

**CEO
CFO**The logo for InfuSystem, featuring a stylized 'i' with a circular arrow around it, followed by the word 'InfuSystem' in a sans-serif font.**Issue:
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A Tremendous Relationship With Customers And Very High Customer Satisfaction In The Growing Field Of Oncology As Well As Expertise In Pumps And Infusion Services, Combined With A Highly Scalable Infrastructure Has InfuSystem Poised For Growth

**Healthcare
Medical Instruments & Supplies
(INHI-OTC: BB)**

InfuSystem Holdings, Inc.

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**Sean M. Whelan CPA
Chief Financial Officer**

BIO:

Prior to joining InfuSystem, Mr. Whelan held senior finance positions with Ford Motor Company since 1996. Most recently, he served as accounting director for Automotive Components Holdings, LLC, a subsidiary of Ford Motor Company, where he had direct oversight, financial and divestiture responsibility for the \$5.0 billion entity. During 2005, he led the due diligence effort pertaining to Ford's acquisition of Visteon's 24 North American facilities. Mr. Whelan also held senior treasury roles at Ford Motor Company, where he was responsible for managing the interest rate risk and funding strategy for Ford Credit, with over \$150 billion in assets. Prior to joining Ford Motor Company, Mr. Whelan was employed as a senior auditor for Deloitte & Touche, LLP from 1992 to 1995. Mr. Whelan has a Bachelor of Business Administration degree and a Master of Accounting degree, both from the University of Michigan Ross School of Business. Mr. Whelan received his CPA certificate in 1995, his Certified Internal Auditor certificate in 1996 and has been 6-Sigma Black Belt certified since 2000.

Company Profile:

InfuSystem is the leading provider of

ambulatory infusion pumps and associated clinical services for oncology practices and their patients in the U.S. These pumps allow for the gradual delivery of a drug over a period of days in the privacy of one's home. Improved efficacy of the drugs, patient comfort, reimbursement to doctors for appropriate services and continuity of care all play a role in the growing trend toward this form of treatment. InfuSystem's pumps are primarily used for colorectal cancer, but they have been approved for other forms of cancer, thereby greatly enhancing the market opportunity for InfuSystem.

**Interview conducted by:
Lynn Fosse, Senior Editor
CEOCFOinterviews.com**

CEOCFO: Mr. Whelan, what attracted you to InfuSystem?

Mr. Whelan: "I was attracted to InfuSystem by the opportunity to work for a smaller growth company. My background was in a large public company, and in public accounting before that. It has been a great opportunity to come in and shape and drive the business on a daily basis, and I really see the fruits of my labor on a regular basis. It is not as easy to do in a large organization, but in an organization like this where you can make decisions quickly and act immediately. That was a real attraction."

CEOCFO: InfuSystem has recently made some changes in the way you are organized and your strategy; what is the vision today?

Mr. Whelan: "Let me tell you where we are at and how we got here. We are the dominant player and the only nationwide provider in our space. We provide ambu-

latory infusion pumps and related supplies to oncologists and their patients throughout the United States, with tremendous penetration into that market. We have been nationwide for many years, and we don't have a significant competitor that has more than seven or eight states footprint. We really have been able to do that through tremendous customer satisfaction. We own the pumps throughout the process, so we essentially rent those pumps to the clients. The services we offer include not only the use of the pumps; we provide any and all ancillary supplies that go with those pumps. We provide a 24/7 oncology certified nurse staffed hotline, so that clinics don't need to have on-call nurses themselves relating to the pumps. In addition, we handle all of the billing services.

We have had tremendous customer satisfaction through the fact that we provide that service offering and we do it right and do it right every time. We have some of the largest cancer clinics in the country, such as MD Anderson in Texas, Dana Farber and Mass General in the Northeast. In terms of the vision, we strive to continue to penetrate that core business into new clinics. We are nationwide and we still have substantial room to grow. Quite frankly, we have the opportunity to leverage a tremendous infrastructure and leverage our expertise in pumps and infusion to provide additional products and services through that same distribution channel. Again, it is an extremely strong channel that we have today. We have a real dominant network nationwide, so the opportunity to branch out and provide additional products and services is the next step and quite frankly it is one that we are already taking. There

are also opportunities with new indications. Our bread and butter is colorectal cancer stage III, and there is also growing acceptance of continuous infusion therapy for other indications, both stage II and IV colorectal cancer, as well as other cancer types. That includes head and neck, as well as gastric and esophageal cancers.”

CEOCFO: Would you tell us about infusion therapy?

Mr. Whelan: “Continuous infusion has become the gold standard of treatment for colorectal cancer. It has really moved to cocktail therapy; in other words, a number of different drugs. In the case of the patients who use our pumps, they are typically spending time in the clinic in an infusion suite, receiving one set of drugs on a pole mounted pump or stationary pump, and then they are going home on our pumps. The pumps that we have are small lightweight pumps about the size of a ‘Black Berry’, but about twice as thick. A real benefit of continuous infusion pumps is that they are worn in a ‘fanny pack’ that we provide so the patient can go home and live their normal life. The continuous infusion concept is literally what it sounds like; the drugs are infused continuously over a several day period. The goal of course is to kill the cancer cells and these particular cancer cells are most susceptible when they are splitting. So the concept of continuous infusion is to put small amounts of drugs into the blood stream constantly, as opposed to the old bolus infusion method of treating which puts more of a massive dose of drugs into the patient in the clinic. That dosage gets less effective over time.”

CEOCFO: Is continuous infusion universal in cancer clinics?

Mr. Whelan: “I think the concept of continuous infusion has almost universal acceptance at least in the United States. So that isn’t an issue, but of course not everyone uses our pumps, so there is opportunity to grow.”

CEOCFO: Why use InFuSystems pumps?

Mr. Whelan: “It is really the holistic service offering that we provide. We provide the ambulatory pumps that they want

when they need them. We have a one-day turnaround time in terms of providing pumps. We make sure that the clinics have the pumps that they want. We carry any and all manufacturers’ pumps and we will cater to the customer. We provide as many pumps as they need to service their patient caseload to make sure they are not running short. We provide enough supplies to go with the pump and that includes the disposable tubing, fanny packs and batteries. We provide the nursing hotline, which is a tremendous service offering so that both patients and clinicians can call us 24/7, 365 days a year for any and all issues with the pump. We provide the billing, and the billings for our services are unique relative to the other services the clinic might be billing for. Typically, they are billing for a physician’s time, whereas we are billing for the use of the pump, which falls under

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- Sean Whelan CPA

durable medical equipment. At the end of the day it is really the holistic service offering, we handle the entire process from A-Z, and from the clinic’s perspective, free of charge. Our business model has a billing component and we bill insurance companies directly; the patients’ insurance companies. From the clinic’s perspective, we provide a tremendous service offering. Most importantly, it meets the needs of their patients, but also relieves that clinic of an otherwise financial burden.”

CEOCFO: Is that typical?

Mr. Whelan: “What is quite typical is one of three things, either the clinic chooses to buy its own pumps, perhaps direct from the manufacturer and if they try to essentially offer the same service to themselves as we would offer, we would pretty quickly show them how that is inefficient and not cost effective from their perspective. This is because they don’t enjoy the economies of scale that we do,

as they are not in the pump maintenance and capital expenditure business, and we are. So that is a pretty easy alternative or source of competition for us to overcome. Another alternative is for them to send the patients out to homecare and a homecare company will provide a similar service to us in terms of similar pumps with a patient being on a continuous infusion regimen. In that scenario, the clinics or physicians lose the continuity of care with their patients, when they send them out to homecare and they also lose the revenue opportunity. However, when the physicians hook up the patients and then unhook them at the end of the week from our pumps, they have the opportunity to earn revenue. They will be giving that up if they send their patients to homecare. The other alternative is to use a competitor of ours who might offer a similar set of services, but quite frankly we think and have proven over time that we offer the most comprehensive set of services and the best customer satisfaction.”

CEOCFO: Do you tend to have long-term contracts?

Mr. Whelan: “We have no contracts per se with the clinics, but our retention rates are extremely high. We don’t have a financial relationship with the clinic, so we win the clinics over on the concept of our service offering and we retain them by proving it every single day.”

CEOCFO: What is the market opportunity?

Mr. Whelan: “I mentioned that we have great penetration into oncology clinics today on a nationwide basis, but we have tremendous room to grow within that space. New products and services are also great opportunities for us and we are just getting into those now.”

CEOCFO: What’s new?

Mr. Whelan: “There are a variety of things that are new. One example that I mentioned earlier is when patients are going on our pumps. They are getting hooked up in the clinic or the hospital, getting connected to our pump, but just prior to that essentially all of our patients are sitting in an infusion suite and receiv-

ing a different set of drugs on a pump where we don't participate in the revenue stream. A perfect example of an opportunity that we are pursuing we refer to as 'pole mounted pumps', so it is a stationary pump as opposed to an ambulatory pump. There has not been a lot of technological advance in that space, but there are now some new products on the market and we plan to be part of that distribution chain. It is a natural extension for us; the same point of call for our sales people. We already have those tremendous relationships, so it is just a natural opportunity. It also has a razor/razorblade model where we can get in there, provide the pumps, sell the pumps directly to the clinics, but also enjoy the hopefully lifetime revenue stream associated with the disposables that go with those pumps. So unlike our base business model where we provide those services but bill insurance companies, this would be a direct sale model. In addition, there are a number of other products and services that are also in the oncology infusion space, so they are natural extensions for us, and quite frankly we are not limiting ourselves to oncology either."

CEOCFO: Do you work directly with the clinics or do you work through third parties?

Mr. Whelan: "We work directly with the clinics. We have a field sales force of around twenty folks who are in our accounts on a regular basis probably average is monthly or slightly more frequent than that, constantly ensuring that they have the appropriate number and type of pumps and supplies. We also have an in-house extension of that sales force. These are our customer service reps who are here at the headquarters to help with order fulfillment. Interestingly we recently contracted with a third party national customer satisfaction firm and both we and they were tremendously surprised by the results we had; scores just through the roof in terms of customer satisfaction. As

I mentioned earlier we don't have contracts with those clinics, so we really do win them over and retain them through our customer service."

CEOCFO: What is the financial picture like for InfuSystem?

Mr. Whelan: "Very strong. We continue to generate tremendous operating cash flow. We went public as a standalone company in October of 2007, and as part of that transaction, we took on a note from the seller of a little over \$32 million. In eighteen months we have been able to pay down that note by over \$9 million through tremendous operating cash flow. We enjoy extremely high EBITDA margins; it is a very scalable business model. We are paying down debt rapidly and really shoring up the balance sheet as well. We have continued to grow the top line, and we expect that to continue."

CEOCFO: I would suspect that the economic situation has had little affect on you, would that be fair to say?

Mr. Whelan: "I think it is fair to say that we have not faced some of the same economic challenges as others."

CEOCFO: Why should potential investors look at InfuSystem?

Mr. Whelan: "The real reason to look at us is we look at the core business as a tremendous platform for growth. Today and over the past twenty years, we have established ourselves as a nationwide leader in providing ambulatory infusion services. The opportunity to grow that and continue to leverage that very strong dominant infrastructure, with both the network we have in the field in terms of the clinics we presently work with as well as the very scalable infrastructure we have internally, really allows that core business to be a platform for growth. We see strong potential with other products and services within oncology, and, given our expertise in pumps and infusion, with

our core services beyond oncology. There will be some opportunities for M&A as well, as we continue down the road. We think there are smaller acquisitions that are possible. There is still continued acceptance beyond colorectal cancer, beyond stage III where we have opportunities to grow. There is also the natural organic growth we have in the sense that while we are the nationwide leader, there are a number of clinics out there that we don't yet service."

CEOCFO: Is there trend toward consolidation?

Mr. Whelan: "In the core business there is not a trend toward consolidation, rather it is actually quite a fragmented market. There is probably more of a trend toward consolidation on the home health side of the shop, which we think we can compete against quite well. This is more financially beneficial to the physicians; it is also more financially beneficial to the insurance companies. Home health is a significantly more expensive proposition than what we offer. I wouldn't say there is a trend toward consolidation, rather given our nationwide footprint, our tremendous contracts with insurance companies that allow us to get reimbursed. So we really are the nationwide leader and will have the opportunity to pick up perhaps some more regional players."

CEOCFO: What should people reading about InfuSystem remember most?

Mr. Whelan: "We have tremendous relationships and customer satisfaction in a growing field of oncology and we have expertise in pumps and infusion services, combined with a highly scalable infrastructure. In addition, we are poised for growth, we have the platform to grow, and we have the management team to grow with a very strong Board supporting those ambitions."



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