

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

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2023

OR

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number: 001-35020



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

Delaware

20-3341405

(State or Other Jurisdiction of
Incorporation or Organization)

(I.R.S. Employer Identification No.)

3851 West Hamlin Road

Rochester Hills, Michigan 48309

(Address of Principal Executive Offices) (Zip Code)

Registrant's Telephone Number, including Area Code:

(248) 291-1210

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

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

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

None

(Title of Class)

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

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

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

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

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

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

Emerging growth company

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

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control

over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b).

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

The aggregate market value of the registrant's voting equity held by non-affiliates of the registrant, computed by reference to the price at which the common stock was last sold as of the last business day of the registrant's most recently completed second fiscal quarter, was \$ 190,572,924 . In determining the market value of the voting equity held by non-affiliates, securities of the registrant beneficially owned by directors and officers of the registrant and persons who hold 10% or more of the outstanding common stock of the registrant have been excluded. This determination of affiliate status is not necessarily a conclusive determination for other purposes. The number of shares of the registrant's common stock outstanding as of April 4, 2024 was 21,264,695 .

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive proxy statement to be filed with the Securities and Exchange Commission in connection with the solicitation of proxies for its 2024 Annual Meeting of Stockholders are incorporated by reference in Part III of this Form 10-K.

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

Cautionary Statement About Forward-Looking Statements

Certain statements contained in this Form 10-K are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act") and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). The words "believe," "may," "will," "estimate," "continue," "anticipate," "intend," "should," "plan," "expect," "strategy," "future," "likely," variations of such words, and other similar expressions, as they relate to the Company, are intended to identify forward-looking statements. However, the absence of these words or similar expressions does not mean that a statement is not forward-looking. In connection with the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995, the Company is identifying certain factors that could cause actual results to differ, perhaps materially, from those indicated by these forward-looking statements. InfuSystem does not intend and does not undertake any obligation to update any forward-looking statement to reflect future events or circumstances after the date of such statements, except as may be required by law. Important factors that could cause our actual results and financial condition to differ materially from the forward-looking statements include, without limitation, those described in "Risk Factors" and elsewhere in this Form 10-K, and the following:

- changes in third-party reimbursement processes, rates, contractual relationships and payer mix;
- our dependence on estimates of collectible revenue from third-party reimbursement;
- risks associated with the loss of a relationship with one or more third-party payers;
- risks associated with a federal government shutdown;
- risks associated with payer concentration;
- physicians' acceptance of infusion pump therapy over alternative therapies and focus on early detection and diagnostics;
- our dependence on our Medicare Supplier Number, which allows us to bill Medicare for services provided to Medicare patients;
- availability of chemotherapy drugs used in our infusion pump systems;
- our expectations regarding enacted and potential legislative and regulatory changes impacting, among other things, the level of reimbursement received from the Medicare and state Medicaid programs including the Center for Medicare and Medicaid Services ("CMS") competitive bidding;
- our dependence upon our suppliers;
- periodic reviews and billing audits from governmental and private payers;
- our ability to maintain controls and processes over billing and collection and the adequacy of our allowance for doubtful accounts and customer concessions;
- our ability to comply with state licensure laws for Durable Medical Equipment suppliers;
- risks associated with our allowance for doubtful accounts and customer concessions;
- our ability to execute our business strategies to grow our business, including our ability to introduce new products and services;
- industry competition;
- compliance with regulatory guidelines affecting our billing practices;
- defective products manufactured by third-party suppliers;
- our ability to execute on acquisition and joint-venture opportunities and integrate any acquired businesses;
- our ability to maintain relationships with health care professionals and organizations;
- our ability to comply with changing health care regulations;
- our ability to protect our intellectual property;
- our ability to remain in compliance with our credit agreement or future debt agreements;
- general economic uncertainty;
- changes in tax laws or challenges to our tax positions;
- the value of our net operating loss carryforwards may become impaired if we do not generate sufficient future taxable income required to utilize all or a portion of our net operating loss carryforwards prior to their expiration;
- volatility in the market price of our stock;
- the future price of our stock may be negatively affected by not paying dividends;
- potential dilution to current stockholders from the issuance of equity awards;
- we may be subject to limitations on net operating loss carryforwards and certain built-in losses following an ownership change;
- our ability to remediate the material weaknesses in our internal control over financial reporting;
- the long-term effects of the coronavirus ("COVID-19") pandemic, or any other global pandemic or disease outbreak, on our business;

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- litigation or other legal or regulatory proceedings in which we may be involved from time to time;
- risks associated with the collection of sales or consumption taxes;
- our ability to implement, both internally and externally, information technology improvements and to respond to technological changes, interruptions and security breaches;
- Cybersecurity risks and cyber incidents could adversely affect our business and disrupt operations;
- natural disasters, pandemics, acts of war or terrorism and other external events affecting us, our customers or our suppliers; and
- our ability to hire and retain key employees.

These risks are not exhaustive. Other sections of this Form 10-K include additional factors which could adversely impact our business and financial performance. Moreover, we operate in a very competitive and changing environment. New risk factors emerge from time to time and it is not possible for us to predict all risk factors, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. All forward-looking statements made in this Form 10-K speak only as of the date of this report. We do not intend, and do not undertake any obligation, to update any forward-looking statements to reflect future events or circumstances after the date of such statements, except as required by law.

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

Market and Industry Data

This Form 10-K contains market, industry and government data and forecasts that have been obtained from publicly available information, various industry publications and surveys and other published industry sources such as consultant surveys and forecasts. Industry publications and surveys, consultant surveys and forecasts generally state that the information contained therein has been obtained from sources believed to be reliable, but there can be no assurance as to the accuracy and completeness of such information. We have not independently verified any of the data from third-party sources nor have we ascertained the underlying economic assumptions relied upon therein. Similarly, internal company surveys, industry forecasts and market research, which we believe to be reliable based upon management's knowledge of the industry, have not been verified by any independent sources. None of the reports and other materials of third-party sources referred to in this Form 10-K were prepared for use in, or in connection with, this report.

Trademarks and Trade Names

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

PART I

Item 1. Business.

Background

InfuSystem Holdings, Inc. ("we," "us," "our" or the "Company") is a Delaware corporation. Formed in 2005, the Company operates through its subsidiary InfuSystem, Inc., a Delaware corporation ("InfuSystem" or "ISI"). During the fiscal year ended December 31, 2023, the Company's also operated through its wholly-owned subsidiary First Biomedical, Inc., a Kansas Corporation, which merged into InfuSystem on January 1, 2024.

Business Concept and Strategy

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

Our services are provided under a two-platform model. Our lead platform, Patient Services, provides the last-mile solution for clinic-to-home healthcare where the continuing treatment involves complex Durable Medical Equipment and services. Our second platform, Device Solutions, supports our Patient Services platform and leverages the Company's strong service orientation to win incremental business from our direct payer clients. During the second quarter of 2023, the Company renamed its two operating segments. Prior to that time, the Patient Services segment was known as Integrated Therapy Services and the Device Solutions segment was known as Durable Medical Equipment Services. The changes were for marketing purposes only and there were no changes to the operations of either segment.

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

Patient Services is presented as a "turnkey" solution allowing our health care provider customers to focus on practicing medicine. InfuSystem provides the Durable Medical Equipment and treatment consumables, handles the logistics around orders and deliveries, provides 24/7 nursing support relating to the provided equipment, assumes responsibility for third-party payer Durable Medical Equipment billing, and handles biomedical services (e.g., inspection, repair, certification and replacement) for the Durable Medical Equipment. Device Solutions are provided as a "concierge" offering, whereby InfuSystem leverages its strong service orientation to provide incremental services to our health care provider customers on a direct payer model. Device Solutions include equipment rental and sales, consumable sales, and biomedical support services.

InfuSystem competes for and retains its business primarily on the basis of its longstanding participation and strong reputation in the Durable Medical Equipment space, its well established relationships with Durable Medical Equipment manufacturers and its health care provider customers, and the high levels of service it provides. Current barriers to entry for potential competitors are created by our: (i) growing number of third-party payer networks under contract, which included nearly 820 third-party payer networks as of December 31, 2023, an increase of 3% over the prior year period; (ii) economies of scale, which allow for predictable reimbursement and less costly purchase and management of the pumps, respectively; (iii) established, long-standing relationships as a provider of pumps to outpatient oncology practices in the U.S. and Canada; (iv) our large pump fleet of ambulatory and large volume infusion pumps for rent and for sale, which may allow us to be more responsive to the needs of physicians, outpatient oncology practices, hospitals, outpatient surgery centers, homecare practices, patient rehabilitation centers and patients than a new market entrant; (v) seven geographic locations in the U.S. and Canada that allow for same-day or next-day delivery of pumps; (vi) our growing team of field-based and traveling biomedical technicians; and (vii) a wide array of pump repair and service capabilities. We do not perform any research and development on pumps, but we have made, and continue to make, investments in our information technology.

Patient Services Segment

The Patient Services segment's core purpose is to seek opportunities to grow our business by leveraging our unique know-how in clinic-to-home health care solutions involving Durable Medical Equipment, our logistics and billing capabilities,

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our growing network of third-party payers under contract, and our clinical and biomedical capabilities. This leverage may take the form of new products and/or services, strategic alliances, joint ventures and/or acquisitions. The leading service within our Patient Services segment is supplying electronic ambulatory infusion pumps and associated disposable supply kits to private oncology clinics, infusion clinics and hospital outpatient oncology clinics to be utilized in the treatment of a variety of cancers, including colorectal cancer and other disease states ("Oncology Business"). Colorectal cancer is the third most prevalent form of cancer in the U.S., 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. A goal for the Patient Services segment is to expand into treatment of other types of cancers. In 2023, our Oncology Business approximated 89% of our total Patient Services segment net revenues. In 2023, we generated approximately 46% of our total Patient Services segment net revenues from treatments for colorectal cancer and 43% of our Patient Services segment net revenues from treatments for non-colorectal disease states. There are a number of approved treatment protocols for pancreatic, head and neck, esophageal and other types of cancers, as well as other disease states which present opportunities for growth. There are also a number of other drugs currently approved by the U.S. Food and Drug Administration (the "FDA"), as well as agents in the pharmaceutical development pipeline, which we believe could potentially be used with continuous infusion protocols for the treatment of diseases other than colorectal cancer. Additional drugs or protocols currently in clinical trials may also obtain regulatory approval over the next several years. If these new drugs or protocols obtain regulatory approval for use with continuous infusion protocols, we expect pharmaceutical companies in this space to focus their sales and marketing efforts on promoting the new drugs and protocols to physicians.

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

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

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

Additional areas of focus for our Patient Services segment are as follows:

- Pain Management: providing our ambulatory pumps, products, and services for pain management in the area of post-surgical continuous peripheral nerve block.
- Wound Care: launched in November 2022, the Company established a partnership, SI Wound Care, LLC ("SI Wound Care"), with Sanara MedTech Inc. ("Sanara"). The partnership focuses on delivering a complete wound care solution targeted at improving patient outcomes, lowering the cost of care, and increasing patient and provider satisfaction. The partnership enables InfuSystem to offer innovative products including Cork Medical

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LLC's ("Cork") negative pressure wound therapy ("NPWT") devices and supplies and Sanara's advanced wound care product line to new customers through the jointly controlled entity.

- Acquisitions: we believe there are opportunities to acquire smaller, regional health care service providers, in whole or in part that perform similar services to us but do not have the national market access, network of third-party payer contracts or operating economies of scale that we currently enjoy. We may also pursue acquisition opportunities of companies that perform similar services, but offer different therapies or utilize different devices.
- Information technology-based services: we also plan to continue to capitalize on key new information technology-based services such as EXPRESS, InfuBus or InfuConnect, Pump Portal, DeviceHub and BlockPain Dashboard®.

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

Device Solutions Segment

Our Device Solutions segment's core service is to: (i) sell or rent new and pre-owned pole-mounted and ambulatory infusion pumps and other Durable Medical Equipment; (ii) sell treatment-related consumables; and (iii) provide biomedical recertification, maintenance and repair services for oncology practices as well as other healthcare site settings, including hospitals, home care and home infusion providers, skilled nursing and acute care facilities, pain centers and others. 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 2021 acquisition of FilAMed, a privately-held biomedical services company has supplemented the Company's existing biomedical recertification, maintenance and repair services for acute care facilities and other alternate site settings including home care and home infusion providers, skilled nursing facilities, pain centers and others. Our 2021 acquisition of OB Healthcare Corporation ("OB Healthcare"), a privately-held biomedical services company further develops and expands InfuSystem's Device Solutions segment by adding field service capabilities and complements the Company's purchase of FilAMed.

Services

Patient Services Segment

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

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

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

- Our clinical support team employs oncology, pain, Intravenous Certified, and Oncology Certified registered nurses trained on ambulatory infusion pump equipment who staff our 24x7 customer service hotline to address questions that

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patients may have about their pump treatment, the infusion pumps or other medical or technical questions related to the pumps.

- Physicians use our services to outsource the capital commitment, pump service, maintenance and billing and administrative burdens associated with pump ownership. Our services also allow the doctor to continue a direct relationship with the patient and to receive professional service fees for setting up the treatment and administering the drugs.
- We provide methods for the physician offices to deliver the appropriate paperwork for billing through a number of electronic means including EXPRESS and InfuConnect reducing the required effort on the employees of the physician offices.
- We believe our services are attractive to payers because such services are generally less expensive than hospitalization or standalone home health care.

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

Device Solutions Segment

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

In addition to sales, rental and leasing services, we also provide biomedical maintenance, repair and certification services for the devices we offer as well as for devices owned by customers but not acquired from us. We operate pump service and repair "Centers of Excellence" from all of our locations across the U.S. and Canada and employ a staff of highly-trained technicians to provide these services. Our main Center of Excellence for service is our Lenexa, Kansas facility. In addition to the maintenance and repair services we perform at these facilities, we offer similar services that can be performed directly at our customer locations nation-wide through our team of field-based and traveling biomedical technicians.

As of December 31, 2023, our rental fleet of pole-mounted pumps, ambulatory pumps and NPWT medical equipment for both our Patient Services and Device Solutions segments had a historical cost of \$96.3 million, down from \$99.2 million at the end of 2022, and included approximately 136 makes and models of equipment dedicated to our rental services. Additionally, as of December 31, 2023 and 2022, we had a fleet of new and used pole-mounted pumps, ambulatory pumps and NPWT medical equipment with a historical cost of \$3.1 million and \$2.8 million, respectively, for sale or rental.

Information Technology

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

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

Relationships with Physician Offices

As of December 31, 2023, we had business relationships with clinical oncologists in over 2,150 outpatient oncology clinics. Although this represents a substantial number of the oncologists in the U.S., we believe that we can continue to expand our network to further penetrate the oncology market. Based on our retention rates and the positive results of our professional customer satisfaction research, we believe our relationships with physician offices are strong.

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

Physician practices in the oncology field are following the overall healthcare practices trend to consolidate. However, for the period ended December 31, 2023, we experienced a net gain on facilities. We expect this trend to continue for the foreseeable future.

Employees

As of December 31, 2023, we had 516 employees, including 499 full-time employees and 17 part-time or contract employees. None of our employees are unionized.

Material Suppliers

We supply a wide variety of pumps and associated equipment, as well as disposables and ancillary supplies. The majority of our pumps are electronic infusion pumps. Smiths Medical, Inc., a division of ICU Medical, Inc., supplied more than 60% of the ambulatory pumps purchased by us in 2023. The Company has a supply agreement in place with this supplier. Certain "spot" purchases are made on the open market subject to individual negotiation. We also supply NPWT medical equipment, as well as related disposables and ancillary supplies.

Seasonality

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

Environmental Laws

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

Significant Customers

In addition to providing our products and services to hospitals, oncology practices, ambulatory surgery centers, and other alternate site health care providers, we have sought to establish contracts with as many third-party payer organizations as commercially practicable in an effort to ensure that reimbursement is not a significant obstacle for providers recommending continuous infusion therapy and wish to utilize our services. A third-party payer organization is a health care payer or a group of medical services payers that contracts to provide a wide variety of health care services to enrolled members through participating providers such as us. A payer is any entity that pays on behalf of a member patient.

As of December 31, 2023, we had contracts with nearly 820 third-party payer networks, an increase of 3% over the prior year period. Material terms of contracts with third-party payer organizations are typically a pre-negotiated fee schedule rate or a then-current proprietary fee schedule rate for equipment and supplies provided. The majority of these contracts generally provide for a term of one year, with automatic one-year renewals, unless we or the contracted payer elect not to renew. We also contract with various other third-party payer organizations, Medicaid, commercial Medicare replacement plans, self-insured

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plans, facilities of our Medicare patients and numerous other insurance carriers. No single payer or customer represented more than 10% of net revenue in 2023, 2022 or 2021.

Competitors

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

- **National Durable Medical Equipment Providers and Service Companies** : Other national providers and service companies have offerings similar to us. These products and service offerings include, but are not limited to, third-party reimbursement, direct rental and sale of infusion electronic and disposal pumps and related products and services for patients in the home, oncology clinics, ambulatory surgery centers, hospitals and other sites of care.
- **Regional Durable Medical Equipment Providers**: Regional Durable Medical Equipment providers act as distributors for a variety of medical products. We believe regional Durable Medical Equipment provider sales forces generally consist of a relatively small number of salespeople, usually covering several states. Regional Durable Medical Equipment providers tend to carry a limited selection of infusion pumps and their salespeople generally have limited resources. Regional Durable Medical Equipment providers usually do not have 24x7 nursing services. We believe that Regional Durable Medical Equipment providers have relatively few third-party payer contracts, which may prevent these providers from being paid at acceptable levels and may also result in higher out-of-pocket costs for patients.
- **Hospital-Owned Durable Medical Equipment Providers**: Many hospitals have in-house Durable Medical Equipment providers to supply basic equipment. In general, however, these providers have limited capital and tend to stock a small inventory of infusion pumps. We believe that hospital-owned providers have limited ability to grow because of limited patient populations. Growth from outside of the hospital may pose a challenge because hospitals typically will not provide referrals to competitors, instead preferring to offer patients a choice of non-hospital-affiliated Durable Medical Equipment providers.
- **Physician Providers**: A limited number of physicians maintain an inventory of their own infusion pumps and provide them to patients for a fee. However, we believe that pump utilization in this area tends to be low and the costs associated with ongoing supplies, preventative maintenance and repairs can be relatively high. Moreover, we believe that a high percentage of Durable Medical Equipment claims by doctors are rejected by payers upon first submission, requiring a physician's staff to spend significant time and effort to resubmit claims and receive payment for treatment. The numerous service and technical questions from patients may present another significant cost to a physician provider's staff.
- **Home Care Infusion Providers**: Home care infusion providers provide chemotherapy drugs and services to allow for in-home patient treatment. We believe that home care infusion treatment can be very costly and that many patients do not carry insurance coverage that pay for home-based infusion services, resulting in larger out-of-pocket costs. Because home care treatments may take as long as six months, these costs can be high and can result in higher patient co-payments. We believe that home care providers may also be reluctant to offer 24x7 coverage or additional patient visits, due to capped fees.

Regulation of Our Business

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

procedure and record certain information regarding each complaint, (ix) maintain accreditation from a CMS approved accreditation organization, and (x) meet certain specified surety bond requirements.

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

Available Information

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

Item 1A. Risk Factors.

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

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

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

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

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

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

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

We utilize statistical methods to account for such changes, but there can be no assurance that the revenue reported in any period will ultimately be collected. Any recognized revenue related to third-party reimbursement from prior periods, which

remains uncollected until written off from accounts receivable, will negatively impact revenues in the period in which it is written off. Thus, over time, recognized revenue net of concessions will approximate total collections.

The loss of a relationship with one or more third-party payers could negatively impact our business.

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

Any federal government shutdown may adversely impact our business.

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

Payer concentration may adversely impact our business.

As of December 31, 2023, we had contracts with nearly 820 third-party payer networks, an increase of 3% over the prior year period. Material terms of contracts with third-party payer organizations are typically a pre-negotiated fee schedule rate or a then-current proprietary fee schedule rate for equipment and supplies provided. The majority of these contracts generally provide for a term of one year, with automatic one-year renewals, unless we or the contracted payer elect not to renew. We also contract with various other third-party payer organizations, Medicaid, commercial Medicare replacement plans, self-insured plans, facilities of our Medicare patients and numerous other insurance carriers. No single payer represented more than 10% of net revenue in 2023, 2022 or 2021. To the extent such dependency was to occur, significant fluctuations in revenues, results of operations and liquidity could arise if any significant contracted payer reduces its reimbursement for the services we provide.

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

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

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

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

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

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

Ongoing clinical trials are currently evaluating and comparing the therapeutic benefits of current continuous infusion-based regimens with various oral medication regimens. If these clinical trials demonstrate that oral medications provide equal or greater therapeutic benefits and/or demonstrate reduced side effects compared to prior oral medication regimens, our revenues and overall business could be materially and adversely affected. Additionally, if new oral medications or other therapies that do not utilize our ambulatory electronic pumps are introduced to the market that are superior to existing oral therapies, physicians' willingness to prescribe continuous infusion-based regimens could decline, which would materially and adversely affect our business, financial condition, results of operations and cash flows.

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

We primarily derive our revenues from the rental of ambulatory infusion pumps to oncology patients through physicians' offices and chemotherapy clinics. A shortage in the availability of chemotherapy drugs that are used in the continuous infusion pump system, which has occurred in the past, could have a material and adverse effect on our business, financial condition, results of operations and cash flows.

We are dependent on our Medicare Supplier Number.

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

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

The impact of U.S. health care reform legislation on us remains uncertain.

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

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

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

Our infusion pumps and related consumables are obtained from outside vendors. The majority of our new pumps are electronic infusion pumps which are supplied to us by two major suppliers: Smiths Medical, Inc. and Moog Medical Devices Group. The loss or disruption of our relationships with outside vendors, including pumps, parts, or supply recall or pump end-of-life announcements or availability of related proprietary consumable supplies, could subject us to substantial delays in the delivery of pumps or services provided to customers. From time to time, we or our suppliers may experience supply chain disruptions due to circumstances beyond our or our suppliers' control. Significant delays in the delivery or service of pumps or related proprietary consumable supplies could result in possible cancellation of orders and the loss of customers. Our inability to provide pumps to meet delivery schedules could have a material adverse effect on our reputation in the industry, as well as on our business, financial condition, results of operations and cash flows.

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

As a result of our participation in the Medicaid program and our registration in the Medicare program, we are subject to various governmental reviews and audits to verify our compliance with these programs and applicable laws and regulations. We also are subject to audits under various government programs in which third-party firms engaged by CMS conduct extensive

reviews of claims data and medical and other records to identify potential improper payments under the Medicare program. Private pay sources also reserve the right to conduct audits. If billing errors are identified in the sample of reviewed claims, the billing error can be extrapolated to all claims filed which could result in a larger overpayment than originally identified in the sample of reviewed claims. Our costs to respond to and defend reviews and audits may be significant and could have a material adverse effect on our business, financial condition, results of operations and cash flows. Moreover, an adverse review or audit could result in:

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

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

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

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

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

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

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

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

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

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

An aspect of our growth strategy is to expand into the treatment of other cancers, such as head, neck and gastric cancers. This population of patients will expand only if clinical trial results for new drugs and new combinations of drugs demonstrate superior outcomes for regimens that include continuous infusion therapy relative to alternatives. No assurances can be given that these new drugs and drug combinations will be approved or will prove superior to oral medication or other treatment.

alternatives. In addition, no assurances can be given that we will be able to penetrate successfully any new markets that may develop in the future or manage the growth in additional resources that would be required.

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

The drug infusion industry is highly competitive. Some of our competitors and potential competitors, including some of the practices that we service, have significantly greater resources than we do for information technology, marketing and sales. As a result, they may be better able to compete for market share, even in areas in which our services may be superior. The industry is subject to technological changes and such changes may put our current fleet of pumps, smart pump licensing, our information technology solutions or our other technological-based solutions at a competitive disadvantage. Furthermore, the healthcare industry, in general, is experiencing market consolidation, reducing the number of decision makers. If we are unable to effectively compete in our market, our business, financial condition, results of operations and cash flows may be materially and adversely affected.

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

Aggressive competitors may not fully comply with rules regarding CMS and other payers' billing and documentation requirements. Competitors, who do not meet the same standards of compliance that we do with respect to billing regulations, may put us at a potential competitive disadvantage. We are a participating provider with Medicare and as of December 31, 2023, we were under contract with nearly 820 third-party payer networks, all of which have very stringent guidelines. If our competitors do not comply with these regulatory guidelines, we could be put at a potential competitive disadvantage and our business, financial condition, results of operations and cash flows could be material and adversely affected.

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

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

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

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

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

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

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

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

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

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

- the federal health care program Anti-Kickback Statute, which prohibits, among other things, soliciting, receiving or providing remuneration, directly or indirectly, to induce (i) the referral of an individual, for an item or service or (ii) the purchasing or ordering of a good or service, for which payment may be made under federal health care programs such as the Medicare and Medicaid programs;
- federal false claims laws which prohibit, among other things, knowingly presenting, or causing to be presented, claims for payment from Medicare, Medicaid, or other third-party payers that are false or fraudulent, and which may apply to entities like us that promote medical devices, provide medical device management services and may provide coding and billing advice to customers;
- HIPAA, which prohibits executing a scheme to defraud any health care benefit program or making false statements relating to health care matters and which also imposes certain requirements relating to the privacy, security and transmission of individually identifiable health information; and
- state law equivalents of each of the above federal laws, such as anti-kickback and false claims laws that may apply to items or services reimbursed by any third-party payer, including commercial insurers, and state laws governing the privacy and security of health information in certain circumstances, many of which differ in significant ways from state to state and often are not preempted by HIPAA, thus complicating compliance efforts.

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

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

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

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

On April 26, 2023, the Company entered into a First Amendment to the 2021 Credit Agreement (the "First Amendment") with the Agent and the lenders party thereto, which amended the 2021 Credit Agreement. See [Note 7 \(Debt\)](#) in the notes to the accompanying consolidated financial statements for additional information regarding the 2021 Credit

Agreement, as amended). Our 2021 Credit Agreement, as amended, contains and the agreements that govern our future indebtedness may contain, covenants that restrict our ability to and the ability of our subsidiaries to, among other things:

- engage in a transaction that results in a change of control, as defined by the 2021 Credit Agreement;
- create, incur, assume or suffer to exist any lien upon any of our property, assets or revenues;
- make certain investments or acquisitions;
- create, incur, assume or suffer to exist certain indebtedness;
- merge, dissolve, liquidate, consolidate or sell all or substantially all of our assets;
- make any disposition or enter into any agreement to make any disposition;
- repurchase outstanding stock from the open market; and
- declare or make, directly or indirectly, any dividend or other restricted payment, or incur any obligation (contingent or otherwise) to do so.

These covenants may restrict our ability to operate our business. Our failure to comply with these covenants could result in an event of default that, if not cured or waived, could result in reduced liquidity for the Company and could have a material and adverse effect on our ability to operate our business, financial condition, results of operations and cash flows. Additionally, our ability to pay interest and repay the principal for our indebtedness is dependent upon our ability to manage our business operations, generate sufficient cash flows to service such debt and the other factors discussed in this section. Our 2021 Credit Agreement, as amended, also contains certain financial covenants. As of December 31, 2023, we were in compliance with all the covenants contained in the 2021 Credit Agreement, as amended, however, there can be no assurance that we will be able to manage any of the risks associated with debt agreements successfully.

Economic uncertainty or economic deterioration could adversely affect us.

The global economy has experienced extreme volatility and disruptions, including, among other things, diminished liquidity and credit availability, declines in consumer confidence, declines in economic growth, supply chain shortages, increases in inflation rates, higher interest rates, and uncertainty about economic stability. The Federal Reserve has raised interest rates multiple times in response to concerns about inflation. Higher interest rates, coupled with reduced government spending and volatility in financial markets, may increase economic uncertainty and affect consumer spending. Similarly, geopolitical uncertainties and international conflicts, including the ongoing military conflicts between Russia and Ukraine, and Israel and Hamas, and rising tensions with China, have created extreme volatility in the global capital markets and may have further global economic consequences, including disruptions of the global supply chain. Any such volatility and disruptions may adversely affect our business or the third parties on whom we rely. If the equity and credit markets deteriorate, including as a result of political unrest or war, it may make any necessary debt or equity financing more costly, more dilutive, or more difficult to obtain in a timely manner or on favorable terms, if at all. Increased inflation rates can adversely affect us by increasing our costs, including labor and employee benefit costs. We may in the future experience disruptions as a result of such macroeconomic conditions, including delays or difficulties in initiating or expanding clinical trials and manufacturing sufficient quantities of materials. Any one or a combination of these events could have a material and adverse effect on our results of operations and financial condition.

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

The rules dealing with U.S. federal, state and local income taxation are constantly under review by persons involved in the legislative process and by the Internal Revenue Service and the U.S. Treasury Department. Changes to tax laws (which changes may have retroactive application) could adversely affect our stockholders or us. We assess the impact of various tax reform proposals and modifications to existing tax treaties in all jurisdictions where we have operations to determine the potential effect on our business and any assumptions we have made about our future taxable income. We cannot predict whether any specific proposals will be enacted, the terms of any such proposals or what effect, if any, such proposals would have on our business if they were to be enacted. For example, the United States enacted the Inflation Reduction Act of 2022, which implements, among other changes, a 1% excise tax on certain stock buybacks. In addition, beginning in 2022, the Tax Cuts and Jobs Act eliminated the previously available option to deduct research and development expenditures and requires taxpayers to amortize them generally over five years for research activities conducted in the United States and over 15 years for research activities conducted outside the United States. The U.S. Congress is considering legislation that would restore the current deductibility of research and development expenditures; however, we have no assurance that the provision will be repealed or otherwise modified. Such changes, among others, may adversely affect our effective tax rate, results of operation and general business condition.

We are subject to audits by tax authorities from time to time in federal and state jurisdictions. Tax authorities may disagree with certain positions we have taken and assess additional taxes and penalties. We regularly assess the likely outcomes

of these audits in order to determine the appropriateness of our tax provision. However, there can be no assurance that we will accurately predict the outcomes of these audits, and the actual outcomes of these audits could have a material impact on our results of operations.

The value of our net operating loss carryforwards may become impaired if we do not generate sufficient future taxable income required to utilize all or a portion of our net operating loss carryforwards prior to their expiration.

The Company's U.S. federal net operating loss carryforward for tax purposes was \$26.6 million at December 31, 2023, resulting in a federal deferred tax asset of \$5.6 million. Approximately \$20.0 million of the Company's U.S. federal net operating loss carryforwards will begin to expire in various years beginning in 2034. The Company's realization of its deferred tax assets including the loss carryforwards is dependent upon many factors, including, but not limited to, the Company's ability to generate sufficient taxable income in sufficient amounts. There can be no assurance that we will generate the required amounts of taxable income before the expiration dates are reached.

RISK FACTORS RELATING SPECIFICALLY TO OUR COMMON STOCK

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

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

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

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

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

Under the terms of our 2021 Credit Agreement, our ability to pay dividends on our common stock is limited and we do not anticipate paying dividends on our common stock in the foreseeable future. The future price of our common stock may be adversely impacted because we do not pay dividends.

Restricted stock awards, performance-based restricted stock units and the exercise of stock options may depress our stock price and may result in dilution to our common stockholders.

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

As of December 31, 2023, options to purchase 1,709,019 shares of common stock were outstanding, at a weighted average exercise price of \$9.37 per share, of which 940,491 were exercisable at a weighted average exercise price of \$8.97 per share. In addition, RSUs of 529,862 shares, with a weighted average grant date fair value of \$11.42 per share, were outstanding and were issuable upon the vesting of certain time restrictions and PSUs of 112,776 shares, with a weighted average grant date fair value of \$10.49 per share, were outstanding and were issuable upon meeting certain performance-based vesting criteria.

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

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

The Company continues to monitor shifts in past ownership (as defined under Section 382 of the Code). As of December 31, 2023, our U.S. federal net operating loss carryforwards of approximately \$20.0 million will begin to expire in various years beginning in 2034 and \$6.6 million of our U.S. federal net operating loss carryforward has an indefinite life. There can be no assurance that we will not experience an ownership change in the future, in which case we may be limited in our ability to use our deferred tax assets.

GENERAL RISK FACTORS

We have identified material weaknesses in our internal control over financial reporting and we may identify additional material weaknesses in the future or otherwise fail to maintain effective internal control over financial reporting, which may result in material misstatements of our consolidated financial statements or cause us to fail to meet our periodic reporting obligations or cause our access to the capital markets to be impaired and have a material adverse effect on our business.

A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis. The Sarbanes-Oxley Act of 2002 requires, among other things, that we maintain effective disclosure controls and procedures and internal control over financial reporting.

As described in more detail in "Item 9A. Controls and Procedures," we have identified a material weakness in our internal control over financial reporting relating to revenue recognition for the Company's rental contract revenue. Due to the material weaknesses in our internal control over financial reporting, we have also concluded our disclosure controls and procedures were not effective as of December 31, 2023.

We are taking the necessary steps to remediate the material weakness and believe that compensating controls are in place and operating effectively to mitigate the risks associated with the identified material weakness as it is being remediated. However, as the reliability of the internal control process requires repeatable execution, the successful on-going remediation of this material weakness will require on-going review and evidence of effectiveness prior to concluding that the controls are effective. We cannot guarantee that these initiatives will ultimately have the intended effects. While we have implemented a variety of steps to remediate this material weakness, this material weakness will not be considered remediated until our remediation plan has been fully implemented, the applicable controls operate for a sufficient period of time, and we have concluded, through testing, that the newly implemented and enhanced controls are operating effectively.

Further, other weaknesses in our disclosure controls and procedures and internal control over financial reporting have been discovered in the past and may be discovered in the future. During the fourth quarter of fiscal 2022 we identified three material weaknesses in internal control related to ineffective controls in the areas of (1) completeness and accuracy of information produced by the entity ("IPE") and used by control owners in the operation of certain controls across the financial statement areas; (2) the financial reporting processes, including general information technology controls over access rights within certain financial reporting and accounting applications; and (3) controls over management's review of established pricing and contract terms to support recorded revenue and accounts receivable for the Device Solutions Direct Payer Rentals, Device Solutions Product Sales, Device Solutions - Service and Patient Services Direct Payer Rentals. Due to the material weaknesses in the Company's internal control over financial reporting, the Company also concluded that its disclosure controls and procedures were not effective as of December 31, 2022. Our remediation plan included steps to design and implement new controls as well as expand training related to the accounting considerations for complex financing transactions, and we have since concluded that this material weakness has been remediated.

Although we are taking measures to remediate the material weakness, there can be no assurance that the material weakness will be remediated on a timely basis or at all, or that additional material weaknesses will not be identified or occur in the future, which could result in material misstatements of our interim or annual consolidated financial statements. If we are unable to remediate the material weakness or additional material weaknesses are identified in the future, our ability to record, process and report financial information accurately, and to prepare consolidated financial statements within the time periods specified by the rules and forms of the SEC, could be adversely affected which, in turn, may adversely affect our reputation and business and the market price of our securities. In particular, if our consolidated financial statements are not accurate, investors may not have a complete understanding of our operations. Likewise, if our consolidated financial statements are not filed on a

timely basis, we could be subject to sanctions or investigations by the stock exchange on which our securities are listed, the SEC or other regulatory authorities. In either case, this could result in a material adverse effect on our business. Failure to timely file will cause us to be ineligible to utilize short form registration statements on Form S-3, which may impair our ability to obtain capital in a timely fashion to execute our business strategies or issue shares to effect an acquisition.

Any future pandemic, epidemic or outbreak of any highly infectious disease could cause disruptions in the U.S., regional and global economies and could materially and adversely impact our business, financial condition and results of operations and the business, financial condition and results of operations.

Any future pandemic, epidemic or outbreak of any highly infectious disease, including the emergence of additional COVID-19 variants, could cause widespread disruptions to the United States and global economies and could contribute to significant volatility and negative pressure in financial markets. The extent to which any future pandemic, epidemic or outbreak of any highly infectious disease impacts our operations will depend on future developments, which are highly uncertain and cannot be predicted with confidence, including the scope, severity and duration of such pandemic, the emergence and characteristics of new variants, the actions taken to contain the pandemic or mitigate its impact, including the adoption, administration and effectiveness of available vaccines, and the direct and indirect economic effects of the pandemic and containment measures, among others. Although the COVID-19 pandemic did not have a material unfavorable effect on our results of operations to date, there can be no assurance that a resurgence of the COVID-19 pandemic, or any other global pandemic or disease outbreak, will not have a material adverse effect on our future operational and financial performance. We cannot predict the degree to which the effects of the any future pandemic, epidemic or outbreak of any highly infectious disease may adversely affect, our business, financial condition and results of operations, and such may also have the effect of heightening many of the risks described in this "Risk Factors" section.

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

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

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

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

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

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

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

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

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

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

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

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

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

Natural disasters, including hurricanes, earthquakes, floods, excessive snowfall and other unfavorable weather conditions, pandemics, such as the COVID-19 pandemic, acts of war or terrorism and other adverse external events may affect our operations. Such events may have a detrimental effect on our gross revenue, preventing many patients from visiting a facility to obtain our ambulatory infusion pumps or receive treatment. Similarly, such events could impact key suppliers or vendors, disrupting the services or materials they provide us. The severity of these occurrences, should they ever occur, will determine the extent to which and if our business, financial condition, results of operations and cash flows is materially and adversely affected.

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

Our success is substantially dependent on the continued services of our executive officers and other key personnel who generally have extensive experience in our industry. Our future success also will depend in large part upon our ability to identify, attract and retain other highly qualified executive officers, managerial, finance, technical, clinical, customer service

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and sales and marketing personnel. Competition for these individuals is intense, more so in the current labor market. The loss of the services of any executive officer or other key employee, or our failure to attract and retain other qualified and experienced personnel on acceptable terms, could have a material and adverse effect on our business, financial condition, results of operations and cash flows.

Item 1B. Unresolved Staff Comments.

None.

Item 1C. Cybersecurity

We recognize the importance of cybersecurity in safeguarding sensitive information, maintaining operational integrity, and ensuring the safety and efficacy of our medical devices. Our cybersecurity risk management program, which is based on recognized frameworks established by the National Institute of Standards and Technology ("NIST"), is integrated into our overall enterprise risk management program, and shares common reporting channels and governance processes that apply across the enterprise risk management program to other legal, compliance, operational and financial risk areas. We are dedicated to maintaining the highest standards of cybersecurity to protect our customers and stakeholders. We will continue to adapt to evolving threats and regulations to ensure the safety and security of our products and information.

Cybersecurity Risk Management

- Risk Assessment: We regularly conduct comprehensive cybersecurity risk assessments, identifying potential vulnerabilities and threats that could impact the confidentiality, integrity, and availability of our medical devices and associated data.
- Policies and Procedures: InfuSystem has established and maintains cybersecurity policies and procedures that align with industry best practices and regulatory requirements. These policies address areas such as data protection, access control, incident response, and vulnerability management.
- Training and Awareness: We provide ongoing cybersecurity training and awareness programs to our employees and contractors, emphasizing the importance of their role in safeguarding sensitive information and reporting security incidents.
- Use of Third-Parties: InfuSystem works with a third-party Cybersecurity risk partner who's systems ingest information regarding the current state of the Company's information and technology environment and using specialized algorithms provide assessments of the company's Cybersecurity risk exposure as well as providing targeted advice to mitigate any risks identified.
- Third-Party Risk Management: InfuSystem evaluates the cybersecurity practices of third-party vendors and suppliers, ensuring that they meet our cybersecurity standards and pose no undue risk to our medical devices and data.
- Incident Response Plan: We maintain a robust incident response plan that outlines the steps to be taken in the event of a cybersecurity incident. This plan includes procedures for reporting incidents, containing threats, and notifying affected parties as required by law.

Cybersecurity Incidents

InfuSystem is committed to transparency and promptly disclosing any material cybersecurity incidents that may impact our business, customers, or investors. As of the date of this report, we have not experienced any material cybersecurity incidents. Please see the Item 1A. Risk Factor above entitled "*Cybersecurity risks and cyber incidents could adversely affect our business and disrupt operations*" for more information regarding cybersecurity incident risks associated with InfuSystem.

Ongoing Efforts

InfuSystem is committed to continuous improvement in our cybersecurity risk management practices. In the coming fiscal year, we will focus on:

1. Enhancing our threat detection and monitoring capabilities.
2. Conducting regular tabletop exercises to improve incident response readiness.
3. Staying abreast of emerging threats and adjusting our cybersecurity posture accordingly.

4. Collaborating with industry partners and regulatory authorities to enhance overall cybersecurity resilience in the medical device industry.

Cybersecurity Governance

InfuSystem maintains a dedicated cybersecurity governance framework led by our Chief Information Officer (CIO). The CIO serves as an Executive Officer who reports directly to senior management and makes regular reports to the audit committee. Management reports to the Board of Directors with respect to cybersecurity matters. Given the position cybersecurity has in the Company's strategy to be the most trusted partner for our clients and the potential costs to the business of a major cybersecurity event, Cybersecurity is a standing topic for the audit committee, and Board of Directors.

For more information regarding the expertise of management, see "Executive Officers" in our definitive proxy statement relating to the 2023 Annual Meeting of Stockholders filed with the SEC on April 10, 2023.

Item 2. Properties.

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

| City | State/Country |
|------------------|-----------------|
| Rochester Hills | Michigan |
| Lenexa | Kansas |
| Canton | Massachusetts |
| Bakersfield | California |
| Santa Fe Springs | California |
| Mesquite | Texas |
| Mississauga | Ontario, Canada |

We believe that such office and warehouse space is suitable and adequate for our business. All of our facilities are utilized to support both of our segments.

Item 3. Legal Proceedings.

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

We are not currently a party to any litigation the outcome of which, if determined adversely to us, would individually or in the aggregate be reasonably expected to have a material adverse effect on our business, operating results, cash flows or financial condition.

Item 4. Mine Safety Disclosures.

Not applicable.

PART II

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

Market Information

Our common stock is listed on the NYSE American under the symbol INFU. As of April 4, 2024, we had approximately 252 stockholders of record of our common stock.

Purchases of Equity Securities by the Issuer

A summary of our purchases of our common stock during the three months ended December 31, 2023 is as follows:

| Period | Total Number of Shares Purchased | Average Price Paid per Share | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (a) | Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (in thousands) (a) |
|--|----------------------------------|------------------------------|--|---|
| October 1, 2023 through October 31, 2023 | — | \$ — | — | \$13,838,269 |
| November 1, 2023 through November 30, 2023 | — | \$ — | — | \$13,838,269 |
| December 1, 2023 through December 31, 2023 | — | \$ — | — | \$13,838,269 |
| Total | — | \$ — | — | \$13,838,269 |

(a) On June 30, 2021, our Board of Directors approved a stock repurchase program (the "Share Repurchase Program") that authorizes the Company to repurchase up to \$20.0 million of the Company's outstanding common stock through June 30, 2024. Repurchases under the Share Repurchase Program are 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 2021 Credit Agreement, as amended. Repurchases under the Share Repurchase Program may take place in the open market or in privately negotiated transactions and may be made under a Rule 10b5-1 plan. The Share Repurchase Program does not obligate the Company to repurchase shares and may be suspended, terminated, or modified at any time at the discretion of the Board. As of December 31, 2023, the Company had repurchased approximately \$6.2 million, or 553,149 shares, of the Company's outstanding common stock under the Share Repurchase Program.

Dividends

Historically, we have not declared or paid any dividends on our common stock. Under the terms of our 2021 Credit Agreement, as amended, our ability to pay dividends on our common stock is limited, and we do not anticipate paying dividends on our common stock in the foreseeable future.

Unregistered Sales of Equity Securities and Use of Proceeds

We did not sell any unregistered securities during the fiscal year ended December 31, 2023.

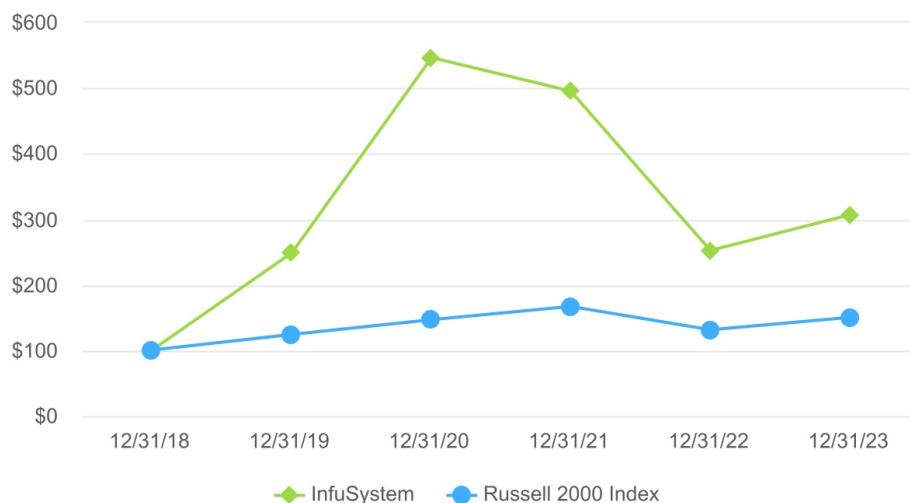
Equity Compensation Plan Information

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

Stock Performance Graph

The following graph shows a comparison of cumulative total shareholder return to the Company's shareholders, the corresponding returns on the Russell 2000 Index during the five-year period ended December 31, 2023 assuming \$100 was invested on December 31, 2018 with reinvestment of all dividends.

Stock Performance Graph (\$)



| | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|--------------------|--------|--------|--------|--------|--------|--------|
| InfuSystem | \$ 100 | \$ 248 | \$ 546 | \$ 495 | \$ 252 | \$ 306 |
| Russell 2000 Index | \$ 100 | \$ 124 | \$ 146 | \$ 166 | \$ 131 | \$ 150 |

Item 6. [Reserved]

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

The following discussion should be read in conjunction with the Consolidated Financial Statements and Notes thereto included in this Form 10-K. The forward-looking statements included in this discussion and elsewhere in this Form 10-K involve risks and uncertainties, including those set forth under "Cautionary Statement About Forward-Looking Statements." Actual results and experience could differ materially from the anticipated results and other expectations expressed in our forward-looking statements as a result of a number of factors, including but not limited to those discussed in this Item and in Item 1A - "Risk Factors." For discussion and analysis of the year ended December 31, 2022 compared to the year ended December 31, 2021, please refer to Management's Discussion and Analysis of Financial Condition and Results of Operations included in Part II, Item 7 of our Annual Report on Form 10-K for the year ended December 31, 2022, filed with the SEC on March 16, 2023.

Correction of Previously Issued Consolidated Financial Statements

This Management's Discussion and Analysis of Financial Condition and Results of Operations has been revised to give effect to the correction of immaterial errors to our previously issued Consolidated Financial Statements as more fully described in [Note 15](#), Correction of Immaterial Errors to Previously Issued Consolidated Financial Statements, in Part II, Item 8 Financial Statements and Supplementary Data.

Overview

We are a leading national health care service provider, facilitating outpatient care for Durable Medical Equipment manufacturers and health care providers. We provide our products and services to hospitals, oncology practices, ambulatory surgery centers, and other alternate site health care providers. Our headquarters is in Rochester Hills, Michigan, and we operate our business from a total of seven locations in the U.S. and Canada. We deliver local, field-based customer support as well as operate pump service and repair Centers of Excellence in Michigan, Kansas, California, Massachusetts, Texas and Ontario, Canada. ISI is accredited by the Community Health Accreditation Partner (CHAP) and is ISO 9001 certified at our Kansas, Michigan, Massachusetts, Canada and Santa Fe Springs, California locations as well as ISO 13485 certified at our Bakersfield, California location.

InfuSystem competes for and retains its business primarily on the basis of its long participation and strong reputation in the Durable Medical Equipment space, its long-standing relationships with Durable Medical Equipment manufacturers and its health care provider customers, and the high levels of service it provides. Current barriers to entry for potential competitors are created by our: (i) growing number of third-party payer networks under contract, which included nearly 820 third-party payer networks as of December 31, 2023, an increase of 3% over the prior year period; (ii) economies of scale, which allow for predictable reimbursement and less costly purchase and management of the pumps, respectively; (iii) established, long-standing relationships as a provider of pumps to outpatient oncology practices in the U.S. and Canada; (iv) pump fleet of ambulatory and large volume infusion pumps for rent and for sale, which may allow us to be more responsive to the needs of physicians, outpatient oncology practices, hospitals, outpatient surgery centers, homecare practices, patient rehabilitation centers and patients than a new market entrant; (v) seven geographic locations in the U.S. and Canada that allow for same day or next day delivery of pumps; (vi) growing team of field-based and traveling biomedical technicians; and (vii) a wide array of pump repair and service capabilities. We do not perform any research and development on pumps, but we have made, and continue to make investments in our information technology.

Patient Services Segment

Our Patient Services segment's core purpose is to seek opportunities to leverage our unique know-how in clinic-to-home health care involving Durable Medical Equipment, our logistics and billing capabilities, our growing network of third-party payers under contract, and our clinical and biomedical capabilities. This leverage may take the form of new products and/or services, strategic alliances, joint ventures and/or acquisitions. The leading service within our Patient Services segment is our Oncology Business. Colorectal cancer is the third most prevalent form of cancer in the U.S., according to the American Cancer Society, and the standard of care for the treatment of colorectal cancer relies upon continuous chemotherapy infusions delivered via ambulatory infusion pumps. One of the goals for the Patient Services segment is to expand into treatment of other types of cancers. In 2023, our Oncology Business approximated 89% of our total Patient Services segment revenues. In 2023, we generated approximately 46% of our total Patient Services segment revenues from treatments for colorectal cancer and 43% of our Patient Services segment revenues from treatments for non-colorectal disease states. There are a number of approved treatment protocols for pancreatic, head and neck, esophageal and other types of cancers, as well as other disease states which present opportunities for growth. There are also a number of other drugs currently approved by the FDA, as well as agents in the pharmaceutical development pipeline, which we believe could potentially be used with continuous infusion protocols for the treatment of diseases other than colorectal cancer. Additional drugs or protocols currently in clinical trials may also obtain

regulatory approval over the next several years. If these new drugs or protocols obtain regulatory approval for use with continuous infusion protocols, we expect the pharmaceutical companies to focus their sales and marketing efforts on promoting the new drugs and protocols to physicians.

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

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

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

Additional areas of focus for our Patient Services segment are as follows:

- Pain Management: providing our ambulatory pumps, products, and services for pain management in the area of post-surgical continuous peripheral nerve block.
- Wound Care: launched in November 2022, the Company established the SI Wound Care partnership with Sanara. The partnership will focus on delivering a complete wound care solution targeted at improving patient outcomes, lowering the cost of care, and increasing patient and provider satisfaction. The partnership is expected to enable InfuSystem to offer innovative products including Cork NPWT devices and supplies and Sanara's advanced wound care product line to new customers through the jointly controlled entity.
- Acquisitions: we believe there are opportunities to acquire smaller, regional health care service providers, in whole or in part that perform similar services to us but do not have the national market access, network of third-party payer contracts or operating economies of scale that we currently enjoy. We may also pursue acquisition opportunities of companies that perform similar services, but offer different therapies or utilize different devices.
- Information technology-based services: we also plan to continue to capitalize on key new information technology-based services such as EXPRESS, InfuBus or InfuConnect, Pump Portal, DeviceHub and BlockPain Dashboard®.

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

Device Solutions Segment

Our Device Solutions segment's core service is to: (i) sell or rent new and pre-owned pole-mounted and ambulatory infusion pumps and other Durable Medical Equipment; (ii) sell treatment-related consumables; and (iii) provide biomedical recertification, maintenance and repair services for oncology practices as well as other healthcare site settings, including, home care and home infusion providers, skilled nursing and acute care facilities, pain centers and others. 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 acquisition of FilAMED, a privately-held biomedical services company, on January 31, 2021 has supplemented the Company's existing biomedical recertification, maintenance and repair services for acute care facilities and other alternate site settings, including, home care and home infusion providers, skilled nursing facilities, pain centers and others. Our acquisition of OB Healthcare, a privately-held biomedical services company, on April 18, 2021 further develops and expands InfuSystem's Device Solutions segment by adding field service capabilities and complements the Company's purchase of FilAMED.

Key Business Metrics

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

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InfuSystem Holdings, Inc. Results of Operations for the year ended December 31, 2023 compared to the year ended December 31, 2022

| <i>(in thousands, except share and per share data)</i> | Years Ended December 31, | | Increase/ (Decrease) |
|--|--------------------------|--------------|---------------------------------|
| | 2023 | 2022 | |
| Net revenues: | | | |
| Patient Services | \$ 76,541 | \$ 68,881 | \$ 7,660 |
| Device Solutions | 55,825 | 47,506 | 8,319 |
| Less: elimination of inter-segment revenues (a) | (6,581) | (6,473) | (108) |
| Total Device Solutions | 49,244 | 41,033 | 8,211 |
| Total | 125,785 | 109,914 | 15,871 |
| Gross profit | | | |
| Patient Services | 47,800 | 43,433 | 4,367 |
| Device Solutions | 15,309 | 17,127 | (1,818) |
| Total | 63,109 | 60,560 | 2,549 |
| Selling, general and administrative expenses | | | |
| Amortization of intangibles | 990 | 2,494 | (1,504) |
| Selling and marketing | 12,654 | 12,259 | 395 |
| General and administrative | 45,377 | 44,153 | 1,224 |
| Total selling, general and administrative expenses | 59,021 | 58,906 | 115 |
| Operating income | 4,088 | 1,654 | 2,434 |
| Other expense | (2,237) | (1,524) | (713) |
| Income before income taxes | 1,851 | 130 | 1,721 |
| Provision for income taxes | (979) | (112) | (867) |
| Net income | <u>\$ 872</u> | <u>\$ 18</u> | <u>\$ 854</u> |
| Net income per share | | | |
| Basic | \$ 0.04 | — | \$ 0.04 |
| Diluted | \$ 0.04 | — | \$ 0.04 |
| Weighted average shares outstanding: | | | |
| Basic | 21,024,382 | 20,648,818 | 375,564 |
| Diluted | 21,646,079 | 21,547,306 | 98,773 |

(a) Inter-segment revenues are for cleaning and repair services performed on medical equipment.

Net Revenues

Net revenues for the year ended December 31, 2023 were \$125.8 million, an increase of \$15.9 million, or 14.4%, compared to \$109.9 million for the year ended December 31, 2022. The increase included higher net revenues for both the Patient Services and Device Solutions segments.

Patient Services

Patient Services net revenue of \$76.5 million increased \$7.7 million, or 11.1%, during the year ended December 31, 2023 as compared to the prior year. This increase was primarily attributable to additional treatment volume in the Oncology business, revenue from sales-type leases of NPWT pumps, improved third-party payer collections on billings and higher average prices. Net revenue in Oncology for the 2023 represented the largest increase, totaling \$4.9 million, or a 7.8% increase, compared to the prior year. This was followed by an increase in revenue for Wound Care, which increased by \$2.8 million, or 262%, compared to the same prior year period, mainly due to an increase in sales of equipment on sales-type leases, partially offset by lower treatment volumes.

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Device Solutions

Device Solutions net revenue of \$49.2 million increased \$8.2 million, or 20.0%, during 2023 as compared to the prior year. This increase included higher biomedical services revenue which increased by \$8.8 million, or 125%. The increased biomedical revenue included revenue totaling \$9.6 million from a new master services agreement with a leading global healthcare technology and diagnostic company that was launched in April 2022 and grew through a subsequent ramp-up period during the second half of 2022 and through all of 2023. Revenue under the contract is expected to further grow through 2024 due to the ramp up period continuing into the first quarter of 2024 and due to the full year effect in 2024 from the additional volume that was on-boarded during 2023.

Gross Profit

Gross profit for the year ended December 31, 2023 totaling \$63.1 million increased \$2.5 million, or 4.2%, from \$60.6 million during the year ended December 31, 2022. The increase was driven by the increase in net revenues partially offset by a lower gross profit as a percentage of net revenue ("gross margin"). Gross margin decreased to 50.2% during 2023, as compared to 55.1% during the prior year period, a decrease of 4.9%. The increase in gross profit was attributable to the Patient Services segment whereas gross profit was lower for the Device Solutions segment. The gross margin was lower for both operating segments during 2023 as compared to 2022.

Patient Services

Patient Services gross profit was \$47.8 million, during 2023, representing an increase of \$4.4 million, or 10.1%, compared to the prior year. The improvement reflected an increase in net revenues offset partially by a lower gross margin which was 62.5% during 2023, a decrease of 0.6%, from the prior year. The lower gross margin was the result of an unfavorable product mix favoring lower margin revenues partially offset by improved third-party payer collections on billings and improved coverage of fixed costs from the higher net revenue. The unfavorable gross margin mix was mainly related to the increase in revenue related to NPWT equipment leases, which have a lower average gross margin than other Patient Services revenue categories.

Device Solutions

Device Solutions gross profit during 2023 was \$15.3 million, representing a decrease of \$1.8 million, or 10.6%, over the prior year. This decrease was due to a lower gross margin offset partially by higher net revenue. The Device Solutions gross margin was 31.1% during 2023, which was 10.7% lower than the prior year. This decrease was the result of gross margin mix associated with higher biomedical services revenue, which has a lower gross margin percentage than other business lines in the Device Solutions segment, and an increase in labor costs related to an increase in the number of biomedical technicians and other expenses associated with the rapid on-boarding of the master services agreement described above. Some of the additional labor costs include training activities and other labor expenses associated with building a larger team in order to have the capacity required to support much higher planned revenue volume. Over time, higher revenue levels are expected to absorb a portion of the increased labor costs resulting in an improved gross margin. Other increased expenses associated with the on-boarding ramp up, which include increased travel expenses and employee acquisitions costs, are expected to decrease in the future. We currently estimate that the additional expenses incurred during the 2023 that will either be absorbed or reduced totaled approximately \$4.4 million.

Amortization of Intangible Assets

Amortization of intangible assets for the year ended December 31, 2023 was \$1.0 million compared to \$2.5 million for the year ended December 31, 2022 representing a decrease of \$1.5 million, or 60.3%. The decrease is attributable to certain intangible assets becoming fully amortized. Amortization expense is expected to be about the same amount during 2024 but then decrease further in 2025 and beyond based on the current amortization schedule.

Selling and Marketing Expenses

Selling and marketing expenses for the year ended December 31, 2023 were \$12.7 million, an increase of \$0.4 million, compared to 2022. Selling and marketing expenses as a percentage of net revenues decreased to 10.1% compared to 11.2% in 2022. This decrease was mainly attributable to a reduction in sales team members and a higher coverage of fixed expenses related to the higher revenue. Selling and marketing expenses during these periods consisted of sales personnel salaries, commissions and associated fringe benefit and payroll-related items, marketing, overall travel and entertainment and other miscellaneous expenses.

General and Administrative ("G&A") Expenses

G&A expenses for the year ended December 31, 2023 were \$45.4 million, an increase of \$1.2 million, or 2.8%, from \$44.2 million for the year ended December 31, 2022. G&A expenses during these periods consisted primarily of accounting, administrative, third-party payer billing and contract services, customer service, nurses on staff, new product services, service center personnel salaries, fringe benefits and other payroll-related items, professional fees, legal fees, stock-based compensation, annual management incentive bonuses, insurance and other miscellaneous items. The increase was primarily related to an increase in short-term incentive plan compensation totaling \$0.9 million, resulting from improved performance metrics being achieved under the plan during 2023 as compared to 2022. G&A expenses as a percentage of net revenues for 2023 decreased to 36.1% compared to 40.2% for the prior year mainly reflecting the year-over-year increases offset partially by improved net revenue leverage of fixed costs.

Other Income and Expenses

During the year ended December 31, 2023, we incurred interest expense of \$2.2 million, which was \$0.8 million higher than interest expense during the year ended December 31, 2022. This increase was due to an increase in outstanding borrowings on the 2021 Credit Agreement, as amended, (defined below) revolving line of credit and higher average interest rates.

Provision for/Benefit from Income Taxes

During the year ended December 31, 2023, the Company recorded a provision for income taxes of \$1.0 million, representing an effective tax rate of 52.9% on pre-tax income totaling \$1.9 million. This effective tax rate for 2023 differed from the U.S. statutory rate mainly due to state, local and foreign taxes and permanent differences between expense recognized for book purposes versus tax purposes including differences associated in the amounts of equity compensation expense, limits on compensation for certain executive members of management and limitations on deductions for travel related meal expenses. During the year ended December 31, 2022, the Company recorded a provision from income taxes of \$0.1 million, representing an effective tax rate of 86% on pre-tax income totaling \$0.1 million. This effective tax rate for 2022 differed from the U.S. statutory rate mainly due to permanent differences in the amounts of equity compensation expense recognized for book purposes versus tax purposes.

Liquidity and Capital Resources

Overview:

We finance our operations and capital expenditures with cash generated from operations and borrowings under our existing credit agreements. On February 5, 2021, we and certain of our subsidiaries, as borrowers, entered into a Credit Agreement (the "2021 Credit Agreement") with JPMorgan Chase Bank, N.A., as administrative agent, sole bookrunner and sole lead arranger, and the lenders party thereto, which replaced our then existing credit facility, dated March 23, 2015 (the "2015 Credit Agreement"). On April 26, 2023, the Company entered into a First Amendment to the 2021 Credit Agreement (the "First Amendment") with the Agent and the lenders party thereto, which amended the 2021 Credit Agreement. See [Note 7 \(Debt\)](#) in the notes to the accompanying consolidated financial statements for additional information regarding the 2021 Credit Agreement, as amended and 2015 Credit Agreement.

The following table summarizes our available liquidity (in millions):

| | December 31, 2023 | December 31, 2022 |
|---------------------------------------|-------------------|-------------------|
| Cash and cash equivalents | \$ 0.2 | 0.2 |
| Revolving line of credit availability | 45.4 | 41.2 |
| Available liquidity | \$ 45.6 | 41.4 |

Our liquidity and borrowing plans are established to align with our financial and strategic planning processes and ensure we have the necessary funding to meet our operating commitments, which primarily include the purchase of pumps, inventory, payroll and general expenses. We also take into consideration our overall capital allocation strategy which includes investment for future organic growth, potential acquisitions and repurchases of our common equity. We believe we have adequate sources of liquidity and funding available for at least the next year from the filing date of this report, as well as for our currently anticipated long-term needs. However, any projections of future earnings and cash flows are subject to substantial uncertainty.

including factors such as the successful execution of our business plan and general economic conditions. We may need to access debt and equity markets in the future if unforeseen costs or opportunities arise, to meet working capital requirements, fund acquisitions or investments or repay indebtedness under the 2021 Credit Agreement. If we need to obtain new debt or equity financing in the future, the terms and availability of such financing may be impacted by economic and financial market conditions as well as our financial condition and results of operations at the time we seek additional financing.

Long-Term Debt Activities:

The 2021 Credit Agreement provides for a revolving credit facility (the "Revolving Facility") of \$75.0 million, maturing on February 5, 2026. The Revolving Facility may be increased by \$35 million, subject to certain conditions, including the consent of the Agent and obtaining necessary commitments. The lenders under the 2021 Credit Agreement may issue up to \$7.0 million in letters of credit subject to the satisfaction of certain conditions. On February 5, 2021, the Borrowers made an initial borrowing of \$30.0 million under the Revolving Facility. Proceeds from the loan, along with approximately \$8.2 million in cash, were used to repay all amounts due under the Company's then existing 2015 Credit Agreement.

The 2021 Credit Agreement has customary representations and warranties. The ability to borrow under the facility is subject to ongoing compliance with a number of customary affirmative and negative covenants, including limitations on indebtedness, liens, mergers, acquisitions, investments, asset sales, affiliate transactions and restricted payments, as well as financial covenants, including the following:

- a minimum fixed charge coverage ratio (defined as the ratio of consolidated EBITDA (as defined in the 2021 Credit Agreement) less 50% of depreciation expense), to consolidated fixed charges (as defined in the 2021 Credit Agreement) for the prior four most recently ended calendar quarters of 1.20 to 1.00; and
- a maximum leverage ratio (defined as total indebtedness to EBITDA for the prior four most recently ended calendar quarters) of 3.50 to 1.00.

The 2021 Credit Agreement includes customary events of default. The occurrence of an event of default will permit the lenders to terminate commitments to lend under the Revolving Facility and accelerate payment of all amounts outstanding thereunder.

On April 26, 2023, the Company entered into a First Amendment to the 2021 Credit Agreement (the "First Amendment") with the Agent and the lenders party thereto, which amended the 2021 Credit Agreement, to provide for, among other things: (i) an extension of the maturity date for the 2021 Credit Agreement to April 26, 2028, (ii) the replacement of London Interbank Offered Rate ("LIBOR") with Adjusted Term Secured Overnight Financing Rate ("SOFR") as a benchmark interest rate, and (iii) an increase of the maximum dollar amount of incremental revolving loans from \$25 million to \$35 million. Incremental revolving loans continue to be subject to certain conditions, including the consent of the Agent and obtaining necessary commitments.

The 2021 Credit Agreement and First Amendment were accounted for as debt modifications that resulted in a small increase to deferred debt issuance costs. As of December 31, 2023, the Company was in compliance with all debt-related covenants under the 2021 Credit Agreement, as amended. Considering our current liquidity position and short-term financial forecasts, we expect to continue to be in compliance with our financial covenants at the end of our fiscal year ending December 31, 2024.

The following table illustrates the net availability under the Revolving Facility as of the applicable balance sheet date (in thousands):

| | December 31, 2023 | December 31, 2022 |
|--------------------------|-------------------------|-------------------------|
| Revolver: | | |
| Gross availability | \$ 75,000 | \$ 75,000 |
| Outstanding draws | (29,439) | (33,384) |
| Letters of credit | (200) | (400) |
| Availability on Revolver | <u><u>\$ 45,361</u></u> | <u><u>\$ 41,216</u></u> |

As of December 31, 2023, amounts outstanding under the Revolving Facility provided under the 2021 Credit Agreement bear interest at a variable rate equal to, at the Company's election, Adjusted Term SOFR for Term Benchmark loans or an Alternative Base Rate for ABR loans, as defined by the First Amendment plus a spread that will vary depending upon the Company's leverage ratio. The spread ranges from 2.00% to 3.00% for Term Benchmark Loans and 1.00% to 2.00% for base

rate loans. The weighted-average Term Benchmark loan rate at December 31, 2023 was 7.71% (Adjusted Term SOFR of 5.46% plus 2.25%). The actual ABR loan rate at December 31, 2023 was 9.75% (lender's prime rate of 8.50% plus 1.25%).

Share Repurchases

As noted above, our Board of Directors approved the Share Repurchase Program on June 30, 2021. As of December 31, 2023, the Company had repurchased and retired approximately \$6.2 million, or 553,149 shares, of the Company's outstanding common stock under the Share Repurchase Program and had approximately \$14.0 million of available repurchases remaining under the program. Repurchases under the Share Repurchase Program will be subject to market conditions, the periodic capital needs of the Company's operating activities, and the continued satisfaction of all covenants under the Company's existing 2021 Credit Agreement, as amended. The Share Repurchase program does not obligate the Company to repurchase shares and may be suspended, terminated, or modified at any time at the discretion of the Board.

Cash Flows:

The following table summarizes our cash flows (in millions):

| In millions | Years Ended December 31, | | |
|---|--------------------------|-----------|---------------|
| | 2023 | 2022 | 2023 vs. 2022 |
| Net cash provided by operating activities | \$ 11.2 | \$ 17.5 | \$ (6.3) |
| Net cash used in investing activities | \$ (6.7) | \$ (11.5) | \$ 4.7 |
| Net cash used in financing activities | \$ (4.4) | \$ (6.1) | \$ 1.6 |

Operating Cash Flow. Net cash provided by operating activities for the year ended December 31, 2023 was \$11.2 million compared to \$17.5 million for the year ended December 31, 2022. This \$6.3 million, or 35.9%, decrease was primarily attributable to the use of cash to fund changes in working capital amounts which represented a net use of cash during 2023 totaling \$5.6 million versus a net source of cash during 2022 of \$0.4 million. Together, these changes represented a net unfavorable swing in cash flows in 2023 as compared to 2022 totaling \$5.9 million. An additional decrease of \$0.3 million resulted from a decrease in net income adjusted for non-cash items of \$16.8 million during 2023 as compared to \$17.1 million during 2022.

The use of cash for working capital items during the 2023 included higher increases in other assets, totaling \$2.7 million, accounts receivable, totaling \$1.2 million, other current assets, totaling \$0.8 million, inventories, totaling \$0.7 million, and a lower increase in accounts payable and other liabilities totaling \$0.5 million. These impacts to operating cash flow were all attributable to the increased net revenue growth during 2023 as compared to 2022. A portion of the increased revenue was attributable to sales-type leases, which resulted in higher lease receivables (of which the long-term portion is included in other assets versus accounts receivable) and to the biomedical master services agreement described above, a part of which increased the related contract asset (which is included in other current assets).

The decrease in net income adjusted for non-cash items primarily resulted from a decrease in amortization of intangible assets partially offset by an increase in net income. The increases in our net income was due to the higher revenue and gross profit offset partially by increased selling, marketing, and G&A expenses during 2023 as compared to 2022. Non-cash items include depreciation, amortization, changes in the provision for doubtful accounts, loss on disposal of medical equipment, gain on sale of medical equipment, stock-based compensation and deferred income taxes.

Investing Cash Flow. Net cash used in investing activities was \$6.7 million for the year ended December 31, 2023 compared to \$11.5 million for the year ended December 31, 2022. This \$4.7 million decrease in net cash used was primarily due to a \$4.0 million decrease in purchases of medical equipment. The lower purchase volume of medical equipment was due to improved utilization of our existing pump fleet, which allowed us to purchase fewer pumps to support revenue growth, and due to a reduction in the number of missing pumps, during 2023 as compared to 2022.

Financing Cash Flow. Net cash used in financing activities for the year ended December 31, 2023 was \$4.4 million compared to \$6.1 million for the year ended December 31, 2022. The use of cash during 2023 primarily included net revolving line of credit repayments under the 2021 Credit Agreement totaling \$3.9 million. During 2022, net revolving line of credit repayments were minimal. The use of cash for financing activities during 2022 primarily included repurchase of common stock totaling \$5.5 million. Common stock repurchases in 2023 were minimal.

Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the U.S. requires management to make estimates, assumptions and judgments that affect the amounts reported in the financial statements, including the notes thereto. We consider critical accounting policies to be those that require more significant judgments and estimates in the preparation of our consolidated financial statements, including the following: revenue recognition and reserve for missing medical equipment. Management relies on historical experience and other assumptions believed to be reasonable in making its judgments and estimates. Actual results could differ materially from those estimates.

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

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

Revenue Recognition

The Company generates revenues from multiple sources including from the sale and rental of our products as well as service contracts. Due to the various types and complexity of these arrangements, we consider the application of the accounting policies that govern revenue recognition and the determination of the net realizable value of revenues and accounts receivable to be critical in relation to our consolidated financial statements.

Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 606 - Revenue from Contracts with Customers ("ASC 606") stipulates revenue recognition at the time and in an amount that reflects the consideration expected to be entitled for the performance obligations that have been provided. ASC 606 defines contracts as creating enforceable rights and may be established through written contracts, oral agreements and through customary business practice. Under this definition, the Company considers contracts to be created at the time that the service is authorized or an order to purchase product is agreed upon regardless of whether or not there is a written contract.

The Company has three separate and distinct performance obligations offered to its customers: a rental service performance obligation, a product sale performance obligation and a service performance obligation. A performance obligation is a promise in a contract to transfer a distinct good or service to the customer and is defined as the unit of account for revenue recognition under ASC 606. These performance obligations are related to separate revenue streams and at no point are they combined into a single transaction. The Company's customers include medical facilities or patients, depending on the arrangement, and payments are received from different sources which include commercial payers, government insurance payers, medical facilities and patients.

The Company generates a significant amount of its revenues that are accounted for under ASC 606 from the rental service of infusion pumps to its customers with the remainder of this revenue being derived from product sales and services. For the rental service performance obligation revenue is based on its estimated standalone price, determined using reimbursement rates established by third-party payer or other contracts. Revenue is recognized over the contract term in which the related performance obligation is satisfied. The Company's revenues related to product sales are recognized at the time that control of the product has been transferred to the customer; either at the time the product is shipped or the time the product has been received by the customer, depending on the delivery terms, or when the customer uses the products in the case of when our products are stored at a customer's location. The Company does not commit to long-term contracts to sell customers a certain minimum quantity of products. The Company's revenues related to services are recognized as the service work is completed.

The Company employs certain significant judgments to estimate the dollar amount of revenue, and related concessions, allocated to the rental service and product performance obligations. These judgments include, among others, the estimation of variable consideration. The Company allocates variable consideration using standalone selling price when appropriate and available. When an appropriate standalone selling price is not available, the Company allocates based on a best estimate approach using the relative fair market value. Variable factors include differences in transaction price and changes in the expected total volume of services during the contract period. In calculating the variable amount of revenue for these performance obligations, variable consideration is estimated as implied price concessions resulting from differences between the rates charged for services performed and the expected reimbursements for commercial payers and other implied customer concessions and by forecasting total revenue volume for the contract period. The contract period starts at contract inception and

typically extends 30 days past the end of each reporting period representing the non-cancelable period of each agreement. These estimates for variable consideration are based on historical service volumes with our customers and prices with similar payers, aged accounts receivable by payer class and payer correspondence using the portfolio approach, which provide a reasonable basis for estimating the variable portion of a transaction. The Company doesn't believe it is probable that a significant reversal of revenue will occur in future periods because (i) there is no significant uncertainty about the amount of consideration that is expected to be collected based on collection history and (ii) the large number of sufficiently similar contracts allows the Company to adequately estimate the components of variable consideration.

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

Reserve for Missing Medical Equipment

Medical equipment in rental service consists of equipment that the Company purchases from third-parties and is (1) for sale or rent, and (2) used in service to generate rental revenue. The Company periodically performs an analysis to identify potentially missing medical equipment and records a reserve equal to the underlying net book value. The Company determines the need for a reserve based upon the length of time a pump has been in the field without evidence of existence. The Company's basis for determining the need for a reserve is based upon historical experience and other meaningful observable information. The reserve is equal to the underlying net book value of the medical equipment considered missing, which was \$2.1 million and \$2.3 million as of December 31, 2023 and 2022, respectively. The expense related to adjustments in the reserve is recorded to cost of revenues on the Consolidated Statements of Operations and Comprehensive Income.

Item 7A. Quantitative and Qualitative Disclosure About Market Risk.

We are exposed to market risk from changes in foreign currency exchange rates and short-term interest rates. Market risks for changes in interest rates relate primarily to our debt obligations under our 2021 Credit Agreement, as amended. Foreign currency exchange risks are attributable to sales to foreign customers and purchases from foreign suppliers not denominated in our functional currency which is the U.S. Dollar ("USD") and include exposures primarily to the Canadian Dollar.

The Company periodically enters into derivative contracts with the objective of managing its financial and operational exposure arising from these risks by offsetting gains and losses on the underlying exposures with gains and losses on the financial instruments used to hedge them. We did not have any foreign currency derivative contracts outstanding at any time during the three-year period ended December 31, 2023. The maximum length of time over which we hedge our exposure to short-term interest rate risk is equal to the remaining term for the debt obligation being hedged. We had interest rate derivative contracts with a notional value of \$20.0 million as of December 31, 2023 and 2022, respectively.

We do not enter into derivative financial instruments for speculative or trading purposes. Our hedging relationships are formally documented at the inception of the hedge, and hedges must be highly effective in offsetting changes to future cash flows on hedged transactions both at the inception of a hedge and on an ongoing basis to be designated for hedge accounting treatment. For derivative contracts which can be classified as a cash flow hedge, the effective portion of the change in the fair value of the derivative is recorded to accumulated other comprehensive loss in the consolidated balance sheet. When the underlying hedge transaction is realized, the gain or loss included in accumulated other comprehensive income is recorded in earnings in the consolidated statement of income on the same line as the gain or loss on the hedged item attributable to the hedged risk. We record the ineffective portion of interest rate hedging instruments, if any, to interest expense in the Consolidated Statement of Operations and Comprehensive Income Statement. See [Note 8](#) to our consolidated financial statements for information related to the fair values of derivative instruments in our consolidated balance sheet as of December 31, 2023 and 2022 and information related to the effect of derivative instruments included in our Consolidated Statement of Operations and Comprehensive Income Statement including the amount of unrealized gain associated with our interest rate derivatives reported in accumulated other comprehensive income that was reclassified into earnings during 2023 and 2022.

The Company uses an income approach to value derivative instruments, analyzing quoted market prices to calculate the forward values and then discounts such forward values to the present value using benchmark rates at commonly quoted intervals for the instrument's full term.

In July 2017, Financial Conduct Authority (the authority that regulates LIBOR) previously announced its intent to stop compelling banks to submit rates for the calculation of LIBOR after 2021, and the administrator of LIBOR announced its intention to cease the publication of the one week and two-month USD LIBOR settings immediately following December 31, 2021, and the remaining USD LIBOR settings immediately following the LIBOR publication on June 30, 2023. The one-week and two-month USD LIBOR settings were last published on December 31, 2021. Additionally, it is expected that banks will no longer issue LIBOR-based debt after December 31, 2021. Accordingly, there is considerable uncertainty regarding the publication of such rates beyond these dates. The Alternative Reference Rates Committee ("ARRC") has proposed that the Secured Overnight Financing Rate ("SOFR") is the rate that represents best practice as the alternative to USD LIBOR for use in derivatives and other financial contracts that are currently indexed to USD LIBOR. On April 26, 2023, the Company amended its 2021 Credit Agreement with the First Amendment, discussed in [Note 7](#) to the consolidated financial statements, to provide for the replacement of LIBOR with Term SOFR as a benchmark interest rate. Prior to the First Amendment, net revolving loans under the 2021 Credit Agreement were indexed to USD LIBOR. As discussed in [Note 8](#) to the consolidated financial statements, on May 11, 2023, the Company settled its two outstanding interest rate swap agreements, which were indexed to USD LIBOR, and entered into a new interest rate swap agreement indexed to SOFR to coincide with the index change in the 2021 Credit Agreement, as amended. The new swap agreement has a notional value of \$20.0 million, which is equal to the combined notional value of the two settled swap agreements. The term of the new swap agreement, which matches the April 26, 2028 expiration date of the 2021 Credit Agreement, as amended, extends past the term of the settled swap agreements by approximately 26 months. Because of the hedging relationships, a change of 50% in the market rate of SOFR would not have a material impact on our financial results.

Item 8. Financial Statements and Supplementary Data.

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Report of Independent Registered Public Accounting Firm

To the shareholders and the Board of Directors of InfuSystem Holdings, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheet of InfuSystem Holdings, Inc. and subsidiaries (the "Company") as of December 31, 2023, the related consolidated statements of operations and comprehensive income, stockholders' equity, and cash flows for the year ended December 31, 2023, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023, and the results of its operations and its cash flows for the year ended December 31, 2023, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2023, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated April 9, 2024, expressed an adverse opinion on the Company's internal control over financial reporting because of a material weakness.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audit included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current-period audit of the financial statements that was communicated or required to be communicated to the audit committee and that (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Accounts Receivable, Net and Net Revenues - Third-Party Payer Rental Accounts Receivable and Revenue Price Concessions - Refer to Notes 2 and 3 to the Financial Statements

Critical Audit Matter Description

Management records third-party payer rental accounts receivable and related revenue for medical equipment and certain related disposable supplies at their net realizable values. Due to the nature of the industry and the reimbursement environment in which the Company operates, the Company estimates price concessions, which represent variable consideration resulting from differences between the rates charged and expected reimbursements, in order to record third-party payer rental accounts receivable and related revenues at their net realizable values. These price concessions are based on historical collection trends of third-party payer rental accounts receivable and revenue.

We identified the estimate of third-party payer rental accounts receivable and related revenue price concessions as a critical audit matter because of the significant judgments made by management to reduce third-party payer rental accounts receivable and revenue to their net realizable value. A high degree of auditor judgment and an increased extent of effort was required when performing audit procedures to evaluate management's estimate of price concessions.

How the Critical Audit Matter Was Addressed in the Audit

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Our audit procedures related to management's estimate of price concessions recorded to reduce third-party payer rental accounts receivable and revenues to their net realizable value included the following, among others:

- Evaluating the methodology and assumptions used by management in determining the estimated price concessions.
- Testing the source information used by management in determining the estimated price concessions.
- Testing the mathematical accuracy of management's calculation of the estimated price concessions.
- Evaluating management's ability to accurately estimate price concessions by comparing prior year estimates to actual collection results.

/s/ Deloitte & Touche LLP

Detroit, Michigan

April 9, 2024

We have served as the Company's auditor since 2023.

Report of Independent Registered Public Accounting Firm

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

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheet of InfuSystem Holdings, Inc. and subsidiaries (the "Company") as of December 31, 2022, the related consolidated statements of operations and comprehensive income, stockholders' equity, and cash flows for each of the two years in the period ended December 31, 2022, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2022, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2022, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud.

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

/s/ BDO USA, LLP

We served as the Company's auditor from 2013 to 2023.

Troy, Michigan

March 16, 2023

INFUSYSTEM HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

| <i>(in thousands, except par value and share data)</i> | As of | |
|---|----------------------|----------------------|
| | December 31, 2023 | December 31, 2022 |
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 231 | \$ 165 |
| Accounts receivable, net | 19,830 | 16,871 |
| Inventories, net | 6,402 | 4,821 |
| Other current assets | 4,157 | 2,922 |
| Total current assets | 30,620 | 24,779 |
| Medical equipment for sale or rental | 3,049 | 2,790 |
| Medical equipment in rental service, net of accumulated depreciation | 34,928 | 39,450 |
| Property & equipment, net of accumulated depreciation | 4,321 | 4,385 |
| Goodwill | 3,710 | 3,710 |
| Intangible assets, net | 7,446 | 8,436 |
| Operating lease right of use assets | 6,703 | 4,168 |
| Deferred income taxes | 9,115 | 9,625 |
| Derivative financial instruments | 1,442 | 1,965 |
| Other assets | 1,581 | 80 |
| Total assets | \$ 102,915 | \$ 99,388 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Accounts payable | \$ 8,009 | \$ 8,341 |
| Other current liabilities | 7,704 | 6,126 |
| Total current liabilities | 15,713 | 14,467 |
| Long-term debt, net of current portion | 29,101 | 33,157 |
| Operating lease liabilities, net of current portion | 5,799 | 3,761 |
| Total liabilities | \$ 50,613 | \$ 51,385 |
| Stockholders' equity: | | |
| Preferred stock, \$ 0.0001 par value: authorized 1,000,000 shares; none issued | — | — |
| Common stock, \$ 0.0001 par value: authorized 200,000,000 shares; 21,196,851 shares issued and outstanding as of December 31, 2023 and 20,781,977 shares issued and outstanding as of December 31, 2022 | 2 | 2 |
| Additional paid-in capital | 109,837 | 105,856 |
| Accumulated other comprehensive income | 1,088 | 1,489 |
| Retained deficit | (58,625) | (59,344) |
| Total stockholders' equity | 52,302 | 48,003 |
| Total liabilities and stockholders' equity | \$ 102,915 | \$ 99,388 |

See accompanying notes to consolidated financial statements.

INFUSYSTEM HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME

| <i>(in thousands, except share and per share data)</i> | Years Ended December 31, | | |
|---|--------------------------|---------------------|---------------------|
| | 2023 | 2022 | 2021 |
| Net revenues | \$ 125,785 | \$ 109,914 | \$ 102,382 |
| Cost of revenues | 62,676 | 49,354 | 43,846 |
| Gross profit | <u>63,109</u> | <u>60,560</u> | <u>58,536</u> |
| Selling, general and administrative expenses: | | | |
| Amortization of intangibles | 990 | 2,494 | 4,262 |
| Selling and marketing | 12,654 | 12,259 | 10,777 |
| General and administrative | <u>45,377</u> | <u>44,153</u> | <u>40,677</u> |
| Total selling, general and administrative | 59,021 | 58,906 | 55,716 |
| Operating income | 4,088 | 1,654 | 2,820 |
| Other expense: | | | |
| Interest expense | (2,170) | (1,402) | (1,377) |
| Other expense | <u>(67)</u> | <u>(122)</u> | <u>(186)</u> |
| Income before income taxes | 1,851 | 130 | 1,257 |
| (Provision for) benefit from income taxes | (979) | (112) | 163 |
| Net income | <u>\$ 872</u> | <u>\$ 18</u> | <u>\$ 1,420</u> |
| Net income per share | | | |
| Basic | \$ 0.04 | \$ — | \$ 0.07 |
| Diluted | \$ 0.04 | \$ — | \$ 0.06 |
| Weighted average shares outstanding: | | | |
| Basic | 21,024,382 | 20,648,818 | 20,519,958 |
| Diluted | 21,646,079 | 21,547,306 | 22,049,659 |
| Comprehensive income: | | | |
| Net income | \$ 872 | \$ 18 | \$ 1,420 |
| Other comprehensive (loss) income: | | | |
| Unrealized (loss) gain on hedges | (523) | 1,609 | 355 |
| Benefit from (provision for) income tax on unrealized hedge (loss) gain | <u>122</u> | <u>(388)</u> | <u>(87)</u> |
| Total other comprehensive (loss) income | <u>(401)</u> | <u>1,221</u> | <u>268</u> |
| Net comprehensive income | <u>\$ 471</u> | <u>\$ 1,239</u> | <u>\$ 1,688</u> |

See accompanying notes to consolidated financial statements.

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

| <i>(in thousands)</i> | Common Stock | | Additional | | Other | | Treasury Stock | | Total Stockholders' Equity |
|---|---------------|-------------|--------------------|---------------------|-------------------------|----------------|----------------|-------------|----------------------------------|
| | Shares | Par Value | Paid in Capital | Retained Deficit | Comprehensive Income | Shares | Par Value | | |
| Balances at January 1, 2021 | 23,816 | \$ 2 | \$ 84,785 | \$ (44,035) | \$ — | (3,518) | \$ — | \$ — | \$ 40,752 |
| Shares issued upon restricted stock vesting and option exercise | 462 | — | 812 | — | — | — | — | — | 812 |
| Stock-based compensation expense | — | — | 6,404 | — | — | — | — | — | 6,404 |
| Employee stock purchase plan | 32 | — | 348 | — | — | — | — | — | 348 |
| Common stock repurchased to satisfy minimum statutory withholding on stock-based compensation | (59) | — | (1,172) | — | — | — | — | — | (1,172) |
| Retirement of treasury stock | (3,518) | — | 10,728 | (10,728) | — | 3,518 | — | — | — |
| Common stock repurchased as part of share repurchase program | (33) | — | — | (560) | — | — | — | — | (560) |
| Other comprehensive income | — | — | — | — | 268 | — | — | — | 268 |
| Net income | — | — | — | 1,420 | — | — | — | — | 1,420 |
| Balances at December 31, 2021 | 20,700 | 2 | 101,905 | (53,903) | 268 | — | — | — | 48,272 |
| Shares issued upon restricted stock vesting and option exercise | 657 | — | 891 | — | — | — | — | — | 891 |
| Stock-based compensation expense | — | — | 3,825 | — | — | — | — | — | 3,825 |
| Employee stock purchase plan | 61 | — | 428 | — | — | — | — | — | 428 |
| Common stock repurchased to satisfy minimum statutory withholding on stock-based compensation | (137) | — | (1,193) | — | — | — | — | — | (1,193) |
| Common stock repurchased as part of share repurchase program | (499) | — | — | (5,459) | — | — | — | — | (5,459) |
| Other comprehensive income | — | — | — | — | 1,221 | — | — | — | 1,221 |
| Net income | — | — | — | 18 | — | — | — | — | 18 |
| Balances at December 31, 2022 | 20,782 | 2 | 105,856 | (59,344) | 1,489 | — | — | — | 48,003 |
| Shares issued upon restricted stock vesting and option exercise | 481 | — | 618 | — | — | — | — | — | 618 |
| Stock-based compensation expense | — | — | 4,074 | — | — | — | — | — | 4,074 |
| Employee stock purchase plan | 72 | — | 446 | — | — | — | — | — | 446 |
| Common stock repurchased to satisfy minimum statutory withholding on stock-based compensation | (116) | — | (1,157) | — | — | — | — | — | (1,157) |
| Common stock repurchased as part of share repurchase program | (22) | — | — | (153) | — | — | — | — | (153) |
| Other comprehensive loss | — | — | — | — | (401) | — | — | — | (401) |
| Net income | — | — | — | 872 | — | — | — | — | 872 |
| Balances at December 31, 2023 | 21,197 | \$ 2 | \$ 109,837 | \$ (58,625) | \$ 1,088 | — | \$ — | \$ — | \$ 52,302 |

See accompanying notes to consolidated financial statements.

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

| <i>(in thousands)</i> | Years Ended December 31, | | |
|--|--------------------------|-------------------|-------------------|
| | 2023 | 2022 | 2021 |
| OPERATING ACTIVITIES | | | |
| Net income | | | |
| \$ | 872 | \$ 18 | \$ 1,420 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | |
| Provision for doubtful accounts | (261) | 87 | 77 |
| Depreciation | 11,518 | 10,866 | 10,363 |
| Loss on disposal of and reserve adjustments for medical equipment | 1,726 | 1,933 | 1,029 |
| Gain on sale of medical equipment | (2,887) | (2,183) | (2,545) |
| Amortization of intangible assets | 990 | 2,494 | 4,262 |
| Amortization of deferred debt issuance costs | 120 | 73 | 151 |
| Stock-based compensation | 4,074 | 3,825 | 6,404 |
| Deferred income taxes | 633 | 19 | (153) |
| Changes in assets - (increase)/decrease: | | | |
| Accounts receivable | (2,363) | (1,153) | 829 |
| Inventories | (1,581) | (882) | (864) |
| Other current assets | (1,235) | (387) | (133) |
| Other assets | (2,798) | (135) | (161) |
| Changes in liabilities - increase/(decrease): | | | |
| Accounts payable and other liabilities | 2,415 | 2,942 | (2,363) |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | 11,223 | 17,517 | 18,316 |
| INVESTING ACTIVITIES | | | |
| Acquisition of business | — | — | (7,976) |
| Purchase of medical equipment | (10,093) | (14,094) | (15,676) |
| Purchase of property and equipment | (1,024) | (982) | (980) |
| Proceeds from sale of medical equipment, property and equipment | 4,383 | 3,598 | 3,317 |
| NET CASH USED IN INVESTING ACTIVITIES | (6,734) | (11,478) | (21,315) |
| FINANCING ACTIVITIES | | | |
| Principal payments on long-term debt | (55,499) | (42,035) | (81,660) |
| Cash proceeds from long-term debt | 51,552 | 42,022 | 76,191 |
| Debt issuance costs | (229) | — | (386) |
| Cash payment of contingent consideration | — | (750) | — |
| Common stock repurchased as part of share repurchase program | (153) | (5,459) | (560) |
| Common stock repurchased to satisfy statutory withholding on employee stock-based compensation plans | (1,158) | (1,193) | (1,172) |
| Cash proceeds from exercise of options and ESPP | 1,064 | 1,355 | 1,124 |
| NET CASH USED IN FINANCING ACTIVITIES | (4,423) | (6,060) | (6,463) |
| Net change in cash and cash equivalents | 66 | (21) | (9,462) |
| Cash and cash equivalents, beginning of period | 165 | 186 | 9,648 |
| Cash and cash equivalents, end of period | \$ 231 | \$ 165 | \$ 186 |

See accompanying notes to consolidated financial statements.

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The following table presents certain supplementary cash flow information:

| <i>(in thousands)</i> | Years Ended December 31, | | |
|---|--------------------------|----------|----------|
| | 2023 | 2022 | 2021 |
| SUPPLEMENTAL DISCLOSURES | | | |
| Cash paid for interest | \$ 2,052 | \$ 1,310 | \$ 1,113 |
| Cash paid for income taxes | 213 | 153 | 171 |
| NON-CASH TRANSACTIONS | | | |
| Additions to medical equipment and property (a) | \$ 249 | \$ 1,902 | \$ 1,590 |
| Additions to contingent consideration (b) | — | — | 750 |
| Additions to cash proceeds from stock plans (c) | — | — | 36 |

(a) Amounts consist of current liabilities for medical equipment and property that have not been included in investing activities. These amounts have not been paid for as of December 31, 2023, 2022 and 2021, respectively, but will be included as a cash outflow from investing activities for purchases of medical equipment and property when paid.

(b) Amount consists of current liabilities for contingent consideration that have not been included in financing activities. These amounts have not been paid for as of December 31, 2021, but was included as a cash outflow from financing activities for contingent consideration when paid.

(c) Amount consists of receivables for cash proceeds from stock plans that have not been included in financing activities. These amounts have not been received as of December 31, 2021, but was included as a cash inflow from financing activities for cash proceeds from stock plans when received.

See accompanying notes to consolidated financial statements.

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

1. Basis of Presentation and Nature of Operations

InfuSystem Holdings, Inc. and its consolidated subsidiaries (collectively, the "Company") are a leading national 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 seven locations in the United States ("U.S.") and Canada. The Company provides products and services to hospitals, oncology practices and facilities and other alternate site health care providers. Headquartered in Rochester Hills, Michigan, the Company delivers local, field-based customer support, and also operates pump service and repair Centers of Excellence in Michigan, Kansas, California, Massachusetts, Texas and Ontario, Canada. InfuSystem, Inc. and First Biomedical, Inc. are both operating subsidiaries of the Company.

The Company's core service is supplying electronic ambulatory infusion pumps and associated disposable supply kits to oncology clinics, infusion clinics and hospital outpatient chemotherapy clinics to be utilized in the treatment of a variety of cancers including colorectal cancer, pain management and other disease states. The majority of the Company's pumps are electronic infusion pumps. Smiths Medical, Inc., a division of ICU Medical, Inc., supplied more than 60 % of the ambulatory pumps purchased by the Company in 2023. The Company has a supply agreement in place with this supplier. Certain "spot" purchases are made on the open market subject to individual negotiation. The Company also supplies Negative Pressure Wound Therapy ("NPWT") medical equipment, as well as related disposables and ancillary supplies.

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

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

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

2. Summary of Significant Accounting Policies

Principles of Consolidation

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

Segments

The Company operates in two reportable segments, Patient Services and Device Solutions based on management's view of its business for purpose of evaluating performance and making operating decisions.

The Company's approach is to make operational decisions and assess performance based on delivering products and services that together provide solutions to its customer base utilizing a functional management structure. Based upon this business model, the Company's Chief Executive Officer, whom the Company has determined to be its chief operating decision-maker ("CODM") , reviews segment financial information. See [Note 13](#) for segment disclosures.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates, assumptions and judgements that affect amounts reported therein. Due to the inherent uncertainty involved in making estimates, actual results reported in future periods may differ from those estimates.

Business Combinations

The Company accounts for all business combinations using the acquisition method of accounting, which allocates the fair value of the purchase consideration to the tangible and intangible assets acquired and liabilities assumed based on their estimated fair values. The excess of the purchase consideration over the fair values of these identifiable assets and liabilities is

recorded as goodwill. When determining the fair values of assets acquired and liabilities assumed, management makes significant estimates and assumptions. For intangible assets, the Company typically uses the income approach to determine their estimated fair values. Key estimates and assumptions in that approach include the amount and timing of projected future cash flow, the discount rate selected to measure the risks inherent in those cash flows and the assessment of the asset's useful life. Initial purchase price allocations are subject to revision within the measurement period, not to exceed one year from the date of acquisition. Acquisition-related expenses and transaction costs associated with business combinations are expensed as incurred.

Cash and Cash Equivalents

The Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents. The Company maintains substantially all of its cash and cash equivalents primarily with two financial institutions that are insured with the Federal Deposit Insurance Corporation ("FDIC"). At times throughout the year, cash and cash equivalents balances might exceed FDIC insurance limits. Accounts at banks with an aggregate excess of the amount of outstanding checks over the cash balances are included in accounts payable in current liabilities in the consolidated balance sheet. At December 31, 2023, and 2022, the Company did not have any cash equivalents.

Revenue Recognition

The Company generates revenues from multiple sources including from the sale and rental of our products as well as service contracts. Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 606 - Revenue from Contracts with Customers ("ASC 606") stipulates revenue recognition at the time and in an amount that reflects the consideration expected to be entitled for the performance obligations that have been provided. ASC 606 defines contracts as creating enforceable rights and may be established through written contracts, oral agreements and through customary business practice. Under this definition, the Company considers contracts to be created at the time that the service is authorized or an order to purchase product is agreed upon regardless of whether or not there is a written contract.

The Company has three separate and distinct performance obligations offered to its customers: a rental service performance obligation, a product sale performance obligation and a service performance obligation. A performance obligation is a promise in a contract to transfer a distinct good or service to the customer and is defined as the unit of account for revenue recognition under ASC 606. The Company's customers include medical facilities or patients, depending on the arrangement, and payments are received from different sources which include commercial payers, government insurance payers, medical facilities and patients.

The Company generates a significant amount of its revenues that are accounted for under ASC 606 from the rental service of infusion pumps to its customers and the remainder of its revenue from product sales and services. For the rental service performance obligation revenue is based on its standalone price, determined using reimbursement rates established by third-party payer or other contracts. Revenue is recognized over the contract term in the period in which the related performance obligation is satisfied. The Company's revenues related to product sales are recognized at the time that control of the product has been transferred to the customer; either at the time the product is shipped or the time the product has been received by the customer, depending on the delivery terms, or when the customer uses the products in the case of when our products are stored at a customer's location. The Company does not commit to long-term contracts to sell customers a certain minimum quantity of products. The Company's revenues related to services are recognized as the service work is completed.

The Company employs certain significant judgments to estimate the dollar amount of revenue, and related concessions, allocated to the rental service and product performance obligations. These judgments include, among others, the estimation of variable consideration. The Company allocates variable consideration using standalone selling price when appropriate and available. When an appropriate standalone selling price is not available, the Company allocates based on a best estimate approach using the relative fair market value. Variable factors include differences in transaction price and changes in the expected total volume of services during the contract period. In calculating the variable amount of revenue for these performance obligations, variable consideration is estimated as price concessions resulting from differences between the rates charged for services performed and the expected reimbursements for commercial payers and other customer concessions. The contract period starts at contract inception and typically extends 30 days past the end of each reporting period representing the non-cancelable period of each agreement. These estimates for variable consideration are based on historical service volumes with our customers and prices with similar payers, aged accounts receivable by payer class and payer correspondence using the portfolio approach, which provide a reasonable basis for estimating the variable portion of a transaction. The Company doesn't believe it is probable that a significant reversal of revenue will occur in future periods because (i) there is no significant uncertainty about the amount of considerations that is expected to be collected based on collection history and (ii) the large number of sufficiently similar contracts allows the Company to adequately estimate the components of variable consideration.

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

Lease Arrangements

The Company also generates its revenues from the rental of infusion pumps to its customers as leases. Under ASC 842, Leases ("ASC 842"), leases may be classified as either financing, sales-type, or operating, and the Company is required to disclose key information about leasing arrangements. The classification determines the pattern of revenue recognition and classification within the statement of operations. The Company elected the "combining lease and non-lease components" practical expedient for all qualifying non-lease components. The Company's customers include medical facilities or patients, depending on the arrangement, and payments are received from different sources which include commercial insurance payers, government insurance payers, medical facilities and patients.

The Company primarily participates in operating leases as a lessor, and determined, and will continue to determine, whether an arrangement is a lease at inception. The Company's operating leases are primarily for medical equipment under operating lease arrangements that expire at various dates over the next twelve months. The Company's leases do not contain any restrictive covenants. Most of the Company's equipment leases do not contain any material residual value guarantees. For the agreements that have guarantees, the residual value reflects management's best estimate of the expected sales price for the equipment at lease termination based on sales history adjusted for recent trends in the expected exit markets. The Company's equipment leases may contain renewal options which range from one week to one year. Lease payments receivable reflect contractual lease payments adjusted for renewal or termination options that the Company believe the customer is reasonably certain to exercise. As of December 31, 2023, the Company did not have any operating leases that contained renewal options with increasing rental amounts. Many of the Company's leases allow the customer to extend the lease at prevailing market terms. The Company's operating leased assets are not protected against casualty loss through third-party insurance.

Due to the nature of the industry and the reimbursement environment in which the Company operates, certain estimates, including management's assessment of probability of collection, are required to record revenue and accounts receivable at their net realizable values, otherwise, if probability of collection is not met, the Company records revenue for such leases on a cash basis. 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 arrangements and the uncertainty of reimbursement amounts for certain services from certain payers may result in variable lease payments that require adjustments to amounts originally recorded. Such adjustments are typically identified and recorded at the point of cash application, claim denial or account review. The Company adjusts revenue for historical trends on revenue adjustments due to timely filings, deaths, and other types of analyzable adjustments on a monthly basis to record rental revenue at the expected collectible amounts. Consistent with ASC 450, Contingencies, for contracts where collection is considered probable, accounts receivable is reduced by an allowance for credit losses which provides for those accounts from which payment is not expected to be received although product was delivered and revenue was earned. The Company records an allowance for credit losses based upon an analysis of historical collections. The Company has elected to record the adjustments to accounts receivables in net revenues on the Consolidated Statements of Operations and Comprehensive Income. The determination that an account is uncollectible, and the ultimate write-off of that account occurs once collection is considered to be highly unlikely, and it is written-off and charged to the allowance at that time.

The Company also participates in sales-type leases as a lessor, and determined, and will continue to determine, whether an arrangement is a lease at inception. In a sales-type lease, lessors are required to recognize a lease receivable, selling profit, initial indirect costs, and residual asset values for all of these types of leases, and to disclose key information about leasing arrangements. The Company's sales-type leases are primarily for medical equipment under sales-type lease arrangements that expire at various dates over the next three years. The Company's leases do not contain any restrictive covenants. The Company's equipment leases do not contain any material residual value guarantees or renewal options.

Lease revenue for leased assets is recognized in net revenue. The Company further recognizes any variable lease payments that are not included in the net investment in the lease as income in profit or loss in the period when the changes in facts and circumstances on which the variable lease payments are based occur.

Accounts Receivable and Allowance for Credit Losses, and Contingencies

Amounts billed that have not yet been collected that also meet the conditions for unconditional right to payment are presented as accounts receivable. Accounts receivable related to rental service and delivery of products are reported at net

realizable value, inclusive of adjustments for variable consideration. These adjustments reflect the amounts expected to be collected from payers based on an analysis of historical collections. The Company writes off accounts receivable once collection efforts have been exhausted and an account is deemed to be uncollectible. An allowance for credit losses, and contingencies, is established as a result of an adverse change in the Company's payers' ability to pay outstanding billings. The allowance for credit losses was \$ 0.6 million and \$ 1.1 million as of December 31, 2023 and 2022, respectively.

Inventories

The Company's inventories consist of disposable medical supplies, replacement parts and other supplies used in conjunction with medical equipment and are stated at the lower of cost (first-in, first-out basis) or net realizable value. Cost primarily represents the purchase price paid for the items on hand. The Company periodically performs an analysis of slow-moving inventory and records an adjustment to reflect the recoverable amount.

Medical Equipment

Medical Equipment ("Equipment") consists of equipment that the Company purchases from third-parties and is (1) held for sale or rent, and (2) used in service to generate rental revenue. Equipment, once placed into service, is depreciated using the straight-line method over the estimated useful lives of the equipment which is typically seven years . The Company does not depreciate Equipment held for sale or rent. When Equipment in rental service assets are sold, or otherwise disposed, the cost and related accumulated depreciation are removed from the accounts and a gain or loss is recorded in the current period. The Company periodically performs an analysis to identify potentially missing Equipment and records a reserve equal to the underlying net book value, which was \$ 2.1 million and \$ 2.3 million as of December 31, 2023 and 2022, respectively. This amount approximates the accelerated depreciation the Company would recognize over the remaining useful lives of the assets determined to be missing. The Company performs a similar analysis of slow-moving Equipment for sale or rent and records a reserve, which was less than \$ 0.1 million as of both December 31, 2023 and 2022.

Presentation of Medical Equipment in the Consolidated Statements

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

Property and Equipment

Property and equipment is stated at acquired cost and depreciated using the straight-line method over the estimated useful lives of the related assets, ranging from three to seven years . Externally purchased information technology software and hardware are depreciated over three and five years , respectively. Leasehold improvements are amortized using the straight-line method over the life of the asset or the remaining term of the lease, whichever is shorter. Maintenance and minor repairs are expensed 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.

Goodwill

Goodwill is tested for impairment annually or more frequently when certain events or circumstances trigger a review. Management has the option to first assess qualitative factors such as current performance and overall economic conditions to determine whether or not it is necessary to perform a quantitative goodwill impairment test. If the Company chooses that option, then the Company would not be required to perform a quantitative goodwill impairment test unless the Company determines that, based on a qualitative assessment, it is more likely than not that the fair value of a reporting unit is less than its carrying value. If the Company determines that an impairment is more likely than not, or if the Company chooses not to perform a qualitative assessment, the Company will then proceed with the quantitative assessment. Under the quantitative test, if the fair value of a reporting unit exceeds its carrying amount, then goodwill of the reporting unit is considered to not be impaired. If the carrying amount of the reporting unit exceeds its fair value, then an impairment loss is recognized in an amount equal to the excess, up to the value of the goodwill. The Company performed its annual impairment analysis by using a quantitative assessment as of October 31, 2023 and determined that there was no impairment.

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Intangible Assets

Intangible assets consist of trade names, physician and customer relationships, unpatented technology, non-competition agreements and software. The Company amortizes the value assigned to the physician and customer relationships on a straight-line basis over the period of expected benefit, which ranges from fifteen to twenty years. The acquired physician and customer relationship base represents a valuable asset of the Company due to the expectation of future business opportunities to be leveraged from the existing relationship with each physician and customer. The Company has long-standing relationships with numerous oncology clinics, physicians, home care and home infusion providers, skilled nursing and acute care facilities, pain centers and others. The useful lives of these relationships are based on the expected attrition rates. Acquired software is amortized on a straight-line basis over the period of expected benefit, which ranges from three to five years. Acquired unpatented technology arose from recent acquisitions and is amortized on a straight-line basis over the period of expected benefit, which is seven years. This asset represents acquired knowledge of repair solutions that will be leveraged into opportunities into the acute care market. The non-competition agreements arose from recent acquisitions and are amortized on a straight-line basis over the terms of the agreements, which is five years. Trade names associated with the original acquisition of InfuSystem are not amortized.

Management tests indefinite life trade names for impairment annually or more frequently if deemed necessary. Management has the option of first performing the impairment test for intangible assets with indefinite lives on a qualitative basis, by evaluating factors to determine whether it is more likely than not that an impairment exists. If it is more likely than not that an impairment exists, or if the Company chooses not to perform a qualitative assessment, then a quantitative impairment test is performed. Impairment exists when the carrying amount of the intangible asset exceeds its fair value. If the carrying value of the intangible assets exceeds the fair value, an impairment loss is recognized in an amount equal to that excess. The Company performed its annual impairment analysis by using a quantitative assessment as of October 31, 2023 and determined that the fair value of the trade names with indefinite lives was greater than their carrying value, resulting in no impairment.

Software Capitalization and Depreciation

The Company capitalizes certain costs incurred in connection with obtaining or developing internal-use software, including payroll and payroll-related costs for employees who are directly associated with the internal-use software project, external direct costs of materials and services and interest costs while developing the software. Capitalized software costs are included in intangible assets, net and are amortized using the straight-line method over the estimated useful life of three to five years. Capitalization of such costs ceases when the project is substantially complete and ready for its intended purpose. Costs incurred during the preliminary project and post-implementation stages, as well as software maintenance and training costs, are expensed in the period in which they are incurred. The Company did not capitalize any internal-use software for the year ended December 31, 2023, and 2022. Amortization expense for capitalized software was \$ 0.1 million in 2023, \$ 0.1 million in 2022 and \$ 1.6 million in 2021.

The Company assesses impairment indicators related to its internally-developed, internal-use software, specifically looking at the effectiveness and useful lives of each project and sub-project to determine if impairment indicators are present. For the year ended December 31, 2023, the Company assessed the impairment indicators and found none to be present.

Impairment of Long-Lived Assets

Long-lived assets held for use, which includes medical equipment in rental service, property and equipment and amortizable intangible assets, are reviewed for impairment when events or changes in circumstances indicate that their carrying value may not be recoverable. If an impairment indicator exists, the Company assesses the asset or asset group for recoverability. Recoverability of these assets is determined based upon the expected undiscounted future net cash flows from the operations to which the assets relate, utilizing management's best estimates, appropriate assumptions and projections at the time. If the carrying value is determined not to be recoverable from future operating cash flows, the asset is deemed impaired and an impairment loss would be recognized to the extent the carrying value exceeded the estimated fair market value of the asset or asset group. For the years ended December 31, 2023, 2022 and 2021, respectively, the Company assessed the impairment indicators and found none to be present.

Leases

For policies related to the Company acting as a lessor, refer to the "Lease Arrangements" policy section above.

With respect to the policies related to the Company as lessee, under ASC 842, lessees are required to recognize a lease liability and right-of-use asset ("ROU asset") for all leases and to disclose key information about leasing arrangements. Additionally, leases are classified as either financing or operating; the classification determines the pattern of expense

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recognition and classification within the statement of operations. The Company elected to apply its lease accounting policy only to leases with a term greater than twelve months.

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

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

For the Company's equipment leases, the Company used and will use the implicit rate in the lease as the discount rate, when available. Otherwise, the Company uses its incremental borrowing rate as the discount rate. For the Company's office leases, the implicit rate is typically not available, so the Company used and will use its incremental borrowing rate as the discount rate. The incremental borrowing rate is estimated to approximate the interest rate on a collateralized basis with similar terms and payments.

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

Cost of Revenues

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

Customer Concentration

As of December 31, 2023 and 2022, the Company had contracts with nearly 820 and 800 third-party payer networks, respectively. Material terms of contracts with third-party payer organizations are typically a pre-negotiated fee schedule rate or a then-current proprietary fee schedule rate for equipment and supplies provided. The majority of these contracts generally provide for a term of one year, with automatic one-year renewals, unless the Company or the contracted payer elect not to renew. The Company also contracts with various other third-party payer organizations, Medicaid, commercial Medicare replacement plans, self-insured plans, facilities of its Medicare patients and numerous other insurance carriers. No single payer or customer represented more than 10% of the Company's net revenue in 2023, 2022 or 2021.

Income Taxes

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

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

The Company follows a two-step approach for recognizing uncertain tax positions. First, it evaluates the tax position for recognition by determining if the weight of available evidence indicates it is more-likely-than-not that the position will be

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

Treasury Stock

The Company periodically repurchases shares of its common stock. These repurchases take place either as part of a board-authorized program, which may include open market transactions or privately negotiated transactions and may be made under a Rule 10b5-1 plan, or in targeted stock purchase agreements approved by the Board. Treasury stock is accounted for using the par value method. In 2021, the Company retired the approximately 3,500,000 shares that were previously held in treasury. As of December 31, 2023 and 2022, respectively, the Company did not have any shares being held in treasury.

Share-Based Payments

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

Additionally, the Company also determines the fair value of performance-based restricted stock units ("PSUs") based upon the type of performance measure. These awards typically vest after the Company's achievement of either a specific Company performance metric or when the market value of the Company's stock meets a specific metric such as when the closing price of the Company's stock reaches a target value for a minimum number of consecutive trading days. Under FASB ASC 718, the provisions of the PSUs that vest upon achievement of a target market value are considered a market condition, and therefore the effect of that market condition is reflected in the grant date fair value for this type of award. A third-party valuation expert was engaged to prepare a "Monte Carlo simulation" to account for the market condition to assist management in its conclusion of fair value. That simulation takes into account the beginning stock price of the Company's common stock, the expected volatilities for the Company's stock price and the expected risk-free rate of return. The single grant-date fair value computed by this valuation method is recognized by the Company in accounting for the awards regardless of the actual future outcome of the market condition. Compensation costs are accelerated if the market condition is satisfied prior to the end of the service period derived under the Monte Carlo simulation. The grant date fair value of the other PSUs is calculated as the closing price of the Company's common stock on the grant date multiplied by the number of shares estimated to be delivered subject to the award terms. Company performance measure goals are considered a performance condition and the timing and amount of compensation cost for those PSUs corresponds with management's expectation of the probable outcome of the performance conditions as of the grant date and during the vesting period.

Deferred Debt Issuance Costs

Capitalized debt issuance costs as of December 31, 2023 and 2022 relate to the Company's credit facility. The costs related to the agreement are netted against current and non-current debt and is recognized in Interest expense. The Company amortizes these costs using the interest method through the maturity date of the underlying debt.

Earnings Per Share

The Company reports its earnings per share which includes the presentation of both basic and diluted earnings per share on the statements of operations. The diluted weighted average common shares include adjustments for the potential effects of outstanding stock options but only in the periods in which such effect is dilutive under the treasury stock method. Included in our basic and diluted weighted average common shares are those stock options and restricted stock awards due to participants granted from the 2014 and 2021 stock incentive plans. Anti-dilutive stock awards are comprised of stock options and unvested restricted stock awards, which would have been anti-dilutive in the application of the treasury stock method. In periods where the Company records a net loss, the diluted per share amount is the same as the basic per share amount.

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In accordance with this topic, the following table reconciles income and share amounts utilized to calculate basic and diluted net income per common share:

| | Years Ended December 31, | | |
|---|--------------------------|-------------------|-------------------|
| | 2023 | 2022 | 2021 |
| Numerator (in thousands): | | | |
| Net income: | \$ 872 | \$ 18 | \$ 1,420 |
| Denominator: | | | |
| Weighted average common shares outstanding: | | | |
| Basic | 21,024,382 | 20,648,818 | 20,519,958 |
| Dilutive effect of common stock equivalents | 621,697 | 898,488 | 1,529,701 |
| Diluted | <u>21,646,079</u> | <u>21,547,306</u> | <u>22,049,659</u> |

Stock options of 1,007,394, 1,085,855 and 368,056 shares were not included in the calculation for the years ended December 31, 2023, 2022 and 2021, respectively, because they would have an anti-dilutive effect.

Derivatives

The Company recognizes all derivative financial instruments as cash flow hedges which are shown as either assets or liabilities on the Company's consolidated balance sheets at fair value. For derivative contracts which can be classified as a cash flow hedge, the effective portion of the change in fair value of the derivative is recorded to accumulated other comprehensive income ("AOCI") in the consolidated balance sheets. The underlying hedge transaction is realized when the interest payments on debt are accrued; the applicable amount of gain or loss included in AOCI is reclassified into earnings in the consolidated statements of operations on the same line as the gain or loss on the hedged item attributable to the hedged risk. The cash flows from derivatives are classified as operating activities.

The Company maintains a policy of requiring that all derivative instruments be governed by an International Swaps and Derivatives Association Master Agreement and settles on a net basis.

The fair values of the Company's derivative financial instruments are categorized as Level 2 of the fair value hierarchy as the values are derived using the market approach based on observable market inputs including quoted prices of similar instruments and interest rate forward curves.

Fair Value of Financial Instruments

The carrying amounts reported in the consolidated balance sheets as of December 31, 2023 and 2022 for cash, accounts receivable, accounts payable and other current liabilities approximate fair value because of the short-term nature of these instruments (Level I). The carrying value of the Company's long-term debt with variable interest rates approximates fair value based on instruments with similar terms (Level II).

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

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

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

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

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

Recent Accounting Pronouncements and Developments

In June 2016, the FASB issued Accounting Standards Update No. 2016-13, "Financial Instruments (ASC 326) Credit Losses". ASC 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. The Company's adoption of this standard on January 1, 2023 did not have a material effect on its consolidated balance sheets, statements of operations, statements of cash flows or related disclosures.

In November 2023, the FASB issued Accounting Standards Update No. 2023-07, "Segment Reporting (ASC 280): Improvements To Reportable Segment Disclosures." ASU 2023-07 expands the disclosure requirements for reportable segments by requiring enhanced disclosures about significant segment expenses. Under the new standard, entities must disclose an amount for other segment items by reportable segment and a description of its composition. The other segment items category is the difference between segment revenue less the significant expenses disclosed and each reported measure of segment profit or loss. Additionally, entities must disclose at least one measure of assessing segment performance and the title and position of the CODM and an explanation of how the CODM uses the reported measure(s) of segment profit or loss in assessing segment performance. The amendments are effective for annual periods beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted. The amendments are to be applied retrospectively to all prior periods presented in the financial statements. The Company is currently evaluating the impact of ASU 2023-07 on its consolidated financial statements and related disclosures.

In December 2023, the FASB issued Accounting Standards Update No. 2023-09, "Income Taxes (ASC 740): Improvements To Income Tax Disclosures." ASU 2023-09 which is intended to enhance the transparency, decision usefulness and effectiveness of income tax disclosures. The amendments in this ASU require a public entity to disclose a tabular tax rate reconciliation, using both percentages and currency, with specific categories. A public entity is also required to provide a qualitative description of the states and local jurisdictions that make up the majority of the effect of the state and local income tax category and the net amount of income taxes paid, disaggregated by federal, state and foreign taxes and also disaggregated by individual jurisdictions. The amendments also remove certain disclosures that are no longer considered cost beneficial. The amendments are effective prospectively for annual periods beginning after December 15, 2024, and early adoption and retrospective application are permitted. The Company is currently evaluating the impact of ASU 2023-09 on its consolidated financial statements and related disclosures.

In March 2024, the SEC issued its final rule on the enhancement and standardization of climate-related disclosures for investors. These wide-ranging disclosures require annual disclosure of material greenhouse gas emissions as well as disclosure of governance, risk management and strategy related to material climate-related risks. Within the notes to financial statements, the final rule requires disclosure of expenditures recognized, subject to certain thresholds, attributable to severe weather. Outside of the financial statements, the final rule requires qualitative and quantitative disclosures about material scope 1 and scope 2 greenhouse gas emissions. Also required is disclosure of the risk management process and the oversight practices of the Board of Directors and management related to climate-related risks. The final rule follows a compliance phase-in timeline, with the first requirements required to be adopted for the Company's fiscal year 2027, followed in later years by greenhouse gas-related requirements. The Company is currently evaluating the rule to determine the impact on its consolidated financial statements and disclosures.

3. Revenue

Disaggregated Revenue

The following table presents the Company's disaggregated revenue by offering type (in thousands):

| | Years Ended December 31, | | | | | |
|---|--------------------------|-------------------------|--------------------|-------------------------|--------------------|-------------------------|
| | 2023 | | 2022 | | 2021 | |
| | Total Net Revenues | % of Total Net Revenues | Total Net Revenues | % of Total Net Revenues | Total Net Revenues | % of Total Net Revenues |
| Patient Services revenue recognized at a point in time: | | | | | | |
| Direct products | \$ 2,294 | 1.8 % | \$ 2,236 | 2.0 % | \$ 2,480 | 2.4 % |
| Third-Party Payer products | 13,821 | 11.0 % | 12,573 | 11.4 % | 12,112 | 11.8 % |
| Patient Services revenue recognized over time: | | | | | | |
| Direct rental services | 7,388 | 5.9 % | 7,246 | 6.6 % | 7,333 | 7.2 % |
| Third-Party Payer rental services | 44,475 | 35.4 % | 40,948 | 37.3 % | 38,765 | 37.9 % |
| Total Patient Services accounted for under ASC 606 | 67,978 | 54.1 % | 63,003 | 57.3 % | 60,690 | 59.3 % |
| Device Solutions revenue recognized at a point in time: | | | | | | |
| Products | 14,877 | 11.8 % | 15,359 | 14.0 % | 15,296 | 14.9 % |
| Services | 9,844 | 7.8 % | 6,434 | 5.9 % | 4,718 | 4.6 % |
| Device Solutions revenue recognized over time: | | | | | | |
| Services | 6,038 | 4.8 % | 633 | 0.6 % | — | — % |
| Total Device Solutions accounted for under ASC 606 | 30,759 | 24.4 % | 22,426 | 20.5 % | 20,014 | 19.5 % |
| Total Revenue Accounted for under ASC 606 | 98,737 | 78.5 % | 85,429 | 77.8 % | 80,704 | 78.8 % |
| Patient Services Lease Revenue | 8,563 | 6.8 % | 5,878 | 5.3 % | 4,908 | 4.8 % |
| Device Solutions Lease Revenue | 18,485 | 14.7 % | 18,607 | 16.9 % | 16,770 | 16.4 % |
| Total Revenue accounted for under ASC 842, Leases | 27,048 | 21.5 % | 24,485 | 22.2 % | 21,678 | 21.2 % |
| Total Net Revenue | \$ 125,785 | 100.0 % | \$ 109,914 | 100.0 % | \$ 102,382 | 100.0 % |

Contract Balances

| | 2023 | 2022 | 2021 | Change in 2023 | Change in 2022 |
|--------------------------|-----------|-----------|-----------|----------------|----------------|
| Accounts receivable, net | \$ 19,830 | \$ 16,871 | \$ 15,405 | \$ 2,959 | \$ 1,466 |
| Contract assets | \$ 1,271 | \$ 360 | \$ — | \$ 911 | \$ 360 |

The change in contract assets during the fiscal year ended December 31, 2023 was mainly due to \$ 9.2 million of revenue recognized for which the payment is subject to conditions other than the passage of time, partially offset by \$ 8.3 million of contract assets reclassified to accounts receivable as our right to consideration for these contract assets became unconditional. Contract assets are included in other current assets on the Company's Consolidated Balance Sheets.

4. Medical Equipment

Medical equipment consisted of the following (in thousands):

| | December 31, 2023 | December 31, 2022 |
|---|-------------------------|-------------------------|
| Medical Equipment for sale or rental | \$ 3,081 | \$ 2,802 |
| Medical Equipment for sale or rental - pump reserve | (32) | (12) |
| Medical Equipment for sale or rental - net | 3,049 | 2,790 |
| | | |
| Medical Equipment in rental service | 96,298 | 99,163 |
| Medical Equipment in rental service - pump reserve | (2,126) | (2,270) |
| Accumulated depreciation | (59,244) | (57,443) |
| Medical Equipment in rental service - net | 34,928 | 39,450 |
| | | |
| Total | <u><u>\$ 37,977</u></u> | <u><u>\$ 42,240</u></u> |

Depreciation expense for medical equipment for the years ended December 31, 2023, 2022 and 2021 was \$ 10.4 million, \$ 9.8 million and \$ 9.4 million, respectively, which were recorded in "cost of revenues" for each period. The pump reserve for medical equipment in rental service represents an estimate for medical equipment that is considered to be missing. The reserve calculated is equal to the net book value of assets that have not returned from the field within a certain timeframe. Sales of the Company's medical equipment are included in net revenue.

5. Property and Equipment

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

| | December 31, 2023 | | | December 31, 2022 | | |
|------------------------------------|-------------------------|----------------------------|------------------------|------------------------|----------------------------|------------------------|
| | Accumulated | | Total | Accumulated | | Total |
| | Gross Assets | Depreciation | | Gross Assets | Depreciation | |
| Furniture, fixtures, and equipment | \$ 6,611 | \$ (3,909) | \$ 2,702 | \$ 5,710 | \$ (3,252) | \$ 2,458 |
| Automobiles | 87 | (87) | — | 87 | (83) | 4 |
| Leasehold improvements | 3,570 | (1,951) | 1,619 | 3,498 | (1,575) | 1,923 |
| Total | <u><u>\$ 10,268</u></u> | <u><u>\$ (5,947)</u></u> | <u><u>\$ 4,321</u></u> | <u><u>\$ 9,295</u></u> | <u><u>\$ (4,910)</u></u> | <u><u>\$ 4,385</u></u> |

Depreciation expense for property and equipment for each of the years ended December 31, 2023, 2022 and 2021 was \$ 1.1 million, \$ 1.1 million and \$ 0.9 million, respectively. This expense was recorded in "general and administrative expenses" for each period.

6. Goodwill and Intangible Assets

The changes in the carrying value of goodwill by segment are as follows (in thousands):

| | Device Solutions (a) |
|---------------------------------|----------------------|
| Balance as of December 31, 2021 | \$ 3,710 |
| Goodwill acquired | — |
| Balance as of December 31, 2022 | 3,710 |
| Goodwill acquired | — |
| Balance as of December 31, 2023 | \$ 3,710 |

(a) The Patient Services segment has no recorded goodwill.

The carrying amount and accumulated amortization of intangible assets were as follows (in thousands):

| | December 31, 2023 | | | December 31, 2022 | | |
|---|-------------------|--------------------------|-----------------|-------------------|--------------------------|-----------------|
| | 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 | 38,834 | (34,295) | 4,539 | 38,834 | (33,594) | 5,240 |
| Unpatented technology | 943 | (393) | 550 | 943 | (258) | 685 |
| Non-competition agreements | 472 | (255) | 217 | 472 | (161) | 311 |
| Software | 10,300 | (10,160) | 140 | 10,300 | (10,100) | 200 |
| Total nonamortizable and amortizable intangible assets | \$ 52,572 | \$ (45,126) | \$ 7,446 | \$ 52,572 | \$ (44,136) | \$ 8,436 |

Amortization expense for intangible assets for the years ended December 31, 2023, 2022 and 2021 was \$ 1.0 million, \$ 2.5 million and \$ 4.3 million, respectively, which was recorded in "amortization of intangibles expenses" for each period. Expected remaining annual amortization expense for the next five years for intangible assets recorded as of December 31, 2023 is as follows (in thousands):

| | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 and thereafter |
|----------------------|--------|--------|--------|--------|--------|---------------------|
| Amortization expense | \$ 990 | \$ 810 | \$ 525 | \$ 471 | \$ 348 | \$ 2,302 |

7. Debt

On February 5, 2021, the Company entered into a Credit Agreement (the "2021 Credit Agreement") with JPMorgan Chase Bank, N.A., as administrative agent (the "Agent"), sole bookrunner and sole lead arranger, and the lenders party thereto. The borrowers under the 2021 Credit Agreement are the Company, InfuSystem Holdings USA, Inc. ("Holdings"), ISI, First Biomedical, and IFC LLC ("IFC" and, collectively with the Company, Holdings, ISI and First Biomedical, the "Borrowers").

The 2021 Credit Agreement provides for a revolving credit facility (the "Revolving Facility") of \$ 75.0 million, maturing on February 5, 2026. The Revolving Facility may be increased by \$ 25.0 million, subject to certain conditions, including the consent of the Agent and obtaining necessary commitments. The lenders under the 2021 Credit Agreement may issue up to \$ 7.0 million in letters of credit subject to the satisfaction of certain conditions. On February 5, 2021, the Borrowers made an initial borrowing of \$ 30.0 million under the Revolving Facility. Proceeds from the loan, along with approximately \$ 8.2 million in

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cash, were used to repay all amounts due under the Company's then existing credit facility dated March 23, 2015 (the "2015 Credit Agreement").

The 2021 Credit Agreement has customary representations and warranties. The ability to borrow under the facility is subject to ongoing compliance with a number of customary affirmative and negative covenants, including limitations on indebtedness, liens, mergers, acquisitions, investments, asset sales, affiliate transactions and restricted payments, as well as financial covenants, including the following:

- a minimum fixed charge coverage ratio (defined as the ratio of consolidated EBITDA (as defined in the 2021 Credit Agreement) less 50 % of depreciation expense), to consolidated fixed charges (as defined in the 2021 Credit Agreement) for the prior four most recently ended calendar quarters of 1.20 to 1.00; and
- a maximum leverage ratio (defined as total indebtedness to EBITDA for the prior four most recently ended calendar quarters) of 3.50 to 1.00.

The 2021 Credit Agreement includes customary events of default. The occurrence of an event of default will permit the lenders to terminate commitments to lend under the Revolving Facility and accelerate payment of all amounts outstanding thereunder.

Simultaneous with the execution of the 2021 Credit Agreement, the Company entered into a Pledge and Security Agreement to secure repayment of the obligations of the Borrowers. Under the Pledge and Security Agreement, each Borrower has granted to the Agent, for the benefit of various secured parties, a first priority security interest in substantially all of the personal property assets of each of the Borrowers, including the shares of each of Holdings, ISI and First Biomedical and the equity interests of IFC.

On April 26, 2023, the Company entered into a First Amendment to the 2021 Credit Agreement (the "First Amendment") with the Agent and the lenders party thereto, which amended the 2021 Credit Agreement, to provide for, among other things: (i) an extension of the maturity date for the 2021 Credit Agreement to April 26, 2028, (ii) the replacement of London Interbank Offered Rate ("LIBOR") with Adjusted Term Secured Overnight Financing Rate ("SOFR") as a benchmark interest rate, and (iii) an increase of the maximum dollar amount of incremental revolving loans from \$ 25 million to \$ 35 million. Incremental revolving loans continue to be subject to certain conditions, including the consent of the Agent and obtaining necessary commitments.

The 2021 Credit Agreement and First Amendment was accounted for as debt modifications that resulted in a small increase to deferred debt issuance costs. As of December 31, 2023, the Company was in compliance with all debt-related covenants under the 2021 Credit Agreement, as amended.

The following table illustrates the net availability under the Revolving Facility as of the applicable balance sheet date (in thousands):

| | December 31, 2023 | December 31, 2022 |
|---|-------------------|-------------------|
| Revolving Facility: | | |
| Gross availability | \$ 75,000 | \$ 75,000 |
| Outstanding draws | (29,439) | (33,384) |
| Letters of credit | (200) | (400) |
| Availability on Revolving Facility | \$ 45,361 | \$ 41,216 |

The Company had future maturities of its long-term debt as of December 31, 2023 as follows (in thousands):

| | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 and thereafter | Total |
|---------------------------|-------------|-------------|-------------|-------------|------------------|---------------------|------------------|
| Revolving Facility | \$ — | \$ — | \$ — | \$ — | \$ 29,439 | \$ — | \$ 29,439 |
| Total | \$ — | \$ — | \$ — | \$ — | \$ 29,439 | \$ — | \$ 29,439 |

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

| | December 31, 2023 | | | December 31, 2022 | | |
|--|--------------------|----------------------|------------------|--------------------|----------------------|------------------|
| | Current Portion | Long-Term Portion | Total | Current Portion | Long-Term Portion | Total |
| Revolving Facility | \$ — | \$ 29,439 | \$ 29,439 | \$ — | \$ 33,384 | \$ 33,384 |
| Unamortized value of debt issuance costs | — | (338) | (338) | — | (227) | (227) |
| Total | \$ — | \$ 29,101 | \$ 29,101 | \$ — | \$ 33,157 | \$ 33,157 |

As of December 31, 2023, amounts outstanding under the Revolving Facility provided under the 2021 Credit Agreement bear interest at a variable rate equal to, at the Company's election, Adjusted Term SOFR for Term Benchmark loans or an Alternative Base Rate for ABR loans, as defined by the First Amendment plus a spread that will vary depending upon the Company's leverage ratio. The spread ranges from 2.00 % to 3.00 % for Term Benchmark Loans and 1.00 % to 2.00 % for base rate loans. The weighted-average Term Benchmark loan rate at December 31, 2023 was 7.71 % (Adjusted Term SOFR of 5.46 % plus 2.25 %). The actual ABR loan rate at December 31, 2023 was 9.75 % (lender's prime rate of 8.50 % plus 1.25 %).

8. Derivative Financial Instruments and Hedging Activities

In February 2021, the Company adopted a derivative investment policy which provides guidelines and objectives related to managing financial and operational exposures arising from market changes in short term interest rates. In accordance with this policy, the Company can enter into interest rate swaps or similar instruments, will endeavor to evaluate all the risks inherent in a transaction before entering into a derivative financial instrument and will not enter into derivative financial instruments for speculative or trading purposes. Hedging relationships are formally documented at the inception of the hedge and hedges must be highly effective in offsetting changes to future cash flows on hedged transactions at the inception of a hedge and on an ongoing basis to be designated for hedge accounting treatment.

The Company is exposed to interest rate risk related to its variable rate debt obligations under the 2021 Credit Agreement. In order to manage the volatility in interest rate markets, in February 2021, the Company entered into two interest rate swap agreements to manage exposure arising from this risk. On a combined basis, the agreements had a constant notional amount over a 5-year term that would have ended on February 5, 2026. While they were outstanding, each agreement paid the Company 30-day LIBOR on the notional amount and the Company paid a fixed rate of interest equal to 0.73 %. These derivative instruments were considered cash flow hedges. On May 11, 2023, these two swaps were settled and a new swap was entered into with different terms that aligned with changes in the 2021 Credit Agreement arising from the First Amendment. The new swap has a constant notional amount over a five-year term that ends on April 26, 2028. The agreement pays the Company 30-day SOFR on the notional amount and the Company pays a fixed rate of interest equal to 1.74 %. The Company does not have any other derivative financial instruments.

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The table below presents the location and gross fair value amounts of the Company's derivative financial instruments and the associated notional amounts designated as cash flow hedges (in thousands):

| | December 31, 2023 | | |
|--|----------------------------------|-----------|------------------------------|
| | Balance Sheet Location | Notional | Fair Value Derivative Assets |
| Derivatives designated as hedges: | | | |
| Cash flow hedges | | | |
| Interest rate swaps | Derivative financial instruments | \$ 20,000 | \$ 1,442 |

| | December 31, 2022 | | |
|--|----------------------------------|-----------|------------------------------|
| | Balance Sheet Location | Notional | Fair Value Derivative Assets |
| Derivatives designated as hedges: | | | |
| Cash flow hedges | | | |
| Interest rate swaps | Derivative financial instruments | \$ 20,000 | \$ 1,442 |

The table below presents the effect of our derivative financial instruments designated as hedging instruments in AOCI (in thousands):

| | Years Ended | |
|---|-------------------|-------------------|
| | December 31, 2023 | December 31, 2022 |
| Gain on cash flow hedges - interest rate swaps | | |
| Beginning balance | \$ 1,489 | \$ 268 |
| Unrealized gain recognized in AOCI | 214 | 1,807 |
| Amounts reclassified to interest expense (a)(b) | (737) | (198) |
| Tax benefit (provision) | 122 | (388) |
| Ending balance | \$ 1,088 | \$ 1,489 |

(a) Negative amounts represent interest income and positive amounts represent interest expense. Interest expense as presented in the consolidated statement of operations for the years ended December 31, 2023, 2022 and 2021 was \$ 2.2 million, \$ 1.4 million and \$ 1.4 million, respectively.

(b) As of December 31, 2023, \$ 0.6 million of income is expected to be reclassified into earnings within the next 12 months.

The Company did not incur any hedge ineffectiveness during the years ended December 31, 2023, 2022 and 2021, respectively.

9. Income Taxes

The following table summarizes the Company's income before income taxes (in thousands):

| | Years Ended December 31, | | |
|----------------------------|--------------------------|---------------|-----------------|
| | 2023 | 2022 | 2021 |
| U.S income | \$ 1,566 | \$ 63 | \$ 1,033 |
| Non-U.S. income | 285 | 67 | 224 |
| Income before income taxes | <u>\$ 1,851</u> | <u>\$ 130</u> | <u>\$ 1,257</u> |

The following table summarizes the Company's components of the consolidated (provision for) benefit from income taxes (in thousands):

| | Years Ended December 31, | | |
|---|--------------------------|-------------------|---------------|
| | 2023 | 2022 | 2021 |
| U.S Federal income tax (expense) benefit | | | |
| Current | \$ — | \$ — | \$ — |
| Deferred | (568) | 44 | 150 |
| Total U.S. Federal income tax (expense) benefit | (568) | 44 | 150 |
| State and local income tax (expense) benefit | | | |
| Current | (245) | (99) | (167) |
| Deferred | (65) | (65) | 3 |
| Total state and local income tax expense | (310) | (164) | (164) |
| Foreign income tax (expense) benefit | | | |
| Current | (101) | 8 | 177 |
| Total income tax (expense) benefit | <u>\$ (979)</u> | <u>\$ (112)</u> | <u>\$ 163</u> |

The following table summarizes a reconciliation of the Company's income tax (expense) benefit from the effective income tax rate to the U.S. federal statutory rate (in thousands):

| | Years Ended December 31, | | |
|---|--------------------------|-------------------|---------------|
| | 2023 | 2022 | 2021 |
| Income tax expense at the statutory rate | \$ (389) | \$ (27) | \$ (264) |
| State and local income tax expense | (245) | (130) | (130) |
| Foreign income tax | (16) | (4) | (12) |
| Share-Based compensation and other permanent differences | (260) | (58) | 462 |
| Credits | (39) | 79 | 34 |
| Other adjustments | (30) | 28 | 73 |
| Income tax (expense) benefit at effective income tax rate | <u>\$ (979)</u> | <u>\$ (112)</u> | <u>\$ 163</u> |

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

| | December 31, 2023 | December 31, 2022 |
|---|-------------------|-------------------|
| Deferred Federal, state and local tax assets – | | |
| Bad debt reserves | \$ 3,318 | \$ 2,603 |
| Stock-based compensation | 1,812 | 1,668 |
| Net operating loss (a) | 6,400 | 8,680 |
| Operating lease liabilities | 1,864 | 1,210 |
| Accrued compensation | 792 | 552 |
| Inventories | 626 | 639 |
| Research & development credits | 555 | 555 |
| Other credits | 102 | 141 |
| Other | 616 | 432 |
| Total deferred Federal, state and local tax assets | 16,085 | 16,480 |
| Deferred Federal, state and local tax liabilities – | | |
| Depreciation and asset basis differences | (4,131) | (4,505) |
| Goodwill and intangible assets | (768) | (800) |
| Right-of-use assets | (1,718) | (1,075) |
| Derivative financial instruments | (353) | (475) |
| Total deferred Federal, state and local tax liabilities | (6,970) | (6,855) |
| Net deferred tax assets | <u>\$ 9,115</u> | <u>\$ 9,625</u> |

(a) At December 31, 2023 and 2022, this includes state and local net operating losses of \$ 0.8 million and \$ 1.2 million, respectively.

The Company's U.S. federal net operating loss carryforward for tax purposes was \$ 26.6 million at December 31, 2023, resulting in a federal deferred tax asset of \$ 5.6 million. Approximately \$ 20.0 million of the Company's U.S. federal net operating loss carryforwards will begin to expire in various years beginning in 2034. U.S. federal net operating loss carryforwards of \$ 6.6 million have an indefinite life. The Company's state net operating loss carryforward of approximately \$ 0.8 million is comprised of various jurisdictions. These state net operating losses can be used for a period of 5 to 20 years and vary by state, and if unused, begin to expire in 2024, though a substantial portion expires beyond 2024. Approximately \$ 0.1 million of the state net operating loss carryforwards have an indefinite life. Tax benefits of operating loss and tax credit carryforwards are evaluated on an ongoing basis, including a review of historical and projected future operating results, the eligible carryforward period, and other circumstances.

The Company continues to monitor shifts in past ownership (as defined under Section 382 of the Code).

The Company had no uncertain tax positions for the years ended December 31, 2023 and 2022.

The Company is subject to taxation for Federal and various state jurisdictions in the U.S. and Canada. The Federal income tax returns of the Company for the years 2020 through 2023 are open to examination by the Internal Revenue Service. The Company was under audit with the Internal Revenue Service in relation to the Company's 2018 federal income tax return and the audit was closed on December 15, 2021. The state income tax returns and other state tax filings of the Company are subject to examination by the state taxing authorities, for various periods generally up to four years after they are filed. Canadian income tax returns of the Company for the years 2019 through 2023 are subject to examination by the Canada Revenue Agency.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security ("CARES") Act was enacted in response to the COVID-19 pandemic. The CARES Act among other things, allows employers to defer the deposit and payment of the employer's share of Social Security taxes. The Company, under the CARES Act, deferred paying \$ 0.7 million of applicable gross payroll taxes as of December 31, 2020, which was included in other liabilities. The \$ 0.7 million balance of the deferred Social Security taxes was paid in two annual installments during the years ending December 31, 2021 and 2022, respectively.

10. Commitments and Contingencies

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

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

11. Leases

As Lessee:

The Company has historically entered into a number of lease agreements under which the Company is the lessee for equipment and office leases.

The components of the Company's operating lease costs consisted of the following (in thousands):

| | Years Ended December 31, | | |
|-------------------------|--------------------------|-----------------|-----------------|
| | 2023 | 2022 | 2021 |
| Operating lease cost | \$ 1,504 | \$ 1,333 | \$ 1,316 |
| Variable lease cost | 336 | 301 | 243 |
| Total lease cost | \$ 1,840 | \$ 1,634 | \$ 1,559 |

Lease costs for the year ended December 31, 2023 of approximately \$ 1.8 million were recorded to G&A expenses. Lease costs for the year ended December 31, 2022 of approximately \$ 1.6 million were recorded to G&A expenses. Lease costs for the year ended December 31, 2021 of approximately \$ 1.5 million and \$ 0.1 million, were recorded to G&A expenses and cost of revenues, respectively. Expense related to short-term leases, which are not recorded on the Consolidated Balance Sheets, was not material for the fiscal years ended December 31, 2023, 2022 and 2021.

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

| | Years Ended December 31, | | |
|---|--------------------------|----------|----------|
| | 2023 | 2022 | 2021 |
| Cash paid for amounts included in the measurement of lease liabilities and right of use assets: | | | |
| Operating cash flow from operating leases | \$ 1,441 | \$ 1,241 | \$ 1,271 |
| Right of use assets obtained in exchange for lease obligations: | | | |
| Operating leases | \$ 3,356 | \$ 18 | \$ 926 |
| Increases to right of use assets resulting from lease modifications: | | | |
| Operating leases | \$ 552 | \$ 1,050 | \$ — |

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Weighted average remaining lease terms and discount rates for the Company's operating leases are as follows:

| | 2023 | 2022 |
|--|-------------|-------------|
| | Years | Years |
| Weighted average remaining lease term: | 6.2 | 6.7 |
| | Rate | Rate |
| Weighted average discount rate: | 7.7 % | 7.1 % |

Future maturities of lease liabilities as of December 31, 2023 are as follows (in thousands):

| | Operating Leases |
|-----------------------------------|------------------|
| 2024 | \$ 1,796 |
| 2025 | 1,837 |
| 2026 | 1,654 |
| 2027 | 1,478 |
| 2028 | 1,429 |
| Thereafter | 2,424 |
| Total undiscounted lease payments | 10,618 |
| Less: Imputed interest | (3,345) |
| Total lease liabilities | \$ 7,273 |

The long-term portion of the lease liabilities included in the amounts above is \$ 5.8 million with the remainder included in other current liabilities in the Consolidated Balance Sheet.

As Lessor

We lease medical equipment to customers, often in conjunction with arrangements to provide consumable medical products. Certain of our equipment leases are classified as sales-type leases and the remainder are operating leases. The terms of the related contracts, including the proportion of fixed versus variable payments and any options, varies by customer. The Company elected the "combining lease and non-lease components" practical expedient for all qualifying non-lease components.

The components of the Company's lease revenues consisted of the following (in thousands):

| | Years Ended December 31, | | |
|-----------------------------|--------------------------|------------------|------------------|
| | 2023 | 2022 | 2021 |
| Net operating lease revenue | \$ 23,797 | \$ 24,413 | \$ 21,678 |
| Sales-type lease revenue | 3,250 | 72 | — |
| Total lease revenue | \$ 27,047 | \$ 24,485 | \$ 21,678 |

The components of our net investment in sales-type leases as of December 31, 2023 and 2022 were (in thousands):

| | 2023 | 2022 |
|--------------------------|----------|-------|
| Lease receivable | \$ 2,583 | \$ 45 |
| Net investment in leases | \$ 2,583 | \$ 45 |

Our net investment in sales-type leases is classified as follows in the accompanying consolidated balance sheets as of December 31, 2023 and 2022 (in thousands):

| | 2023 | 2022 |
|--------------------------|-----------------|--------------|
| Accounts receivable, net | \$ 1,067 | \$ 45 |
| Other assets | 1,516 | — |
| Total | \$ 2,583 | \$ 45 |

Future maturities of sales-type leases as of December 31, 2023 are as follows (in thousands):

| | Sales-Type Leases |
|-----------------------------------|-------------------|
| 2024 | \$ 1,238 |
| 2025 | 1,217 |
| 2026 | 539 |
| Total undiscounted lease payments | 2,994 |
| Less: Imputed interest | (411) |
| Total lease receivables | \$ 2,583 |

12. Share-Based Compensation

Stock Incentive Plan

The Company has various stock option and stock-based incentive plans and agreements whereby equity based awards are granted to certain employees, directors and others approved by the Company's Board of Directors (the "Board") or Compensation Committee. Grants may be made in the form of stock options, restricted stock awards ("RSUs" or "RSAs"), performance-based restricted stock units ("PSU's), unrestricted common stock in addition to other award types. Stock options are granted with an exercise price at, or above, fair market value on the date of grant, generally expire in 5 to 10 years from the grant date and generally become exercisable over a period of up to 3 years. RSUs generally become vested over a period of up to three years. PSUs generally become vested over a period of up to three years based on the performance of a specific achievement. Awards typically vest and are issued only if the participants remain employed by the Company through the vesting date. Common stock issued under these awards are issued from shares reserved under the Company's plan described below.

On May 18, 2021, the Company's Board adopted the 2021 Equity Incentive Plan (the "2021 Plan"). The 2021 Plan was approved by the Company's shareholders at the 2021 Annual Meeting on May 18, 2021 and became effective at that time. The 2021 plan supersedes the 2014 Amended and Restated Stock Incentive Plan (the "2014 Plan"). The 2021 Plan provided for the issuance of a maximum of 2,500,000 shares of common stock in connection with the grant of stock-based or stock-denominated awards, plus the number of shares of the Company's common stock underlying any outstanding award granted under the 2014 Plan that expires or is cancelled, forfeited, or terminated under the terms of the 2014 Plan. On May 16, 2023 at the 2023 Annual Meeting, the Company's shareholders approved the First Amendment (the "First Amendment") to the 2021 Plan. The First Amendment increased the maximum number of shares of the Company's common stock reserved for issuance under the 2021 Plan by 2,500,000 shares to 5,000,000 shares, plus the number of shares of the Company's common stock underlying any outstanding award granted under the 2014 Plan that expires or is cancelled, forfeited, or terminated under the terms of the 2014 Plan. Reductions in the available share limit associated with these grants are based on a fungible ratio of 1 :1 for stock options and stock appreciation rights and 2 :1 for all other types of awards. Any shares subject to an award that expires or is cancelled, forfeited, or terminated without issuance of the full number of shares of stock to which the award related again become available for issuance under the limit. As of December 31, 2023, a total of 2,374,089 common shares remained available for future grant under the 2021 Plan. This amount reflects reductions from the original limit for grants reflective of the respective fungible ratios. The available amount also reflects the maximum potential share issuance potential in the case of performance grants that provide for variable share payouts.

On April 23, 2014, the Company's Board adopted the 2014 Plan. The 2014 Plan was approved by the Company's shareholders at the 2014 Annual Meeting and became effective as of the date it was adopted by the Board of Directors. The 2014 Plan provided for the issuance of a maximum of 2,000,000 shares of common stock in connection with the grant of stock-based or stock-denominated awards. On July 19, 2018, the Company's stockholders approved the reservation of an additional 1,000,000 shares to be issued under the 2014 Plan. On May 15, 2019, the Company's stockholders approved the reservation of an additional 1,000,000 shares to be issued under the 2014 Plan. The 2021 Plan replaces and supersedes the 2014 Plan, so as of the adoption date of the 2021 Plan, no common shares remained available for future grant under the 2014 Plan.

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Stock-Based Compensation Expense

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

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

| | Years Ended December 31, | | |
|---|--------------------------|-----------------|-----------------|
| | 2023 | 2022 | 2021 |
| Restricted share expense | \$ 2,584 | \$ 2,683 | \$ 4,491 |
| Stock option expense | 1,490 | 1,142 | 1,913 |
| Total stock-based compensation expense | \$ 4,074 | \$ 3,825 | \$ 6,404 |
| Tax benefit related to stock-based compensation | \$ 1,045 | \$ 857 | \$ 2,234 |

Shares Forgone to Satisfy Minimum Statutory Withholdings

During the years ended December 31, 2023, 2022 and 2021, shares of common stock were issued to employees and directors as their restricted stock awards vested or stock options were exercised. Under the terms of the Company's stock plans, at the election of each employee, the Company can authorize a net settlement of distributable shares to employees in order to satisfy an individual employees' tax withholding obligations. For the years ended December 31, 2023, 2022 and 2021, the Company received 115,979 shares, 136,718 shares and 57,067 shares, respectively, from employees for tax withholding obligations.

Restricted Stock Awards

Restricted stock awards entitle the holder to receive, upon meeting certain time-based vesting criteria, a specified number of shares of the Company's common stock. Stock-based compensation cost of restricted stock awards is measured by the market value of the Company's common stock on the date of grant.

The following table summarizes the Company's restricted share activity, excluding the Company's employee stock purchase plan:

| | Number of shares | Weighted average grant date fair value |
|--|------------------|--|
| Unvested at December 31, 2022 | 534,080 | \$ 11.85 |
| Granted | 149,859 | 9.37 |
| Vested | (74,040) | 10.81 |
| Vested shares forgone to satisfy minimum statutory withholding | (41,558) | 10.81 |
| Forfeitures | (38,479) | 11.17 |
| Unvested at December 31, 2023 | <u>529,862</u> | <u>\$ 11.42</u> |

| | Year Ended December 31, | | |
|---|-------------------------|------------|------------|
| | 2023 | 2022 | 2021 |
| Weighted average grant date fair value of awards granted | \$ 9.37 | \$ 9.44 | \$ 18.85 |
| Total fair value of shares vested | \$ 649,700 | \$ 260,112 | \$ 920,125 |
| Total fair value of shares forgone to satisfy minimum statutory withholding | \$ 364,670 | \$ 172,662 | \$ 32,282 |

As of December 31, 2023, there was \$ 2.2 million of pre-tax total unrecognized compensation cost related to non-vested restricted stock awards, which will be adjusted for future forfeitures, if any. The Company expects to recognize such cost over a weighted average period of one year .

Performance-Based Restricted Stock Units

During the year ended December 31, 2023, the Company granted approximately 71,639 PSUs and during the year ended December 31, 2022, the Company granted approximately 53,864 PSUs. PSUs entitle the holder to receive, upon meeting certain performance-based vesting criteria, a specified number of shares of the Company's common stock. These awards typically vest after the Company's achievement of either a Company-based performance metric, such as the achievement of a certain amount of net revenue during a specified period, coupled with a time-based vesting criteria or a market-based metric of the Company's stock, such as when the trading price reaches a target value for a minimum number of consecutive trading days or based on the Company's relative total shareholder return ("TSR") compared on a percentile rank basis to the TSR for a benchmark group of other companies. Approximately two-thirds of the PSUs granted in 2023 are earned based on a market based metric, while the other one-third are earned based on a specified Company-based performance measure condition. All of the PSUs granted in 2022 are earned based on specified Company-based performance measure conditions. In the case of the market-based awards having a trading price metric, awards are paid in stock either immediately upon achievement of the performance condition or expire without any payment after the third anniversary of the grant date. In the case of the market-based awards having a TSR metric, awards can be earned at an amount of 50 % of the target number of shares for achieving a minimum threshold below the target or up to 200 % of the target number of shares for exceeding the target, with a linear adjustment between the threshold and target or between target and maximum performance achievement. The TSR awards also have a time-based vesting criteria. In the case of the specified Company-based performance measure, awards can be earned at an amount that varies by award between 93 % to 100 % of the target number of shares for achieving a minimum threshold below the target or up to 200 % of the target number of shares for exceeding the target, with a linear adjustment between threshold and target or between target and stretch performance goals.

The following table summarizes the Company's PSU activity:

| | Number of shares | Weighted average grant date fair value |
|---|------------------|--|
| Unvested at December 31, 2022 | 125,117 | \$ 9.51 |
| Granted | 71,639 | 11.59 |
| Forfeitures | (83,980) | 9.97 |
| Unvested at December 31, 2023 | <u>112,776</u> | <u>\$ 10.49</u> |
| Year Ended December 31, | | |
| | 2023 | 2022 |
| Weighted average grant date fair value of awards granted | \$ 11.59 | \$ 8.58 |
| Total fair value of shares vested | \$ — | \$ 680,026 |
| Total fair value of shares forgone to satisfy minimum statutory withholding | \$ — | \$ 506,036 |
| | 2021 | |

As of December 31, 2023, there was \$ 0.6 million of pre-tax total unrecognized compensation cost related to non-vested PSUs, which will be adjusted for changes to management's expectations of the probable outcomes of the performance conditions, if any. The Company expects to recognize such cost over a weighted average period of one year .

Employee Stock Purchase Plan

At the 2023 Annual Meeting of Stockholders held on May 16, 2023, the Company's stockholders approved the InfuSystem Holdings, Inc. 2023 Employee Stock Purchase Plan (the "2023 ESPP"), which was previously approved by the Company's Board. In connection with the adoption of the 2023 ESPP, the Company's Board terminated the InfuSystem Holdings, Inc. Employee Stock Purchase Plan (the "Original ESPP"). Following termination of the Original ESPP, all rights the Company intends to grant under an "employee stock purchase plan" as such term is defined in section 423 of the Internal

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Revenue Code of 1986, as amended, will be granted under the 2023 ESPP. The 2023 ESPP provides that a maximum of 300,000 shares of Common Stock, plus any shares remaining under the Original ESPP after the close of its final offering period, are available for sale under the 2023 ESPP. The terms of the 2023 ESPP provides eligible participants electing to participate in the plan with an option to acquire shares of Common Stock during specified offering periods. The per share option exercise price at which shares of Common Stock will be sold under the 2023 ESPP will be equal to the lesser of (i) 85% of the closing price of a share of Common Stock on the NYSE American (or such other exchange on which the shares of Common Stock are traded) on the first day of an offering period or (ii) 85% of the closing price of a share of Common Stock on the purchase date. The 2023 ESPP is administered by the Board's Compensation Committee. Eligible participants under the plan include all full-time employees and certain part-time employees of the Company who meet certain eligibility requirements set forth in the 2023 ESPP. Participation in the 2023 ESPP for any eligible employee is voluntary.

In May 2014, the Company received approval from stockholders to adopt the Original ESPP effective October 2014. Under the Original ESPP, 200,000 shares of common stock were authorized for purchase by eligible employees at a 15 % discount through payroll deductions during the six-month offering periods. Shares were purchased in whole numbers and generally would be the last day of the offering period. In September 2016, the Company received approval from shareholders for an additional 350,000 shares. No employee may purchase more than \$ 25,000 worth of fair market value shares in any calendar year. As allowed under the ESPP, a participant may elect to withdraw from the plan, effective for the purchase period in progress at the time of the election with all accumulated payroll deductions returned to the participant at the time of withdrawal.

As of December 31, 2023, there were 323,756 shares remaining available for future issuance. The following table summarizes the activity relating to the Company's ESPP program:

| | Years Ended December 31, | | |
|--|--------------------------|------------|------------|
| | 2023 | 2022 | 2021 |
| Compensation expense | \$ 179,595 | \$ 229,064 | \$ 173,561 |
| Shares of stock sold to employees | 71,623 | 60,673 | 31,624 |
| Weighted average fair value per ESPP award | \$ 7.32 | \$ 11.53 | \$ 16.95 |

Stock Options

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

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The following tables detail the various stock option activity:

| 2014 Plan (Options) | Number of Authorized Shares | Weighted-Average Exercise Price | Remaining Contractual Term (in Years) | Aggregate Intrinsic Value |
|---|-----------------------------|---------------------------------|---------------------------------------|---------------------------|
| Outstanding at December 31, 2022 | 1,174,727 | \$ 5.76 | 3.95 | \$ 4,463,307 |
| Exercised | (262,724) | 3.58 | | |
| Exercised shares forgone to satisfy minimum statutory withholding | (74,421) | 3.40 | | |
| Shares tendered for cashless exercise | (116,236) | 3.62 | | |
| Forfeitures and expirations | (64,000) | 11.72 | | |
| Outstanding at December 31, 2023 | 657,346 | \$ 6.69 | 4.16 | \$ 2,983,514 |
| Exercisable at December 31, 2023 | 643,509 | \$ 6.44 | 4.10 | \$ 2,983,514 |

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

| 2021 Plan (Options) | Number of Authorized Shares | Weighted-Average Exercise Price | Remaining Contractual Term (in Years) | Aggregate Intrinsic Value |
|----------------------------------|-----------------------------|---------------------------------|---------------------------------------|---------------------------|
| Outstanding at December 31, 2022 | 544,799 | \$ 13.41 | 8.93 | \$ 27,396 |
| Granted | 624,628 | 9.25 | | |
| Exercised | (28,289) | 8.58 | | |
| Cashless exercise | (21,711) | 8.58 | | |
| Forfeitures and expirations | (67,754) | 15.24 | | |
| Outstanding at December 31, 2023 | 1,051,673 | \$ 11.05 | 8.79 | \$ 1,207,118 |
| Exercisable at December 31, 2023 | 296,982 | \$ 14.46 | 7.84 | \$ 247,280 |

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

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

| Stock Options: | Years Ended December 31, | | |
|--|--------------------------|------------------|------------------|
| | 2023 | 2022 | 2021 |
| Expected volatility | 52 % to 53 % | 51 % to 53 % | 43 % to 46 % |
| Risk free interest rate | 3.71 % to 4.83 % | 1.71 % to 3.01 % | 0.31 % to 0.54 % |
| Expected lives at date of grant (in years) | 3.99 | 3.73 | 3.62 |
| Weighted average fair value of options granted | \$ 4.10 | \$ 3.67 | \$ 6.56 |
| Total intrinsic value of options exercised | \$ 3,155,770 | \$ 3,762,978 | \$ 4,248,401 |

Share Repurchase Program

On June 30, 2021, the Company's Board of Directors approved a stock repurchase program (the "Share Repurchase Program") that authorizes the Company to repurchase up to \$ 20.0 million of the Company's outstanding common stock through June 30, 2024. The Share Repurchase Program will be subject to market conditions, the periodic capital needs of the Company's operating activities, and the continued satisfaction of all covenants under the Company's existing 2021 Credit Agreement, as amended. Repurchases under the Share Repurchase Program may take place in the open market or in privately negotiated transactions and may be made under a Rule 10b5-1 plan. The Share Repurchase program does not obligate the Company to repurchase shares and may be suspended, terminated, or modified at any time at the discretion of the Board.

As of December 31, 2023, the Company had repurchased approximately \$ 6.2 million, or 553,149 shares, of the Company's outstanding common stock under the Share Repurchase Program.

13. Business Segment Information

The Company's reportable segments are organized based on service platforms, with the Patient Services segment reflecting higher margin rental revenues that generally include payments made by third-party and direct payers and the Device Solutions segment reflecting lower margin product sales, direct payer rental and services revenues. Resources are allocated and performance is assessed for these segments by the Company's Chief Executive Officer, whom the Company has determined to be its CODM. The Company believes that reporting performance at the gross profit level is the best indicator of segment performance.

The financial information summarized below is presented by reportable segment:

2023

| <i>(in thousands)</i> | Patient Services | Device Solutions | Corporate/ Eliminations | Total |
|--|------------------|------------------|-------------------------|-----------------|
| Net revenues - external | \$ 76,541 | \$ 49,244 | \$ — | \$ 125,785 |
| Net revenues - internal | — | 6,581 | (6,581) | \$ — |
| Total net revenues | 76,541 | 55,825 | (6,581) | 125,785 |
| Gross profit | 47,800 | 15,309 | — | 63,109 |
| Selling, general and administrative expenses | | | | 59,021 |
| Interest expense | | | | (2,170) |
| Other expense | | | | (67) |
| Income before income taxes | | | | <u>\$ 1,851</u> |
| Total assets | \$ 55,412 | \$ 45,503 | \$ 2,000 | \$ 102,915 |
| Purchases of medical equipment | \$ 5,167 | \$ 4,926 | \$ — | \$ 10,093 |
| Depreciation and amortization of intangible assets | \$ 8,401 | \$ 4,107 | \$ — | \$ 12,508 |

2022

| (in thousands) | Patient Services | Device Solutions | Corporate/ Eliminations | Total |
|--|------------------|------------------|-------------------------|------------|
| Net revenues - external | \$ 68,881 | \$ 41,033 | \$ — | \$ 109,914 |
| Net revenues - internal | — | 6,473 | (6,473) | — |
| Total net revenues | 68,881 | 47,506 | (6,473) | 109,914 |
| Gross profit | 43,433 | 17,127 | — | 60,560 |
| Selling, general and administrative expenses | | | | 58,906 |
| Interest expense | | | | (1,402) |
| Other expense | | | | (122) |
| Income before income taxes | | | | \$ 130 |
| Total assets | \$ 60,886 | \$ 36,502 | \$ 2,000 | \$ 99,388 |
| Purchases of medical equipment | \$ 8,825 | \$ 5,269 | \$ — | \$ 14,094 |
| Depreciation and amortization of intangible assets | \$ 9,266 | \$ 4,094 | \$ — | \$ 13,360 |

2021

| (in thousands) | Patient Services | Device Solutions | Corporate/ Eliminations | Total |
|--|------------------|------------------|-------------------------|------------|
| Net revenues - external | \$ 65,598 | \$ 36,784 | \$ — | \$ 102,382 |
| Net revenues - internal | — | 5,753 | (5,753) | — |
| Total net revenues | 65,598 | 42,537 | (5,753) | 102,382 |
| Gross profit | 42,046 | 16,490 | — | 58,536 |
| Selling, general and administrative expenses | | | | 55,716 |
| Interest expense | | | | (1,377) |
| Other expense | | | | (186) |
| Income before income taxes | | | | \$ 1,257 |
| Total assets | \$ 60,970 | \$ 34,616 | \$ 2,000 | \$ 97,586 |
| Purchases of medical equipment | \$ 10,533 | \$ 5,143 | \$ — | \$ 15,676 |
| Depreciation and amortization of intangible assets | \$ 10,886 | \$ 3,739 | \$ — | \$ 14,625 |

14. Employee Benefit Plans and Other

The Company has a defined contribution plan in which the Company makes discretionary matching contributions for a certain percentage of employee contributions. For the years ended December 31, 2023, 2022 and 2021, the Company's matching contributions were \$ 1.3 million, \$ 1.2 million and \$ 0.9 million, respectively. The Company does not provide other post-retirement or post-employment benefits to its employees. As of December 31, 2023 and 2022, accrued payroll liabilities included in Other current liabilities were \$ 4.6 million and \$ 3.3 million, respectively.

15. Correction of Immaterial Errors to Previously Issued Consolidated Financial Statements

Subsequent to the issuance of the December 31, 2022 financial statements the Company identified an error in the implementation of ASC 842. The Company inappropriately applied ASC 606 to certain rental agreements that were originally considered service contracts but contained attributes consistent with rental agreements governed by ASC 842. The required disclosures to be included within the Notes to the Consolidated Financial Statements have been revised to reflect the conclusions regarding the accounting guidance that governs that Company's rental revenues. The Company previously reported revenues from contracts with customers recognized under ASC 606 of \$ 109.9 million and \$ 102.4 million for the years ended December 31, 2022 and 2021, respectively. The Company corrected this error in the current period to disclose \$ 85.5 million and \$ 80.7 million of revenue from contracts with customers recognized under ASC 606 for the years ended December 31, 2022

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and 2021, respectively, and \$ 24.4 million and \$ 21.7 million of rental revenues recognized under ASC 842 for the years ended December 31, 2022 and 2021, respectively. The accounting for these rental agreements under ASC 842 (as opposed to ASC 606) had no impact on amounts reported as net revenues, cost of revenues, gross profit, operating income, net income, or earnings per share in prior years, and there is no prior year impact on any caption or amount reported in any prior year Consolidated Financial Statements (Consolidated Balance Sheets, Consolidated Statements of Operations and Comprehensive Income, Consolidated Statements of Stockholders' Equity or Consolidated Statements of Cash Flows).

Additionally, the Company identified an error in the cost classifications related to pumps, pump parts, accessories, and services that were originally classified as general and administrative expenses and should have been recorded as cost of revenues. As a result, the Company has reclassified certain of these costs within its Consolidated Statements of Operations and Comprehensive Income for the years ended December 31, 2022 and 2021, respectively. This error also impacted the Company's disclosure of business segment information for the Device Solutions segment. Gross profit of Device Solutions decreased by \$ 2.0 million and \$ 1.7 million for the years ended December 31, 2022 and 2021, respectively. The reclassification did not impact net revenues, operating income, net income, or earnings per share. The table below sets forth the Company's Consolidated Statements of Operations and Comprehensive Income that were impacted by the error described above, including as previously reported, the adjustments resulting from the error, and the as revised balances for the years ended December 31, 2022 and 2021, respectively. The Company evaluated the impact of these errors on its previously issued consolidated financial statements and concluded the errors are not material.

December 31, 2022

| <i>(in thousands)</i> | As previously reported | Adjustment | As revised |
|---|-------------------------------|-------------------|-------------------|
| Cost of revenues | \$ 47,343 | \$ 2,011 | \$ 49,354 |
| Gross profit | 62,571 | (2,011) | 60,560 |
| General and administrative (inclusive of provision for doubtful accounts) | 46,164 | (2,011) | 44,153 |
| Total selling, general and administrative | \$ 60,917 | \$ (2,011) | \$ 58,906 |

December 31, 2021

| <i>(in thousands)</i> | As previously reported | Adjustment | As revised |
|---|-------------------------------|-------------------|-------------------|
| Cost of revenues | \$ 42,185 | \$ 1,661 | \$ 43,846 |
| Gross profit | 60,197 | (1,661) | 58,536 |
| General and administrative (inclusive of provision for doubtful accounts) | 42,338 | (1,661) | 40,677 |
| Total selling, general and administrative | \$ 57,377 | \$ (1,661) | \$ 55,716 |

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

None.

Item 9A. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

Management, with the participation of our Chief Executive Officer ("CEO") and our Chief Financial Officer ("CFO"), evaluated the effectiveness of our disclosure controls and procedures as of December 31, 2023. The term "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Such information is accumulated and communicated to the company's management, including its CEO and CFO, as appropriate to allow timely decisions regarding required disclosure. Based on that evaluation, our CEO and CFO determined that the Company's disclosure controls and procedures were not effective as of December 31, 2023, due to the material weakness in internal control over financial reporting described in Management's Report on Internal Controls Over Financial Reporting below.

Previously Disclosed Material Weaknesses

As previously disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2022, we identified the following material weaknesses in our internal control over financial reporting:

1. The Company did not design and implement effective controls over the completeness and accuracy of information produced by the entity ("IPE") and used by control owners in the operation of certain controls across the financial statement areas.
2. The Company did not design and implement effective controls in the financial reporting processes, including general information technology controls over access rights within certain financial reporting and accounting applications, which led to ineffective segregation of duties over the creation and review of journal entries and account reconciliations, including batch journal entries.
3. The Company did not design and implement effective controls over management's review of established pricing and contract terms to support recorded revenue and accounts receivable for the DME Services Direct Payer Rentals, DME Services Product Sales, DME Services - Service and ITS Direct Payer Rentals.

During 2023, management implemented our previously disclosed remediation plan that included:

1. Designing and implementing controls that address the completeness and accuracy of IPE and underlying data used in the performance of controls over accounting transactions.
2. Reassessing and formalizing the design of certain policies relating to access rights and segregating key functions within our financial and information technology applications supporting our internal controls over financial reporting, specifically related to the segregation of duties over the creation and review of journal entries and account reconciliations, including batch journal entries.
3. Enhancing policies and procedures to generate documentation sufficient to support customer orders, pricing determinations, and implementing controls to evidence approved pricing and quantities to contractual revenue amounts within the Device Solutions Direct Payer Rentals (formerly known as DME Services Direct Payer Rentals), Device Solutions Product Sales (formerly known as DME Services Product Sales), Device Solutions - Service (formerly known as DME Services – Service), and Patient Services Direct Payer Rentals (formerly known as ITS Direct Payer Rentals).

During the fourth quarter of fiscal 2023, we successfully completed the testing necessary to conclude that the material weaknesses disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2022 have been remediated.

Management's Report on Internal Controls Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f). Management, with the participation of our CEO and CFO, has

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conducted an evaluation of the effectiveness of the Company's internal control over financial reporting, based on the framework set forth in Internal Control-Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Based on this assessment, management has concluded that the Company did not maintain effective internal control over financial reporting as of December 31, 2023 due to the material weakness described below.

Material Weakness

A material weakness (as defined in Rule 12b-2 under the Exchange Act) is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of a company's annual or interim consolidated financial statements will not be prevented or detected on a timely basis.

Management has determined that the Company had the following material weakness in its internal control over financial reporting during the period ended December 31, 2023:

- The Company did not design and maintain effective internal controls over the adoption and ongoing application of accounting principles generally accepted in the United States of America ("US GAAP") related to revenue recognition for the Company's rental revenue contracts under Accounting Standards Codification ("ASC") Topic 842, *Leases* and ASC Topic 606, *Revenue from Contracts with Customers*.

Although this material weakness did not result in any material misstatement of our consolidated financial statements for the periods presented, and there were no changes to previously reported financial results, it could lead to a material misstatement of account balances or disclosures.

The effectiveness of our internal control over financial reporting as of December 31, 2023 has been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in its report, which is included below.

Remediation Plan for Material Weaknesses in Internal Control Over Financial Reporting

The Company has begun the process of, and is focused on, designing and implementing effective internal control measures to improve its internal control over financial reporting to remediate the material weakness identified above. The Company's internal control remediation efforts include the following:

- The Company is in the process of designing and implementing controls that will improve the Company's ongoing application of US GAAP related to revenue recognition for the Company's rental revenue contracts under ASC Topic 842, *Leases* and ASC Topic 606, *Revenue from Contracts with Customers*.

Though the remediation plan is subject to continual review and revision, we expect the remediation plan described above will address the identified material weakness. The remediation plan is subject to oversight by the Audit Committee of the Board of Directors and the identified material weakness will not be considered remediated until the remediation plan has been fully implemented, the applicable controls operate for a sufficient period of time and we have concluded that newly implemented controls are operating effectively.

Changes in Internal Control over Financial Reporting

Except for the changes in connection with our implementation of the remediation plan discussed above, there have been no other changes in the Company's internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act), during the quarter ended December 31, 2023, that have materially affected, or are reasonably likely to materially affect our internal control over financial reporting.

Inherent Limitations over Internal Controls and Procedures

A company's internal control over financial reporting is a process designed by, or under the supervision of, its principle executive and principal financial officers, and effected by such company's board of directors, management and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with US GAAP and includes those policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company;

- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with US GAAP, and that the receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable, not absolute, assurance of achieving their objectives. Further, the design of a control system must reflect that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements or fraud. Also, projections of any evaluation of effectiveness of controls in future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Report of Independent Registered Public Accounting Firm

To the shareholders and the Board of Directors of InfuSystem Holdings, Inc.

Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of InfuSystem Holdings, Inc. and subsidiaries (the "Company") as of December 31, 2023, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, because of the effect of the material weakness identified below on the achievement of the objectives of the control criteria, the Company has not maintained effective internal control over financial reporting as of December 31, 2023, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as of and for the year ended December 31, 2023, of the Company and our report dated April 9, 2024, expressed an unqualified opinion on those financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Material Weakness

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis. The following material weakness has been identified and included in management's assessment:

The Company did not design and maintain effective internal controls over the adoption and ongoing application of accounting principles generally accepted in the United States of America ("US GAAP") related to revenue recognition for the Company's rental revenue contracts under Accounting Standards Codification ("ASC") Topic 842, *Leases* and ASC Topic 606, *Revenue from Contracts with Customers*.

This material weakness was considered in determining the nature, timing, and extent of audit tests applied in our audit of the consolidated financial statements as of and for the year ended December 31, 2023, of the Company, and this report does not affect our report on such financial statements.

/s/ Deloitte & Touche LLP

Detroit, Michigan

April 9, 2024

Item 9B. Other Information.

As discussed in [Note 15](#) – Correction of Immaterial Errors to Previously Issued Consolidated Financial Statements, subsequent to the third quarter of 2023, the Company identified errors in our first, second and third quarterly filings of 2023 in the cost classifications related to pumps, pump parts, accessories, and services that were originally classified as general and administrative expenses and should have been recorded as cost of revenues. The table below sets forth the Company's Unaudited Condensed Consolidated Statements of Operations and Comprehensive Income that were impacted by the error described above, including as previously reported, the adjustments resulting from the error, and the as revised balances for the periods indicated which will be corrected prospectively in future filings.

| <i>(in thousands)</i> | Three months ended March 31, 2023 | | |
|---|-----------------------------------|------------|------------|
| | As previously reported | Adjustment | As revised |
| | \$ 14,830 | \$ 590 | \$ 15,420 |
| Cost of revenues | \$ 14,830 | \$ 590 | \$ 15,420 |
| Gross profit | 15,540 | (590) | 14,950 |
| General and administrative (inclusive of provision for doubtful accounts) | 12,175 | (590) | 11,585 |
| Total selling, general and administrative | \$ 15,761 | \$ (590) | \$ 15,171 |

| <i>(in thousands)</i> | Three months ended June 30, 2023 | | |
|---|----------------------------------|------------|------------|
| | As previously reported | Adjustment | As revised |
| | \$ 15,293 | \$ 610 | \$ 15,903 |
| Cost of revenues | \$ 15,293 | \$ 610 | \$ 15,903 |
| Gross profit | 16,442 | (610) | 15,832 |
| General and administrative (inclusive of provision for doubtful accounts) | 11,962 | (610) | 11,352 |
| Total selling, general and administrative | \$ 15,127 | \$ (610) | \$ 14,517 |

| Six months ended June 30, 2023 | | | |
|---|-------------------------------|-------------------|-------------------|
| <i>(in thousands)</i> | As previously reported | Adjustment | As revised |
| Cost of revenues | \$ 30,123 | \$ 1,200 | \$ 31,323 |
| Gross profit | 31,982 | (1,200) | 30,782 |
| General and administrative (inclusive of provision for doubtful accounts) | 24,137 | (1,200) | 22,937 |
| Total selling, general and administrative | \$ 30,888 | \$ (1,200) | \$ 29,688 |

| Three months ended September 30, 2023 | | | |
|---|-------------------------------|-------------------|-------------------|
| <i>(in thousands)</i> | As previously reported | Adjustment | As revised |
| Cost of revenues | \$ 15,663 | \$ 630 | \$ 16,293 |
| Gross profit | 16,246 | (630) | 15,616 |
| General and administrative (inclusive of provision for doubtful accounts) | 11,573 | (630) | 10,943 |
| Total selling, general and administrative | \$ 14,380 | \$ (630) | \$ 13,750 |

| Nine months ended September 30, 2023 | | | |
|---|-------------------------------|-------------------|-------------------|
| <i>(in thousands)</i> | As previously reported | Adjustment | As revised |
| Cost of revenues | \$ 45,786 | \$ 1,830 | \$ 47,616 |
| Gross profit | 48,228 | (1,830) | 46,398 |
| General and administrative (inclusive of provision for doubtful accounts) | 35,710 | (1,830) | 33,880 |
| Total selling, general and administrative | \$ 45,268 | \$ (1,830) | \$ 43,438 |

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections.

Not applicable.

PART III**Item 10. Directors, Executive Officers and Corporate Governance**

The information required by Part III, Item 10 is incorporated herein by reference to the sections titled "Election of Directors," "Board of Directors and Committees of the Board of Directors," "Executive Officers," and "Security Ownership of Certain Beneficial Owners and Management" in our definitive proxy statement relating to the 2024 Annual Meeting of Stockholders to be filed with the SEC within 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K.

Item 11. Executive Compensation

The information required by Part III, Item 11 is incorporated herein by reference to the sections titled "Advisory Vote Regarding Executive Compensation," and "Executive Compensation" in our definitive proxy statement relating to the 2024 Annual Meeting of Stockholders to be filed with the SEC within 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters**Equity Compensation Plan Information**

The following table provides information as of December 31, 2023 with respect to compensation plans, including individual compensation arrangements, under which our equity securities are authorized for issuance:

| Plan Category: | Number of securities to be issued upon exercise of outstanding options and rights (a) (1) | Weighted Average Exercise Price of options and rights (b) (2) | Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (3) (c) |
|--|--|--|---|
| Equity compensation plans approved by security holders: | | | |
| 2014 Plan * | 748,846 | \$ 6.69 | — |
| 2021 Plan | 1,602,811 | \$ 11.05 | 2,374,089 |
| Total | 2,351,657 | \$ 9.37 | 2,374,089 |

* As of December 31, 2023, this plan is no longer in effect other than for stock options and rights that were previously granted and remain outstanding.

(1) This amount includes 642,638 shares of common stock issuable upon the vesting of certain restricted stock awards and performance-based restricted stock units and 1,709,019 shares of common stock issuable upon the exercise of vested stock option awards.

(2) Excludes RSUs and PSUs, which have no exercise price.

(3) Includes 2,500,000 shares authorized as part of our 2021 Annual Meeting of Stockholders held in May 2021, plus 2,500,000 shares authorized as part of our 2023 Annual Meeting of Stockholders held in May 2023, less 2,625,911 shares that were made available to certain employees, directors and others.

The other information required by Part III, Item 12 is incorporated herein by reference to the section titled "Security Ownership of certain Beneficial Owners and Management" in our definitive proxy statement relating to the 2024 Annual Meeting of Stockholders to be filed with the SEC within 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K.

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

The information required by Part III, Item 13 is incorporated herein by reference to the sections titled “Election of Directors – Director Independence” and “Certain Relationships and Related Party Transactions” in our definitive proxy statement relating to the 2024 Annual Meeting of Stockholders to be filed with the SEC within 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K.

Item 14. Principal Accounting Fees and Services

The information required by Part III, Item 14 is incorporated herein by reference to the sections titled “Ratification of Independent Registered Public Accounting Firm” and “Independent Auditor’s Fees” in our definitive proxy statement relating to the 2024 Annual Meeting of Stockholders to be filed with the SEC within 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K.

PART IV

Item 15. Exhibits, Financial Statement Schedules

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

1. Financial Statements

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

2. Financial Statement Schedules

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

3. Exhibits

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

Exhibit Index

| Exhibit Number | Description of Document |
|-----------------------|--|
| 3.1 | Amended and Restated Certificate of Incorporation, as amended (incorporated by reference to Exhibit 3.1 to the Company's current report on Form 8-K (File No. 1-35020) filed on May 12, 2014). |
| 3.2 | Amended and Restated By-Laws (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K (File No. 1-35020) filed on July 9, 2018). |
| 4.1 | Specimen Common Stock Certificate (incorporated by reference to Exhibit 4.2 to the Company's Registration Statement on Form S-1/A (File No. 333-129035) filed on March 3, 2006). |
| 4.2 | Description of Securities Registered Under Section 12 of the Exchange Act (incorporated by reference to Exhibit 4.2 to the Company's Annual Report on Form 10-K (File No. 1-35020) filed on March 30, 2020). |
| 10.1** | InfuSystem Holdings, Inc. 2007 Stock Incentive Plan (incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-8 (File No. 333-150066) filed on April 3, 2008). |
| 10.2** | Form of Stock Option Award Agreement (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q (File No. 1-35020) filed on November 10, 2014). |
| 10.3** | Form of Restricted Stock Award Agreement (incorporated by reference to Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q (File No. 1-35020) filed on May 12, 2015). |

| Exhibit Number | Description of Document |
|----------------|--|
| 10.4** | Stock Option Award Agreement by and between InfuSystem Holdings, Inc. and Richard Dilorio, dated as of November 15, 2017 (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K (File No. 1-35020) filed on November 20, 2017). |
| 10.5** | Stock Appreciation Right Award Agreement by and between InfuSystem Holdings, Inc. and Richard Dilorio, dated as of November 15, 2017 (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K (File No. 1-35020) filed on November 20, 2017). |
| 10.6** | InfuSystem Holdings, Inc. 2014 Equity Plan (as amended through May 15, 2019) (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (File No. 1-35020) filed on May 17, 2019). |
| 10.7** | Form of Performance Unit Award Agreement under the 2014 Equity Plan (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (File No. 1-35020) filed on May 27, 2020). |
| 10.8** | Composite Copy of InfuSystem Holdings, Inc. Employee Stock Purchase Plan, as amended (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q (File No. 1-35020) filed on November 13, 2020). |
| 10.9** | Restricted Stock Unit Agreement (Service-Based), dated August 24, 2020, between the Company and Richard Dilorio (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K (File No. 1-35020) filed on August 25, 2020). |
| 10.10** | Restricted Stock Unit Agreement (Performance-Based), dated August 24, 2020, between the Company and Richard Dilorio (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K (File No. 1-35020) filed on August 25, 2020). |
| 10.11 | Credit Agreement dated as of February 5, 2021 among InfuSystem Holdings, Inc., InfuSystem Holdings USA, Inc., InfuSystem, Inc., First Biomedical, Inc., IFC LLC, the other Loan Parties thereto, and JPMorgan Chase Bank, N.A. as Administrative Agent, Sole Bookrunner and Sole Lead Arranger (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (File No. 1-35020) filed on February 11, 2021). |
| 10.12 | Pledge and Security Agreement entered into as of February 5, 2021 by and among InfuSystem Holdings, Inc., InfuSystem Holdings USA, Inc., InfuSystem, Inc., First Biomedical, Inc. and IFC LLC, and JPMorgan Chase Bank, N.A., in its capacity as administrative agent for the other lenders party to the Credit Agreement (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K (File No. 1-35020) filed on February 11, 2021). |
| 10.13** | Restricted Stock Unit Agreement (Service-Based), dated March 1, 2021, between the Company and Carrie Lachance (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (File No. 1-35020) filed on March 2, 2021). |
| 10.14** | InfuSystem Holdings, Inc. 2021 Equity Incentive Plan (incorporated by reference to Exhibit 99.1 to the Company's Registration Statement on Form S-8 (File No. 333-256231) filed on May 18, 2021). |
| 10.15** | Form of Nonqualified Stock Option Agreement (Non-employee Directors) under the InfuSystem Holdings, Inc. 2021 Equity Incentive Plan (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (File No. 1-35020) filed on May 24, 2021). |
| 10.16** | Form of Nonqualified Stock Option Agreement (Employees) under the InfuSystem Holdings, Inc. 2021 Equity Incentive Plan (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K (File No. 1-35020) filed on May 24, 2021). |
| 10.17** | Form of Restricted Stock Unit Agreement (Time-based Vesting) under the InfuSystem Holdings, Inc. 2021 Equity Incentive Plan (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K (File No. 1-35020) filed on May 24, 2021). |

| Exhibit Number | Description of Document |
|-------------------|---|
| 10.18** | Form of Restricted Stock Unit Agreement (Performance-based Vesting) under the InfuSystem Holdings, Inc. 2021 Equity Incentive Plan (incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K (File No. 1-35020) filed on May 24, 2021). |
| 10.19** | First Amended and Restated Employment Agreement, dated May 24, 2021, by and between the Company and Richard Dilorio (incorporated by reference to Exhibit 10.5 to the Company's Current Report on Form 8-K (File No. 1-35020) filed on May 24, 2021). |
| 10.20** | First Amended and Restated Employment Agreement, dated May 24, 2021, by and between the Company and Barry Steele (incorporated by reference to Exhibit 10.6 to the Company's Current Report on Form 8-K (File No. 1-35020) filed on May 24, 2021). |
| 10.21** | First Amended and Restated Employment Agreement, dated May 24, 2021, by and between the Company and Carrie Lachance (incorporated by reference to Exhibit 10.7 to the Company's Current Report on Form 8-K (File No. 1-35020) filed on May 24, 2021). |
| 10.22** | First Amended and Restated Employment Agreement, dated May 24, 2021, by and between the Company and Jeannine Sheehan (incorporated by reference to Exhibit 10.8 to the Company's Current Report on Form 8-K (File No. 1-35020) filed on May 24, 2021). |
| 10.23** | First Amended and Restated Employment Agreement, dated May 24, 2021, by and between the Company and Tom Ruiz (incorporated by reference to Exhibit 10.9 to the Company's Current Report on Form 8-K (File No. 1-35020) filed on May 24, 2021). |
| 10.24** | Form of Restricted Stock Unit Agreement (Performance-based Vesting) under the InfuSystem Holdings, Inc. 2021 Equity Incentive Plan (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (File No. 1-35020) filed on August 4, 2022). |
| 10.25 | First Amendment to Credit Agreement dated as of April 21, 2023 by and among InfuSystem Holdings, Inc., InfuSystem Holdings USA, Inc., InfuSystem, Inc., First Biomedical, Inc., IFC LLC, the lenders party thereto and JPMorgan Chase Bank, N.A. as administrative agent for the lenders (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (File No. 1-35020) filed on May 2, 2023). |
| 10.26** | First Amendment to the InfuSystem Holdings, Inc. 2021 Equity Incentive Plan (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (File No. 1-35020) filed on May 25, 2023). |
| 10.27** | InfuSystem Holdings, Inc. 2023 Employee Stock Purchase Plan (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K (File No. 1-35020) filed on May 25, 2023). |
| 10.28 | Non-Disclosure Agreement for Potential Director Candidate, dated August 4, 2022, by and between the Company and R. Rimmy Malhotra (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q (File No. 1-35020) filed on May 9, 2023). |
| 16.1 | Letter to Securities and Exchange Commission from BDO USA, LLP, dated July 6, 2023 (incorporated by reference to Exhibit 16.1 to the Company's Current Report on Form 8-K (File No. 1-35020) filed on July 7, 2023). |
| <u>21.1*</u> | Subsidiaries of InfuSystem Holdings, Inc. |
| <u>23.1*</u> | Consent of BDO USA, LLP |
| <u>23.2*</u> | Consent of DELOITTE & TOUCHE LLP |
| <u>31.1*</u> | Certification of Chief Executive Officer pursuant to Rule 13a-14 of the Securities Exchange Act of 1934, as amended |

[Table of Contents](#)

| Exhibit Number | Description of Document |
|-----------------------|---|
| 31.2* | Certification of Principal Financial Officer pursuant to Rule 13a-14 of the Securities Exchange Act of 1934, as amended |
| 32.1* | Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |
| 32.2* | Certification of Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |
| 97.1* | InfuSystem Holdings, Inc. Policy for the Recovery of Erroneously Awarded Compensation, dated as of October 2, 2023 |
| 101.INS* | Inline XBRL Instance Document |
| 101.SCH* | Inline XBRL Taxonomy Extension Schema Document |
| 101.CAL* | Inline XBRL Taxonomy Extension Calculation Linkbase Document |
| 101.DEF* | Inline XBRL Taxonomy Extension Definition Linkbase Document |
| 101.LAB* | Inline XBRL Taxonomy Extension Label Linkbase Document |
| 101.PRE* | Inline XBRL Taxonomy Extension Presentation Linkbase Document |
| 104* | Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101) |

* Filed herewith.

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

Item 16. 10-K Summary

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

INFUSYSTEM HOLDINGS, INC.

Date: April 9, 2024

By: /s/ RICHARD DILORIO

Richard Dilorio

**Chief Executive Officer and Director
(Principal Executive Officer)**

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

Date: April 9, 2024

By: /s/ RICHARD DILORIO

Richard Dilorio

**Chief Executive Officer and Director
(Principal Executive Officer)**

Date: April 9, 2024

/s/ BARRY STEELE

Barry Steele

**Chief Financial Officer
(Principal Accounting and Financial Officer)**

Date: April 9, 2024

/s/ CARRIE LACHANCE

Carrie Lachance

**President and Chief Operating Officer
Director**

Date: April 9, 2024

/s/ SCOTT SHUDA

Scott Shuda

**Chairman of the Board
Director**

Date: April 9, 2024

/s/ GREGG LEHMAN

Gregg Lehman

Director

Date: April 9, 2024

/s/ PAUL GENDRON

Paul Gendron

Director

Date: April 9, 2024

/s/ RALPH BOYD

Ralph Boyd

Director

Subsidiaries of the Registrant

Name **Jurisdiction of Organization**

InfuSystem, Inc. Delaware

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

InfuSystem Holdings, Inc.
Rochester Hills, Michigan

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 333-195929, 333-195930, 333-217090, 333-226872, 333-232146, 333-256231, 333-272459 and 333-272461) of InfuSystem Holdings, Inc. of our report dated March 16, 2023, relating to the consolidated financial statements, which appears in this Annual Report on Form 10-K.

/s/ BDO USA, P.C.

Troy, Michigan
April 9, 2024

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statement Nos. 333-195929, 333-195930, 333-217090, 333-226872, 333-232146, 333-256231, 333-272459 and 333-272461 on Form S-8 of our reports dated April 9, 2024, relating to the financial statements of InfuSystem Holdings, Inc. and the effectiveness of InfuSystem Holdings, Inc.'s internal control over financial reporting appearing in this Annual Report on Form 10-K for the year ended December 31, 2023.

/s/ DELOITTE & TOUCHE LLP

Detroit, Michigan
April 9, 2024

CERTIFICATION BY OFFICER

I, Richard Dilorio, certify that:

1. I have reviewed this Form 10-K for the year ended December 31, 2023 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: April 9, 2024

By:

/s/ RICHARD DILORIO

Richard Dilorio

Chief Executive Officer and Director

CERTIFICATION BY OFFICER

I, Barry Steele, certify that:

1. I have reviewed this Form 10-K for the year ended December 31, 2023 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: April 9, 2024

By:

/s/ BARRY STEELE

Barry Steele
Chief Financial Officer

CERTIFICATION OF OFFICER

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

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

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

The Form 10-K for the year ended December 31, 2023 (the "Report") of the Company fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 9, 2024

By:

/s/ RICHARD DiORIO

Richard Dilorio

Chief Executive Officer and Director

CERTIFICATION OF OFFICER

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

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

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

The Form 10-K for the year ended December 31, 2023 (the "Report") of the Company fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 9, 2024

By: _____ /s/ BARRY STEELE

Barry Steele
Chief Financial Officer

INFUSYSTEM HOLDINGS, INC.

POLICY FOR THE RECOVERY OF ERRONEOUSLY AWARDED COMPENSATION

1. **Purpose.** The purpose of this Policy is to describe certain circumstances in which Executive Officers will be required to repay or return Erroneously Awarded Compensation to the Company Group. Each Executive Officer must sign an acknowledgement or other agreement pursuant to which such Executive Officer will agree to be bound by, and comply with, this Policy.
2. **Administration.** This Policy will be administered by the Committee. The Committee is authorized to interpret and construe this Policy and to make all determinations necessary, appropriate or advisable for the administration of this Policy. Notwithstanding the foregoing, it is intended that this Policy be interpreted in a manner that is consistent with the requirements of Section 10D of the Securities Exchange Act of 1934, as amended, and any applicable rules or standards adopted by the SEC or the NYSE, and, to the extent this Policy is in any manner deemed inconsistent with such rules or standards, this Policy will be treated as retroactively amended to be compliant with such rules or standards. Any determinations made by the Committee will be final and binding on all affected individuals and need not be uniform with respect to each individual covered by this Policy. In the administration of this Policy, the Committee is authorized and directed to consult with the full Board or such other committees of the Board, such as the Audit Committee, as may be necessary or appropriate as to matters within the scope of such other committee's responsibility and authority. Subject to any limitation at applicable law, the Committee may authorize and empower any officer or employee of the Company to take any and all actions necessary or appropriate to carry out the purpose and intent of this Policy (other than with respect to any recovery under this Policy involving such officer or employee).
3. **Definitions.** For purposes of this Policy, the following capitalized terms have the meanings set forth below.
 - a. **"Accounting Restatement"** means an accounting restatement due to the material noncompliance of the Company with any financial reporting requirement under the securities laws, including any required accounting restatement to correct an error in previously issued financial statements that is material to the previously issued financial statements or that would result in a material misstatement if the error were corrected in the current period or left uncorrected in the current period. For the avoidance of doubt, an out-of-period adjustment, in which an error is immaterial to the previously issued financial statements and the correction of the error is also immaterial to the current period, will not constitute an Accounting Restatement.
 - b. **"Board"** means the Board of Directors of the Company.
 - c. **"Clawback Eligible Incentive Compensation"** means, in connection with an Accounting Restatement and with respect to each individual who served as an Executive Officer at any time during the applicable performance period for any Incentive-based Compensation (whether or not such Executive Officer is serving at the time the Erroneously Awarded Compensation is required to be repaid to the Company Group), all Incentive-based Compensation Received by such Executive Officer (1) on or after the Effective Date, (2) after beginning service as an Executive Officer, (3) while the Company has a class of securities listed on a national securities exchange or a national securities association, and (4) during the applicable Clawback Period.
 - d. **"Clawback Period"** means, with respect to any Accounting Restatement, the three completed fiscal years of the Company immediately preceding the Restatement Date and any transition period (that results from a change in the Company's fiscal year) of less than nine months within or immediately following those three completed fiscal years. For purposes of this Policy, a transition period between the last day of the Company's previous fiscal year end and the first day of its new fiscal year that comprises a period of nine to twelve months will be deemed a completed fiscal year.

- e. "**Committee**" means the Compensation Committee of the Board.
- f. "**Company**" means InfuSystem Holdings, Inc., a Delaware corporation.
- g. "**Company Group**" means the Company, together with each of its direct and indirect subsidiaries.
- h. "**Effective Date**" means October 2, 2023.
- i. "**Erroneously Awarded Compensation**" means, with respect to each Executive Officer in connection with an Accounting Restatement, the amount of Clawback Eligible Incentive Compensation that exceeds the amount of Incentive-based Compensation that otherwise would have been Received had it been determined based on the restated amounts, computed without regard to any taxes paid. By way of example, with respect to any compensation plans or programs that take into account or relate to Incentive-based Compensation, the amount of Erroneously Awarded Compensation subject to recovery under this Policy includes the amount contributed to any notional account based on Erroneously Awarded Compensation and any earnings accrued to date on that notional amount.
- j. "**Executive Officer**" means (1) each individual who is or was designated as an "officer" of the Company in accordance with 17 C.F.R. 240.16a-1(f) and (2) such additional members of the Company's senior leadership team as may be designated by the Committee. Executive Officer for purposes of this Policy includes, at a minimum, executive officers identified pursuant to 17 C.F.R. 229.401(b). Subsequent changes in an Executive Officer's employment status, including retirement or termination of employment, do not affect the Company's rights to recover Erroneously Awarded Compensation pursuant to this Policy.
- k. "**Financial Reporting Measure**" means any measure that is determined and presented in accordance with the accounting principles used in preparing the Company's financial statements, and any other measure that is derived wholly or in part from such measure. For the avoidance of doubt, a Financial Reporting Measure need not be presented in the Company's financial statements or included in a filing with the SEC. Stock price and total shareholder return will, for purposes of this Policy, each be considered a Financial Reporting Measure.
- l. "**Incentive-based Compensation**" means any compensation that is granted, earned, or vested based wholly or in part upon the attainment of a Financial Reporting Measure.
- m. "**NYSE**" means NYSE American LLC.
- n. "**Policy**" means this Policy for the Recovery of Erroneously Awarded Compensation, as the same may be amended or restated from time to time.
- o. "**Received**" means actual or deemed receipt, and Incentive-based Compensation will be deemed received in the Company's fiscal period during which the Financial Reporting Measure specified in the Incentive-based Compensation award is attained, even if payment or grant of the Incentive-based Compensation occurs after the end of that period. For the avoidance of doubt, Incentive-based Compensation that is subject to both a Financial Reporting Measure vesting condition and a service-based vesting condition will be considered Received when the relevant Financial Reporting Measure is achieved, even if the Incentive-based Compensation continues to be subject to the service-based vesting condition which is later satisfied.
- p. "**Restatement Date**" means the earlier to occur of (1) the date the Board, a committee of the Board, or the officers of the Company authorized to take such action if Board action is not required, concludes, or reasonably should have concluded, that the Company is required to prepare an Accounting Restatement or (2) the date a court, regulator, or other legally authorized body directs the Company to prepare an Accounting Restatement, in each case regardless of if or when the restated financial statements are filed.

q. "SEC" means the U.S. Securities and Exchange Commission.

4. Repayment of Erroneously Awarded Compensation.

- a. If an Accounting Restatement occurs, the Committee will reasonably promptly determine the amount of any Erroneously Awarded Compensation for each Executive Officer in connection with such Accounting Restatement and will reasonably promptly thereafter provide each Executive Officer with a written notice containing the amount of Erroneously Awarded Compensation and a demand for repayment or return, as applicable. For Incentive-based Compensation based on (or derived from) stock price or total shareholder return where the amount of Erroneously Awarded Compensation is not subject to mathematical recalculation directly from the information in the applicable Accounting Restatement, the amount will be determined by the Committee based on a reasonable estimate of the effect of the Accounting Restatement on the stock price or total shareholder return upon which the Incentive-based Compensation was Received (in which case, the Company will maintain documentation of such determination of that reasonable estimate and provide such documentation to the NYSE).
- b. The Committee has broad discretion to determine the appropriate means of recovery of Erroneously Awarded Compensation based on all applicable facts and circumstances and taking into account the time value of money and the cost to shareholders of delaying recovery, which methods of recovery need not be applied on a consistent basis; provided in any case that any such method provides for reasonably prompt recovery and otherwise complies with any requirements of the NYSE. To the extent that the Committee determines that any method of recovery (other than repayment by the Executive Officer in a lump sum in cash or property) is appropriate, the Company will offer to enter into a repayment agreement (in a form reasonable acceptable to the Committee) with the Executive Officer. If the Executive Officer fails to sign the repayment agreement within 30 days after such offer is extended, the Executive Officer will be required to repay the Erroneously Awarded Compensation in a lump sum in cash. For the avoidance of doubt, except as set forth in Section 4(e) below, in no event may the Company Group accept an amount that is less than the amount of Erroneously Awarded Compensation in satisfaction of an Executive Officer's obligations hereunder.
- c. To the extent that an Executive Officer fails to repay all Erroneously Awarded Compensation to the Company Group when due, the Company will, or will cause one or more other members of the Company Group to, take all actions reasonable and appropriate to recover such Erroneously Awarded Compensation from the applicable Executive Officer, which may include, by way of example, the forfeiture of unvested Incentive-based Compensation, the forfeiture of unvested time-based equity or cash incentive compensation awards, the forfeiture of benefits under a nonqualified deferred compensation plan, withholding of dividends and the offset of all or a portion of the amount of the Erroneously Awarded Compensation against other compensation payable to the Executive Officer.
- d. The applicable Executive Officer must reimburse the Company Group for any and all expenses reasonably incurred (including legal fees) by members of the Company Group in recovering such Erroneously Awarded Compensation in accordance with the terms of this Policy.
- e. Notwithstanding anything herein to the contrary, the Company will not be required to take the actions contemplated by this Section 4 if the following conditions are met and the Committee determines that recovery would be impracticable:
 - i. The direct expenses paid to a third party to assist in enforcing the Policy against an Executive Officer would exceed the amount to be recovered, after the Company has made a reasonable attempt to recover the applicable Erroneously Awarded Compensation, documented such attempts, and provided such documentation to the NYSE;

- ii. Recovery would violate home country law where that law was adopted prior to November 28, 2022; provided that, before determining that it would be impracticable to recover any amount of Erroneously Awarded Compensation based on violation of home country law, the Company has obtained an opinion of home country counsel, acceptable to the NYSE, that recovery would result in such a violation, and a copy of the opinion has been provided to the NYSE; or
- iii. Recovery would likely cause an otherwise tax-qualified retirement plan, under which benefits are broadly available to employees of the Company Group, to fail to meet the requirements of 26 U.S.C. 401(a)(13) or 26 U.S.C. 411(a) and regulations thereunder.

5. **Reporting and Disclosure.** The Company will file all disclosures with respect to this Policy in accordance with the requirements of the federal securities laws, including disclosures required by applicable SEC filings.

6. **Indemnification Prohibition.** No member of the Company Group will indemnify any Executive Officer (including for the avoidance of doubt any former Executive Officer) against (a) the loss of any Erroneously Awarded Compensation that is repaid, returned or recovered pursuant to the terms of this Policy, or (b) any claims relating to the enforcement by any member of the Company Group of its rights under this Policy. Further, the members of the Company Group are prohibited from paying or reimbursing an Executive Officer (including for the avoidance of doubt any former Executive Officer) for the cost of purchasing insurance to cover any such loss. No member of the Company Group will enter into any agreement that exempts any Incentive-based Compensation from the application of this Policy or that waives the right of any member of the Company Group to recovery of any Erroneously Awarded Compensation and this Policy will supersede any such agreement (whether entered into before, on or after the Effective Date).

7. **Administrator Indemnification.** Any members of the Committee, and any other members of the Board who assist in the administration of this Policy, will not be personally liable for any action, determination or interpretation made with respect to this Policy and will be fully indemnified by the Company to the fullest extent under applicable law and Company policy or applicable indemnification agreement with respect to any such action, determination or interpretation. The foregoing sentence will not limit any other rights to indemnification of the members of the Board under applicable law or Company policy or applicable indemnification agreement.

8. **Effective Date.** This Policy is effective as of the Effective Date.

9. **Amendment; Termination.** The Committee may unilaterally amend this Policy from time to time in its discretion and will amend this Policy as it deems necessary, including as and when it determines that it is legally required by any federal securities laws, SEC rule, or the rules of any national securities exchange or national securities association on which the Company's securities are listed. The Committee may terminate this Policy at any time. Notwithstanding anything in this Section 9 to the contrary, no amendment or termination of this Policy will be effective if such amendment or termination would (after taking into account any actions taken by the Company contemporaneously with such amendment or termination) cause the Company to violate any federal securities laws, SEC rule, or the rules of any national securities exchange or national securities association on which the Company's securities are listed.

10. **Other Recoupment Rights; No Additional Payments; Company Claims.** The Committee intends that this Policy will be applied to the fullest extent of the law. The Committee may require that any employment agreement, equity award agreement, or any other agreement entered into on or after the Effective Date will, as a condition to the grant of any benefit thereunder, require an employee to agree to abide by the terms of this Policy to the extent applicable, and any employment agreement, equity award agreement, or any other agreement entered into with an employee of any member of the Company Group before, on or after the Effective Date may be unilaterally amended by any member of the Company Group to comply with this Policy. Any right of recoupment under this Policy is in addition to, and not in lieu of, any other remedies or rights of recoupment that may be available to any member of the Company Group under applicable law,

regulation or rule or pursuant to the terms of any similar policy or provision in any employment agreement, equity award agreement, or similar agreement and any other legal remedies available to the members of the Company Group. Nothing contained in this Policy, and no recoupment or recovery as contemplated by this Policy, will limit any claims, damages or other legal remedies the members of the Company Group or any of their respective affiliates may have against an Executive Officer arising out of or resulting from any actions or omissions by the Executive Officer.

11. **Successors.** This Policy will be binding and enforceable against all Executive Officers and their beneficiaries, heirs, executors, administrators or other legal representatives.
12. **Severability.** The provisions of this Policy are intended to be applied to the fullest extent of the law. To the extent that any provision of this Policy is found to be unenforceable or invalid under any applicable law, such provision will be applied to the maximum extent permitted, and will automatically be deemed amended in a manner consistent with its objectives to the extent necessary to conform to any limitations required under applicable law.
13. **Governing Law; Interpretation.** The Committee is authorized to interpret and construe this Policy and to make all determinations necessary, appropriate, or advisable for the administration of this Policy. Except to the extent preempted by federal law, the laws of the State of Delaware, as amended from time to time, will govern the construction and application of this Policy. Words used in the singular include the plural, as appropriate. The words "herein," "hereunder," and other similar compounds of the word "here" refer to this entire Policy, not to a particular section. Any mention of "Sections", unless stated specifically to the contrary, refers to a section in this Policy. All references to statutory sections or rules or standards of any governmental authority, national securities exchange or national securities association include the section, rule or standard so identified, as amended from time to time, or any other applicable statute, rule or standard of similar import and in the case of any statute, all applicable rule and regulations promulgated thereunder. The word "including" (in its various forms) means "including without limitation."