ (62,728)**	**(3,518)**	**$ -**	**$ 20,441**
Stock based shares issued upon vesting - gross	288	-	124	-	-	-	124
Stock-based compensation expense	-	-	770	-	-	-	770
Employee stock purchase plan	33		123				123
Common stock repurchased to satisfy minimum statutory withholding on stock-based compensation	(61)	-	(295)	-	-	-	(295)
Net income	-	-	-	556	-	-	556
Balances at September 30, 2019	**23,356**	**$ 2**	**$ 83,889**	**$ (62,172)**	**(3,518)**	**$ -**	**$ 21,719**

See accompanying notes to unaudited condensed consolidated financial statements.

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

(in thousands)	Nine Months Ended September 30 2019	2018
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 9,534	$ 8,210
INVESTING ACTIVITIES		
Purchase of medical equipment, property and equipment	(16,420)	(4,521)
Proceeds from sale of medical equipment, property and equipment	2,239	2,344
NET CASH USED IN INVESTING ACTIVITIES	(14,181)	(2,177)
FINANCING ACTIVITIES		
Principal payments on term loans, capital lease obligations and other financing	(3,915)	(5,048)
Cash proceeds from term loans, equipment line and other financing	7,462	9,660
Debt issuance costs	(3)	(27)
Common stock repurchased to satisfy statutory withholding on employee stock based compensation plans	(295)	(5)
Common stock repurchased as part of Repurchase Program	-	(10,291)
Cash proceeds from stock plans	237	91
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	3,486	(5,620)
Net change in cash and cash equivalents	(1,161)	413
Cash and cash equivalents, beginning of period	4,318	3,469
Cash and cash equivalents, end of period	$ 3,157	$ 3,882

See accompanying notes to unaudited condensed consolidated financial statements.

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

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

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

The accompanying unaudited condensed consolidated financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”) for interim financial information. Accordingly, the unaudited condensed consolidated financial statements do not include all of the information and notes required by U.S. Generally Accepted Accounting Principles (“GAAP”) for complete financial statements. The accompanying unaudited condensed consolidated financial statements include all adjustments, composed of normal recurring adjustments, considered necessary by management to fairly state the Company’s results of operations, financial position and cash flows. The operating results for the interim periods are not necessarily indicative of results that may be expected for any other interim period or for the full year. These unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2018 as filed with the SEC.

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

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

2. Recent Accounting Pronouncements and Developments

In June 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2016-13, “Financial Instruments (Topic 326) Credit Losses”. Topic 326 changes the impairment model for most financial assets and certain other instruments. Under the new standard, entities holding financial assets and net investment in leases that are not accounted for at fair value through net income are to be presented at the net amount expected to be collected. An allowance for credit losses will be a valuation account that will be deducted from the amortized cost basis of the financial asset to present the net carrying value at the amount expected to be collected on the financial asset. Topic 326 is effective as of January 1, 2020. Early adoption is permitted. The Company is currently evaluating the impact of Topic 326 on its consolidated balance sheets, statements of operations, statements of cash flows and related disclosures.

3. Revenue Recognition

The following table presents disaggregated revenue by offering type:

	Three Months Ended September 30		Nine Months Ended September 30	
	2019	**2018**	**2019**	**2018**
Third-Party Payor Rentals	49.6%	46.8%	49.1%	47.6%
Direct Payor Rentals	30.8%	35.8%	32.7%	37.6%
Product Sales	19.6%	17.4%	18.2%	14.8%
Total - Net revenues	100.0%	100.0%	100.0%	100.0%

4. Medical Equipment

Medical equipment consists of the following (in thousands):

	September 30, 2019	December 31, 2018
Medical Equipment for sale or rental	$ 2,051	$ 1,601
Medical Equipment in rental service	73,433	61,429
Medical Equipment in rental service - pump reserve	(644)	(530)
Accumulated depreciation	(40,520)	(37,411)
Medical Equipment in rental service - net	32,269	23,488
Total	$ 34,320	$ 25,089

Depreciation expense for medical equipment for the three and nine months ended September 30, 2019 was $2.0 million and $5.4 million, respectively, compared to $1.5 million and $4.5 million for the same prior year periods, respectively, which were recorded in "cost of revenues" for each period.

5. Property and Equipment

Property and equipment consists of the following (in thousands):

	September 30, 2019			December 31, 2018		
	Gross Assets	Accumulated Depreciation	Total	Gross Assets	Accumulated Depreciation	Total
Furniture, fixtures, and equipment	$ 4,229	$ (3,446)	$ 783	$ 3,717	$ (3,257)	$ 460
Automobiles	117	(87)	30	118	(95)	23
Leasehold improvements	3,202	(1,170)	2,032	2,219	(1,257)	962
Total	$ 7,548	$ (4,703)	$ 2,845	$ 6,054	$ (4,609)	$ 1,445

Depreciation expense for property and equipment for the three and nine months ended September 30, 2019 was $0.1 million and $0.3 million, respectively, compared to $0.1 million and $0.3 million for the same prior year periods, respectively. This expense was recorded in general and administrative expenses.

6. Intangible Assets

The carrying amount and accumulated amortization of intangible assets is comprised of the following (in thousands):

	September 30, 2019			December 31, 2018		
	Gross Assets	Accumulated Amortization	Net	Gross Assets	Accumulated Amortization	Net
Nonamortizable intangible assets						
Trade names	$ 2,000	$ -	$ 2,000	$ 2,000	$ -	$ 2,000
Amortizable intangible assets:						
Trade names	23	(23)	-	23	(23)	-
Physician and customer relationships	36,534	(25,956)	10,578	36,534	(24,175)	12,359
Non-competition agreements	1,136	(1,136)	-	1,136	(1,136)	-
Software	11,230	(7,269)	3,961	11,230	(5,724)	5,506
Total nonamortizable and amortizable intangible assets	$ 50,923	$ (34,384)	$ 16,539	$ 50,923	$ (31,058)	$ 19,865

Amortization expense for the three and nine months ended September 30, 2019 was $1.1 million and $3.3 million, respectively, compared to $1.2 million and $3.5 million for the same prior year periods, respectively. Expected annual amortization expense for intangible assets recorded as of September 30, 2019 is as follows (in thousands):

	10/1 - 12/31/2019	2020	2021	2022	2023	2024 and thereafter
Amortization expense	$ 1,076	$ 4,285	$ 3,930	$ 2,051	$ 548	$ 2,649

7. Debt

On April 15, 2019, the Company sold for $2.0 million and immediately leased back certain medical equipment in rental service to a third party specializing in such transactions. The leaseback term is 36 months. Because the arrangement contains a purchase option that the Company is reasonably certain to exercise, this transaction did not qualify for the sale-leaseback accounting under ASC 842. The medical equipment remains recorded on the accompanying condensed consolidated balance sheet and the proceeds received have been classified as an Other Financing liability, which is being paid off monthly over the term of the lease. The balance of Other Financing as of September 30, 2019 was $1.8 million.

On February 5, 2019, the Company and its primary lender entered into the fifth amendment (the “Fifth Amendment”) to its existing credit facility (the “Credit Agreement”). Among other things, the Fifth Amendment amended the Credit Agreement to (1) increase our borrowing capacity under our existing equipment line to $8.0 million, (2) revise the definition of earnings before interest, taxes, depreciation and amortization, a non-GAAP financial measure, to include additional add-back adjustments for the years ended or ending December 31, 2018 and 2019, (3) revise the definition of fixed charge coverage ratio for the year ending December 31, 2019 to include an unfinanced portion of capital expenditures of up to $7.0 million for the year ending December 31, 2019, (4) revise the Credit Agreement’s maximum permitted indebtedness to finance the acquisition, construction or improvement of any fixed or capital assets and (5) revise the maximum leverage ratio for each of the quarters during December 31, 2018 and December 31, 2019.

As of September 30, 2019, the Company's term loans and equipment line under its credit facility had balances of $27.7 million and $8.0 million, respectively. The net availability under the revolving credit line under the credit facility is based upon our eligible accounts receivable and eligible inventory and is computed as follows (in thousands):

	September 30, 2019	December 31, 2018
Revolver:		
Gross availability	$ 11,000	$ 9,973
Outstanding draws	-	-
Letters of credit	(1,750)	(750)
Landlord reserves	(71)	(70)
Net availability	$ 9,179	$ 9,153

The Company had future maturities of loans and other financing as of September 30, 2019 as follows (in thousands):

	2019	2020	2021	2022	2023 and thereafter	Total
Term Loan A	$ 896	$ 3,584	$ 16,143	$ -	$ -	$ 20,623
Term Loan C	307	1,229	5,529	-	-	7,065
Equipment Line	400	1,600	1,600	1,600	2,800	8,000
Unamortized value of the debt issuance costs	(10)	(39)	(39)	-	-	(88)
Other financing	152	652	725	222	-	1,751
Total	$ 1,745	$ 7,026	$ 23,958	$ 1,822	$ 2,800	$ 37,351

The following is a breakdown of the Company's current and long-term debt as follows (in thousands):

September 30, 2019				December 31, 2018			
	Current Portion	Long-Term Portion	Total		Current Portion	Long-Term Portion	Total
Term Loan A	$ 3,584	$ 17,039	$ 20,623	Term Loan A	$ 3,584	$ 19,727	$ 23,311
Term Loan C	1,229	5,836	7,065	Term Loan C	1,229	6,757	7,986
Equipment Line	1,600	6,400	8,000	Equipment Line	128	2,434	2,562
Unamortized value of debt issuance costs	(39)	(49)	(88)	Unamortized value of debt issuance costs	(38)	(76)	(114)
Other financing	635	1,116	1,751	Other financing	-	-	-
Total	$ 7,009	$ 30,342	$ 37,351	Total	$ 4,903	$ 28,842	$ 33,745

As of September 30, 2019, interest on the credit facility is payable at our option as a (i) Eurodollar Loan, which bears interest at a per annum rate equal to the applicable 30-day London Interbank Offered Rate ("LIBOR") plus an applicable margin ranging from 2.00% to 3.00% or (ii) CB Floating Rate ("CBFR") Loan, which bears interest at a per annum rate equal to the greater of (a) the lender's prime rate or (b) LIBOR plus 2.50%, in each case, plus a margin ranging from -1.00% to 0.25%. The actual rate at September 30, 2019 was 4.81% (LIBOR of 2.06% plus 2.75%). The actual CBFR Loan rate at September 30, 2019 was 5.00% (lender's prime rate of 5.00%).

As of September 30, 2019, the Company was in compliance with all debt-related covenants under the Credit Agreement.

On November 7, 2019, the Company entered into the Sixth Amendment to the Credit Agreement (the "Sixth Amendment"). See Note 12 to the accompanying unaudited condensed consolidated financial statements for further details on the Sixth Amendment.

8. Income Taxes

During the three and nine months ended September 30, 2019, the Company recorded expense provision for income taxes of less than $0.1 million and $0.2 million, respectively. The income tax provision relates principally to the Company's state and local taxes and foreign operations in Canada. During the three and nine months ended September 30, 2018, the Company recorded expense provision for income taxes of less than $0.1 million and $0.1 million, respectively.

The Company's realization of its deferred tax assets is dependent upon many factors, including, but not limited to, the Company's ability to generate sufficient taxable income. Management assesses the available positive and negative evidence to estimate if sufficient future taxable income will be generated to use the existing deferred tax assets. The Company's management has determined that it is not more likely than not that the Company will recognize the benefits of its federal and state deferred tax assets. Accordingly, the Company had a full valuation allowance for all deferred tax assets at September 30, 2019 and December 31, 2018.

9. Commitments, Contingencies and Litigation

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

The Company is not involved in any legal proceedings that the Company currently believes could have a material effect on the Company's financial condition, results of operations or cash flows.

10. Earnings (Loss) Per Share

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

	Three Months Ended September 30		**Nine Months Ended September 30**	
Numerator:	**2019**	**2018**	**2019**	**2018**
Net income (loss) *(in thousands)*	$ 1,135	$ (519)	$ 556	$ (820)
Denominator:				
Weighted average common shares outstanding:				
Basic	19,781,527	20,672,688	19,690,737	22,043,213
Dilutive effect of non-vested awards	897,904	-	813,196	-
Diluted	20,679,431	20,672,688	20,503,933	22,043,213
Net income (loss) per share:				
Basic	$ 0.06	$ (0.03)	$ 0.03	$ (0.04)
Diluted	$ 0.05	$ (0.03)	$ 0.03	$ (0.04)

For the three and nine months ended September 30, 2019, 0.1 million and less than 0.1 million, respectively, of stock options with an exercise price above the current average market value of the Company's common stock were not included in the calculation because they would have an anti-dilutive effect. For the three and nine months ended September 30, 2018, all options were anti-dilutive due to the Company's net losses for those periods and therefore not included in the calculation.

11. Leases

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

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

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

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

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

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

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

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

The components of lease costs for the three and nine months ended September 30, 2019 are as follows (in thousands):

	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2019
Operating lease cost	$ 533	$ 1,425
Variable lease cost	56	182
Total lease cost	$ 589	$ 1,607

Operating lease expense for the three and nine months ended September 30, 2018 was $0.4 million and $1.1 million, respectively.

Amounts reported in the condensed consolidated balance sheet as of September 30, 2019 for our operating leases are as follows (in thousands):

	September 30, 2019
Operating lease ROU assets	$ 5,004
Current operating lease liabilities (included in other current liabilities)	$ 1,321
Operating lease liabilities, net of current portion	3,944
Total operating lease liabilities	$ 5,265

Supplemental cash flow information and non-cash activity related to our leases are as follows (in thousands):

	Nine Months Ended September 30, 2019
Cash paid for amounts included in the measurement of lease liabilities and ROU assets:	
Operating cash flow from operating leases	$ 1,201
ROU assets obtained in exchange for lease obligations:	
Operating leases	$ 3,338

Weighted average remaining lease terms and discount rates for our leases as of September 30, 2019 are as follows:

	Years
Weighted average remaining lease term:	
Operating leases	7.5

	Rate
Weighted average discount rate:	
Operating leases	7.6%

Future maturities of lease liabilities as of September 30, 2019 are as follows (in thousands):

	Operating Leases
2019	$ 398
2020	1,328
2021	772
2022	706
2023	719
Thereafter	3,506
Total undiscounted lease payments	7,429
Less: Imputed interest	(2,164)
Total lease liabilities	$ 5,265

The Company disclosed in our 2018 Annual Report on Form 10-K maturities of lease liabilities as of December 31, 2018, in accordance with ASC 840. During the quarter ended March 31, 2019, the Company determined that it improperly included certain lease commitments in the maturities table as of December 31, 2018 in Note 10 of the 2018 Annual Report on Form 10-K. The table overstated our lease maturities as follows (in thousands): $121 in 2019, $370 in 2020, $381 in 2021, $392 in 2022, $404 in 2023 and $2,528 in the thereafter period.

The Company assessed the materiality of this error, considering both the qualitative and quantitative factors and determined that for the year ended December 31, 2018, the error was immaterial. The Company has decided to correct this immaterial error as a revision to our previously issued financial statements by adjusting the maturities of the lease liabilities as of December 31, 2018 for the overstated amounts as reflected in the table below (in thousands):

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

12. Subsequent Events

Sixth Amendment to Credit Agreement

On November 7, 2019, the Company entered into the Sixth Amendment to the Credit Agreement. The Sixth Amendment amended the Credit Agreement to, among other things:

- provide for a 2019 Capital Expenditure Loan Commitment of $10.0 million (in addition to the existing Capital Expenditure Loan Commitment of $8.0 million), which may be drawn upon until the earlier of the full commitment being advanced or December 31, 2020 (if the same is a Business Day, or if not then the immediately next succeeding Business Day), to be used solely to purchase Eligible Equipment to be used in the Borrowers' business and in amounts not to exceed 90.0% of the invoiced hard costs of such acquired equipment;
- increase the Revolving Commitment to $11.8 million;
- revise the definition of EBITDA to include the following additional or revised add-back adjustments: (i) one-time charges in an aggregate amount not to exceed $0.3 million and incurred prior to December 31, 2019 relating to Borrower's integration of business previously served by another major provider of electronic oncology pumps; (ii) one-time charges in an aggregate amount not to exceed $0.3 million and incurred prior to December 31, 2019 relating to Borrowers' facility move; (iii) lease buyout expenses not to exceed: (x) $0.1 million incurred on or prior to December 31, 2018; (y) $0.2 million incurred after December 31, 2018 but on or prior to March 31, 2019; and (z) $0.2 million incurred after September 30, 2019 but on or prior to December 31, 2020; and (iv) any other non-cash charges for such period (but excluding (A) any non-cash charge in respect to an item that was included in Net Income in a prior period and (B) any non-cash charge that relates to the write-down or write-off of Inventory, Medical Equipment Held for Sale or Rental and Medical Equipment in Rental Service in excess of $0.5 million in any consecutive twelve month period);
- revise the definition of Fixed Charge Coverage Ratio to mean, for any period, the ratio of (a) EBITDA minus Maintenance Capital Expenditures (defined to mean, for any period, 50.0% of depreciation expense) to (b) Fixed Charges, all calculated for the Company and its Subsidiaries on a consolidated basis in accordance with GAAP;
- revise the definitions of Revolving Credit Maturity Date and Term Maturity Date to mean the date five years after the Sixth Amendment Effective Date (if the same is a Business Day, or if not then the immediately next succeeding Business Day) and add a definition for the 2019 Capital Expenditure Loan Maturity Date to provide for the same maturity date;
- reflect the refinancing of the Term A Loans, Term B Loans and Term C Loan as a single Term Loan on the Sixth Amendment Effective Date and, commencing on the last Business Day of December 2019, the consecutive quarterly principal installment payments will change to approximately $1.2 million. This will change our future maturities of loans and other financing as follows: reduction of $0.1 million for the remainder of 2019, reduction of $0.2 million in 2020, reduction of $20.7 million in 2021, increase of $4.6 million in 2022 and an increase of $12.7 million in the 2023 and thereafter period; and

- revise Section 5.01(e) of the Credit Agreement, which governs the Borrowers' Financial Statements delivery to Lender, to provide that Borrowers shall deliver the Financial Statements (x) as soon as possible but in any event within 30 days of the end of each fiscal quarter of the Borrower, or within 30 days of the end of each calendar month if any Revolving Loans were outstanding in month, (y) in connection with, and prior to, requesting any Letter of Credit and (z) at such other times as may be requested by the Lender.

Segment Reporting

The Company is currently evaluating its internal financial reporting and the discrete financial measures utilized by the chief operating decision maker, which we expect to result in reportable segment disclosure for the year ended December 31, 2019 or the first quarter ended March 31, 2020.

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

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

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Certain statements contained in this quarterly report on Form 10-Q are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act") and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). The words "believe," "may," "will," "estimate," "continue," "anticipate," "intend," "should," "plan," "expect," "strategy," "future," "likely," variations of such words, and other similar expressions, as they relate to the Company, are intended to identify forward-looking statements. However, the absence of these words or similar expressions does not mean that a statement is not forward-looking. In connection with the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995, the Company is identifying certain factors that could cause actual results to differ, perhaps materially, from those indicated by these forward-looking statements. Those factors, risks and uncertainties include, but are not limited to, potential changes in overall healthcare reimbursement, including the Centers for Medicare and Medicaid Services competitive bidding and fee schedule reductions, sequestration, concentration of customers, increased focus on early detection of cancer, competitive treatments, dependency on Medicare Supplier Number, availability of chemotherapy drugs, global financial conditions, changes and enforcement of state and federal laws, natural forces, competition, dependency on suppliers, risks in acquisitions & joint ventures, U.S. Healthcare Reform, relationships with healthcare professionals and organizations, technological changes related to infusion therapy, the Company's ability to implement information technology improvements and to respond to technological changes, the ability of the Company to successfully integrate acquired businesses, dependency on key personnel, dependency on banking relations and the ability to comply with credit facility covenants, and other risks associated with our common stock, as well as any litigation in which the Company may be involved from time to time; and other risk factors as discussed in the Company's annual report on Form 10-K for the year ended December 31, 2018 and in other filings made by the Company from time to time with the Securities and Exchange Commission ("SEC"). Our annual report on Form 10-K is available on the SEC's EDGAR website at www.sec.gov, and a copy may also be obtained by contacting the Company. All forward-looking statements made in this Form 10-Q speak only as of the date of this report. We do not intend, and do not undertake any obligation, to update any forward-looking statements to reflect future events or circumstances after the date of such statements, except as required by law.

Overview

We are a leading provider of infusion pumps and related products and services for patients in the home, oncology clinics, ambulatory surgery centers and other sites of care from five locations in the United States and Canada. Through our operating subsidiaries, including InfuSystem, Inc. ("ISI") and First Biomedical, Inc. ("First Biomedical"), we provide our products and services to hospitals, oncology practices and facilities and other alternate site health care providers. Headquartered in Madison Heights, Michigan, we deliver local, field-based customer support and also operate pump service and repair Centers of Excellence in Michigan, Kansas, California, Massachusetts and Ontario, Canada. ISI is accredited by the Community Health Accreditation Program while First Biomedical is ISO certified.

Our core service is to supply electronic ambulatory infusion pumps and associated disposable supply kits to oncology clinics, infusion clinics and hospital outpatient chemotherapy clinics to be utilized in the treatment of a variety of cancers including colorectal cancer and other disease states. Colorectal cancer is the third most prevalent form of cancer in the United States, according to the American Cancer Society, and the standard of care for the treatment of colorectal cancer relies upon continuous chemotherapy infusions delivered via ambulatory infusion pumps.

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

We are currently evaluating our internal financial reporting and the discrete financial measures utilized by the chief operating decision maker, which we expect to result in reportable segment disclosure for the year ended December 31, 2019 or the first quarter ended March 31, 2020.

We purchase new and pre-owned pole mounted and ambulatory infusion pumps from a variety of sources on a non-exclusive basis. We repair, refurbish and provide biomedical certification for the devices as needed. The pumps are then available for sale, rental or to be used within our ambulatory infusion pump management service.

Our payor environment is in a constant state of change. Management is intent on extending its considerable breadth of payor contracts as patients move into different insurance coverages, including Medicaid and Insurance Marketplace products. In some cases, this may slightly reduce our aggregate billed revenues payment rate but result in an overall increase in collected revenues, effectively lessening bad debt expense on a micro level, but due to the mix of all payors may not have an impact on overall bad debt expense. Consequently, we are increasingly focused on net revenues, which include a reduction for bad debt.

In the midst of changes in the healthcare arena, we believe that we will support our overall business strategy discussed above by (i) focusing on supporting recurring revenues by increasing our pump fleet; (ii) improving liquidity and strengthening the balance sheet by keeping debt levels comparable to our operations; (iii) improving internal operational efficiencies; (iv) increasing our product and services offerings; (v) enhancing our technology offerings to the patients and providers of care; and (vi) investigating synergistic acquisitions.

Results of Operations for the Three Months Ended September 30, 2019 Compared to the Three Months Ended September 30, 2018

Net Revenues

Our net revenues for the quarter ended September 30, 2019 were $21.5 million, an increase of $4.8 million, or 28.9%, compared to $16.7 million for the quarter ended September 30, 2018. During this period, net revenues from rentals increased $3.5 million, or 25.5%, compared to the same prior year period. This increase was primarily attributable to growth in the Company’s customer base due to favorable changes in the competitive environment for oncology services and growth in its pain management business. Net revenues from product sales for the three months ended September 30, 2019 were $4.2 million, an increase of $1.3 million, or 45.0%, compared to the same period of 2018. This increase was primarily the result of an increase in equipment sales of $1.0 million and disposable sales of $0.3 million due to the timing of pump sales and the Company’s efforts to expand its product offering.

Gross Profit

Gross profit for the quarter ended September 30, 2019 was $12.2 million, an increase of $2.6 million, or 26.5%, compared to the quarter ended September 30, 2018. As a percentage of revenues, gross profit for the quarter ended September 30, 2019 was 57.0%, down from 58.0% for the same prior year period primarily due to growth in the Company’s lower margin product sales and increased supply costs in anticipation of future growth. The increase in gross profit for the period was mainly due to the increase in net revenues for the period, which was partially offset by an increase of $0.9 million in the costs of pumps and accessories sold, $0.4 million in the costs of supply and pump rentals, $0.4 million in pump depreciation expense, $0.3 million in the costs of disposables sold, $0.1 million in service, repair and maintenance costs and $0.1 million in freight costs.

Amortization of Intangible Assets

Amortization of intangible assets for the quarter ended September 30, 2019 was $1.1 million, a decrease of $0.1 million compared to the same prior year period. This decrease is attributable to certain intangible assets becoming fully amortized, thus, the related amortization of those projects no longer existed in the third quarter of 2019.

Selling and Marketing Expenses

Selling and marketing expenses for the quarter ended September 30, 2019 were $2.4 million, an increase of $0.1 million, or 3.4%, compared to $2.3 million for the quarter ended September 30, 2018. This increase was largely attributable to an increase in commission expense of $0.2 million, which was partially offset by a decrease in salaries, travel and related expenses of $0.1 million. Selling and marketing expenses during these periods consisted of sales personnel salaries, commissions and associated fringe benefits and payroll-related items, marketing, share-based compensation, travel and entertainment and other miscellaneous expenses.

General and Administrative Expenses

General and Administrative (“G&A”) expenses for the quarter ended September 30, 2019 were $7.1 million, an increase of $0.8 million, or 12.9%, from $6.3 million for the quarter ended September 30, 2018. The increase in G&A expenses versus the comparable prior year period was primarily due to increases in employee compensation related expenses of $0.7 million and increases of $0.1 million each for outside services expense, rent expense, telephone expense and accounting fees. These increases were partially offset by a decrease in legal fees and strategic alternative costs of $0.4 million. The increase in employee compensation expenses was primarily attributable to a $0.9 million increase in salaries and related expenses, partially offset by a $0.2 million decrease in stock compensation expense.

Other Expenses

During the quarter ended September 30, 2019, we incurred interest expense of $0.5 million, an increase of $0.1 million, or 31.9%, compared to the comparable prior year period. This was a net result of the new term debt and equipment financing for capital expenditures that were entered into during the second half of 2018 and first half of 2019 and higher blended interest rates in 2019 as compared to 2018.

Income Taxes

During both the three months ended September 30, 2019 and 2018, the Company recorded expense provision for income taxes of less than $0.1 million. The provision for income taxes relates principally to the Company’s state and local taxes and foreign operations in Canada.

The Company’s realization of its deferred tax assets is dependent upon many factors, including, but not limited to, the Company’s ability to generate sufficient taxable income. Management assesses the available positive and negative evidence to estimate if sufficient future taxable income will be generated to use the existing deferred tax assets. Accordingly, at both September 30, 2019 and December 31, 2018, the Company had a full valuation allowance for all deferred tax assets, as management determined that it is not more likely than not the Company will recognize the benefits of its federal and state deferred tax assets.

Results of Operations for the Nine Months Ended September 30, 2019 Compared to the Nine Months Ended September 30, 2018

Net Revenues

Our net revenues for the nine months ended September 30, 2019 were $59.4 million, an increase of $9.8 million, or 19.8%, compared to $49.6 million for the nine months ended September 30, 2018. During this period, net revenues from rentals increased $6.3 million, or 15.0%, compared to the same prior year period. This increase was primarily attributable to growth in the Company’s customer base due to favorable changes in the competitive environment for oncology services and growth in its pain management business. Net revenues from product sales for the nine months ended September 30, 2019 were $10.8 million, an increase of $3.5 million, or 47.6%, compared to the same period of 2018. This increase was primarily the result of an increase in equipment sales of $2.2 million and disposable sales of $1.3 million due to the timing of pump sales and the Company’s efforts to expand its product offering.

Gross Profit

Gross profit for the nine months ended September 30, 2019 was $33.9 million, an increase of $4.3 million, or 14.7%, compared to the nine months ended September 30, 2018. As a percentage of revenues, gross profit for the nine months ended September 30, 2019 was 57.1%, down from 59.7% for the same prior year period primarily due to growth in the Company’s lower margin product sales and increased supply costs in anticipation of future growth. The increase in gross profit for the period was mainly due to the increase in net revenues for the period, which was partially offset by an increase of $1.9 million in the costs of pumps and accessories sold, $1.3 million in the costs of supply and pump rentals, $1.1 million in the costs of disposables sold, $0.9 million in pump depreciation expense, $0.2 million in service, repair and maintenance costs and $0.1 million in freight costs.

Amortization of Intangible Assets

Amortization of intangible assets for the nine months ended September 30, 2019 was $3.3 million, a decrease of $0.2 million compared to the same prior year period. This decrease is attributable to certain intangible assets becoming fully amortized, thus, the related amortization of those projects no longer existed in the nine months ended September 30, 2019.

Selling and Marketing Expenses

Selling and marketing expenses for the nine months ended September 30, 2019 were $7.5 million, an increase of $0.5 million, or 7.6%, compared to $7.0 million for the nine months ended September 30, 2018. The increase was largely attributable to an increase in commission expense of $0.4 million, advertising costs of $0.1 million and travel and related expenses of $0.1 million in support of revenue growth, partially offset by a $0.1 million decrease in salaries and related expenses. Selling and marketing expenses during these periods consisted of sales personnel salaries, commissions and associated fringe benefits and payroll-related items, marketing, share-based compensation, travel and entertainment and other miscellaneous expenses.

General and Administrative Expenses

G&A expenses for the nine months ended September 30, 2019 were $20.9 million, an increase of $2.1 million, or 11.0%, from $18.8 million for the same prior year period. The increase in G&A expenses versus the comparable prior year period was primarily due to increases in employee compensation related expenses of $1.7 million, outside services of $0.4 million, rent expense of $0.2 million and accounting fees of $0.2 million. These increases were partially offset by a decrease in legal and strategic alternative costs of $0.4 million. The increase in employee compensation related expenses was primarily attributable to a $1.3 million increase in salaries and related expenses, $0.3 million net increase in the incentive bonus accrual and a $0.1 million increase of stock compensation expense.

Other Expenses

During the nine months ended September 30, 2019, we incurred interest expense of $1.4 million, an increase of $0.5 million, or 46.4%, compared to the comparable prior year period. This was a net result of the new term debt and equipment financing for capital expenditures that were entered into during the second half of 2018 and first half of 2019 and higher blended interest rates in 2019 as compared to 2018.

Income Taxes

During the nine months ended September 30, 2019, the Company recorded provision for income taxes of $0.2 million compared to provision for income taxes of $0.1 million for the same comparable prior year period. The provision for income taxes relates principally to the Company's state and local taxes and foreign operations in Canada.

The Company's realization of its deferred tax assets is dependent upon many factors, including, but not limited to, the Company's ability to generate sufficient taxable income. Management assesses the available positive and negative evidence to estimate if sufficient future taxable income will be generated to use the existing deferred tax assets. Accordingly, at both September 30, 2019 and December 31, 2018, the Company had a full valuation allowance for all deferred tax assets, as management determined that it is not more likely than not the Company will recognize the benefits of its federal and state deferred tax assets.

Liquidity and Capital Resources

Overview:

We finance our operations and capital expenditures with internally-generated cash from operations and borrowings under our existing credit agreement (the "Credit Agreement") or other financing arrangements. As of September 30, 2019, we had cash and cash equivalents of $3.2 million and $9.2 million of availability on our revolving credit facility under the Credit Agreement (the "Revolver") compared to $4.3 million of cash and cash equivalents and $9.2 million of availability on our Revolver at December 31, 2018. Our liquidity and borrowing plans are established to align with our financial and strategic planning processes and ensure we have the necessary funding to meet our operating commitments, which primarily include the purchase of pumps and inventory, and payroll and general expenses. We also take into consideration our overall capital allocation strategy which includes investment for future growth, share repurchases and potential acquisitions. We believe we have adequate sources of liquidity and funding available for at least the next year, however, there are a number of factors that may negatively impact our available sources of funds. The amount of cash generated from operations will be dependent upon factors such as the successful execution of our business plan and general economic conditions.

Long-Term Debt Activities:

On April 15, 2019, the Company sold for $2.0 million and immediately leased back certain medical equipment in rental service to a third party specializing in such transactions. The leaseback term is 36 months. Because the arrangement contains a purchase option that the Company is reasonably certain to exercise, this transaction did not qualify for the sale-leaseback accounting under ASC 842. The medical equipment remains recorded on the accompanying condensed consolidated balance sheet and the proceeds received have been classified as an Other Financing liability, which is being paid off monthly over the term of the lease. The balance of Other Financing as of September 30, 2019 was $1.8 million.

On February 5, 2019, the Company and its primary lender entered into the fifth amendment (the "Fifth Amendment") to the Credit Agreement. Among other things, the Fifth Amendment amended the Credit Agreement to (1) increase our borrowing capacity under our existing equipment line to $8.0 million, (2) revise the definition of earnings before interest, taxes, depreciation and amortization, a non-GAAP financial measure, to include additional add-back adjustments for the years ended or ending December 31, 2018 and 2019, (3) revise the definition of fixed charge coverage ratio for the year ending December 31, 2019 to include an unfinanced portion of capital expenditures of up to $7.0 million for the year ending December 31, 2019, (4) revise the Credit Agreement's maximum permitted indebtedness to finance the acquisition, construction or improvement of any fixed or capital assets and (5) revise the maximum leverage ratio for each of the quarters during December 31, 2018 and December 31, 2019.

As of September 30, 2019, our term loans and equipment line under the Credit Agreement had balances of $27.7 million and $8.0 million, respectively. The net availability under the Revolver is based upon our eligible accounts receivable and eligible inventory and is computed as follows (in thousands):

	September 30, 2019	December 31, 2018
Revolver:		
Gross availability	$ 11,000	$ 9,973
Outstanding draws	-	-
Letters of credit	(1,750)	(750)
Landlord reserves	(71)	(70)
Net availability	$ 9,179	$ 9,153

As of September 30, 2019, interest on the credit facility is payable at our option as a (i) Eurodollar Loan, which bears interest at a per annum rate equal to the applicable 30-day London Interbank Offered Rate ("LIBOR") plus an applicable margin ranging from 2.00% to 3.00% or (ii) CB Floating Rate ("CBFR") Loan, which bears interest at a per annum rate equal to the greater of (a) the lender's prime rate or (b) LIBOR plus 2.50%, in each case, plus a margin ranging from -1.00% to 0.25%. The actual Eurodollar Loan rate at September 30, 2019 was 4.81% (LIBOR of 2.06% plus 2.75%). The actual CBFR Loan rate at September 30, 2019 was 5.00% (lender's prime rate of 5.00%).

As of September 30, 2019, the Company was in compliance with all debt-related covenants under the Credit Agreement.

On November 7, 2019, the Company and its primary lender entered into the Sixth Amendment to the Credit Agreement. Among other things, the Sixth Amendment amended the Credit Agreement to (1) provide for a new equipment line of $10.0 million in addition to our existing equipment line of $8.0 million, (2) increase the commitment under the Revolver to $11.8 million, (3) revise certain definitions, (4) refinance outstanding term loans into a single term loan and (5) revise the Company's financial statement delivery requirements. See Note 12, Subsequent Events, to the accompanying unaudited condensed consolidated financial statements for further details regarding the Sixth Amendment to the Credit Agreement.

Share Repurchase Program

On September 30, 2019, our Board of Directors approved a stock repurchase program (the "Share Repurchase Program") authorizing the Company to repurchase up to $5.0 million of the Company's outstanding common stock through 2020. The repurchase program will be subject to market conditions, the periodic capital needs of the Company's operating activities, and the continued satisfaction of all covenants under the Company's existing Credit Agreement. As of September 30, 2019, we had availability of $9.2 million on our Revolver, all of which could be used to fund stock repurchases, subject to the restrictions and limitations of our Credit Agreement. Repurchases under the program may take place in the open market or in privately negotiated transactions and may be made under a Rule 10b5-1 plan. The repurchase program does not obligate the Company to repurchase shares and may be suspended, terminated, or modified at any time.

As of September 30, 2019, the Company has not repurchased any shares under the Share Repurchase Program.

Cash Flows:

Operating Cash Flow*.* Net cash provided by operating activities for the nine months ended September 30, 2019 was $9.5 million compared to net cash provided by operating activities of $8.2 million for the nine months ended September 30, 2018. This increase was primarily attributable to the favorable change in net income (loss) adjusted for non-cash items and the positive cash flow effect of a net incremental increase in accounts payable and other liabilities, which was partially offset by an incremental increase in accounts receivable.

Investing Cash Flow. Net cash used in investing activities was $14.2 million for the nine months ended September 30, 2019 compared to net cash used in investing activities of $2.2 million for the nine months ended September 30, 2018. The increase in net cash used was due to a $11.9 million increase in cash used to purchase medical equipment and other assets and a $0.1 million decrease in proceeds from the sales of medical equipment.

Financing Cash Flow. Net cash provided by financing activities for the nine months ended September 30, 2019 was $3.5 million compared to net cash used in financing activities of $5.6 million for the nine months ended September 30, 2018. The net increase in net cash provided was primarily attributable to cash proceeds from our equipment line and proceeds received as part of a new financing arrangement in 2019 and our decision to pay down our term loan debt and repurchase shares of common stock as part of a share repurchase program in 2018.

Critical Accounting Policies and Estimates

The unaudited condensed consolidated financial statements are prepared in conformity with U.S. GAAP, which require the use of estimates, judgments and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses in the periods presented. We believe that the accounting estimates employed are appropriate and resulting balances are reasonable; however, due to inherent uncertainties in making estimates, actual results could differ from the original estimates, requiring adjustments to these balances in future periods. The critical accounting estimates that affect the unaudited condensed consolidated financial statements and the judgments and assumptions used are consistent with those described in the notes to the audited consolidated financial statements in our annual report on Form 10-K for the year ended December 31, 2018, with the exception of our adoption of Topic 842. See Note 11 to the accompanying unaudited condensed consolidated financial statements for further details regarding our adoption of Topic 842.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

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

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures and Changes in Internal Control over Financial Reporting

We maintain a set of disclosure controls and procedures designed to ensure that material information required to be disclosed in our filings under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and that material information is accumulated and communicated to our management, including our Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), as appropriate, to allow timely decisions regarding required disclosures. Our CEO and CFO have evaluated these disclosure controls and procedures as of the end of the period covered by this quarterly report on Form 10-Q and have determined that such disclosure controls and procedures were effective.

There has been no change in our internal control over financial reporting during our most recent calendar quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings

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

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

Item 1A. Risk Factors

For information regarding factors that could affect our results of operations, financial condition and liquidity, refer to the section entitled “Risk Factors” in Part I, Item 1A in our Annual Report on Form 10-K for the year ended December 31, 2018.

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

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

Exhibits	
3.1	Amended and Restated Certificate of Incorporation, as amended (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K (File No. 1-35020) filed on May 12, 2014)
3.2	Amended and Restated By-Laws (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K (File No. 1-35020) filed on July 9, 2018)
10.1	Sixth Amendment to the Credit Agreement, dated as of November 7, 2019, among InfuSystem Holdings, Inc. and Its direct and indirect subsidiaries with JPMorgan Chase Bank, N.A. as Lender (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (File No. 1-35020) filed on November 12, 2019)
31.1*	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1*	Certification of the Chief Executive Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2*	Certification of the Chief Financial Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document
*	Filed herewith

SIGNATURES

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

INFUSYSTEM HOLDINGS, INC.

Date: November 14, 2019

/s/ Richard DiIorio
Richard DiIorio
Chief Executive Officer, President and Director
(Principal Executive Officer)

Date: November 14, 2019

/s/ Gregory Schulte
Gregory Schulte
Chief Financial Officer
(Principal Financial Officer)

Exhibit 31.1

CERTIFICATION BY CHIEF EXECUTIVE OFFICER

I, Richard DiIorio, certify that:

1. I have reviewed this quarterly report on Form 10-Q of InfuSystem Holdings, Inc.;

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

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

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

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

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

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

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

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

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

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

Date: November 14, 2019

/s/ Richard DiIorio

Richard DiIorio

Chief Executive Officer, President and Director

Exhibit 31.2

CERTIFICATION BY CHIEF FINANCIAL OFFICER

I, Gregory Schulte, certify that:

1. I have reviewed this quarterly report on Form 10-Q of InfuSystem Holdings, Inc.

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

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

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

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

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

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

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

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

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

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

Date: November 14, 2019

/s/ Gregory Schulte
Gregory Schulte
Chief Financial Officer

Exhibit 32.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

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

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

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

The quarterly report on Form 10-Q for the quarter ended September 30, 2019 (the "Form 10-Q") of the Company fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 14, 2019

/s/ Richard DiIorio
Richard DiIorio
Chief Executive Officer, President and Director

Exhibit 32.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER

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

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

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

The quarterly report on Form 10-Q for the quarter ended September 30, 2019 (the “Form 10-Q”) of the Company fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 14, 2019

/s/ Gregory Schulte
Gregory Schulte
Chief Financial Officer