

HAPC, Inc.  
Form PRER14A  
July 24, 2007  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**

**SCHEDULE 14A**  
**Proxy Statement Pursuant to Section 14(a)**  
**of the Securities Exchange Act of 1934**  
**(Amendment No. 4)**

Filed by the Registrant  Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Under Rule 14a-12

**HAPC, INC.**

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(Name of Registrant as Specified in its Charter)

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(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

1) Title of each class of securities to which transaction applies:

Common Stock of InfuSystem, Inc.

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2) Aggregate number of securities to which transaction applies:

Acquisition of all of the outstanding securities of InfuSystem, Inc.

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3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

\$140,000,000 is being paid for all of the outstanding capital stock of InfuSystem, Inc.

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4) Proposed maximum aggregate value of transaction:

\$140,000,000

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5) Total fee paid:

\$14,980

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x Fee paid previously with preliminary materials:

.. Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

1) Amount previously paid:

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2) Form, Schedule or Registration Statement No.:

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3) Filing Party:

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4) Date Filed:

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**HAPC, INC.**

**350 Madison Avenue, 20th Floor**

**New York, New York 10017**

**(212) 418-5070**

**PROXY STATEMENT FOR 2007 ANNUAL MEETING OF STOCKHOLDERS OF**

**HAPC, INC.**

To the Stockholders of HAPC, INC. ( "HAPC" ):

You are cordially invited to attend the annual meeting (the "Annual Meeting" ) of the stockholders of HAPC, INC., or HAPC, to be held at \_\_\_\_\_ a.m., Eastern Time, on \_\_\_\_\_, 2007, at the offices of \_\_\_\_\_ relating to HAPC's acquisition of InfuSystem, Inc. or InfuSystem, the election of the members of the Board of Directors of HAPC and the ratification of the appointment of HAPC's independent registered public accounting firm for the fiscal year ending December 31, 2007.

The transaction to acquire InfuSystem will be effected by the acquisition by Iceland Acquisition Subsidiary, Inc. or Acquisition Sub, a wholly-owned subsidiary of HAPC, of all of the issued and outstanding capital stock of InfuSystem, a California corporation and wholly-owned subsidiary of I-Flow Corporation, or I-Flow, a Delaware corporation. Concurrently with Acquisition Sub's acquisition of all of the issued and outstanding capital stock of InfuSystem, Acquisition Sub will merge with and into InfuSystem with the result that InfuSystem will become a wholly-owned subsidiary of HAPC.

At this important meeting, you will be asked to consider and vote upon the following proposals:

the acquisition proposal to approve the acquisition by Acquisition Sub of all of the issued and outstanding capital stock of InfuSystem pursuant to the Stock Purchase Agreement, dated as of September 29, 2006, by and among I-Flow, InfuSystem, HAPC and Acquisition Sub ( "Proposal 1" );

the stock incentive plan proposal to approve the adoption of the HAPC 2007 Stock Incentive Plan (the "Plan" ) pursuant to which HAPC will reserve up to 2,000,000 shares of common stock for issuance pursuant to the Plan ( "Proposal 2" );

the amendment to the certificate of incorporation proposal to approve an amendment to HAPC's amended and restated certificate of incorporation to change HAPC's name from HAPC, INC. to InfuSystem Holdings, Inc. ( "Proposal 3" );

the election of Directors proposal to elect the members of HAPC's Board of Directors to serve until the 2008 annual stockholders meeting and until their successors are duly elected and qualified ( "Proposal 4" );

the ratification of registered public accounting firm proposal to ratify the appointment of Deloitte & Touche LLP as HAPC's registered public accounting firm for the fiscal year ending December 31, 2007 ( "Proposal 5" ); and

to transact such other business as may properly come before the meeting or any adjournment or postponement thereof.

The Board of Directors of HAPC has fixed the close of business on \_\_\_\_\_, 2007, as the record date (the "Record Date" ) for the determination of stockholders entitled to notice of and to vote at the Annual Meeting and at any adjournment thereof. As of such date, there were \_\_\_\_\_ shares of HAPC's common stock outstanding and entitled to vote. A list of stockholders entitled to vote as of the Record Date at the

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Annual Meeting will be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours for a period of ten calendar days before the Annual Meeting at HAPC's offices at 350 Madison Avenue, 20th Floor, New York, New York 10017, and at the time and place of the meeting during the duration of the meeting.

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Adoption of each proposal will require the following vote:

For purposes of Proposal 1, the affirmative vote of a majority of the shares outstanding as of the Record Date of HAPC's common stock that were issued in HAPC's initial public offering, including shares subsequently purchased in the open market, that are present in person or by proxy at the Annual Meeting and that vote on the proposal, *provided* less than 20% of the shares of HAPC's common stock issued in HAPC's initial public offering vote against the acquisition proposal and elect a cash conversion of their shares as described below.

For purposes of Proposal 2, the affirmative vote of a majority of the shares of HAPC's common stock issued and outstanding as of the Record Date that are present in person or by proxy at the Annual Meeting.

For purposes of Proposal 3, the affirmative vote of a majority of the shares of HAPC's common stock issued and outstanding as of the Record Date.

For purposes of Proposal 4, each nominee who receives a plurality of the votes of the shares of HAPC's common stock present, in person or by proxy, at the Annual Meeting will be elected as a member of the Board of Directors.

For purposes of Proposal 5, the affirmative vote of a majority of the shares of HAPC's common stock issued and outstanding as of the Record Date that are present in person or by proxy at the Annual Meeting.

Each of Proposals 2 and 3 is conditioned upon the approval of Proposal 1 and, in the event Proposal 1 does not receive the necessary vote for approval, then HAPC will not complete any of the transactions specified in the others. If, however, Proposal 1 is approved and either Proposal 2 or 3 is not, HAPC will still consummate the acquisition. Proposals 4 and 5 are not conditioned upon the approval of any of the other Proposals.

In the event that the acquisition of InfuSystem is not undertaken, HAPC must complete an alternative business combination with a fair market value of at least 80% of its net assets (excluding the deferred underwriting discount and commission held in the trust account in the amount of approximately \$5,468,000) at the time of the business combination within 18 months after the consummation of its initial public offering, which occurred on April 18, 2006 (or within 24 months after the consummation of its initial public offering if a definitive agreement relating to a business combination has been executed within 18 months after the consummation of its initial public offering). HAPC will attempt to use the additional time available to it under its Amended and Restated Certificate of Incorporation to sign another letter of intent or definitive agreement by October 18, 2007 and consummate an alternative business combination by April 18, 2008.

In order to complete an alternative business combination, HAPC will be required to raise additional funds. HAPC expects to commence the process of raising additional funds in the event that the acquisition of InfuSystem is not approved by its stockholders. If necessary, HAPC would most likely seek to raise additional funds to finance an alternative business combination through the issuance of warrants. It is not determinable at this time what terms would be included in such warrants. It is possible that the terms of such warrants could negatively impact HAPC's currently outstanding securities. HAPC does not believe it is likely that it would raise additional funds through third party loans. HAPC expects that any potential third party lender would refuse to waive its rights to assert claims against the trust account, and HAPC would not enter into a loan transaction with a party unless it had obtained such waiver. Accordingly, HAPC does not expect to be in a position to raise additional funds through loans from third parties to finance and search for an alternative business combination. It is likely that HAPC will have insufficient time and resources to sign another letter of intent or definitive agreement by October 18, 2007 and consummate an alternative business combination by April 18, 2008. HAPC will most likely be forced to liquidate after April 18, 2008 (or October 18, 2007 if no agreement is entered into).

Each HAPC stockholder who holds shares of common stock issued in HAPC's initial public offering, or purchased following such offering in the open market, has the right to vote against the acquisition proposal and, at the same time, demand that HAPC convert such stockholder's shares into cash equal to a pro rata portion of the proceeds held in the trust account, including interest, in which a substantial portion of the net proceeds of HAPC's initial public offering have been deposited. As of June 30, 2007, this amount was equal to \$5.94 per share, less income taxes owed on accrued interest. (The closing prices of HAPC's common stock, warrants and units on July 20, 2007 were \$5.78, \$0.275 and \$6.40, respectively.) If the acquisition is not completed, your shares

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will not be converted to cash at this time, even if you so elected. If the holders of 3,375,050 or more shares of common stock issued in HAPC's initial public offering, an amount equal to 20% or more of the total number of shares issued in the initial public offering, vote against the acquisition and demand conversion of their shares into a pro rata portion of the trust account, then HAPC will not be able to consummate the acquisition. In the event that the conversion price of the common stock is higher than the then prevailing market price of the common stock, there is a greater risk that HAPC stockholders will vote against the acquisition.

HAPC's shares of common stock, warrants and units consisting of one share of common stock and two warrants trade on the OTC Bulletin Board under the symbols HAPN.OB, HAPNW.OB and HAPNU.OB, respectively.

After careful consideration of the terms and conditions of the proposed acquisition of InfuSystem, the adoption of the Plan and the amendment to the amended and restated certificate of incorporation, the Board of Directors of HAPC has determined that such proposals and the transactions contemplated thereby are fair to and in the best interests of HAPC and its stockholders. In connection with the acquisition proposal, the Board of Directors of HAPC has received an opinion from BNY Capital Markets, Inc., to the effect that as of September 29, 2006, the date the Stock Purchase Agreement was entered into, based upon conditions that existed as of that date, and subject to the considerations described in its opinion and based upon such other matters as BNY Capital Markets, Inc. considered relevant, the consideration to be paid by HAPC in the acquisition pursuant to the Stock Purchase Agreement is fair to HAPC from a financial point of view. **The Board of Directors of HAPC unanimously recommends that you vote or give instruction to vote (i) FOR the proposal to acquire all of the issued and outstanding capital stock of InfuSystem pursuant to the Stock Purchase Agreement by and among InfuSystem, I-Flow, Acquisition Sub and HAPC; (ii) FOR the proposal to adopt the Plan; (iii) FOR the proposal to approve an amendment to the amended and restated certificate of incorporation to change HAPC's corporate name, (iv) FOR the election of the nominees to serve as members of the Board of Directors of HAPC to serve until the 2008 annual stockholders meeting and until their successors are duly elected and qualified and (v) FOR the ratification of the appointment of Deloitte & Touche LLP as HAPC's registered public accounting firm for the fiscal year ending December 31, 2007; all as described in Proposals 1, 2, 3, 4 and 5, respectively.**

Enclosed is a Notice of Annual Meeting and Proxy Statement containing detailed information concerning the acquisition, adoption of the Plan and amendment to the amended and restated certificate of incorporation. Whether or not you plan to attend the Annual Meeting, we urge you to read this material carefully. I look forward to seeing you at the meeting.

Sincerely,

John Voris

Chief Executive Officer

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**YOUR VOTE IS IMPORTANT. WHETHER YOU PLAN TO ATTEND THE ANNUAL MEETING OR NOT, PLEASE SIGN, DATE AND RETURN THE ENCLOSED PROXY CARD AS SOON AS POSSIBLE IN THE ENVELOPE PROVIDED. IF YOU SIGN AND RETURN THE PROXY CARD, BUT DO NOT GIVE INSTRUCTIONS ON HOW TO VOTE YOUR SHARES, YOUR SHARES WILL BE VOTED, AS RECOMMENDED BY THE HAPC BOARD OF DIRECTORS, FOR THE APPROVAL OF THE ACQUISITION PROPOSAL, FOR THE APPROVAL OF THE STOCK INCENTIVE PLAN PROPOSAL, FOR APPROVAL OF THE AMENDMENT TO THE AMENDED AND RESTATED CERTIFICATE OF INCORPORATION PROPOSAL, FOR THE ELECTION OF THE NOMINEES TO SERVE AS MEMBERS OF THE BOARD OF DIRECTORS OF HAPC UNTIL THE 2008 ANNUAL STOCKHOLDERS MEETING AND UNTIL THEIR SUCCESSORS ARE DULY ELECTED AND QUALIFIED, AND FOR THE RATIFICATION OF THE APPOINTMENT OF DELOITTE & TOUCHE LLP AS HAPC'S REGISTERED PUBLIC ACCOUNTING FIRM FOR THE FISCAL YEAR ENDING DECEMBER 31, 2007.**

**SEE THE SECTION TITLED RISK FACTORS BEGINNING ON PAGE 15 FOR A DISCUSSION OF VARIOUS FACTORS THAT YOU SHOULD CONSIDER IN CONNECTION WITH THE ACQUISITION OF INFUSYSTEM SINCE, UPON HAPC'S ACQUISITION OF INFUSYSTEM, THE OPERATIONS AND ASSETS OF HAPC WILL LARGELY BE THOSE OF INFUSYSTEM.**

**THIS PROXY STATEMENT IS DATED \_\_\_\_\_, 2007, AND IS FIRST BEING MAILED TO HAPC STOCKHOLDERS ON OR ABOUT \_\_\_\_\_, 2007.**



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**HAPC, INC.**

**350 Madison Avenue, 20th Floor**

**New York, New York 10017**

**(212) 418-5070**

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**

**TO BE HELD ON \_\_\_\_\_, 2007**

TO THE STOCKHOLDERS OF HAPC, INC.:

Notice is hereby given that the annual meeting of stockholders, including any adjournments or postponements thereof, of HAPC, INC., or HAPC, a Delaware corporation, will be held at \_\_\_\_\_ a.m. Eastern Time, on \_\_\_\_\_, 2007, at the offices of \_\_\_\_\_ for the following purposes:

the acquisition proposal to approve the acquisition by Iceland Acquisition Subsidiary, Inc. or Acquisition Sub, a Delaware corporation and wholly-owned subsidiary of HAPC, of all of the issued and outstanding capital stock of InfuSystem, Inc. or InfuSystem, a California corporation and wholly-owned subsidiary of I-Flow Corporation or I-Flow, a Delaware corporation, pursuant to the Stock Purchase Agreement, dated as of September 29, 2006, by and among I-Flow, InfuSystem, HAPC and Acquisition Sub ( Proposal 1 );

the stock incentive plan proposal to approve the adoption of the HAPC 2007 Stock Incentive Plan (the Plan ) pursuant to which HAPC will reserve up to 2,000,000 shares of common stock for issuance pursuant to the Plan ( Proposal 2 );

the amendment to the certificate of incorporation proposal to approve an amendment to HAPC s amended and restated certificate of incorporation, to change HAPC s name from HAPC, INC. to InfuSystem Holdings, Inc. ( Proposal 3 );

the election of Directors proposal to elect the members of HAPC s Board of Directors to serve until the 2008 annual stockholders meeting and until their successors are duly elected and qualified ( Proposal 4 );

the ratification of registered public accounting firm proposal to ratify the appointment of Deloitte & Touche LLP as HAPC s registered public accounting firm for the fiscal year ending December 31, 2007 ( Proposal 5 ); and

to consider and vote upon such other business as may properly come before the meeting or any adjournment or postponement thereof.

The Board of Directors of HAPC has fixed the close of business on \_\_\_\_\_, 2007 as the date for which HAPC stockholders are entitled to receive notice of, and to vote at, the annual meeting and any adjournments or postponements thereof. Only the holders of record of HAPC common stock on that date are entitled to have their votes counted at the annual meeting and any adjournments or postponements thereof.

HAPC will not transact any other business at the annual meeting, except for business properly brought before the annual meeting, or any adjournment or postponement thereof, by HAPC s Board of Directors.

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Your vote is important. Please sign, date and return your proxy card as soon as possible to make sure that your shares are represented at the annual meeting. If you are a stockholder of record of HAPC common stock, you may also cast your vote in person at the annual meeting. If your shares are held in an account at a brokerage firm or bank, you must instruct your broker or bank on how to vote your shares.

**The Board of Directors of HAPC unanimously recommends that you vote FOR Proposal 1, the acquisition proposal, FOR Proposal 2, the stock incentive plan proposal, FOR Proposal 3, the amendment to the certificate of incorporation proposal, FOR Proposal 4, the election of Directors proposal and FOR Proposal 5, the ratification of registered public accounting firm proposal.**

By Order of the Board of Directors,

Pat La Vecchia

Secretary

, 2007

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**SUMMARY OF THE MATERIAL TERMS OF THE ACQUISITION**

The parties to the Stock Purchase Agreement are HAPC, INC., I-Flow Corporation, Iceland Acquisition Subsidiary, Inc. and InfuSystem, Inc. See the section entitled Proposal No. 1 The Acquisition Proposal .

InfuSystem is a provider of ambulatory infusion pump management services for oncologists and their patients in the United States. Although InfuSystem is currently a subsidiary of I-Flow, InfuSystem has demonstrated that it is a self-sufficient business with positive cash flows as evidenced by its net income and statements of cash flow for recent financial periods. InfuSystem's principal offices are located in Madison Heights, Michigan. See the section entitled Business of InfuSystem .

At the closing of the acquisition, HAPC's wholly-owned subsidiary, Iceland Acquisition Subsidiary, Inc. or Acquisition Sub, will acquire all of the issued and outstanding capital stock of InfuSystem from I-Flow. Concurrently with the closing of the acquisition, Acquisition Sub will merge with and into InfuSystem and cease to exist as an independent entity. As the entity surviving the merger, InfuSystem will continue its corporate existence under the laws of the State of California as a wholly-owned subsidiary of HAPC. See the section entitled The Stock Purchase Agreement .

At the closing, I-Flow will be paid an aggregate of \$140,000,000 (subject to certain working capital adjustments to be determined at the time of closing) in a combination of cash and a secured promissory note in an amount of up to \$75,000,000 for all of the outstanding capital stock of InfuSystem. The actual amount of the promissory note will range from \$55,000,000 to \$75,000,000 depending upon the number of HAPC stockholders who exercise their conversion rights as described herein. See the section entitled The Stock Purchase Agreement .

The acquisition of all of the issued and outstanding capital stock of InfuSystem by Acquisition Sub cannot be completed unless the holders as of \_\_\_\_\_, 2007 of at least a majority of the shares of HAPC's common stock issued in HAPC's initial public offering, including shares subsequently purchased in the open market, that are present in person or by proxy and entitled to vote at the annual meeting and that vote on the proposal, approve the acquisition, provided less than 20% of the shares of HAPC's common stock issued in HAPC's initial public offering vote against the acquisition proposal and elect a cash conversion of their shares. See the section entitled Proposal No. 1 The Acquisition Proposal .

In the event that the Stock Purchase Agreement is terminated by I-Flow (i) because of HAPC's failure to obtain the necessary approval of the acquisition by the HAPC stockholders (as described in the Stock Purchase Agreement) by July 31, 2007 or (ii) because HAPC is unwilling or unable to consummate the transactions contemplated by the Stock Purchase Agreement notwithstanding the fact all conditions precedent to the Stock Purchase Agreement have been satisfied or are capable of fulfillment, HAPC will pay I-Flow a break up fee. The fee is \$1,000,000 in the case of I-Flow's termination due to HAPC's failure to hold the annual meeting by July 31, 2007 to obtain the HAPC stockholders' approval of the acquisition, and \$3,000,000 in all other cases where a break up fee is payable. See the section entitled The Stock Purchase Agreement . On April 30, 2007, HAPC, I-Flow, InfuSystem and Iceland Acquisition Subsidiary entered into an amendment to the Stock Purchase Agreement extending the date by which HAPC must obtain stockholder approval from April 30, 2007 to June 29, 2007. On June 29, 2007, HAPC, I-Flow, InfuSystem and Iceland Acquisition Subsidiary entered into an amendment to the Stock Purchase Agreement extending the date by which HAPC must obtain stockholder approval from June 29, 2007 to July 31, 2007.

Payment of the break up fee has been guaranteed to I-Flow by Messrs. Sean McDevitt and Philip B. Harris. Mr. McDevitt is Chairman of HAPC. See the section entitled The Stock Purchase Agreement . Messrs. McDevitt and Harris have delivered to I-Flow a letter of credit issued by JPMorgan Chase Bank for the benefit of I-Flow which I-Flow may draw upon in the event that the \$1,000,000 or \$3,000,000 break up fee, as the case may be, is not paid when due and payable.

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In addition to voting on the acquisition proposal, the stockholders of HAPC will vote on proposals to approve the HAPC 2007 Incentive Stock Plan and to amend HAPC's amended and restated certificate of incorporation to change HAPC's corporate name to InfuSystem Holdings, Inc. See sections Proposal No. 2 The Stock Incentive Plan Proposal , Proposal No. 3 Amendment to Certificate of Incorporation Proposal , Proposal 4 Election of Directors Proposal and Proposal 5 Ratification of Registered Public Accounting Firm Proposal .

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**PROXY STATEMENT FOR ANNUAL MEETING OF STOCKHOLDERS OF HAPC, INC.**

The Board of Directors of HAPC, INC has unanimously adopted and approved the Stock Purchase Agreement, dated September 29, 2006, by and among I-Flow Corporation, InfuSystem, Inc., a wholly-owned subsidiary of I-Flow, HAPC and Iceland Acquisition Subsidiary, Inc., a wholly-owned subsidiary of HAPC, referred to as Acquisition Sub, pursuant to which Acquisition Sub will acquire all of the issued and outstanding capital stock of InfuSystem and concurrently merge with and into InfuSystem. The consideration to be paid will be \$140,000,000 in the form of cash and a promissory note issued to I-Flow in an amount of up to \$75,000,000. The actual amount of the promissory note will range from \$55,000,000 to \$75,000,000 depending upon the number of HAPC stockholders who exercise their conversion rights as described in this Proxy Statement. The Board of Directors of Acquisition Sub has unanimously adopted and approved the Stock Purchase Agreement and the transactions contemplated thereby. If the acquisition proposal is not approved, then the acquisition will not be consummated. HAPC will attempt to use the additional time available to it under its Amended and Restated Certificate of Incorporation to sign another letter of intent or definitive agreement by October 18, 2007 and consummate an alternative business combination by April 18, 2008.

In order to complete an alternative business combination, HAPC will be required to raise additional funds. HAPC expects to commence the process of raising additional funds in the event that the acquisition of InfuSystem is not approved by its stockholders. If necessary, HAPC would most likely seek to raise additional funds to finance an alternative business combination through the issuance of warrants. It is not determinable at this time what terms would be included in such warrants. It is possible that the terms of such warrants could negatively impact HAPC's currently outstanding securities. HAPC does not believe it is likely that it would raise additional funds through third party loans. HAPC expects that any potential third party lender would refuse to waive its rights to assert claims against the trust account, and HAPC would not enter into a loan transaction with a party unless it had obtained such waiver. Accordingly, HAPC does not expect to be in a position to raise additional funds through loans from third parties to finance and search for an alternative business combination. It is likely that HAPC will have insufficient time and resources to sign another letter of intent or definitive agreement by October 18, 2007 and consummate an alternative business combination by April 18, 2008. HAPC will most likely be forced to liquidate after April 18, 2008 (or October 18, 2007 if no agreement is entered into).

If the acquisition is completed and you vote your shares for the acquisition proposal, you will continue to hold the HAPC securities that you currently own. If the acquisition is completed but you have voted your shares against the acquisition proposal and have elected a cash conversion instead, your HAPC shares will be cancelled and you will receive cash equal to a pro rata portion of the trust account, including interest, which, as of June 30, 2007, was equal to approximately \$5.94 per share, less income taxes owed on accrued interest. (The closing prices of HAPC's common stock, warrants and units on July 20, 2007 were \$5.78, \$0.275 and \$6.40, respectively.) If the conversion price of the common stock is higher than the then prevailing market price of the common stock, there is a greater risk that HAPC stockholders will vote against the acquisition.

HAPC's shares of common stock, warrants and units consisting of one share of common stock and two warrants trade on the OTC Bulletin Board under the symbols HAPN.OB, HAPNW.OB and HAPNU.OB, respectively. Upon consummation of the acquisition, all of the issued and outstanding capital stock of InfuSystem will be held by HAPC, and, assuming the proposal to amend HAPC's certificate of incorporation is approved, HAPC's name will be changed to InfuSystem Holdings, Inc. HAPC's common stock, warrants and units will continue to be traded on the OTC Bulletin Board although we anticipate seeking to change our trading symbols.

We believe that, generally, for U.S. federal income tax purposes, the acquisition of all of the issued and outstanding capital stock of InfuSystem by Acquisition Sub and the concurrent merger of Acquisition Sub with and into InfuSystem will have no direct tax effect on stockholders of HAPC. However, if you vote against the acquisition proposal and elect a cash conversion of your shares of HAPC common stock into your pro rata portion of the trust account and as a result receive cash in exchange for your HAPC shares, there may be certain tax consequences, such as realizing a loss on your investment in HAPC's shares. **WE URGE YOU TO CONSULT YOUR OWN TAX ADVISORS REGARDING YOUR PARTICULAR TAX CONSEQUENCES.**

This Proxy Statement provides you with detailed information about the acquisition, the proposed stock incentive plan, the amendment to the certificate of incorporation and the annual meeting of stockholders. We encourage you to carefully read this entire document, including the Stock Purchase Agreement, the HAPC 2007 Stock Incentive Plan and the fairness opinion of the BNY Capital Markets, Inc. attached hereto as Annexes A, B and C, respectively. **YOU SHOULD ALSO CAREFULLY CONSIDER THE RISK FACTORS BEGINNING ON PAGE 15.**

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The acquisition of InfuSystem cannot be completed unless holders as of \_\_\_\_\_, 2007 of at least a majority of the shares of HAPC's common stock issued in HAPC's initial public offering, including shares subsequently purchased in the open market, that are present in person or by proxy and entitled to vote at the annual meeting and that vote on the proposal, approve the acquisition, provided less than 20% of the shares of HAPC's common stock issued in HAPC's initial public offering vote against the acquisition proposal and elect a cash conversion of their shares.

**Your Board of Directors unanimously approved and declared advisable the acquisition of InfuSystem, adoption of the HAPC 2007 Stock Incentive Plan and the amendment to the amended and restated certificate of incorporation and unanimously recommends that you vote or instruct your vote to be cast FOR Proposal 1, the acquisition proposal, FOR Proposal 2, the stock incentive plan proposal, FOR Proposal 3, the amendment to the certificate of incorporation proposal, FOR Proposal 4, the election of Directors proposal and FOR Proposal 5, the ratification of appointment of registered public accounting firm proposal.**

We are soliciting the proxy on behalf of the Board of Directors, and we will pay all costs of preparing, assembling and mailing the proxy materials. In addition to mailing out proxy materials, our officers may solicit proxies by telephone or fax, without receiving any additional compensation for their services. We have requested brokers, banks and other fiduciaries to forward proxy materials to the beneficial owners of our stock.

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**QUESTIONS AND ANSWERS ABOUT THE PROPOSALS**

**What is being voted on?**

There are five proposals on which you are being asked to vote. The first proposal is to approve the acquisition of all of the issued and outstanding capital stock of InfuSystem, Inc. a wholly-owned subsidiary of I-Flow Corporation, pursuant to a stock purchase agreement whereby Acquisition Sub will purchase from I-Flow all of the issued and outstanding capital stock of InfuSystem. Concurrently with Acquisition Sub's acquisition of all of the issued and outstanding capital stock of InfuSystem, Acquisition Sub will merge with and into InfuSystem. After the merger, Acquisition Sub will cease to exist as an independent entity and InfuSystem, as the surviving corporation, will continue its corporate existence under the laws of the State of California, as a wholly-owned subsidiary of HAPC. As consideration for such acquisition and as further described herein, I-Flow will receive an aggregate of \$140,000,000 (subject to certain working capital adjustments to be determined as of the time of closing). The consideration to I-Flow will be in the form of cash and a promissory note in an amount of up to \$75,000,000 (the

Promissory Note). The actual amount of the Promissory Note will range from \$55,000,000 to \$75,000,000 depending upon the number of HAPC stockholders who exercise their conversion rights as described in this proxy statement. Following the acquisition and merger, HAPC will own all of the issued and outstanding capital stock of InfuSystem. This proposal is referred to as the acquisition proposal. The second proposal is to approve the adoption of the HAPC 2007 Stock Incentive Plan, or the Plan, pursuant to which 2,000,000 of shares of HAPC common stock will be reserved for issuance in accordance with the terms of the Plan. The third proposal is to approve an amendment to HAPC's certificate of incorporation to change HAPC's name to InfuSystem Holdings, Inc. after the acquisition. The fourth proposal is to approve the election of Sean McDevitt, Pat LaVecchia, John Voris, Jean Pierre Millon and Wayne Yetter as members of the Board of Directors of HAPC to serve until the 2008 annual stockholders meeting and until their successors are duly elected and qualified. The fifth proposal is to ratify the appointment of Deloitte & Touche LLP as HAPC's registered public accounting firm for the fiscal year ending December 31, 2007.

**Why is HAPC proposing the acquisition, the adoption of a stock incentive plan and amendment to HAPC's certificate of incorporation?**

HAPC was formed specifically as a vehicle to acquire, through a merger, capital stock exchange, asset acquisition or other similar business combination, one or more operating businesses primarily in the healthcare sector. The initial business combination entered into by HAPC must be with a target business or businesses whose fair market value is at least equal to 80% of net assets at the time of such acquisition. In the course of HAPC's search for a business combination partner, HAPC was introduced to InfuSystem, a company the Board of Directors of HAPC determined meets the criteria for acquisition. Specifically, these criteria include strong growth and profit margins, significant market share and a committed management team with a successful track record. HAPC believes that InfuSystem possesses each of these characteristics and that it will provide HAPC stockholders with an opportunity to acquire a company with significant growth potential. The adoption of the Plan is being undertaken because the Board of Directors of HAPC deems it beneficial for HAPC to have a means to incentivize management following the acquisition. The amendment to the certificate of incorporation is being undertaken because HAPC management desires the name of the business to reflect its operations.

**What vote is required in order to approve the acquisition proposal?**

The approval for the acquisition of InfuSystem will require the affirmative vote of a majority of the shares outstanding as of the record date of HAPC's common stock that were issued in HAPC's initial public offering, including shares that were subsequently purchased in the open market, that are present in person or by proxy at the annual meeting and that vote on the proposal. In addition, each HAPC stockholder who holds shares of common stock issued in HAPC's initial public offering or purchased following such offering in the open market has the right to vote against the acquisition proposal and, at the same time, demand that HAPC convert such stockholder's shares into cash equal to a pro rata portion of the trust account, including interest, in which a substantial portion of the net proceeds of HAPC's initial public offering is deposited. These shares will be converted into cash only if the acquisition is completed. Based upon the amount of cash held in the trust account as of June 30, 2007, without taking into account any interest accrued after such date, stockholders who vote against the acquisition proposal and elect to convert their shares as described above will be entitled to convert each share of common stock that they hold into approximately \$5.94 per share, less income taxes owed on accrued interest. (The closing prices of HAPC's common stock, warrants and units on July 20, 2007 were \$5.78, \$0.275 and \$6.40, respectively.) However, if the holders of 3,375,050 or more shares of common stock issued in



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HAPC's initial public offering (an amount equal to 20% or more of the total number of shares issued in the initial public offering), vote against the acquisition and demand conversion of their shares into a pro rata portion of the trust account, then HAPC will not be able to consummate the acquisition. If the conversion price of the common stock is higher than the then prevailing market price of the common stock, there is a greater risk that HAPC stockholders will vote against the acquisition.

The officers and directors of HAPC intend to vote all of their shares of common stock in favor of this proposal.

### **What vote is required in order to approve the stock incentive plan proposal?**

The approval of the adoption of the Plan will require the affirmative vote of a majority of the shares of HAPC's common stock issued and outstanding as of the Record Date that are present in person or by proxy at the annual meeting. The officers and directors of HAPC intend to vote all of their shares of common stock in favor of this proposal.

### **What vote is required in order to approve the amendment to the certificate of incorporation?**

The approval of the amendment to the certificate of incorporation will require the affirmative vote of a majority of the shares of HAPC's common stock issued and outstanding as of the Record Date. The officers and directors of HAPC intend to vote all of their shares of common stock in favor of this proposal.

### **What vote is required to elect the nominees Sean McDevitt, John Voris, Pat LaVecchia, Jean Pierre Millon and Wayne Yetter as members of HAPC's Board of Directors?**

Each nominee who receives a plurality of the votes of the shares of HAPC's common stock present, in person or by proxy at the Annual Meeting, will be elected as a member of the Board of Directors.

### **What vote is required to ratify the appointment of Deloitte & Touche LLP as HAPC's registered public accounting firm for the fiscal year ending December 31, 2007?**

The ratification of the appointment of Deloitte & Touche LLP as HAPC's registered public accounting firm for the fiscal year ending December 31, 2007 will require the affirmative vote of a majority of the shares of HAPC's common stock issued and outstanding as of the Record Date that are present in person or by proxy at the annual meeting. The officers and directors of HAPC intend to vote all of their shares of common stock in favor of this proposal.

### **If I am not going to attend the HAPC annual meeting of stockholders in person, should I return my proxy card instead?**

Yes. After carefully reading and considering the information contained in this proxy statement, please complete and sign your proxy card. Then return the enclosed proxy card in the return envelope provided herewith as soon as possible, so that your shares may be represented at the HAPC annual meeting.

### **What will happen if I abstain from voting or fail to vote?**

An abstention with respect to the acquisition proposal will have no effect since the acquisition proposal requires the affirmative vote of a majority of the votes cast by holders of eligible shares. An abstention with respect to Proposal 2, 3 or 5 will have the same effect as a vote against such proposal, since it is not an affirmative vote in favor of the respective proposal but will be included in the determination of the number of shares present in person or by proxy. Stockholders may only vote for or withhold votes for the nominees for election to the board of directors proposal. Votes that are withheld and broker non-votes, if any, will be counted for purposes of determining the presence or absence of a quorum, but will have no effect on the election of directors.

A failure to vote will have no impact upon the approval of Proposals 1, 2 and 4 and will have the same effect as a vote against Proposal 3. In the event that stockholders fail to ratify Proposal 5, the appointment of Deloitte & Touche LLP as HAPC's independent registered public accounting firm, the Audit Committee will reconsider its selection of audit firms, but may not decide to change its selection. Failure to vote will not have the effect of converting your shares into a pro rata portion of the trust account.



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### **What do I do if I want to change my vote?**

If you wish to change your vote, please send a later-dated, signed proxy card to the Secretary at HAPC prior to the date of the annual meeting or attend the annual meeting and vote in person. You also may revoke your proxy by sending a notice of revocation to the Secretary at the address of HAPC's corporate headquarters, provided such revocation is received prior to the annual meeting.

### **If my shares are held in street name by my broker, will my broker vote my shares for me?**

No. Your broker can vote your shares only if you provide instructions on how to vote. You should instruct your broker to vote your shares in accordance with directions you provided to your broker.

### **Will I receive anything in the acquisition?**

If the acquisition is completed and you vote your shares for the acquisition proposal, you will continue to hold the HAPC securities that you currently own. If the acquisition is completed but you have voted your shares against the acquisition proposal and have elected a cash conversion instead, your HAPC shares will be cancelled and you will receive cash equal to a pro rata portion of the trust account, including interest, which, as of June 30, 2007, was equal to approximately \$5.94 per share, less income taxes owed on accrued interest. (The closing prices of HAPC's common stock, warrants and units on July 20, 2007 were \$5.78, \$0.275 and \$6.40, respectively.)

### **How is HAPC paying for the acquisition?**

I-Flow will receive as consideration a combination of cash and a promissory note in an amount of up to \$75,000,000. The amount of the note will range from \$55,000,000 to \$75,000,000 depending upon the number of HAPC stockholders who exercise their conversion rights. The amount of the total consideration of \$140,000,000, subject to adjustments for working capital to be determined at the time of closing, less the amount of the promissory note will be paid by HAPC to I-Flow in cash.

### **Do I have conversion rights in connection with the acquisition?**

If you hold shares of common stock issued in HAPC's initial public offering, then you have the right to vote against the acquisition proposal and demand that HAPC convert your shares of common stock into a pro rata portion of the trust account in which a substantial portion of the net proceeds of HAPC's initial public offering are held. These rights to vote against the acquisition and demand conversion of the shares into a pro rata portion of the trust account are sometimes referred to herein as conversion rights.

### **If I have conversion rights, how do I exercise them?**

If you wish to exercise your conversion rights, you must vote against the acquisition and, at the same time, demand that HAPC convert your shares into cash. If, notwithstanding your vote, the acquisition is completed, then you will be entitled to receive a pro rata share of the trust account, in which a substantial portion of the net proceeds of HAPC's initial public offering are held, including any interest earned thereon through the date of the annual meeting. Based upon the amount of cash held in the trust account as of June 30, 2007, without taking into account any interest accrued after such date, you will be entitled to convert each share of common stock that you hold into approximately \$5.94 per share, less income taxes owed on accrued interest. (The closing prices of HAPC's common stock, warrants and units on July 20, 2007 were \$5.78, \$0.275 and \$6.40, respectively.) If you exercise your conversion rights, then you will be exchanging your shares of HAPC common stock for cash and will no longer own these shares of common stock. You will only be entitled to receive cash for these shares if you continue to hold these shares through the closing date of the acquisition and then tender your stock certificate to HAPC. If you convert your shares of common stock, you will still have the right to exercise the warrants received as part of the units in accordance with the terms thereof. If the acquisition is not completed, then your shares will not be converted to cash at this time, even if you so elected. If the conversion price of the common stock is higher than the then prevailing market price of the common stock, there is a greater risk that HAPC stockholders will vote against the acquisition. See section Summary Conversion Rights .

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**What happens to the funds deposited in the trust account after completion of the acquisition?**

Upon completion of the acquisition, any funds remaining in the trust account after payment of amounts, if any, to stockholders requesting and exercising their conversion rights, will be released from trust and used to fund the acquisition and for general corporate purposes.

**Who will manage HAPC upon completion of the acquisition of InfuSystem?**

Pursuant to the terms of an employment agreement under negotiation between HAPC and Steven E. Watkins, president of InfuSystem, it is anticipated that Mr. Watkins will replace John Voris as chief executive officer of HAPC upon completion of the acquisition. Mr. Watkins will also become a member of HAPC's Board of Directors. At the time the acquisition is completed, Erin Enright, the current chief financial officer of HAPC, will resign. HAPC is actively recruiting a new chief financial officer to replace Ms. Enright. If, at the time of the closing of the acquisition, HAPC has not hired an individual to replace Ms. Enright as chief financial officer, it is anticipated that Stephen C.

Revere, the current controller of InfuSystem, will assume the duties of the chief financial officer of HAPC until HAPC has hired a new chief financial officer to replace Ms. Enright. HAPC is also in the process of negotiating employment agreements with Janet Skonieczny, Vice President, Operations of InfuSystem and Tony Norkus, Vice President, Western Regional Sales of InfuSystem. The employment agreements provide that Ms. Skonieczny and Mr. Norkus will continue in their present positions with InfuSystem upon the completion of the acquisition. The remaining members of InfuSystem's current management team will be employed by HAPC in capacities similar to their roles with respect to InfuSystem upon completion of the acquisition.

**What happens if the acquisition is not consummated?**

If the acquisition is not consummated, HAPC will continue to search for a service business to acquire. However, HAPC will be liquidated in accordance with the terms of its amended and restated certificate of incorporation if (i) it does not consummate a business combination by October 18, 2007 or (ii) a definitive agreement is executed, but not consummated, by October 18, 2007, then by April 18, 2008 (24 months after the consummation of its initial public offering). In any liquidation, the net proceeds of HAPC's initial public offering held in the trust account, plus any interest earned thereon, will be distributed on a pro rata basis to the holders of HAPC's common stock. As required under Delaware law, HAPC will seek stockholder approval for any plan of dissolution or liquidation. Soliciting the vote of HAPC stockholders will require the preparation of preliminary and definitive proxy statements, which will need to be filed with the SEC and could be subject to the SEC's review. This process could take a substantial amount of time. As a result, the distribution of the proceeds of the trust account to HAPC stockholders could be subject to a considerable delay. In the event the acquisition of InfuSystem is not consummated, HAPC will attempt to use the additional time available to it under its Amended and Restated Certificate of Incorporation to sign another letter of intent or definitive agreement by October 18, 2007 and consummate an alternative business combination by April 18, 2008.

In order to complete an alternative business combination, HAPC will be required to raise additional funds. HAPC expects to commence the process of raising additional funds in the event that the acquisition of InfuSystem is not approved by its stockholders. If necessary, HAPC would most likely seek to raise additional funds to finance an alternative business combination through the issuance of warrants. It is not determinable at this time what terms would be included in such warrants. It is possible that the terms of such warrants could negatively impact HAPC's currently outstanding securities. HAPC does not believe it is likely that it would raise additional funds through third party loans. HAPC expects that any potential third party lender would refuse to waive its rights to assert claims against the trust account, and HAPC would not enter into a loan transaction with a party unless it had obtained such waiver. Accordingly, HAPC does not expect to be in a position to raise additional funds through loans from third parties to finance and search for an alternative business combination. It is likely that HAPC will have insufficient time and resources to sign another letter of intent or definitive agreement by October 18, 2007 and consummate an alternative business combination by April 18, 2008. HAPC will most likely be forced to liquidate after April 18, 2008 (or October 18, 2007 if no agreement is entered into).

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**When do you expect the proposals to be completed?**

It is currently anticipated that the transactions and actions contemplated in the proposals will be completed simultaneously as promptly as practicable following the HAPC annual meeting of stockholders to be held on \_\_\_\_\_, 2007.

**Who can help answer my questions?**

If you have questions about any of the proposals, you may write or call HAPC, Inc. at 350 Madison Avenue, 20th Floor, New York, New York 10017, Attn: Pat LaVecchia, Secretary, (212) 418-5070.

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### **SUMMARY**

This summary is being provided with respect to each of the proposals. All of the proposals are described in detail elsewhere in this proxy statement and this summary discusses the material items of each of the proposals. You should carefully read this entire proxy statement and the other documents to which this proxy statement refers you. See, *Where You Can Find More Information*.

#### ***Proposal 1 Acquisition Proposal***

##### ***InfuSystem, Inc.***

InfuSystem is a provider of ambulatory infusion pump management services for oncologists and their patients in the United States. InfuSystem supplies electronic ambulatory infusion pumps and assorted disposable supply kits and provides billing and collection services for these items to approximately 1,550 physician practices in United States. The pumps are currently used primarily for the continuous infusion of chemotherapy drugs for patients with colorectal cancer.

##### ***Continuous Infusion Therapy***

Continuous infusion therapy involves the gradual administration of a drug via a small, lightweight, portable pump over two to seven days, followed by rest periods and additional cycles. This is an alternative to traditional bolus chemotherapy, where patients receive higher doses of drugs over the course of minutes to several hours, administered in the physician's office or the hospital.

##### ***Products and Services***

InfuSystem's core service is to provide oncologist offices with ambulatory infusion pumps and related supplies and to directly bill and collect payment from payors for the use of these pumps.

##### ***Relationships with Physician Offices***

Through its 17 person sales force, InfuSystem maintains relationships with clinical oncologists in more than 1,550 practices. Though this represents a substantial portion of the oncology practices in the United States, in many cases, only some of the physicians in the practice utilize InfuSystem's services. InfuSystem believes it can continue to add new physician relationships within these practices, as well as expand its network to further penetrate the oncology market.

##### ***Additional Markets***

In addition to treatments for colorectal cancer, there are a number of approved drugs, protocols and drugs in the development pipeline that InfuSystem believes could potentially be used in continuous infusion protocols for the treatment of other diseases. Approved drugs include those for cancers such as head and neck, breast, lung, leukemia and stomach.

##### ***Billing Collection Services***

As part of its relationship with I-Flow, InfuSystem provides billing and collection services for I-Flow's ON-Q PainBuster<sup>®</sup> Pain Management System (ON-Q<sup>®</sup>). InfuSystem has agreed to continue to provide this service to I-Flow for at least 18 months after the closing of the acquisition, subject to certain cancellation provisions. I-Flow will compensate InfuSystem for its direct costs and provides InfuSystem with an incentive based reimbursement arrangement.

##### ***Principal Executive Office***

The principal executive office of InfuSystem is located at 1551 East Lincoln Avenue, Suite 200, Madison Heights, Michigan 48071.

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### **The Acquisition**

The Stock Purchase Agreement provides for the acquisition by Acquisition Sub of all of the issued and outstanding capital stock of InfuSystem from I-Flow. Concurrently with Acquisition Sub's acquisition of all of the issued and outstanding capital stock of InfuSystem, Acquisition Sub will merge with and into InfuSystem. After the merger, Acquisition Sub will cease to exist as an independent entity and InfuSystem, as the surviving corporation, will continue its corporate existence under the laws of the State of California. The Stock Purchase Agreement was executed on September 29, 2006. Following completion of the acquisition and merger, all of the issued and outstanding capital stock of InfuSystem will be held by HAPC. At the closing, I-Flow will be paid an aggregate of \$140,000,000 (subject to certain working capital adjustments to be determined at the time of closing) in cash or a combination of cash and a secured promissory note (the Promissory Note) in an amount of up to \$75,000,000 for all of the outstanding capital stock of InfuSystem. The actual amount of the Promissory Note will range from \$55,000,000 to \$75,000,000 depending upon the number of HAPC stockholders who exercise their conversion rights as described in this proxy statement.

InfuSystem, I-Flow and HAPC plan to complete the acquisition as promptly as practicable after the HAPC annual meeting, provided that:

HAPC's stockholders have approved the Stock Purchase Agreement, and holders of less than 20% of the shares of common stock issued in HAPC's initial public offering vote against the acquisition proposal and demand conversion of their shares into cash; and

the other conditions specified in the Stock Purchase Agreement have been satisfied or waived.

The Stock Purchase Agreement is included as Annex A to this proxy statement. We encourage you to read the Stock Purchase Agreement in its entirety. See Stock Purchase Agreement.

### **Terms of Promissory Note**

The Promissory Note will be issued by Acquisition Sub simultaneously with its merger with and into InfuSystem and as a result, will become the obligation of InfuSystem as the entity surviving the merger. HAPC will guarantee InfuSystem's obligations under the Promissory Note. The Promissory Note will mature four years after the closing of the acquisition and bear interest, at the election of HAPC, at a floating rate equal to LIBOR plus 5.5% or the Base rate plus 4.5% calculated on a 360 day basis; provided, however, that LIBOR shall be no less than 3% and the Base rate no less than 4%. The Base rate shall be the rate of interest quoted in The Wall Street Journal, Money Rates Section as the Prime Rate (currently defined as the base rate on corporate loans posted by at least 75% of the nation's 30 largest banks), as in effect from time to time, which was equal to 8.25% as of March 29, 2007. The Promissory Note will be subject to prepayment premiums and, under certain circumstances, will be subject to mandatory prepayment. InfuSystem and HAPC will make certain representations, warranties and covenants to I-Flow that are usual and customary for transactions of this type. The Promissory Note will be secured by all of the assets of InfuSystem and HAPC.

The occurrence of the following events, among others, will constitute a default under the Promissory Note: (i) failure to pay when due any principal, interest, premium or fees; (ii) failure to comply with the covenants and other agreements in the Promissory Note; (iii) material breach of a representation or warranty; (iv) liquidation, bankruptcy or reorganization of InfuSystem or HAPC; or (v) the impairment of any of the collateral pledged by InfuSystem and HAPC as security for the Promissory Note. In the event of a default, the applicable interest rate of the Promissory Note will be increased by 2%.

Pursuant to the term sheet for the Promissory Note attached as Exhibit C to the Stock Purchase Agreement, the terms and conditions of the Promissory Note that have not yet been determined shall be negotiated in good faith by the parties, with such qualifiers and exceptions as are usual, customary and reasonable in light of InfuSystem's business. Covenants, such as limitations on capital expenditures and operating result test will be based on current levels with appropriate adjustments, to be agreed, to account for changes expected due to InfuSystem's operation as a standalone business following the transaction. HAPC believes that the thresholds of the covenants will not be set in such a way that InfuSystem will be at a material risk of violating such covenants immediately after the acquisition. The parties will reach the material terms and conditions of the Promissory Note in advance of the closing of the acquisition. Such material terms and conditions of the Promissory Note will be consistent with the terms set forth in the term sheet.

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In connection with I-Flow's commitment to accept the Promissory Note, HAPC paid a \$100,000 delivery fee to I-Flow on October 4, 2006. HAPC must also pay I-Flow a Ticking Fee (between 0.50% and 1.0% per annum of the maximum principal amount of the Promissory Note which is \$75,000,000) from September 29, 2006, the date that the Stock Purchase Agreement was executed, until the earlier of the closing of the acquisition under the Stock Purchase Agreement, termination of the Stock Purchase Agreement or HAPC's notice that, because alternative financing has been secured, the Promissory Note to I-Flow will no longer be required. The Promissory Note will be subject to a facility fee equal to 2.50% of the actual principal amount payable at closing. Additionally, InfuSystem will pay I-Flow an administrative fee of \$75,000 at the closing and on each anniversary of the closing for the term of the Promissory Note.

The actual amount of the Promissory Note will range from \$55,000,000 to \$75,000,000 depending upon the number of HAPC stockholders who exercise their conversion rights as described in this proxy statement.

### **Conversion Rights**

Pursuant to HAPC's amended and restated certificate of incorporation, a holder of shares of HAPC's common stock issued in the initial public offering may, if the stockholder votes against the acquisition, demand that HAPC convert such shares into cash. If properly demanded, HAPC will convert each share of common stock as to which such demand has been made into a pro rata portion of the trust account in which a substantial portion of the net proceeds of HAPC's initial public offering are held, plus all interest earned thereon. If you exercise your conversion rights, then you will be exchanging your shares of HAPC common stock for cash and will no longer own these shares. Based on the amount of cash held in the trust account as of June 30, 2007, without taking into account any interest accrued after such date, you will be entitled to convert each share of common stock that you hold into approximately \$5.94 per share, less income taxes owed on accrued interest. (The closing prices of HAPC's common stock, warrants and units on July 20, 2007 were \$5.78, \$0.275 and \$6.40, respectively.) You will only be entitled to receive cash for these shares if you continue to hold these shares through the closing date of the acquisition and then tender your stock certificate to HAPC. If the acquisition is not completed, then these shares will not be converted into cash. If you convert your shares of common stock, you will still have the right to exercise the warrants received as part of the units in accordance with the terms thereof. If the acquisition is not completed, then your shares will not be converted to cash at this time, even if you so elected.

The acquisition will not be completed if the holders of 3,375,050 or more shares of common stock issued in HAPC's initial public offering, an amount equal to 20% or more of such shares, vote against the acquisition proposal and exercise their conversion rights. If the conversion price of the common stock is higher than the then prevailing market price of the common stock, there is a greater risk that HAPC stockholders will vote against the acquisition.

### **Appraisal or Dissenters Rights**

No appraisal rights are available under the Delaware General Corporation Law for the stockholders of HAPC in connection with the proposals.

### **Conditions to the Completion of the Acquisition**

The obligations of HAPC, Acquisition Sub, I-Flow and InfuSystem to complete the acquisition are subject to the satisfaction or waiver of specified conditions before completion of the acquisition, including the following:

*Conditions to HAPC's, Acquisition Sub's, I-Flow's and InfuSystem's obligations:*

the absence of any law preventing consummation of the acquisition; and

the receipt of all material consents of, registrations, declarations or filings with, any governmental entity legally required for the consummation of the acquisition.



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*Conditions to HAPC's and Acquisition Sub's obligations:*

The obligation of HAPC and Acquisition Sub to complete the acquisition is further subject to the following conditions:

the representations and warranties made by I-Flow and InfuSystem that are qualified as to materiality must be true and correct, and those not qualified as to materiality must be true and correct in all material respects, both when made and as of the closing date of the acquisition, except representations and warranties that address matters as of another date, which must be true and correct as of such other date, and HAPC must have received a certificate from each of I-Flow and InfuSystem to that effect;

I-Flow and InfuSystem must have performed in all material respects all obligations required to be performed by each of them under the terms of the Stock Purchase Agreement;

HAPC and Acquisition Sub must have received all such documents as HAPC and Acquisition Sub may reasonably request evidencing the satisfaction of I-Flow's and InfuSystem's obligations under the terms of the Stock Purchase Agreement;

HAPC must have received the affirmative vote in favor of the acquisition by the holders of at least the majority of the number of shares of common stock that were issued in HAPC's public offering that vote on the proposal, provided, less than 20% of the shares of common stock issued in HAPC's initial public offering vote against the acquisition proposal and elect a cash conversion of their shares;

I-Flow must have obtained the consent of each person whose consent is required under certain material contracts to which InfuSystem is a party and provided evidence of such consents to HAPC;

I-Flow must have delivered to HAPC evidence of the release of all encumbrances (other than certain permitted encumbrances, including those created by HAPC or Acquisition Sub) with respect to the property and assets of InfuSystem and all of the issued and outstanding capital stock of InfuSystem;

I-Flow must have delivered to HAPC evidence of the repayment or release of all outstanding indebtedness of InfuSystem (other than certain permitted indebtedness);

I-Flow must have delivered to HAPC evidence of the repayment or other cancellation of all liabilities owed by or to InfuSystem to or from I-Flow or any of its affiliates;

I-Flow must have delivered to HAPC or Acquisition Sub a certificate of the secretary of I-Flow dated as of the closing date and certifying that attached thereto are true and complete copies of all resolutions adopted by the Board of Directors of I-Flow authorizing the execution, delivery and performance of the Stock Purchase Agreement and that all such resolutions are in full force and effect and are all the resolutions adopted in connection with the transactions contemplated by the Stock Purchase Agreement;

I-Flow must have delivered to HAPC a duly completed and executed certification of non-foreign status pursuant to Section 1.1445-2(b)(2) of the Treasury regulations; and

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I-Flow must have delivered to HAPC a duly completed and executed Form 8023, if requested by HAPC.

*Conditions to I-Flow's and InfuSystem's Obligations:*

The obligation of I-Flow and InfuSystem to complete the acquisition is further subject to the following conditions:

the representations and warranties made by HAPC and Acquisition Sub that are qualified as to materiality must be true and correct, and those not qualified as to materiality must be true and correct in all material respects, both when made and as of the closing date of the acquisition, except representations and warranties that address matters as of another date, which must be true and correct as of such other date, and I-Flow must have received a certificate from each of HAPC and Acquisition Sub to that effect;

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HAPC or Acquisition Sub must have delivered the purchase price of \$140,000,000 in cash (subject to certain working capital adjustments to be determined at the time of closing) or in a combination of cash and a promissory note to I-Flow;

HAPC must have executed and delivered to I-Flow a guaranty of amounts due under the promissory note;

I-Flow must have received an executed counterpart signature page by InfuSystem to each of the Amended and Restated Services Agreement and License Agreement (described herein); and

I-Flow must have received all such documents as I-Flow may reasonably request evidencing the satisfaction of HAPC's and Acquisition Sub's obligations under the terms of the Stock Purchase Agreement.

**Termination**

*Termination by I-Flow or HAPC*

The Stock Purchase Agreement may be terminated at any time prior to the closing by mutual written consent of I-Flow or HAPC. Additionally, I-Flow or HAPC may terminate the Stock Purchase Agreement prior to closing if (i) the closing has not occurred by July 31, 2007 or (ii) any governmental authority issues an order, ruling or takes other action that prohibits the consummation of the transactions contemplated by the Stock Purchase Agreement. On April 30, 2007, HAPC, I-Flow, InfuSystem and Iceland Acquisition Subsidiary entered into an amendment to the Stock Purchase Agreement extending the termination date from April 30, 2007 to June 29, 2007. On June 29, 2007, HAPC, I-Flow, InfuSystem and Iceland Acquisition Subsidiary entered into an amendment to the Stock Purchase Agreement extending the termination date from June 29, 2007 to July 31, 2007.

*Termination by I-Flow*

I-Flow may terminate the Stock Purchase Agreement prior to the closing if (i) HAPC or Acquisition Sub breaches or fails to perform in any respect any of its representations, warranties or covenants contained in the Stock Purchase Agreement where such breach or failure to perform would result in a failure of a condition precedent to the closing, cannot be cured within 15 calendar days following delivery of written notice of such breach and such breach has not been waived by I-Flow or (ii) any of the conditions precedent to closing have become incapable of fulfillment.

*Termination by HAPC*

HAPC may terminate the Stock Purchase Agreement prior to the closing if (i) I-Flow or InfuSystem breaches or fails to perform in any respect any of its representations, warranties or covenants contained in the Stock Purchase Agreement, the Amended and Restated Services Agreement or License Agreement where such breach or failure to perform would result in a failure of a condition precedent to the closing, cannot be cured within 15 calendar days following delivery of written notice of such breach and such breach has not been waived by I-Flow or (ii) any of the conditions precedent to closing have become incapable of fulfillment.

*Break-Up Fee*

In the event that the Stock Purchase Agreement is terminated (i) because of HAPC's failure to obtain the stockholder approval required by the terms of the Stock Purchase Agreement ( HAPC Stockholder Approval ) by July 31, 2007 for any reason or (ii) because HAPC or Acquisition Sub is unwilling or unable to consummate the transactions contemplated by the Stock Purchase Agreement notwithstanding the fact that all conditions precedent to the Stock Purchase Agreement to be satisfied by I-Flow and InfuSystem (and the receipt of HAPC Stockholder Approval) have been satisfied or are capable of fulfillment, HAPC must pay I-Flow a break up fee. In the event that I-Flow terminates the Stock Purchase Agreement after July 31, 2007 and the break up fee is payable for the sole reason that HAPC has not held the stockholder meeting seeking HAPC Stockholder Approval by July 31, 2007, the break up fee will be \$1,000,000. In all other cases where a break up fee is payable, the amount will be \$3,000,000.

**Table of Contents****Guaranty**

Payment of the break up fee has been guaranteed to I-Flow by Messrs. Sean McDevitt and Philip B. Harris (the Guarantors ) pursuant to a Continuing Guaranty provided by the Guarantors in favor of I-Flow and delivered concurrently with the execution of the Stock Purchase Agreement. Pursuant to the terms of a Guarantee Fee and Reimbursement Agreement entered into by HAPC and the Guarantors on September 29, 2006, HAPC has agreed to pay the Guarantors a fee of \$100,000 upon delivery of the Continuing Guaranty and \$300,000 upon closing of the transactions contemplated by, or the termination of, the Stock Purchase Agreement. HAPC has also agreed to reimburse the Guarantors for any payments actually made by them in connection with the Continuing Guaranty. Messrs. McDevitt and Harris have delivered to I-Flow a letter of credit issued by JPMorgan Chase Bank for the benefit of I-Flow which I-Flow may draw upon in the event that the \$1,000,000 or \$3,000,000 break up fee, as the case may be, is not paid when due and payable.

**Interests of HAPC Directors and Officers in the Acquisition**

When you consider the recommendation of HAPC's Board of Directors that you vote in favor of the acquisition proposal, you should keep in mind that certain of HAPC's directors and officers have interests in the acquisition that are different from, or in addition to, your interests as a stockholder.

If the acquisition is not approved and HAPC fails to consummate an alternative transaction within the time allotted pursuant to its amended and restated certificate of incorporation, HAPC is required to liquidate, and the shares of common stock issued to HAPC's officers and directors prior to HAPC's initial public offering will be worthless because HAPC's executives and directors are not entitled to receive any of the net proceeds of HAPC's initial public offering that may be distributed upon liquidation of HAPC. Additionally, HAPC's officers and directors who acquired shares of HAPC common stock prior to HAPC's initial public offering at a value of \$4.82 per share will benefit if the acquisition is approved.

The table below shows the amount of the shares owned by the officers and directors of HAPC.

	<b>Common Shares</b>
	<b>Owned</b>
Pat LaVecchia	0
Sean McDevitt	0
Wayne P. Yetter	416,667
Erin Enright	250,000
Jean Pierre Millon	416,667
John Voris	666,667
	1,750,001

These shares of common stock were issued for no consideration. Based upon the \$5.78 closing price of HAPC's common stock on July 20, 2007, the shares of common stock held by Wayne Yetter and Jean Pierre Millon have an aggregate market value of \$2,408,335, the shares of common stock held by Erin Enright have an aggregate market value of \$1,445,000 and the shares of common stock held by John Voris have an aggregate market value of \$3,853,335.

Pursuant to lock up agreements signed by these stockholders, the shares may not be sold until six months after the consummation of HAPC's initial business combination. Although these shares are not registered, the stockholder may make up to two demands that HAPC register the shares at any time subsequent to six months after the consummation of HAPC's initial business combination.

Each individual has agreed that if he or she ceases to be an officer or director of HAPC prior to the dates specified below (other than as a result of (i) disability, as determined by the HAPC Board of Directors or as certified by a physician in a letter to the HAPC Board of Directors, (ii) death, (iii) removal without cause, or (iv) resignation for good reason), the portion of the shares specified below will be forfeited and transferred back to HAPC:

**Termination of Services Prior to**

**Shares Forfeited**

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June 30, 2006	100%
December 31, 2006	75%
June 30, 2007	50%
December 31, 2007	25%

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All of the common stock issued to these individuals will vest upon completion of the acquisition of InfuSystem.

HAPC recognized compensation of \$8,435,005 in connection with the issuance, computed at \$4.82 per share. Of this amount, \$615,051 was charged to expense for the period ended March 31, 2007. HAPC will recognize the remaining \$1,135,408 of compensation as an expense ratably over the forfeiture period of the shares.

In addition, the Board of Directors has approved the grant of 2,000,000 shares of common stock to Sean McDevitt and 416,666 shares of common stock to Pat LaVecchia on the date that is the later of six months after the completion of the acquisition of InfuSystem, or another business combination, or April 11, 2007 (which is the first anniversary of the completion of HAPC's initial public offering). If the acquisition of InfuSystem, or another business combination is not completed, Messrs. McDevitt and LaVecchia will not receive such shares.

Messrs. McDevitt and LaVecchia have, collectively, committed to purchase \$1,000,000 of warrants in the market at prevailing market prices or from HAPC at a price of \$0.70 per warrant, subsequent to the preliminary filing of this proxy statement with the SEC.

On December 28, 2006, HAPC issued and sold to Sean McDevitt 624,286 warrants to purchase common stock at a purchase price of \$0.70 per warrant for an aggregate purchase price of \$437,000. Each warrant represents the right to purchase one share of common stock at an exercise price of \$5.00 per share. The warrants are exercisable commencing on the later of HAPC's completion of a business combination or April 11, 2007, and expire on April 11, 2011 or earlier upon HAPC's redemption of the warrants. HAPC may redeem the warrants in whole, and not in part, at a price of \$0.01 per warrant, at any time after the warrants become exercisable, provided that Mr. McDevitt receives no less than 30 days written notice prior to the redemption and the last reported sale price of the common stock equals or exceeds \$8.50 per share for any 20 trading days within a 30 trading day period ending on the third business day prior to the notice of redemption to Mr. McDevitt. The exercise price and number of shares of common stock issuable upon exercise of the warrants will be subject to future adjustments in the event that HAPC subdivides or combines its outstanding shares of common stock or issues a stock dividend. HAPC issued and sold to Mr. McDevitt an additional 447,143 warrants to purchase common stock at a purchase price of \$0.70 per warrant for an aggregate purchase price of \$313,000 as of April 12, 2007 (the date HAPC received payment for such warrants). These warrants are subject to the same terms and conditions as the warrants purchased by Mr. McDevitt in December 2006. To date, Mr. McDevitt has purchased 1,071,429 warrants from HAPC at an aggregate purchase price of \$750,000. It is intended that Mr. McDevitt will purchase additional warrants from HAPC as needed to fund HAPC's operating costs and liquidation costs (in the event that HAPC is required to liquidate).

HAPC issued and sold the warrants to Mr. McDevitt on December 28, 2006 and as of March 30, 2007 in private placement transactions made in reliance upon the exemption from securities registration afforded by Section 4(2) under the Securities Act of 1933, as amended (the Securities Act) and Regulation D thereunder.

FTN Midwest Securities Corp. (FTN) acted as advisor to HAPC in connection with the negotiation of the acquisition. HAPC and FTN have entered into an agreement providing that FTN will receive a fee of \$1,000,000 for customary investment banking services in connection with this transaction, payable if and when HAPC's acquisition of InfuSystem closes. HAPC believes this fee is customary and appropriate and further believes that the services of FTN have been valuable to HAPC in the process of negotiating the acquisition and in the preparation of the Proxy Statement. In addition to the \$1,000,000 advisory fee, upon consummation of the acquisition, FTN will also receive its deferred underwriting discount of \$5,468,000 and will continue to hold an equity stake in HAPC as a result of the unit purchase option issued to it in connection with HAPC's initial public offering. Although HAPC and FTN had contemplated some reasonable fee arrangement throughout the period of FTN's service, HAPC did not commit to pay an advisory fee to FTN or enter into the agreement respecting the fee until after HAPC had received certain of FTN's advisor services (which are ongoing and will continue until the closing of the transaction, if approved). HAPC was under no obligation to enter into the agreement with FTN providing for the \$1,000,000 advisory fee.

As described below, Messrs. McDevitt and Harris have guaranteed HAPC's obligation to pay the break up fee under the Stock Purchase Agreement to I-Flow. Mr. McDevitt is the Chairman of HAPC. In exchange for providing this personal guaranty, HAPC has agreed to pay the two individuals a fee in the aggregate amount of \$100,000 upon delivery of the guaranty, and \$300,000 upon the closing of the transactions contemplated by, or the termination of the Stock Purchase Agreement. In the event the guaranty is called upon, HAPC is obligated to reimburse the two individuals. However, in the event the acquisition is not completed, it is not likely that HAPC would have the resources to reimburse such amounts and these individuals have agreed to waive any right to the trust account for reimbursement. Messrs. McDevitt and Harris have delivered a letter of credit to I-Flow issued by JPMorgan Chase Bank for the benefit of I-Flow which I-Flow may draw upon in the event that the break up fee is not paid when due and payable.

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HAPC has not paid, and will not pay, a finder's fee to any person or entity in connection with the acquisition.

HAPC has entered into services agreements with Sean McDevitt and Pat LaVecchia in connection with their respective positions as Chairman of the Board of Directors and Secretary of HAPC. These agreements provide, among other things, that HAPC will maintain director's and officer's liability insurance for the benefit of Messrs. McDevitt and LaVecchia and reimburse each of them for reasonable out-of-pocket expenses incurred by them in connection with their activities on HAPC's behalf. Messrs. McDevitt and LaVecchia are not entitled to receive compensation from HAPC under the terms of these agreements.

**Regulatory Matters**

The acquisition and the transactions contemplated by the Stock Purchase Agreement are not subject to any federal or state regulatory requirements or approvals except for the filing of notice under the Hart-Scott Rodino Antitrust Improvements Act of 1976, as amended (the "HSR Act").

**HAPC's Board of Directors' Recommendation**

After careful consideration, HAPC's Board of Directors has determined unanimously that the acquisition proposal is fair to, and in the best interests of, HAPC and its stockholders. Accordingly, HAPC's Board of Directors has unanimously approved and declared advisable the acquisition and unanimously recommends that you vote or instruct your vote to be cast **FOR** the approval of the acquisition proposal.

***Proposal 2 The Stock Incentive Plan Proposal***

HAPC is seeking stockholder approval for the adoption of the HAPC 2007 Stock Incentive Plan which will provide for the granting of options and/or other stock-based or stock-denominated awards. The material terms of such plan are:

2,000,000 shares of common stock reserved for issuance;

the plan will be administered by the HAPC Board of Directors and any particular term of a grant or award shall be at the HAPC Board's discretion; and

the plan will become effective upon the closing of the acquisition of InfuSystem.

HAPC's Board of Directors has determined unanimously that this proposal is fair to, and in the best interest of HAPC and its stockholders. Accordingly, HAPC's Board has unanimously approved and declared advisable this proposal and unanimously recommends that you vote or instruct your vote to be cast **FOR** the approval of this proposal.

***Proposal 3 The Amendment to Certificate of Incorporation Proposal***

HAPC is seeking stockholder approval to amend HAPC's certificate of incorporation to change the corporate name to InfuSystem Holdings, Inc. Any amendment will not become effective unless and until the acquisition of InfuSystem is completed.

HAPC's Board of Directors has determined unanimously that this proposal is in the best interest of HAPC and its stockholders. Accordingly, HAPC's Board has unanimously approved and declared advisable this proposal and unanimously recommends that you vote or instruct your vote to be cast **FOR** the approval of this proposal.

***Proposal 4 Election of Directors Proposal***

HAPC has nominated the following individuals for election as members of the HAPC's Board of Directors to serve until the 2008 annual meeting of stockholders and until their successors are duly elected and qualified: Sean McDevitt, John Voris, Pat LaVecchia, Wayne Yetter and Jean Pierre Millon. Each of the nominees have served as members of HAPC's Board of Directors since HAPC's initial public offering consummated in April 2006.





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HAPC's Board unanimously recommends that you vote or instruct your vote to be cast **FOR** the approval of this proposal.

**Proposal 5 Ratification of Registered Public Accounting Firm Proposal**

HAPC's Board of Directors has appointed Deloitte & Touche LLP as HAPC's registered public accounting firm for the fiscal year ending December 31, 2007. HAPC is seeking stockholder ratification of the appointment of Deloitte & Touche LLP as HAPC's registered public accounting firm for the fiscal year ending December 31, 2007.

HAPC's Board unanimously recommends that you vote or instruct your vote to be cast **FOR** the approval of this proposal.

**Selected Unaudited Pro Forma Combined Financial Information**

The merger of Acquisition Sub with and into InfuSystem will be accounted for as an acquisition of InfuSystem by HAPC under the purchase method of accounting. Under the purchase method of accounting, the purchase price, including transaction costs, to acquire InfuSystem will be allocated to the underlying net assets, based on their respective estimated fair values. The excess of the purchase price over the estimated fair values of the net assets acquired will be recorded as goodwill.

Set forth below is selected unaudited pro forma combined financial information that reflects the purchase method of accounting and is intended to provide you with a better picture of what HAPC's business might have looked like had HAPC and InfuSystem actually been combined. The selected unaudited pro forma combined financial information does not reflect the effect of asset dispositions, if any, or cost savings that may result from the merger. The selected unaudited pro forma combined financial information may not be indicative of the historical results that would have occurred had the companies been combined or the future results that may be achieved after the purchase. The following selected unaudited pro forma combined financial information has been derived from, and should be read in conjunction with, the unaudited pro forma condensed combined financial statements and related notes thereto included elsewhere in this proxy statement.

	Three Months Ended		Year Ended	
	March 31, 2007		December 31, 2006	
	Assuming	Assuming	Assuming	Assuming
	No	Maximum	No	Maximum
	Redemption (1)	Redemption (2)	Redemption (1)	Redemption (2)
	(in thousands, except share and		(in thousands, except share	
	per share data)		and per share data)	
Revenue	\$ 7,874	\$ 7,874	\$ 31,716	\$ 31,716
Net income	595	106	9,410	7,301
Net income per share - Basic	.03	.01	.51	.48
Weighted average number of shares - Basic	18,625,252	15,251,889	18,625,252	15,251,889
Net income per share - Diluted	.03	.01	.44	.42
Weighted average number of shares - Diluted	22,417,488	18,299,825	21,463,537	17,533,105
			March 31, 2007	
			Assuming	Assuming
			No	Maximum
			Redemption (1)	Redemption (2)
			(in thousands)	
Total assets			\$ 155,751	\$ 156,360
Long-term debt			55,000	74,366
Total stockholders' equity			87,156	68,399

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- (1) Assumes no HAPC stockholders redeem their conversion rights.
  - (2) Assumes 19.99% of the HAPC stockholders redeem their conversion rights.

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**RISK FACTORS**

*You should carefully consider the following risk factors, together with all of the other information included in this proxy statement, before you decide whether to vote or instruct your vote to be cast to adopt the acquisition proposal. As HAPC's operations will be those of InfuSystem upon completion of the acquisition, a number of the following risk factors relate to the business and operations of InfuSystem and HAPC, as the successor to such business.*

**Risks Relating to the Acquisition**

*If the acquisition is not approved by HAPC stockholders, it is unlikely that HAPC will be able to consummate an alternate business combination within the time frame required by its amended and restated certificate of incorporation, in which case, HAPC will be forced to liquidate.*

Pursuant to the terms of HAPC's amended and restated certificate of incorporation, HAPC must complete a business combination with a fair market value of at least 80% of its net assets (excluding the deferred underwriting discount and commission held in the trust account in the amount of approximately \$5,468,000) at the time of the business combination within 18 months after the consummation of its initial public offering (or within 24 months after the consummation of its initial public offering if a definitive agreement relating to a business combination has been executed within 18 months after the consummation of its initial public offering). As the Stock Purchase Agreement was executed on September 29, 2006, the amended and restated certificate of incorporation requires HAPC to consummate the acquisition of InfuSystem by April 18, 2008 (notwithstanding the fact that HAPC is contractually bound to complete the acquisition by July 31, 2007 under the terms of the Stock Purchase Agreement, as amended). If HAPC fails to consummate the acquisition by April 18, 2008, it is unlikely that HAPC will have sufficient time to complete an alternative business combination and will be forced to liquidate its assets.

*If HAPC is forced to liquidate its assets, HAPC stockholders will receive less than \$6.00 per share upon distribution of the trust account and HAPC warrants will expire worthless.*

If HAPC is unable to complete the acquisition and forced to liquidate its assets, the per-share liquidation distribution on the shares of common stock sold in HAPC's initial public offering will be less than \$6.00 because of the expenses related to the initial public offering, general and administrative expenses and the costs of seeking the acquisition of InfuSystem. Furthermore, warrants issued by HAPC will expire worthless if HAPC liquidates before the completion of the acquisition.

*If HAPC stockholders exercise their right to convert their common stock into a pro rata share of the trust account, we will need to increase that amount that we borrow from I-Flow under the Promissory Note*

Pursuant to HAPC's amended and restated certificate of incorporation, holders of shares common stock issued in the HAPC's initial public offering in April 2006 may vote against the acquisition and demand that HAPC convert their shares, as of the record date, into a pro rata share of the trust account where a substantial portion of the net proceeds of the initial public offering are held. Pursuant to the Stock Purchase Agreement, HAPC will not consummate the acquisition if stockholders owning 20% or more shares of common stock issued in the initial public offering exercise these conversion rights. To the extent the acquisition is consummated and holders have demanded to convert their shares, there will be a corresponding increase in the amount that we will need to borrow from I-Flow under the Promissory Note. The principal amount of the Promissory Note will thus range from \$55,000,000 to \$75,000,000, the difference used to pay stockholders who exercise their conversion rights. Assuming the acquisition is approved and less than 20% of HAPC shares of common stock that were issued in the initial public offering exercise their conversion rights, the maximum amount of funds that could be disbursed to HAPC stockholders upon the exercise of their conversion rights is approximately \$20,000,000, or approximately 21% of the funds then held in the trust account. Any payment upon exercise of conversion rights will require us to increase the principal amount that we borrow under the Promissory Note.

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***Debt incurred in connection with the acquisition of InfuSystem could adversely affect HAPC's operations and financial condition.***

If the acquisition of InfuSystem is consummated HAPC will be highly leveraged. Depending upon the number of HAPC stockholders who exercise their conversion rights, HAPC will owe I-Flow between \$55,000,000 and \$75,000,000 under the Promissory Note, in addition to interest accrued thereon.

Such indebtedness could have adverse consequences for HAPC's business, financial condition and results of operations, such as:

limiting HAPC's ability to obtain additional financing to fund growth and working capital;

limiting HAPC's operational flexibility in planning for or reacting to changing conditions in its business and industry;

limiting HAPC's ability to compete with companies that are not as highly leveraged, or whose debt is at more favorable interest rates and that, as a result, may be better positioned to withstand economic downturns; and

increasing HAPC's vulnerability to economic downturns and changing market conditions or preventing HAPC from carrying out capital spending that is necessary or important to its growth strategy.

If HAPC does not have enough money to meet its payment obligations under the Promissory Note when due, HAPC may be required to refinance all or part of its debt under the Promissory Note, sell assets or borrow more money. HAPC may not be able to, at any given time, refinance its debt under the Promissory Note, sell assets or borrow more money on terms acceptable to HAPC or at all, the failure to do any of which could have adverse consequences for its business, financial condition and results of operations.

***HAPC's indebtedness to I-Flow under the Promissory Note will be secured by substantially all of its assets. I-Flow's security interest in substantially all of HAPC's assets may limit HAPC's flexibility in the way HAPC operates its business and its ability to obtain additional financing from third parties.***

HAPC's indebtedness to I-Flow under the Promissory Note will be secured by substantially all of HAPC's assets. I-Flow's security interest in substantially all of HAPC's assets may have adverse consequences for HAPC's business and financial conditions, including limiting HAPC's operational flexibility in planning for or reacting to changing conditions in its business and industry and limiting HAPC's ability to obtain additional financing to fund growth and working capital.

***HAPC's stockholders may object to HAPC's payment of an advisory fee to FTN for services rendered in connection with the negotiation of the acquisition of InfuSystem.***

FTN has acted as advisor to HAPC in connection with the negotiation of the acquisition of InfuSystem. Prior to its initial public offering, HAPC entered into a referral agreement with FTN under the terms of which FTN agreed to present to HAPC for its consideration opportunities to acquire an operating business in the healthcare or healthcare-related sector. This agreement provided, as set forth in HAPC's initial public offering prospectus, that no fee or compensation for investment banking or other advisory services would be payable to FTN under this agreement. In negotiating this agreement, however, it was not HAPC's intent to preclude itself from subsequently engaging FTN to advise it in connection with a business combination. Elsewhere in the initial public offering prospectus, HAPC stated that it might agree to pay to FTN customary investment banking fees and expenses in connection with a business combination if approved by our directors that are not affiliated with FTN. At the time HAPC began negotiations with I-Flow with respect to the acquisition of InfuSystem, the outside directors requested FTN to assist in the transaction with the understanding that a customary and appropriate fee would be negotiated and determined prior to the completion. Subsequently, HAPC and FTN entered into an agreement providing that FTN will receive a fee of \$1,000,000 for customary investment banking services in connection with the acquisition of InfuSystem, payable if and when the transaction closes. This agreement has been approved by the Board of Directors of HAPC, with Messrs. McDevitt and LaVecchia recusing themselves. It is possible that a stockholder may interpret the initial offering prospectus description of the referral agreement to



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imply that under no circumstances would a fee be payable to FTN in connection with the business combination. Such a stockholder may object to HAPC's engagement of FTN and the payment of an advisory fee to FTN as inconsistent with the representations made by HAPC in its initial offering prospectus. It is possible that a stockholder objecting to HAPC's engagement of FTN would vote against the transaction or seek to make a claim directly against HAPC or FTN, which could result in a cost to HAPC and a diversion of management time.

***HAPC's ability to operate successfully after the acquisition will be largely dependent upon the efforts of the key personnel who will join HAPC following the acquisition and who may be unfamiliar with the requirements of operating a public company.***

HAPC's ability to successfully operate after the acquisition of InfuSystem will be dependent upon the efforts of its key personnel. The future role of HAPC's management personnel following the acquisition, however, cannot presently be fully ascertained. Pursuant to the terms of an employment agreement under negotiation between HAPC and Steven E. Watkins, president of InfuSystem, it is anticipated that Mr. Watkins will replace John Voris as chief executive officer of HAPC upon completion of the acquisition. Mr. Watkins will also become a member of HAPC's Board of Directors. At the time the acquisition is completed, Erin Enright, the current chief financial officer of HAPC, will resign. HAPC is actively recruiting a new chief financial officer to replace Ms. Enright. If, at the time of the closing of the acquisition, HAPC has not hired an individual to replace Ms. Enright as chief financial officer, it is anticipated that Stephen C. Revere, the current controller of InfuSystem, will assume the duties of the chief financial officer of HAPC until HAPC has hired a new chief financial officer to replace Ms. Enright. HAPC is also in the process of negotiating employment agreements with Janet Skonieczny, Vice President, Operations of InfuSystem and Tony Norkus, Vice President, Western Regional Sales of InfuSystem. The employment agreements provide that Ms. Skonieczny and Mr. Norkus will continue in their present positions with InfuSystem upon the completion of the acquisition.

Additionally, upon completion of the acquisition, the remaining members of InfuSystem's current management team will be employed by HAPC in capacities similar to their roles with respect to InfuSystem. While HAPC intends to closely scrutinize any additional individuals it engages after the acquisition of InfuSystem, HAPC cannot assure you that its assessment of these individuals will prove to be correct. These individuals may be unfamiliar with the requirements of operating a public company as well as with United States securities laws which could cause HAPC to have to expend time and resources helping them become familiar with such laws. This could be expensive and time-consuming, which would reduce HAPC's profitability, and could lead to various regulatory problems that would further increase costs and reduce profitability.

***Because certain of HAPC's directors and officers own shares of HAPC common stock that will not participate in any liquidation distribution of the trust account, they have interests in the acquisition that are different from HAPC stockholders generally.***

In considering the recommendation of HAPC's Board of Directors to vote for the proposal to approve the acquisition and adopt the Stock Purchase Agreement, stockholders should be aware that members of HAPC's Board are parties to agreements or arrangements that provide them with interests that differ from, or are in addition to, those of HAPC stockholders generally. HAPC's directors and officers, other than Sean McDevitt and Pat LaVecchia, own shares of HAPC common stock that were issued prior to HAPC's initial public offering. HAPC's initial stockholders will not have the right to receive distributions from the trust account upon HAPC's liquidation in the event that HAPC fails to complete the acquisition of InfuSystem within the time frame required by HAPC's amended and restated certificate of incorporation. The shares of common stock owned by HAPC's directors and officers will be worthless if HAPC does not consummate a business combination. In addition, the Board of Directors has approved the grant of 2,000,000 shares of common stock to Sean McDevitt and 416,666 shares of common stock to Pat LaVecchia on the date that is the later of six months after the completion of the acquisition of InfuSystem, or another business combination, or April 11, 2007 (which is the first anniversary of the completion of HAPC's initial public offering). If the acquisition of InfuSystem, or another business combination is not completed, Messrs. McDevitt and LaVecchia will not receive such shares.

Sean McDevitt, HAPC's Chairman, has personally guaranteed HAPC's payment of up to \$3,000,000 in break up fees to I-Flow in the event that Stock Purchase Agreement is terminated by I-Flow (i) because of HAPC's failure to obtain the stockholder approval required by the terms of the Stock Purchase Agreement by July 31, 2007 for any reason or (ii) because HAPC or Acquisition Sub is unwilling or unable to consummate the transactions contemplated by the Stock Purchase Agreement, notwithstanding the fact that all conditions precedent to the Stock Purchase Agreement to be satisfied by I-Flow and InfuSystem have been satisfied or are capable of fulfillment.

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***HAPC expects to incur significant costs associated with the acquisition, whether or not the acquisition is completed, which will reduce the amount of cash otherwise available for other corporate purposes.***

HAPC expects to incur significant costs associated with the acquisition, whether or not the acquisition is completed. These costs will reduce the amount of cash otherwise available for other corporate purposes. Transaction costs will be expensed by the respective parties whether or not the acquisition is consummated. HAPC estimates that it will incur direct transaction costs of approximately \$2,750,000. There is no assurance that the actual costs may not exceed these estimates. In addition, InfuSystem and/or HAPC may incur additional material charges reflecting additional costs associated with the acquisition in fiscal quarters subsequent to the quarter in which the acquisition was consummated. There is no assurance that the significant costs associated with the acquisition will prove to be justified in light of the benefits ultimately realized.

***The consummation of the acquisition could result in disruptions in business, loss of customers or contracts or other adverse effects.***

The consummation of the acquisition may cause disruptions, including potential loss of business partners and customers, in the business of InfuSystem, which could have material adverse effects on the operations of InfuSystem subsequent to the merger of Acquisition Sub with and into InfuSystem. InfuSystem's customers, and other business partners, in response to the consummation of the acquisition, may adversely change or terminate their relationships with InfuSystem, which could have a material adverse effect on the business of InfuSystem.

***The pro forma financial statements are not an indicator of InfuSystem's financial condition or results of operations following the acquisition.***

The pro forma financial statements contained in this proxy statement are not an indicator of the InfuSystem's financial condition or results of operations following the acquisition. The pro forma financial statements have been derived from the historical financial statements of InfuSystem and HAPC and many adjustments and assumptions have been made regarding InfuSystem after giving effect to the acquisition. The information upon which these adjustments and assumptions have been made is preliminary, and these kinds of adjustments and assumptions are difficult to make with complete accuracy. As a result, the actual financial condition and results of operations of InfuSystem following the acquisition may not be consistent with, or evident from, these pro forma financial statements.

***If HAPC's initial stockholders exercise their registration rights after the consummation of the acquisition, it may have an adverse effect on the market price of HAPC's common stock.***

HAPC's initial stockholders are entitled to demand that HAPC register the resale of their shares of common stock at any time six months following the consummation of the acquisition, pursuant to the terms of their respective lock-up agreements. If HAPC's initial stockholders exercise their registration rights with respect to all of the shares of common stock held by them, then there will be at least 1,750,001 shares of common stock eligible for trading in the public market (in addition to 2,000,000 shares of common stock to be issued to Sean McDevitt and 416,666 shares of common stock to be issued to Pat LaVecchia by HAPC on the date that is the later of six months after completion of the acquisition or April 11, 2007). The presence of this additional number of shares of common stock eligible for trading in the public market may have an adverse effect on the market price of the common stock after the acquisition.

***If the acquisition's benefits do not meet the expectations of the marketplace, or financial or industry analysts, the market price of HAPC's common stock may decline.***

The market price of HAPC's common stock may decline as a result of the acquisition if InfuSystem does not perform as expected, or HAPC does not otherwise achieve the perceived benefits of the acquisition as rapidly as, or to the extent anticipated by the marketplace, or financial or industry analysts. Accordingly, investors may experience a loss as a result of a decreasing stock price and HAPC may not be able to raise future capital, if necessary, in the equity markets.

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*As a result of the acquisition, HAPC stockholders will be solely dependent on a single business.*

As a result of the acquisition, HAPC's stockholders will be solely dependent upon the performance of InfuSystem and its business. InfuSystem will be subject to a number of risks that relate generally to the healthcare industry and other risks that relate specifically to InfuSystem.

*Results of operations may be volatile as a result of the impact of fluctuations in the fair value of HAPC's outstanding warrants from quarter to quarter.*

HAPC's outstanding warrants are classified as derivative liabilities and therefore, their fair values are recorded as derivative liabilities on HAPC's balance sheet. Changes in the fair values of the warrants will result in adjustments to the amount of the recorded derivative liabilities and the corresponding gain or loss will be recorded in HAPC's statement of operations. HAPC is required to assess these fair values of its derivative liabilities each quarter and as the value of the warrants is quite sensitive to changes in the market price of HAPC's stock, among other things, fluctuations in such value could be substantial and could cause HAPC's results to not meet the expectations of securities analysts and investors. Even if the merger is consummated, these fluctuations will continue to impact HAPC's results of operations for as long as the warrants are outstanding.

***Risks Related to the Business and Operations Following the Acquisition of InfuSystem***

The value of your investment in HAPC following consummation of the acquisition will be subject to the significant risks inherent in the healthcare industry. You should carefully consider the risks and uncertainties described below and other information included in this proxy statement. If any of the events described below occur, the business and financial results of InfuSystem subsequent to the acquisition could be materially adversely affected. This could cause the trading price of HAPC's common stock to decline, perhaps significantly, and stockholders therefore may lose all or part of their investment.

***InfuSystem is dependent on its Medicare Supplier Number.***

InfuSystem has obtained a Medicare Supplier Number and is required to comply with Medicare Supplier Standards in order to maintain such number. If InfuSystem ceases to be able to comply with the relevant standards, it could lose its Medicare Supplier Number, which is the primary identification number used with InfuSystem's various third-party payors. The loss of such identification number for any reason would prevent InfuSystem from billing Medicare for patients who rely on Medicare to pay their medical expenses and, as a result, InfuSystem would experience a decrease in its revenues. Furthermore, all managed care and Medicaid contracts require InfuSystem to have a Medicare Supplier Number. Without such a number, InfuSystem would be unable to continue its managed care and Medicaid contracts and would experience a material decrease in revenues as a result. The majority of InfuSystem's revenue is dependent upon its Medicare Supplier Number.

***Changes in third-party reimbursement rates may adversely impact InfuSystem's revenues.***

InfuSystem depends primarily on third-party reimbursement for the collection of its revenues. InfuSystem is paid directly by private insurers and governmental agencies, often on a fixed fee basis, for 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 adverse effect on InfuSystem's financial condition and results of operations. Also, if collection amounts owed to InfuSystem by patients and insurers is reduced, InfuSystem may be required to increase its bad debt expense. During the three months ended March 31, 2007, InfuSystem experienced a bad debt increase of \$1,100,000 compared to the same period in the prior year.

***InfuSystem's customers frequently receive reimbursement from private insurers and governmental agencies. Any change in the overall reimbursement system may adversely impact InfuSystem's business. The health care reimbursement system is in a constant state of change.***

Changes often create financial incentives and disincentives that encourage or discourage the use of a particular type of product, therapy or clinical procedure. Market acceptance of infusion therapy may be adversely affected by changes or trends within the reimbursement system. Changes to the health care system that favor technologies or treatment regimens other than InfuSystem's or that reduce reimbursements to providers or treatment facilities that use InfuSystem's products may adversely affect InfuSystem's ability to market its products profitably.



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InfuSystem's customers are heavily dependent on payment for their services by private insurers and governmental agencies. Changes in the reimbursement system could adversely affect InfuSystem's participation in the industry. InfuSystem believes that the current trend in the insurance industry (both private and governmental) has been to eliminate cost-based reimbursement and to move towards fixed or limited fees for service, thereby encouraging health care providers to use the lowest cost method of delivering medications. Furthermore, certain payors may transition to competitive bidding programs to lower costs even more. These trends may discourage the use of InfuSystem's products, create downward pressure on InfuSystem's average prices, and, ultimately, negatively affect InfuSystem's revenues and profit margins.

***InfuSystem's success is impacted by the availability of the chemotherapy drugs that are used in InfuSystem's infusion pump systems.***

InfuSystem primarily derives its revenue from the rental of ambulatory infusion pump systems to oncology patients through physicians' offices and chemotherapy clinics. A shortage in the availability of chemotherapy drugs that are used in the infusion pump systems, including the commonly-used chemotherapy drug known as 5-Fluorouracil, could have a material adverse effect on InfuSystem's financial condition and results of operations. For instance, InfuSystem believes a shortage of 5-Fluorouracil in the fourth quarter of 2005 resulted in an unfavorable revenue impact of approximately \$1.9 million. The 5-Fluorouracil shortage continued into the first quarter of 2006 and, although availability of 5-Fluorouracil returned to normal at the end of the first quarter of 2006, revenue was affected during the second, and possibly third, quarters of 2006 due to a decline in the number of patients in the pipeline who had to turn to other medications. Future shortages of 5-Fluorouracil or other commonly-used chemotherapy drugs could negatively impact InfuSystem's revenue and financial condition.

***InfuSystem's revenues are heavily dependent on physicians' acceptance of infusion therapy as a preferred therapy since a significant percentage of patients are treated with oral medications. If new oral medications are introduced or future clinical studies demonstrate that oral medications are as effective or more effective than infusion therapy, InfuSystem's business could be adversely affected.***

Continuous infusion therapy is currently preferred by many physicians over oral medication treatment despite the more cumbersome aspects of maintaining a continuous infusion regimen. The reasons for these physicians' preference are varied, including a belief that infusion therapy involves fewer adverse side effects and may provide greater therapeutic benefits. Numerous clinical trials are currently ongoing, evaluating and comparing the therapeutic benefits of current 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 from prior oral medication regimens, InfuSystem's revenues and overall business could be materially and adversely affected. Additionally, if new oral medications are introduced to the market that are superior to existing oral therapies, physicians' willingness to prescribe infusion-based regimens could decline, which would adversely affect InfuSystem's financial condition and results of operations.

***InfuSystem's growth strategy includes expansion into infusion treatment for cancers other than the colorectal type. There can be no assurance that infusion-based regimens for these other cancers will become accepted or that InfuSystem will be successful in penetrating these different markets.***

An aspect of InfuSystem's growth strategy is to expand into the treatment of other cancers, such as head, neck, esophagus, stomach and lung. Currently, however, there is not widespread acceptance of infusion-based therapies in the treatment of these other cancers and future acceptance of continuous infusion therapies depends on new protocols for existing drugs and approval of new drugs currently in clinical trials. No assurances can be given that these new drugs will be approved or will prove superior to oral medication or other treatment alternatives. In addition, no assurances can be given that InfuSystem will be able to successfully penetrate any new markets that may develop in the future or manage the growth in additional resources that would be required.

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***The industry in which InfuSystem operates is intensely competitive and changes rapidly. If InfuSystem is unable to successfully compete with its competitors, its business operations may suffer.***

The drug infusion industry is highly competitive. InfuSystem competes in this industry based primarily on price, service and performance. Some of InfuSystem's competitors and potential competitors have significantly greater resources than InfuSystem does for research and development, marketing and sales. As a result, they may be better able to compete for market share, even in areas in which InfuSystem's services may be superior. The industry is subject to technological changes and such changes may put InfuSystem's current fleet of pumps at a competitive disadvantage. If InfuSystem is unable to effectively compete in its market, its financial condition and results of operations may materially suffer.

***InfuSystem relies on independent suppliers for its products and does not have any supply agreements in place with such suppliers, as all purchases are handled pursuant to pricing agreements that are subject to change. Any delay or disruption in the supply of products, particularly its supply of electronic ambulatory pumps, or any material change in the prices charged by InfuSystem's suppliers, may negatively impact InfuSystem's operations.***

InfuSystem's infusion pumps are obtained from outside vendors. The majority of InfuSystem's pumps are electronic ambulatory pumps purchased from the following manufacturers, each of which is material and supplies more than 10% of the pumps purchased by InfuSystem: Smiths Medical, Inc.; Hospira Worldwide, Inc.; and McKinley Medical, LLC. Smiths Medical is InfuSystem's largest supplier of ambulatory infusion pumps. The loss or breakdown of InfuSystem's relationships with even one of these outside vendors could subject InfuSystem to substantial delays in the delivery of its products to customers. Significant delays in the delivery of products could result in possible cancellation of orders and the loss of customers. InfuSystem's inability to provide products to meet delivery schedules could have a material adverse effect on its reputation in the industry, as well as its financial condition and results of operations. Moreover, there are no supply agreements in place with any of InfuSystem's material suppliers. All purchases are handled pursuant to pricing agreements, which contain no material terms other than prices that are subject to change by the manufacturer, and there can be no assurance that such manufacturers will continue in their present lines of business or maintain their current pricing structures.

***Although InfuSystem does not manufacture the products it distributes, if one of the products distributed by InfuSystem proves to be defective or is misused by a health care practitioner or patient, InfuSystem may be subject to liability that could adversely affect InfuSystem's financial condition and results of operations.***

Although InfuSystem does not manufacture the products that it distributes, a defect in the design or manufacture of one of the products distributed by InfuSystem, or a failure of products distributed by InfuSystem to perform for the use specified, could have a material adverse effect on InfuSystem's reputation in the industry and subject InfuSystem to claims of liability for injuries and otherwise. Misuse of products distributed by InfuSystem by a practitioner or patient that results in injury could similarly subject InfuSystem to liability. Any substantial underinsured loss could have a material adverse effect on InfuSystem's financial condition and results of operations. Furthermore, any impairment of InfuSystem's reputation could have a material adverse effect on its sales, revenues, and prospects for future business.

***InfuSystem will not be covered by insurance policies held by HAPC and will need to obtain its own insurance.***

After the closing of the acquisition, InfuSystem will need to have its own insurance in place. InfuSystem will not be covered by the policies carried by HAPC. Among the various types of insurance that InfuSystem will need to obtain are liability insurance, worker's compensation insurance and product liability insurance. Insurance coverage is becoming increasingly expensive. As a result, InfuSystem may be unable to obtain sufficient insurance at a reasonable cost to protect against losses that could have a material adverse effect on its business.

***InfuSystem may be required to make significant income tax payments to the states in which it does business.***

InfuSystem is subject to U.S. federal income tax as well as income tax of multiple state jurisdictions. The tax years 2002 and forward remain open to examination by the major state taxing jurisdictions to which InfuSystem is subject depending on the state taxing authority. In addition, there are a number of state taxing jurisdictions in which InfuSystem is not filing tax returns that may consider InfuSystem to have taxable income. The tax years 2003 and forward remain open to examination by the Internal Revenue Service.

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**F ORWARD-LOOKING STATEMENTS**

HAPC believes that some of the information in this proxy statement constitutes forward-looking statements. You can identify these statements by forward-looking words such as may, expect, anticipate, contemplate, believe, estimate, intends, and continue or similar words. You should read statements that contain these words carefully because they:

discuss future expectations;

contain projections of future results of operations or financial condition including projections of the future financial condition of InfuSystem; or

state other forward-looking information.

HAPC believes it is important to communicate its expectations to its stockholders. However, there may be events in the future that HAPC is not able to accurately predict or over which HAPC has no control. The risk factors and cautionary language discussed in this proxy statement provide examples of risks, uncertainties and events that may cause actual results to differ materially from the expectations described by HAPC in its forward-looking statements, including among other things:

the number and percentage of HAPC stockholders voting against the acquisition proposal;

the increase in the principal amount of the Promissory Note used by InfuSystem to finance the acquisition as HAPC stockholders exercise their conversion rights;

the potential decrease in the market price of HAPC's common stock in the event that the acquisition's benefits do not meet the expectations of the market place;

legislation or regulatory environments, requirements or changes adversely affecting the businesses in which InfuSystem, Inc. is engaged; and

industry trends.

You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this proxy statement.

All forward-looking statements included herein attributable to HAPC or any person acting on its behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this section. Except to the extent required by applicable laws and regulations, HAPC undertakes no obligation to update these forward-looking statements to reflect events or circumstances after the date of this proxy statement or to reflect the occurrence of unanticipated events.

Before you grant your proxy or instruct how your vote should be cast or vote on the approval of the acquisition you should be aware that the occurrence of the events described in the Risk Factors section and elsewhere in this proxy statement could have a material adverse effect on HAPC upon completion of the acquisition.

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**THE HAPC ANNUAL MEETING**

**The HAPC Annual Meeting**

HAPC is furnishing this proxy statement to you as part of the solicitation of proxies by the HAPC Board of Directors for use at the annual meeting in connection with the proposed acquisition, the adoption of the HAPC 2007 Stock Incentive Plan, the amendment to HAPC's amended and restated certificate of incorporation, the election of HAPC's Board of Directors and the ratification of the appointment of HAPC's registered public accounting firm for the fiscal year ending December 31, 2007. This proxy statement provides you with the information you need to be able to vote or instruct your vote to be cast at the annual meeting.

**Date, Time and Place**

The annual meeting will be held at \_\_\_\_\_ a.m., Eastern Time, on \_\_\_\_\_ 2007, at the offices of \_\_\_\_\_, to vote on each of the acquisition, the adoption of the HAPC 2007 Stock Incentive Plan, the amendment to the certificate of incorporation proposals, the election of HAPC's Board of Directors and the ratification of the appointment of HAPC's registered public accounting firm for the fiscal year ending December 31, 2007.

**Purpose of the Annual Meeting**

At the annual meeting, the holders of HAPC common stock are being asked to:

approve the acquisition by Acquisition Sub of all of the issued and outstanding capital stock of InfuSystem pursuant to the Stock Purchase Agreement, dated as of September 29, 2006, by and among I-Flow, InfuSystem, HAPC and Acquisition Sub;

approve the adoption of the HAPC 2007 Stock Incentive Plan;

approve the amendment of HAPC's certificate of incorporation to change the name of HAPC, INC. to InfuSystem Holdings, Inc. ;

elect the members of HAPC's Board of Directors to serve until the 2008 annual stockholders meeting and until their successors are duly elected and qualified; and

ratify the appointment of Deloitte & Touche LLP as HAPC's registered public accounting firm for the fiscal year ending December 31, 2007.

The HAPC Board of Directors:

has unanimously determined that the acquisition, the adoption of the HAPC 2007 Stock Incentive Plan and the amendment to HAPC's certificate of incorporation proposals are fair to, and in the best interests of, HAPC and its stockholders;

has determined that the consideration to be paid by HAPC in connection with the acquisition of InfuSystem is fair to HAPC's current stockholders from a financial point of view and the fair market value of InfuSystem is equal to or greater than 80% of the value of the net assets of HAPC;

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has unanimously approved and declared advisable the acquisition, the adoption of the HAPC 2007 Stock Incentive Plan and the amendment to HAPC's amended and restated certificate of incorporation proposals;

unanimously recommends that the holders of HAPC common stock vote FOR the proposal to approve the acquisition of all of the issued and outstanding capital stock of InfuSystem, FOR the approval of the HAPC 2007 Stock Incentive Plan and FOR the approval of the amendment to HAPC's certificate of incorporation in order to change its name to InfuSystem Holdings, Inc., FOR the election of the directors to serve until the 2008 annual meeting and until their successors are duly elected and qualified and FOR the ratification of the appointment of Deloitte & Touche LLP as HAPC's registered public accounting firm for the fiscal year ending December 31, 2007.

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### **Record Date; Who is Entitled to Vote**

The Record Date for the annual meeting is \_\_\_\_\_, 2007. Record holders of HAPC common stock at the close of business on the Record Date are entitled to vote or have their votes cast at the annual meeting. On the Record Date, there were \_\_\_\_\_ outstanding shares of HAPC common stock.

Each share of HAPC common stock is entitled to one vote per share at the annual meeting.

Any shares of HAPC common stock purchased prior to the initial public offering will be voted in accordance with the majority of the votes cast at the annual meeting on the acquisition proposal (although such vote will not affect the outcome, since the majority of the votes cast by holders of common stock acquired in the initial public offering or afterwards is required to approve the acquisition), and in favor of the stock incentive plan proposal and the amendment to certificate of incorporation proposal. The holders of common stock acquired in HAPC's initial public offering or afterwards are free to vote such shares, as they see fit.

HAPC's issued and outstanding warrants do not have voting rights and record holders of HAPC warrants will not be entitled to vote at the annual meeting.

### **Voting Your Shares**

Each share of HAPC common stock that you own in your name entitles you to one vote. Your proxy card shows the number of shares of HAPC common stock that you own.

There are two ways to vote your shares of HAPC common stock at the annual meeting:

You can vote by signing and returning the enclosed proxy card. If you vote by proxy card, your proxy, whose name is listed on the proxy card, will vote your shares as you instruct on the proxy card. If you sign and return the proxy card, but do not give instructions on how to vote your shares, your shares will be voted, as recommended by the HAPC Board, FOR the approval of the acquisition proposal, FOR the approval of the stock incentive plan proposal, FOR approval of the amendment to the amended and restated certificate of incorporation proposal, FOR the election of the nominees to serve as members of the Board of Directors of HAPC until the 2008 annual stockholders meeting and until their successor shall be duly elected and qualified and FOR the ratification of the appointment of Deloitte & Touche LLP as HAPC's registered public accounting firm for the fiscal year ending December 31, 2007.

You can attend the annual meeting and vote in person. HAPC will give you a ballot when you arrive. However, if your shares are held in the name of your broker, bank or another nominee, you must get a proxy from the broker, bank or other nominee. That is the only way HAPC can be sure that the broker, bank or nominee has not already voted your shares.

### **Additional Matters**

HAPC's Board of Directors does not know of any other matters to be presented at the Annual Meeting. If any additional matters are presented at the Annual Meeting, the persons named in the enclosed proxy card will have discretion to vote shares they represent in accordance with their own judgment on such matters.

### **Who Can Answer Your Questions About Voting Your Shares**

If you have any questions about how to vote or direct a vote in respect of your HAPC common stock, you may call HAPC's Secretary at (212) 418-5070.

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### **Revoking Your Proxy**

If you give a proxy, you may revoke it at any time before it is exercised by doing any one of the following:

You may send another proxy card with a later date;

You may notify HAPC's Secretary addressed to HAPC, in writing before the annual meeting that you have revoked your proxy; and

You may attend the annual meeting, revoke your proxy, and vote in person.

### **Vote Required**

The acquisition of all of the issued and outstanding capital stock of InfuSystem by Acquisition Sub cannot be completed unless holders as of [redacted], 2007 (the Record Date) of at least a majority of the shares of HAPC's common stock issued in HAPC's initial public offering, including shares subsequently purchased in the open market, that are present in person or by proxy and entitled to vote at the annual meeting and that vote on the proposal, approve the acquisition, provided less than 20% of the shares of HAPC's common stock issued in HAPC's initial public offering vote against the acquisition proposal and elect a cash conversion of their shares.

The approval of the adoption of the HAPC 2007 Stock Incentive Plan will require the affirmative vote of holders as of the Record Date of a majority of the shares of HAPC's common stock issued and outstanding as of the Record Date that are present in person or by proxy at the annual meeting.

The approval of the adoption of the amendment to HAPC's amended and restated certificate of incorporation will require the affirmative vote of holders as of the Record Date of a majority of the shares of HAPC's common stock issued and outstanding as of the Record Date.

Each of the nominees for election to HAPC's board of directors must receive a plurality of the votes of the shares of HAPC's common stock present in person or by proxy at the Annual Meeting to be elected as a member of the Board of Directors.

The ratification of the appointment of Deloitte & Touche LLP as HAPC's registered public accounting firm for the fiscal year ending December 31, 2007 will require the affirmative vote of holders as of the Record Date of a majority of the shares of HAPC's common stock issued and outstanding as of the Record Date that are present in person or by proxy at the annual meeting.

### **Abstentions and Broker Non-Votes**

If your broker holds your shares in its name and you do not give the broker voting instructions, your broker may not vote your shares on the proposal to approve the acquisition of InfuSystem pursuant to the Stock Purchase Agreement, the proposal to adopt the HAPC 2007 Stock Incentive Plan or the proposal to amend the amended and restated certificate of incorporation. If you do not give your broker voting instructions and the broker does not vote your shares, this is referred to as a broker non-vote.

An abstention or a broker non-vote with respect to the acquisition proposal will have no effect since the acquisition proposal requires the affirmative vote of a majority of the votes cast by holders of eligible shares.

An abstention with respect to the proposal to adopt the HAPC 2007 Stock Incentive Plan will have the same effect as a vote against the proposal since it is not an affirmative vote in favor of the proposal but will be included in the determination of the number of shares present in person or by proxy. Broker non-votes are not deemed to be present and represented and, therefore will have no effect on the outcome of the proposal.

An abstention or a broker non-vote with respect to the proposal to amend the amended and restated certificate of incorporation will have the same effect as a vote against the proposal since it is not an affirmative vote in favor of the proposal but will be included in the determination of the number of shares issued and outstanding as of the Record Date.

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Stockholders may only vote for or withhold their votes for nominees for election to the Board of Directors. Votes that are withheld and broker non-votes, if any, will be counted for purposes of determining the presence or absence of a quorum, but will have no effect on the election of directors.



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An abstention or a broker non-vote with respect to the proposal to ratify the appointment of Deloitte & Touche LLP as HAPC's registered public accounting firm for the fiscal year ending December 31, 2007 will have the same effect as a vote against the proposal since it is not an affirmative vote in favor of the proposal but will be included in the determination of the number of shares present in person or by proxy.

Abstentions and broker non-votes will be counted for purposes of determining the presence of a quorum.

### **Failure to Vote**

A failure to vote by not returning a signed proxy card will have no impact upon the proposals to approve the acquisition of InfuSystem, to adopt the HAPC 2007 Stock Incentive Plan, to elect the nominees to the Board of Directors or to ratify the appointment of Deloitte & Touche LLP as HAPC's registered public accounting firm for the fiscal year ending December 31, 2007, and will have the same effect as a vote against the proposal to amend the amended and restated certificate of incorporation. Failure to vote will not have the effect of converting your shares into a pro rata portion of the trust account.

### **Conversion Rights**

Any stockholder of HAPC holding shares of common stock issued in HAPC's initial public offering who votes against the acquisition proposal may, at the same time, demand that HAPC convert his shares into a pro rata portion of the trust account. If so demanded, upon consummation of the acquisition, HAPC will convert these shares into a pro rata portion of funds held in a trust account, which consisted of approximately \$100,261,456 as of June 30, 2007, of net proceeds from the initial public offering, plus interest earned thereon after such date. If the holders of 20%, or 3,375,050, or more shares of common stock issued in HAPC's initial public offering vote against the acquisition proposal and demand conversion of their shares into a pro rata portion of the trust account, HAPC will not be able to consummate the acquisition. Based on the amount of cash held in the trust account as of June 30, 2007, without taking into account any interest accrued after such date, you will be entitled to convert each share of common stock that you hold into approximately \$5.94 per share, less income taxes owed on accrued interest. (The closing prices of HAPC's common stock, warrants and units on July 20, 2007 were \$5.78, \$0.275 and \$6.40, respectively.) If the conversion price of the common stock is higher than the then prevailing market price of the common stock, there is a greater risk that HAPC stockholders will vote against the acquisition.

If the acquisition is not consummated, you will not receive any such payment. However, HAPC will be liquidated in accordance with the terms of its amended and restated certificate of incorporation if (i) it does not consummate a business combination by October 18, 2007, or (ii) if a letter of intent, agreement in principle or definitive agreement is executed, but not consummated, by October 18, 2007 then by April 18, 2008 (24 months after the consummation of its initial public offering). In any liquidation, the net proceeds of HAPC's initial public offering held in the trust account, plus any interest earned thereon, will be distributed on a pro rata basis to the holders of HAPC's common stock who purchased their shares in HAPC's initial public offering or thereafter.

If you exercise your conversion rights, then you will be exchanging your shares of HAPC common stock for cash and will no longer own these shares. You will only be entitled to receive cash for these shares if you continue to hold these shares through the closing date of the acquisition and then tender your stock certificate to HAPC. The closing price of HAPC's common stock on July 20, 2007 was \$5.78, and the amount of cash held in the trust account was approximately \$100,261,456 as of June 30, 2007, plus interest accrued thereon after such date. If an HAPC stockholder elected to exercise his conversion rights on such date, then, without taking into account any interest accrued after such date, he would have been entitled to receive \$5.94 per share, less income taxes owed on accrued interest. Prior to exercising conversion rights, HAPC stockholders should verify the market price of HAPC's common stock as they may receive higher proceeds from the sale of their common stock in the public market than from exercising their conversion rights.

### **Solicitation Costs**

HAPC is soliciting proxies on behalf of the HAPC Board of Directors. This solicitation is being made by mail but also may be made by telephone or in person. HAPC and its respective directors and officers may also solicit proxies in person, by telephone or by other electronic means, and in the event of such solicitations, the information provided will be consistent with this proxy statement and enclosed proxy card. These persons will not be paid for doing this. HAPC will ask banks, brokers and other institutions, nominees and fiduciaries to forward its proxy statement materials to their principals and to obtain their authority to execute proxies and voting instructions. HAPC will reimburse them for their reasonable expenses.

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**PROPOSAL 1**

**THE ACQUISITION PROPOSAL**

The discussion in this proxy statement of the acquisition and the principal terms of the Stock Purchase Agreement dated September 29, 2006, or Stock Purchase Agreement, by and among InfuSystem, I-Flow, HAPC and Acquisition Sub, is subject to, and is qualified in its entirety by reference to, the Stock Purchase Agreement. A copy of the Stock Purchase Agreement attached as Annex A to this proxy statement.

**General Description of the Acquisition**

Pursuant to the Stock Purchase Agreement, Acquisition Sub will acquire 100% of the issued and outstanding capital stock of InfuSystem from I-Flow. Concurrently with Acquisition Sub's acquisition of all of the issued and outstanding capital stock of InfuSystem, Acquisition Sub will merge with and into InfuSystem. After the merger, Acquisition Sub will cease to exist as an independent entity and InfuSystem, as the surviving corporation, will continue its corporate existence under the laws of the State of California.

**Background of the Acquisition**

The terms of the Stock Purchase Agreement are the result of arm's-length negotiations between representatives of HAPC and I-Flow. The following is a brief discussion of the background of these negotiations, the acquisition and related transactions.

HAPC was formed in Delaware on August 15, 2005. HAPC was formed specifically as a vehicle to acquire, through a merger, capital stock exchange, asset acquisition or other similar business combination, one or more operating businesses primarily in the healthcare sector. The initial business combination entered into by HAPC must be with a target business or businesses whose fair market value is at least equal to 80% of net assets at the time of such acquisition.

A registration statement for HAPC's initial public offering was declared effective on April 11, 2006. On April 18, 2006, HAPC consummated its initial public offering of 16,666,667 units at a price of \$6.00 per unit. On May 18, 2006, HAPC sold 208,584 units to FTN Midwest Securities Corp., the underwriter of HAPC's initial public offering, pursuant to a partial exercise by FTN Midwest Securities Corp. of its overallotment option. The units were sold at the offering price of \$6.00 per unit, minus FTN Midwest Securities Corp.'s 7% underwriting discount. Each unit consists of one share of the HAPC's common stock, \$.0001 par value, and two redeemable common stock purchase warrants. The common stock and warrants began trading separately on the OTC Bulletin Board as of June 15, 2006.

Each warrant entitles the holder to purchase from HAPC one share of common stock at an exercise price of \$5.00 commencing on the later of the completion of a business combination or one year from the effective date of the initial public offering and expiring five years from the effective date of the initial public offering. The warrants will not be exercisable unless at the time of exercise a prospectus relating to common stock issuable upon exercise of the warrants is current and the common stock is registered under the Securities Act or qualified or deemed to be exempt under the securities laws of the state of residence of the holder of the warrants.

HAPC may call the warrants for redemption in whole and not in part at a price of \$.01 per warrant at any time after the warrants become exercisable. The warrants cannot be redeemed unless the warrant holders receive written notice not less than 30 days prior to the redemption; and, if, and only if, the reported last sale price of the common stock equals or exceeds \$8.50 per share for any 20 trading days within a 30 trading day period ending on the third business day prior to the notice of redemption to holders of the warrants.

In addition, on April 18, 2006, HAPC issued to FTN Midwest Securities Corp., for \$100, an option to purchase up to a total of 833,333 units. The units issuable upon exercise of this option are identical to those offered in the initial public offering, except that each of the warrants underlying this option entitles the holder to purchase one share of common stock at a price of \$6.25. This option is exercisable at \$7.50 per unit commencing on the later of the consummation of a business combination or April 11, 2007 and expires on April 11, 2011. The option may only be exercised or converted by the option holder.

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In connection with the initial public offering, HAPC paid to FTN Midwest Securities Corp. an underwriting discount of 7% of the initial public offering price and a non-accountable expense allowance of 1% of the initial public offering price.

The net proceeds from the sale of the HAPC units were approximately \$98,011,000 which includes a contingent underwriting fee of \$5,468,000. Of this amount, \$96,215,000 was deposited in trust and, in accordance with HAPC's amended and restated certificate of incorporation, will be released either upon the consummation of a business combination or upon the liquidation of HAPC. The remaining \$1,796,000 was held outside of the trust to provide for business, legal and accounting due diligence on prospective acquisitions and continuing general and administrative expenses. As of June 30, 2007, approximately \$100,261,456 was held in deposit in the trust account.

Since HAPC's initial public offering, none of its officers or directors have purchased warrants in the open market. Sean McDevitt, HAPC's chairman, however, purchased 624,286 warrants from HAPC at a price of \$0.70 per warrant for an aggregate purchase price of \$437,000 on December 28, 2006. Mr. McDevitt purchased an additional 447,143 warrants from HAPC at a price of \$0.70 per warrant for an aggregate purchase price of \$313,000 as of April 12, 2007 (the date HAPC received payment for such warrants).

Upon the completion of HAPC's initial public offering in April 2006, the identity of HAPC's officers and directors was public knowledge. These individuals were approached by various third parties suggesting potential targets for a suitable business combination. None of these discussions commenced prior to the completion of HAPC's initial public offering. No agreements were entered into with such parties. HAPC encouraged business brokers to contact clients who might constitute potential acquisitions targets and explore the possibility of a transaction. HAPC did not enter into any agreements or understandings with any of these contacts in the search of a target business.

On or about April 27, 2006, Banc of America Securities LLC contacted Erin Enright, HAPC's Chief Financial Officer, and informed her that it was acting as I-Flow's financial advisor in connection with the process being held by I-Flow to sell InfuSystem. Banc of America Securities had been made aware of HAPC's interest in an acquisition in the healthcare industry when, subsequent to HAPC's initial public offering, at her request, Ms. Enright's husband informed a managing director at Banc of America Securities of Ms. Enright's position at HAPC. Ms. Enright's husband and such individual had worked together at another investment bank several years prior and had remained business contacts. Ms. Enright's husband informed the managing director of Ms. Enright's position as Chief Financial Officer of HAPC on or about April 25, 2006, subsequent to HAPC's initial public offering and had no discussions with this individual concerning HAPC or Ms. Enright's role as Chief Financial Officer of HAPC prior to such date.

Prior to the initial conversation between Ms. Enright and I-Flow's financial advisor, no director or officer of HAPC, nor any affiliates or contacts, had contact with I-Flow or InfuSystem, or any of their affiliates, nor was any director or officer aware of I-Flow's intentions regarding InfuSystem or the private solicitation process being held. On April 28, 2006, Ms. Enright, on behalf of HAPC, sent background information on HAPC and its officers and directors to I-Flow's financial advisor. On April 29, 2006, HAPC received the InfuSystem executive summary and a nondisclosure agreement from I-Flow's financial advisor.

HAPC requested FTN's assistance to advise it in connection with its bid. Prior to its initial public offering, HAPC entered into a referral agreement with FTN under the terms of which FTN agreed to present to HAPC for its consideration opportunities to acquire an operating business in the healthcare or healthcare-related sector. This agreement provided, as set forth in the initial public offering prospectus, that no fee or compensation for investment banking or other advisory services would be payable to FTN under this agreement. However, in negotiating this agreement it was not HAPC's intent to preclude itself from subsequently engaging FTN to advise it in connection with a business combination. Indeed, elsewhere in the initial public offering prospectus, HAPC had stated that it might agree to pay to FTN customary investment banking fees and expenses in connection with a business combination if approved by our directors that are not affiliated with FTN. At the time HAPC began negotiations with I-Flow with respect to the acquisition of InfuSystem, the outside directors requested FTN to assist in the transaction with the understanding that a customary and appropriate fee would be negotiated and determined prior to the completion. Subsequently, HAPC and FTN entered into an agreement providing that FTN will receive a fee of \$1,000,000 for customary investment banking services in connection with the acquisition of InfuSystem, payable if and when the transaction closes. This agreement has been

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approved by the Board of Directors of HAPC, with Messrs. McDevitt and LaVecchia recusing themselves. HAPC believes this fee is customary and appropriate and further believes that the services of FTN have been valuable to HAPC in the process of negotiating the acquisition and in the preparation of the Proxy Statement. In addition to the \$1,000,000 advisory fee, upon consummation of the acquisition, FTN will also receive its deferred underwriting discount of \$5,468,000 and will continue to hold an equity stake in HAPC as a result of the unit purchase option issued to it in connection with HAPC's initial public offering. Although HAPC and FTN had contemplated some reasonable fee arrangement throughout the period of FTN's service, HAPC did not commit to pay an advisory fee to FTN or enter into the agreement respecting the fee until after HAPC had received certain of FTN's advisor services (which are ongoing and will continue until the closing of the transaction, if approved). HAPC was under no obligation to enter into the agreement with FTN providing for the \$1,000,000 advisory fee.

It is possible that a stockholder may interpret the initial offering prospectus description of the referral agreement to imply that under no circumstances would a fee be payable to FTN in connection with the business combination. Such a stockholder may reasonably object to HAPC's engagement of FTN and the payment of an advisory fee to FTN as inconsistent with the representations made by HAPC in its initial offering prospectus. HAPC does not believe that the representations made in its initial offering prospectus were inconsistent. The initial offering prospectus provided that HAPC might engage FTN for customary investment banking services and it was never HAPC's intent or understanding to preclude itself from engaging FTN. Further, the services have been satisfactory and HAPC believes the fee is customary and reasonable. Had HAPC engaged an alternative investment banking firm to advise it, HAPC believes it would have paid similar or higher fees for comparable service.

On May 3, 2006, HAPC signed the nondisclosure agreement with I-Flow. On May 12, 2006, HAPC received a bid instruction letter. On May 18, 2006, HAPC submitted a preliminary indication of interest of \$135,000,000 to \$150,000,000. On May 23, 2006, HAPC was informed that it was invited to continue in the sale process.

On June 2, 2006, HAPC and its advisors were provided with access to an electronic data room containing detailed information regarding InfuSystem. HAPC received an initial draft stock purchase agreement and final bid instructions on June 7, 2006. HAPC continued to perform due diligence through the execution of the Stock Purchase Agreement, employing outside assistance to supplement HAPC's internal resources. The outside assistance included legal counsel and legal diligence by Morgan, Lewis & Bockius LLP, financial diligence by KPMG LLP, information technology diligence by Questics LLC, general healthcare industry diligence by Segedin & Associates and market research by Epocrates, Inc. All of these outside firms and consultants were compensated on arm's-length terms that do not include any success fee component based on a closing of the acquisition and, other than John Voris's membership on the Board of Directors of Epocrates, Inc. none has a family or other affiliate relationship with any of HAPC's officers or directors (or with FTN). The aggregate amount paid to these consultants (other than legal counsel) to date is approximately \$190,552. As of April 4, 2007, there are no additional amounts owed to these parties. These consultants (including legal counsel) have either been paid in full by HAPC for their services or executed agreements waiving their rights to any of the funds held in HAPC's trust account pending completion of the acquisition.

On June 13, 2006, HAPC attended an InfuSystem management presentation in Troy, Michigan. Two weeks later, on June 28, 2006, HAPC participated on a call with Steven E. Watkins, president of InfuSystem, to discuss InfuSystem's management's financial projections. On July 16, 2006, the HAPC board of directors met and gave management the authority to bid up to \$135,000,000 for the purchase of InfuSystem. On July 17, 2006, HAPC submitted a \$130,000,000 bid and a mark-up of the Stock Purchase Agreement to I-Flow.

Although HAPC was not privy to the terms of the other bids received by I-Flow in connection with its auction process to sell InfuSystem, HAPC believes that I-Flow was engaged in an active and competitive auction process and received bids from several other parties.

Between July 20, 2006 and July 27, 2006, HAPC entered into non-disclosure agreements with certain of its existing stockholders to discuss the potential acquisition of InfuSystem.

On July 27, 2006, representatives of FTN Midwest Securities Corp. met with I-Flow's financial advisor to discuss HAPC's proposal. In particular, they discussed the mechanics by which HAPC must obtain stockholder approval of the transaction and other structural issues. In addition, I-Flow's financial advisor informed FTN that HAPC's offer was lower than other offers that had been received by I-Flow and that HAPC would have to increase its offer in order to make it the winning bid. On August 1, 2006, the Board of Directors of HAPC held a call to discuss HAPC's process for bidding to purchase InfuSystem. On August 1, 2006, HAPC increased the bid to purchase InfuSystem to \$135,000,000. I-Flow informed HAPC that its offer was insufficient.

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On August 3, 2006, the Board of Directors of HAPC increased the bid to purchase InfuSystem to \$140,000,000 and agreed to modify certain elements of its offer and to provide for a \$3,000,000 termination fee as described herein. On August 8, 2006, HAPC was informed that it was the winning bidder.

All bids submitted by HAPC to I-Flow to purchase InfuSystem were non-binding until HAPC and I-Flow executed the Stock Purchase Agreement. HAPC did not execute the Stock Purchase Agreement until it had obtained a fairness opinion from BNY Capital Markets, Inc. in connection with the acquisition. The receipt of a fairness opinion by HAPC as a condition to HAPC's executing the Stock Purchase Agreement was known to and accepted by I-Flow throughout negotiations.

On August 9, 2006, HAPC entered into an exclusivity agreement with I-Flow. On August 15, 2006, representatives of HAPC and FTN Midwest Securities Corp. met with InfuSystem for a due diligence session in Troy, Michigan. HAPC and its advisors continued to perform due diligence through September 29, 2006. Between August 9, 2006 and September 29, 2006, I-Flow, HAPC and their respective advisors discussed and negotiated the terms of the Stock Purchase Agreement and the terms of the I-Flow Promissory Note.

On September 20, 2006, HAPC received the final audit report for InfuSystem from I-Flow. On September 29, 2006, the Board of Directors of HAPC met to approve the final draft Stock Purchase Agreement and to receive the fairness opinion from BNY Capital Markets, Inc. At this meeting, the Board of Directors of HAPC received and approved the Stock Purchase Agreement and the fairness opinion of BNY Capital Markets, Inc. on behalf of HAPC.

Between April 2006 (following its initial public offering) and August 2006, HAPC evaluated approximately 40 companies as potential targets for a suitable business combination. During that time, HAPC, or its advisors, engaged in exploratory conversations with many of these companies. On July 24, 2006, the Board of Directors of HAPC held a meeting where they narrowed the field of potential targets down to the 5 most attractive companies, in addition to InfuSystem, which remained the most attractive target in the opinion of the Board of Directors of HAPC at that time. Throughout preliminary discussions with InfuSystem, and until entering into an exclusivity agreement with I-Flow, HAPC continued exploratory discussions with potential targets, as well as intermediaries such as investment banks, private equity firms and business brokers. As the discussions with InfuSystem grew more advanced, the Board of Directors of HAPC narrowed their focus on InfuSystem and therefore the level of activities with other targets and third parties decreased.

### **Interest of HAPC Directors and Officers in the Acquisition**

In considering the recommendation of the Board of Directors of HAPC to vote for the proposals to adopt the acquisition, you should be aware that certain members of the HAPC Board have agreements or arrangements that provide them with interests in the acquisition that differ from, or are in addition to, those of HAPC stockholders generally. In particular:

if the acquisition is not approved and HAPC fails to consummate an alternative transaction within the time allotted pursuant to its amended and restated certificate of incorporation and HAPC is therefore required to liquidate, the shares of common stock and warrants held by HAPC's executives and directors will be worthless because HAPC's executives and directors are not entitled to receive any of the net proceeds of HAPC's initial public offering that may be distributed upon the liquidation of HAPC. HAPC's executives and directors own a total of 1,750,001 shares of HAPC common stock. HAPC issued the shares of common stock for no consideration as follows: 416,667 shares to Wayne P. Yetter, 250,000 shares to Erin Enright, 416,667 shares to Jean Pierre Millon and 666,667 shares to John Voris. These shares were issued in December 2005 at a time when there was no assurance that HAPC's initial public offering, let alone a successful business combination, would be completed. If a business combination is not completed and HAPC liquidates, these individuals will not receive proceeds from the trust account. Notwithstanding this fact, upon the \$5.78 closing price of HAPC's common stock on July 20, 2007, the shares of common stock held by Wayne Yetter and Jean Pierre Millon have an aggregate market value of \$2,408,335, the shares of common stock held by Erin Enright have an aggregate market value of \$1,445,000 and the shares of common stock held by John Voris have an aggregate market value of \$3,853,335. HAPC's officers and directors are contractually prohibited from selling their shares of common stock until six months after HAPC's initial business combination has been completed, during which time the value of the shares may increase or decrease. It is impossible to determine what the financial impact of the acquisition will be on

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HAPC's officers and directors. As each of these individuals received the shares of HAPC common stock for no consideration, in the event this transaction or another is completed, they will realize a profit upon sale of the shares regardless of a drop in HAPC's common stock price.

the Board of Directors has approved the grant of 2,000,000 shares of common stock to Sean McDevitt and 416,666 shares of common stock to Pat LaVecchia on the date that is the later of six months after the completion of the acquisition of InfuSystem, or another business combination, or April 11, 2007 (which is the first anniversary of the completion of HAPC's initial public offering). If the acquisition of InfuSystem, or another business combination is not completed, Messrs. McDevitt and LaVecchia will not receive such shares. The Board of Directors approved the foregoing grants to incentivize Messrs. McDevitt and LaVecchia to work for the completion of a successful business combination and to align their interests with HAPC's stockholders;

on December 28, 2006, HAPC issued and sold to Sean McDevitt 624,286 warrants to purchase common stock at a purchase price of \$0.70 per warrant for an aggregate purchase price of \$437,000. Each warrant represents the right to purchase one share of common stock at an exercise price of \$5.00 per share. The warrants are exercisable commencing on the later of HAPC's completion of a business combination or April 11, 2007, and expire on April 11, 2011 or earlier upon HAPC's redemption of the warrants. HAPC may redeem the warrants in whole, and not in part, at a price of \$0.01 per warrant, at any time after the warrants become exercisable, provided that Mr. McDevitt receives no less than 30 days written notice prior to the redemption and the last reported sale price of the common stock equals or exceeds \$8.50 per share for any 20 trading days within a 30 trading day period ending on the third business day prior to the notice of redemption to Mr. McDevitt;

HAPC issued and sold to Mr. McDevitt an additional 447,143 warrants to purchase common stock at a purchase price of \$0.70 per warrant for an aggregate purchase price of \$313,000 as of April 12, 2007 (the date HAPC received payment for such warrants). These warrants are subject to the same terms and conditions as the warrants HAPC issued and sold to Mr. McDevitt in December 2006;

FTN Midwest Securities Corp. acted as advisor to HAPC in connection with the negotiation of the acquisition. Prior to its initial public offering, HAPC entered into a referral agreement with FTN under the terms of which FTN agreed to present to HAPC for its consideration opportunities to acquire an operating business in the healthcare or healthcare-related sector. This agreement provided, as set forth in the initial public offering prospectus, that no fee or compensation for investment banking or other advisory services would be payable to FTN under this agreement. However, in negotiating this agreement it was not HAPC's intent to preclude itself from subsequently engaging FTN to advise it in connection with a business combination. Indeed, elsewhere in the initial public offering prospectus, HAPC had stated that it might agree to pay to FTN customary investment banking fees and expenses in connection with a business combination if approved by our directors that are not affiliated with FTN. At the time HAPC began negotiations with I-Flow with respect to the acquisition of InfuSystem, the outside directors requested FTN to assist in the transaction with the understanding that a customary and appropriate fee would be negotiated and determined prior to the completion. Subsequently, HAPC and FTN entered into an agreement providing that FTN will receive a fee of \$1,000,000 for customary investment banking services in connection with the acquisition of InfuSystem, payable if and when the transaction closes. This agreement has been approved by the Board of Directors of HAPC, with Messrs. McDevitt and LaVecchia recusing themselves. HAPC believes this fee is customary and appropriate and further believes that the services of FTN have been valuable to HAPC in the process of negotiating the acquisition and in the preparation of the Proxy Statement. In addition to the \$1,000,000 advisory fee, upon consummation of the acquisition, FTN will also receive its deferred underwriting discount of \$5,468,000 and will be entitled to exercise the unit purchase option issued to it in connection with HAPC's initial public offering. HAPC did not decide to pay the \$1,000,000 advisory fee to FTN or enter into an agreement with FTN until after HAPC had received FTN's advisory services. The advisory services provided by FTN were ongoing after the closing of HAPC's initial public offering. HAPC was under no obligation to enter into the agreement providing for the \$1,000,000 advisory fee payable to FTN. It is possible that a stockholder may interpret the initial offering prospectus description of the referral agreement to imply that under no circumstances would a fee be payable to FTN in connection with the business combination. Such a stockholder may

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object to HAPC's engagement of FTN and the payment of an advisory fee to FTN as inconsistent with the representations made by HAPC in its initial offering prospectus. HAPC does not believe that the representations made in its initial offering prospectus were inconsistent. The initial offering prospectus provided that HAPC might engage FTN for customary investment banking services and it was never HAPC's intent or understanding to preclude itself from engaging FTN. Further, the services have been satisfactory and HAPC believes the fee is customary and reasonable. Had HAPC engaged an alternative investment banking firm to advise it, HAPC believes it would have paid similar or higher fees for comparable service. Sean McDevitt and Pat LaVecchia were previously Managing Directors of FTN Midwest Securities Corp. Mr. McDevitt resigned as a Managing Director of FTN Midwest Securities Corp. effective January 19, 2007 and Mr. LaVecchia resigned as a Managing Director of FTN Midwest Securities Corp. effective February 2, 2007;

in consideration of the guaranty by Sean McDevitt and Philip B. Harris of the break up fee of up to \$3,000,000 payable by HAPC to I-Flow in connection with the termination of the Stock Purchase Agreement under certain circumstances, HAPC has agreed to pay Messrs. McDevitt and Harris a fee of \$100,000 upon delivery of the Guaranty and \$300,000 upon closing of the transactions contemplated by, or the termination of, the Stock Purchase Agreement. Messrs. McDevitt and Harris have delivered a letter of credit to I-Flow issued by JPMorgan Bank for the benefit of I-Flow which I-Flow may draw upon in the event that the \$3,000,000 or \$1,000,000 break up fee, as the case may be, is not paid when due and payable; and

pursuant to the terms of an employment agreement under negotiation between HAPC and Steven E. Watkins, president of InfuSystem, it is anticipated that Mr. Watkins will replace John Voris as chief executive officer of HAPC upon completion of the acquisition. Mr. Watkins will also become a member of HAPC's Board of Directors. At the time the acquisition is completed, Erin Enright, the current chief financial officer of HAPC, will resign. HAPC is actively recruiting a new chief financial officer to replace Ms. Enright. If, at the time of the closing of the acquisition, HAPC has not hired an individual to replace Ms. Enright as chief financial officer, it is anticipated that Stephen C. Revere, the current controller of InfuSystem, will assume the duties of the chief financial officer of HAPC until HAPC has hired a new chief financial officer to replace Ms. Enright.

**HAPC's Reasons for the Acquisition and Recommendation of the HAPC Board of Directors**

The HAPC Board of Directors has concluded that the acquisition of InfuSystem is in the best interests of HAPC's stockholders. In reaching its decision, the HAPC Board of Directors considered the points listed below.

*InfuSystem's position as a self-sufficient business*

Although InfuSystem is currently a subsidiary of I-Flow, InfuSystem has demonstrated that it is a self-sufficient business with positive cash flows as evidenced by its net income and statements of cash flow for recent financial periods.

*InfuSystem's growth prospects*

InfuSystem's revenue grew 49% in 2004, 47% in 2005 and 23% during June year-to-date 2006 and InfuSystem's earnings increased 155%, 74% and 30% during those periods respectively. HAPC believes that the market acceptance of continuous infusion therapy for colorectal cancer is growing and may also increase in the treatment of other cancers in the future.

*InfuSystem's profitability*

InfuSystem's operating profit as a percentage of revenue has been 24%, 28% and 29% for 2004, 2005 and June year-to-date 2006. Although InfuSystem experienced a reduced growth rate of 10% for the nine months ended September 30, 2006 compared to the same period in the prior year, HAPC does not believe that this a trend indicative to InfuSystem's business. HAPC believes that the reduced growth rate experienced by InfuSystem during the nine months ended September 30, 2006 was due in part to a shortage in the supply of 5-Fluorouracil, a chemotherapy drug commonly used in infusion pumps, during the fourth quarter of 2005 and the first quarter of 2006. The availability of 5-Fluorouracil returned to normal at the end of the first quarter in 2006. HAPC believes that InfuSystem has recovered from the shortage of 5-Fluorouracil and is experiencing revenue growth.

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### *The experience of InfuSystem's management*

Another important criteria to HAPC's Board of Directors in identifying an acquisition target was that the company must have a seasoned management team with specialized knowledge of the markets within which it operates and the ability to lead a growth company. InfuSystem's management team has worked together for over ten years and positioned InfuSystem for the growth that it has recently experienced. InfuSystem's management team is led by Steven E. Watkins, president and founder of InfuSystem, who will remain with the business as president and chief executive officer of InfuSystem after the acquisition.

Mr. Watkins has been the president of InfuSystem since 1998. He was one of the founders of Venture Medical, a predecessor to InfuSystem. Prior to joining InfuSystem, Mr. Watkins was Vice President of Aventric Medical, Inc., a Midwest distributor of high-tech equipment such as pacemakers, cardiac imaging devices and drug delivery systems. Concurrent with the start-up of InfuSystem, Mr. Watkins was President of Medical Reimbursement Solutions, a third-party billing company that formatted and transmitted billing claims on behalf of infusion centers, physicians and hospitals.

Janet Skonieczny has been the vice president of operations of InfuSystem since 1998. Prior to this time, Ms. Skonieczny was the office manager of Aventric Medical.

Stephen Revere has been the controller of InfuSystem, and its predecessor, Venture Medical, since 1992. Prior to joining InfuSystem, he was the controller for PRN Group and a partner at the accounting firm Revere & Greer PC. Mr. Revere is a certified public accountant.

### *InfuSystem's ability to operate as a public company*

HAPC's Board of Directors believes that InfuSystem has the scale, management depth and experience and financial strength to operate as a publicly traded company.

### *The terms of the Stock Purchase Agreement*

The terms of the Stock Purchase Agreement with InfuSystem, including the closing conditions, restrictions on HAPC's and InfuSystem's ability to respond to competing proposals and termination provisions, are customary and reasonable. It was important to HAPC's Board of Directors that the Stock Purchase Agreement include customary terms and conditions as it believed that such terms and conditions would allow for a more efficient closing process and lower transaction expenses.

HAPC's Board of Directors believes that each of the above factors strongly supported its determination and recommendation to approve the acquisition. HAPC's Board of Directors did, however, consider the following potentially negative factors, among others, including the Risk Factors, in its deliberations concerning the acquisition:

### *The risk that its public stockholders would vote against the acquisition and exercise their conversion rights*

HAPC's Board of Directors considered the risk that the current public stockholders of HAPC would vote against the acquisition and demand to redeem their shares for cash upon consummation of the acquisition, thereby depleting the amount of cash available to the combined company following the acquisition. HAPC's Board of Directors decided to proceed with the acquisition in part because (i) it believed that suitability of the acquisition as a business opportunity for HAPC increased the likelihood that less than 20% of the HAPC stockholders would exercise their conversion rights and (ii) I-Flow agreed to increase the amount of the promissory note to fund the acquisition from \$55,000,000 to \$75,000,000, the difference used to pay those HAPC stockholders who convert their shares.

### *Certain officers and directors of HAPC may have different interests in the acquisition than the HAPC stockholders*

HAPC's Board of Directors considered the fact that certain officers and directors of HAPC may have interests in the acquisition that are different from, or are in addition to, the interests of HAPC stockholders generally, including the matters described under "Interest of HAPC Directors and Officers in the Acquisition" above. However, this fact would exist with respect to an acquisition of any target company.



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### *The limitations on indemnification set forth in the Stock Purchase Agreement*

HAPC's Board of Directors considered the limitations on indemnification set forth in the Stock Purchase Agreement. See the section entitled "The Stock Purchase Agreement - Indemnification". The Board of Directors of HAPC determined that any definitive agreement with any target company would contain similar limitations.

After deliberation, the HAPC Board of Directors determined that these potentially negative factors were outweighed by the potential benefits of the acquisition, including the opportunity for HAPC stockholders to share in InfuSystem's future possible growth and anticipated profitability.

### **Fair Market Value of InfuSystem**

Prior to submitting its bid to I-Flow to purchase InfuSystem, the Board of Directors of HAPC determined that the fair market value of InfuSystem was substantially in excess of 80% of the value of the net assets of HAPC (approximately \$76,000,000). The Board of Directors made this determination based upon its review of the InfuSystem due diligence materials provided to it during the bidding process. The conclusion of the Board of Directors of HAPC is supported by the opinion of HAPC's advisors that the price was fair and the fact that InfuSystem received multiple bids, all within the range of HAPC's bid of \$140,000,000. For this reason, the Board of Directors determined that it was appropriate for it to conclude that the fair market value of InfuSystem significantly exceeded 80% of HAPC's net assets. The Board of Directors of HAPC believes that InfuSystem did not receive bids of less than \$76,000,000 as HAPC was required to increase its initial bid of \$130,000,000 multiple times.

### **Fairness Opinion**

The Board of Directors of HAPC engaged BNY Capital Markets, Inc., or BNY, to evaluate the fairness of the per share acquisition consideration payable to I-Flow in connection with the acquisition. BNY rendered its opinion to the HAPC Board of Directors that, as of the date of its opinion, and based on conditions that existed as of that date, upon and subject to the considerations described in its opinion and based upon such other matters as BNY considered relevant, the per share acquisition consideration to be paid by HAPC in the acquisition pursuant to the Stock Purchase Agreement is fair to HAPC from a financial point of view. The full text of BNY's written opinion, dated September 29, 2006, to the HAPC Board of Directors, which sets forth the procedures followed, assumptions made, matters considered and limitations on the review undertaken, is attached as Annex C. See section entitled "BNY Capital Markets, Inc. Fairness Opinion".

### **Acquisition Financing**

The acquisition will be financed in part with the secured promissory note to be issued to I-Flow (the "Promissory Note"). The amount of the note will depend upon the number of HAPC stockholders who exercise their conversion rights and the principal amount of the Promissory Note will not exceed \$75,000,000. In the event that no stockholders exercise their conversion rights, the amount of the Promissory Note will be \$55,000,000 and the remaining \$85,000,000 of the purchase price will be paid in cash and from the proceeds in the trust account.

The Promissory Note will be made by Acquisition Sub simultaneously with its merger with into InfuSystem, and as a result, will become the obligation of InfuSystem as the entity surviving the merger. HAPC will guarantee InfuSystem's obligations under the Promissory Note. The Promissory Note will mature four years after the closing and bear interest, at the election of HAPC, at a floating rate equal to LIBOR plus 5.5% or the Base rate plus 4.5% calculated on a 360 day basis; provided, however, that LIBOR shall be no less than 3% and the Base rate no less than 4%. The Base rate shall be the rate of interest quoted in The Wall Street Journal, Money Rates Section as the Prime Rate (currently defined as the base rate on corporate loans posted by at least 75% of the nation's 30 largest banks), as in effect from time to time, which was equal to 8.25% as of March 29, 2007. The Promissory Note will be subject to prepayment premiums and, under certain circumstances, will be subject to mandatory prepayment. InfuSystem and HAPC will make certain representations, warranties and covenants to I-Flow that are usual and customary for transactions of this type. The Promissory Note will be secured by all of the assets of InfuSystem and HAPC.

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The Promissory Note will contain certain covenants and other agreements, the most significant of which will include: (1) financial covenants, including (i) a maximum total leverage ratio (funded debt divided by EBITDA), which shall initially be 4.75x, with step-downs to be determined in connection with the preparation of the definitive Promissory Note, (ii) a minimum fixed charge coverage ratio (EBITDA divided by cash interest expense plus scheduled principal repayments plus capital expenditures plus income taxes actually paid in accordance with GAAP) to be determined in connection with the preparation of the definitive Promissory Note, but in no case lower than 1.10x, (iii) maximum capital expenditures to be determined in connection with the preparation of the definitive Promissory Note, (iv) minimum liquidity to be determined in connection with the preparation of the definitive Promissory Note, and (v) minimum EBITDA to be determined in connection with the preparation of the definitive Promissory Note; and (2) covenants and other terms and conditions that are usual and customary for transactions of that type, including conditions that (i) HAPC and InfuSystem provide I-Flow with various financial and tax-related information, (ii) InfuSystem maintain appropriate levels of insurance on all material collateral with I-Flow named as the loss payee, (iii) no party to the Promissory Note, other than I-Flow, will declare or pay any dividend or distribution in cash property, assets or in kind, (iv) no party to the Promissory Note, other than I-Flow, will engage in businesses other than those businesses in which they are engaged in on the date of the issuance of the Promissory Note, (v) no party to the Promissory Note, other than I-Flow, will amend, terminate or waive any provisions of any material contract to the extent such amendment, termination or waiver would reasonably be expected to be materially adverse to the parties taken as a whole, and (vi) InfuSystem will enter into and maintain interest rate protection agreements in a form and upon terms acceptable to I-Flow.

The occurrence of the following events, among others, will constitute a default under the Promissory Note: (i) failure to pay when due any principal, interest, premium or fees; (ii) failure to comply with the covenants and other agreements in the Promissory Note; (iii) material breach of a representation of warranty; (iv) liquidation, bankruptcy or reorganization of InfuSystem or HAPC; or (v) the impairment of any of the collateral pledged by InfuSystem and HAPC as security for the Promissory Note. In the event of a default, the applicable interest rate of the Promissory Note will be increased by 2%.

In connection with I-Flow's commitment to accept the Promissory Note, HAPC paid a \$100,000 delivery fee to I-Flow on October 4, 2006. HAPC must also pay I-Flow a Ticking Fee (between 0.50% and 1.0% per annum of the of the maximum principal amount of the Promissory Note which is \$75,000,000) from September 29, 2006, the date that the Stock Purchase Agreement was executed, until the earlier of the closing under the Stock Purchase Agreement, termination of the Stock Purchase Agreement or HAPC's notice that, because alternative financing has been secured, the Promissory Note to I-Flow will no longer be required. The Promissory Note will be subject to a facility fee equal to 2.50% of the actual principal amount payable at closing. Additionally, InfuSystem will pay I-Flow an administrative fee of \$75,000 at the closing and on each anniversary of the closing for the term of the Promissory Note.

Pursuant to the term sheet for the Promissory Note attached as Exhibit C to the Stock Purchase Agreement, the terms and conditions of the Promissory Note that have not yet been determined shall be negotiated in good faith by the parties, with such qualifiers and exceptions as are usual, customary and reasonable in light of InfuSystem's business. Covenants, such as limitations on capital expenditures and operating result test will be based on current levels with appropriate adjustments, to be agreed, to account for changes expected due to InfuSystem's operation as a standalone business following the transaction. HAPC believes that the thresholds of the covenants will not be set in such a way that InfuSystem will be at a material risk of violating such covenants immediately after the acquisition. The parties will reach the material terms and conditions of the Promissory Note in advance of the closing of the acquisition. Such material terms and conditions of the Promissory Note will be consistent with the terms set forth in the term sheet.

**Fees Payable In Connection With the Acquisition**

In addition to a Ticking Fee of \$352,083 estimated to be accrued through June 30, 2007 and the \$100,000 delivery fee HAPC has incurred in connection with the Promissory Note, HAPC has also incurred a fee of \$100,000 payable to Sean McDevitt and Philip B. Harris in connection with their guaranty of the payment of any break up fees payable to I-Flow under the Stock Purchase Agreement as well as a fee of \$42,000 payable to JPMorgan Chase Bank in connection with the delivery of the letter of credit to I-Flow. HAPC will pay a fee of \$300,000 to Messrs. McDevitt and Harris upon the closing of the acquisition on the termination of the Stock Purchase Agreement.

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### **Appraisal or Dissenters Rights**

No appraisal rights are available under the Delaware General Corporation Law for the stockholders of HAPC in connection with the acquisition proposal.

### **Accounting Treatment of the Acquisition**

The acquisition of InfuSystem will be treated as a purchase by HAPC.

### **United States Federal Income Tax Consequences of the Acquisition**

As the stockholders of HAPC are not receiving any consideration or exchanging any of their outstanding securities in connection with the acquisition of InfuSystem and are simply being asked to vote on the matters, it is not expected that the stockholders will have any tax related issues as a result of voting on these matters. However, if you vote against the acquisition proposal and elect a cash conversion of your shares of HAPC into your pro-rata portion of the trust account and as a result receive cash in exchange for your HAPC shares, there may be certain tax consequences, such as realizing a loss on your investment in HAPC's shares. WE URGE YOU TO CONSULT YOUR OWN TAX ADVISORS REGARDING YOUR PARTICULAR TAX CONSEQUENCES.

### **Regulatory Matters**

The acquisition and the transactions contemplated by the Stock Purchase Agreement are not subject to any federal or state regulatory requirements or approvals, except for filings necessary to effectuate the merger of Acquisition Subsidiary and InfuSystem and the amendment to the amended and restated certificate of incorporation proposal, with the Secretary of State of the State of Delaware and the Secretary of State of the State of California, as applicable and the filing of notice under the HSR Act.

### **Consequences if Acquisition Proposal is not Approved**

If the acquisition proposal is not approved by the stockholders, HAPC will not acquire InfuSystem and HAPC will continue to seek other potential business combinations. In addition, HAPC will not consummate the stock incentive plan or amended and restated certificate of incorporation proposals. In such an event there is no assurance, and management of HAPC believes that it is unlikely, that HAPC will have the time, resources or capital available to find a suitable business combination partner before (i) the proceeds in the trust account are liquidated to holders of shares purchased in HAPC's initial public offering and (ii) HAPC is dissolved pursuant to the trust agreement and in accordance with HAPC's amended and restated certificate of incorporation.

### **Required Vote**

The approval for the acquisition of InfuSystem will require the affirmative vote of holders as of the Record Date of a majority of the shares outstanding as of the Record Date of HAPC's common stock that were issued in HAPC's initial public offering that are present in person or by proxy at the meeting and that vote on the proposal. In addition, each HAPC stockholder who holds shares of common stock issued in HAPC's initial public offering or purchased following such offering in the open market has the right to vote against the acquisition proposal and, at the same time, demand that HAPC convert such stockholder's shares into cash equal to a pro rata portion of the trust account, including interest, in which a substantial portion of the net proceeds of HAPC's initial public offering is deposited. These shares will be converted into cash only if the acquisition is completed. Based on the amount of cash held in the trust account as of June 30, 2007, without taking into account any interest accrued after such date, stockholders who vote against the acquisition proposal and elect to convert such stockholder's shares as described above will be entitled to convert each share of common stock they hold into approximately \$5.94 per share, less income taxes owed on accrued interest. (The closing prices of HAPC's common stock, warrants and units on July 20, 2007 were \$5.78, \$0.275 and \$6.40, respectively.) However, if the holders of 3,375,050 or more shares of common stock issued in HAPC's initial public offering (an amount equal to 20% or more of the total number of shares issued in the initial public offering), vote against the acquisition and demand conversion of their shares into a pro rata portion of the trust account, then HAPC will not be able to consummate the acquisition. If the conversion price of the common stock is higher than the then prevailing market price of the common stock, there is a greater risk that HAPC stockholders will vote against the acquisition.

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An abstention with respect to the acquisition proposal will have no effect since the acquisition proposal requires the affirmative vote of a majority of the votes cast by holders of eligible shares. A broker non-vote or a failure to vote will have no impact upon the approval of the acquisition proposal.

**Recommendation**

After careful consideration, HAPC's Board of Directors has determined unanimously that the acquisition proposal is fair to, and in the best interests of, HAPC and its stockholders. HAPC's Board of Directors has approved and declared advisable the acquisition proposal and unanimously recommends that you vote or give instructions to vote **FOR** the proposal to approve the acquisition.

The foregoing discussion of the information and factors considered by the HAPC Board of Directors is not meant to be exhaustive, but includes the material information and factors considered by the HAPC Board of Directors.

**THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT THE STOCKHOLDERS VOTE FOR THIS PROPOSAL 1 TO ACQUIRE ALL OF THE OUTSTANDING CAPITAL STOCK OF INFUSYSTEM.**

**Table of Contents****THE STOCK PURCHASE AGREEMENT**

The following summary of the material provisions of the Stock Purchase Agreement is qualified by reference to the complete text of the Stock Purchase Agreement, a copy of which is attached as Annex A to this proxy statement. All stockholders are encouraged to read the Stock Purchase Agreement in its entirety for a more complete description of the terms and conditions of the acquisition.

**Structure of the Acquisition**

Acquisition Sub will acquire 100% of the issued and outstanding capital stock of InfuSystem from I-Flow. Concurrently with Acquisition Sub's acquisition of all of the issued and outstanding capital stock of InfuSystem, Acquisition Sub will merge with and into InfuSystem. After the merger, Acquisition Sub will cease to exist as an independent entity and InfuSystem, as the surviving corporation, will continue its corporate existence under the laws of the State of California.

**Purchase Price and Financing**

In consideration for the acquisition of all of the issued and outstanding shares of capital stock of InfuSystem, HAPC or Acquisition Sub will pay to I-Flow a purchase price of \$140,000,000, subject to certain working capital adjustments as set forth in the Stock Purchase Agreement. The purchase price will be subject to an adjustment if the working capital, defined as the excess of current assets over current liabilities, of InfuSystem as of the closing date of the acquisition is more or less than \$7,680,000. If the working capital at the closing date of the acquisition is greater than \$7,680,000, the purchase price will be increased by the amount of the difference, and if the working capital at the closing date of the acquisition is less than \$7,680,000, the purchase price will be decreased by the amount of the difference. As of December 31, 2006, InfuSystem's working capital was \$8,347,000 (including cash in the amount of \$1,956,000 that would be acquired and transferred to HAPC), which would have resulted in an increase to the purchase price of \$667,000 if the acquisition had closed as of that date. I-Flow is permitted to remove any cash remaining in the business at or prior to the closing of the acquisition. If I-Flow had removed the remaining cash as of December 31, 2006, the working capital would have been \$6,391,000, resulting in a decrease to the purchase price of \$1,289,000 if the acquisition had closed as of that date. Although the precise closing date of the acquisition cannot be known at this time, HAPC does not anticipate the final working capital adjustment to the purchase price to be materially different from the adjustment calculated as of December 31, 2006.

The purchase price will be paid by HAPC or Acquisition Sub in cash or a combination of (i) a secured promissory note (the *Promissory Note*) made by Acquisition Sub at the closing and payable to I-Flow in a principal amount equal to \$55,000,000 plus the amount actually paid to HAPC's stockholders who vote against the acquisition and demand that their shares be converted into the right to receive a pro rata portion of the net proceeds of HAPC's initial public offering held in the trust account, but not to exceed \$75,000,000 (the *Maximum Amount*) and (ii) an amount of cash purchase price equal to \$65,000,000 plus the difference between the Maximum Amount and the actual principal amount of the Promissory Note. The Promissory Note will be made by Acquisition Sub simultaneously with its merger with into InfuSystem and as a result, will become the obligation of InfuSystem as the entity surviving the merger. HAPC will guarantee InfuSystem's obligations under the Promissory Note. HAPC estimates that there will be between \$5,000,000 and \$7,500,000 remaining from the trust account after the acquisition has closed and available to the combined company as working capital. The amount of cash remaining in the trust account after the acquisition has closed is expected to remain the same assuming maximum share redemption and assuming no share redemption as the promissory note allows for the amount borrowed to increase in an amount equal to the cash paid to HAPC's stockholders who vote against the acquisition and demand conversion. The following depicts the sources and uses of funds for the transaction, assuming a June 29, 2007 closing as estimated as of May 29, 2007.

<i>SOURCES</i>		<i>USES</i>	
<i>Cash available for acquisition from trust account and from outside trust account</i>	\$ 94,706,000 <sup>1</sup>	<i>Purchase price</i>	\$ 140,000,000
<i>Promissory Note (assuming no share conversion)</i>	55,000,000 <sup>3</sup>	<i>Purchase price reduction resulting from</i>	(1,616,000) <sup>2</sup>
		<i>Estimated expenses</i>	4,146,000 <sup>4</sup>
		<i>Cash available for working capital</i>	7,176,000 <sup>5</sup>
<i>Total</i>	\$ 149,706,000	<i>Total</i>	\$ 149,706,000

<sup>1</sup> Estimated balance as of June 29, 2007, net of estimated income tax due on trust account interest income and deferred underwriter fees of \$5,468,000.



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- <sup>2</sup> Estimated utilizing InfuSystem March 31, 2007 financial statements and assuming cash is removed from business at or prior to closing by I-Flow.
- <sup>3</sup> As shown assumes no share conversion. Assuming maximum share conversion, amount would increase to approximately \$75,000,000 and an additional use of cash would be reflected for approximately \$20,000,000.
- <sup>4</sup> Estimated expenses of amounts previously incurred and payable as of May 29, 2007, as well as amounts expected to be incurred and payable as of June 29, 2007.
- <sup>5</sup> HAPC believes a range of \$5,000,000 to \$7,500,000 will be available upon completion of the acquisition after allowing for additional unanticipated expenses as well as changes in actual closing working capital and purchase price adjustment.

The Promissory Note will mature four years after the closing and bear interest, at the election of HAPC, at a floating rate equal to LIBOR plus 5.5% or the Base rate plus 4.5% calculated on a 360 day basis; provided, however, that LIBOR shall be no less than 3% and the Base rate no less than 4%. The Base rate shall be the rate of interest quoted in The Wall Street Journal, Money Rates Section as the Prime Rate (currently defined as the base rate on corporate loans posted by at least 75% of the nation's 30 largest banks), as in effect from time to time, which was equal to 8.25% as of March 29, 2007. The principal amount will be amortized quarterly as follows: 5% during year one; 10% during year two; 10% during year three; and 15% during year four with the remaining principal amount due at the maturity date. In the event that the loan is prepaid prior to the third anniversary of the closing, InfuSystem will pay I-Flow a prepayment premium equal to (i) 2% of the principal amount of such repayment, if such repayment occurs on or prior to one year after the closing or (ii) 1% of the principal amount of such repayment, if such repayment occurs after the date which is more than one year after the closing but on or prior to the date which is three years after the closing. The Promissory Note is subject to mandatory prepayments in amounts to be determined in the event that InfuSystem or HAPC engage in any asset sale which is not in the ordinary course of business, receive insurance proceeds that are not reinvested in the business of InfuSystem or HAPC, receive cash proceeds from the sale of any equity, receive tax refunds, incur indebtedness, enter into a revolving credit facility or have certain excess cash flows. Based upon InfuSystem's historical financial performance and cash flow over the past two years and assuming no material adverse changes in its results, HAPC believes that the operations from the existing InfuSystem business will be sufficient to pay the interest and required installments of principal (40%) on the debt.

HAPC does not expect that it will be able to pay the remaining principal from cash at hand upon maturity. However, based upon InfuSystem's historical financial performance assuming no material adverse changes in its results, HAPC anticipates that it will be able to refinance the remaining principal at maturity. In the current lending environment, HAPC believes that an entity with assets and operating results comparable to InfuSystem would be able to obtain from third party commercial lenders financing in an amount necessary to refinance the remaining outstanding principal amount of the Promissory Note at maturity. Although HAPC anticipates that it will be able to refinance the remaining principal at maturity, there is no assurance that HAPC will be able to do so on terms acceptable to it, if at all.

Whether or not HAPC is able to refinance the promissory note will largely depend upon the discretion of third party lenders who may determine that it is inadvisable to enter into financing arrangements with HAPC. See also the risk factors entitled "Debt incurred in connection with the acquisition of InfuSystem could adversely affect HAPC's operations and financial condition" and "HAPC's indebtedness to I-Flow under the promissory note will be secured by substantially all of its assets. I-Flow's security interest in substantially all of HAPC's assets may limit HAPC's flexibility in the way HAPC operates its business and its ability to obtain additional financing from third parties" on page 16.

In the event that HAPC is not able to refinance the remaining principal of the Promissory Note when due at maturity, it will seek to extend and restructure the terms of the Promissory Note with I-Flow, although I-Flow will be under no obligation to agree to such extension and restructuring. In the event HAPC is unable to refinance the amount due and I-Flow is not agreeable to an extension, I-Flow would have the ability to exercise all rights of the secured lender, including the ability to force HAPC into bankruptcy.

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The Promissory Note will be secured by all of the assets of InfuSystem and HAPC. HAPC believes that the fair market value of such assets exceeds the maximum potential principal amount of the Promissory Note. InfuSystem and HAPC will make certain representations and warranties to I-Flow including, among others, (i) due corporate organization and authorization; (ii) execution, delivery and enforceability of the Promissory Note; (iii) financial condition and solvency; (iv) no material adverse change in or effect on the business, condition (financial or otherwise), assets, liabilities (actual or contingent), operations, management, performance, properties, or prospects of HAPC, since December 31, 2005; and (v) title to properties. InfuSystem and HAPC will also make certain covenants to I-Flow customary for a transaction of this type and including, among others, maintenance of certain leverage ratios and fixed charge coverage ratios as well as certain levels of liquidity and EBITDA.

The occurrence of the following events, among others, will constitute a default under the Promissory Note: (i) failure to pay when due any principal, interest, premium or fees; (ii) failure to comply with the covenants and other agreements in the Promissory Note; (iii) material breach of a representation of warranty; (iv) liquidation, bankruptcy or reorganization of InfuSystem or HAPC; or (v) the impairment of any of the collateral pledged by InfuSystem and HAPC as security for the Promissory Note. In the event of a default, the applicable interest rate of the Promissory Note will be increased by 2%.

In connection with I-Flow's commitment to accept the Promissory Note, HAPC paid a \$100,000 delivery fee to I-Flow on October 4, 2006. HAPC must also pay I-Flow a Ticking Fee (between 0.50% and 1.0% per annum of the maximum principal amount of the Promissory Note which is \$75,000,000) from September 29, 2006, the date that the Stock Purchase Agreement was executed, until the earlier of the closing under the Stock Purchase Agreement, termination of the Stock Purchase Agreement or HAPC's notice that, because alternative financing has been secured, the Promissory Note to I-Flow will no longer be required. The Promissory Note will be subject to a facility fee equal to 2.50% of the actual principal amount payable at closing. Additionally, InfuSystem will pay I-Flow an administrative fee of \$75,000 at the closing and on each anniversary of the closing for the term of the Promissory Note.

## **Closing of the Acquisition**

Subject to the provisions of the Stock Purchase Agreement, the closing will take place no later than July 31, 2007, or, as soon as practicable after all the conditions described under the section "The Stock Purchase Agreement - The Conditions to Completion of the Acquisition" have been satisfied, unless HAPC and I-Flow agree to another time.

## **Representations and Warranties**

The Stock Purchase Agreement contains a number of representations and warranties that each of HAPC, Acquisition Sub, I-Flow and InfuSystem make to each other. These representations and warranties include and relate to:

organization and qualification;

authorization, execution, delivery and enforceability of the Stock Purchase Agreement and related agreements including the Amended and Restated Services Agreement and License Agreement;

absence of conflicts or violations under organizational documents, certain agreements and applicable laws or decrees, as a result of the contemplated transaction; receipt of all required consents and approvals;

capitalization and ownership of capital stock (I-Flow and InfuSystem);

financing (HAPC and Acquisition Sub only);

investment intent (HAPC and Acquisition Sub only);



brokers;

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access to information (HAPC and Acquisition Sub only);

equity interests in third parties (I-Flow and InfuSystem only);

financial statements (I-Flow and InfuSystem only);

no undisclosed liabilities (I-Flow and InfuSystem only);

absence of certain changes or events since June 30, 2006 (I-Flow and InfuSystem only);

compliance with law; permits (I-Flow and InfuSystem only);

litigation (I-Flow and InfuSystem only);

employee benefit plans (I-Flow and InfuSystem only);

labor and employment (I-Flow and InfuSystem only);

insurance (I-Flow and InfuSystem only);

real property (I-Flow and InfuSystem only);

intellectual property (I-Flow and InfuSystem only);

taxes (I-Flow and InfuSystem only);

environmental matters (I-Flow and InfuSystem only);

material contracts (I-Flow and InfuSystem only);

accounts receivable; suppliers (I-Flow and InfuSystem only);

inventories (I-Flow and InfuSystem only);

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products (I-Flow and InfuSystem only);

minute books; books and records (I-Flow and InfuSystem only);

bank accounts; powers of attorney (I-Flow and InfuSystem only);

affiliate transactions (I-Flow and InfuSystem only);

tangible personal property (I-Flow and InfuSystem only);

accuracy of all information provided to HAPC and Acquisition in connection with preparation of proxy statement (I-Flow and InfuSystem only);

HAPC's and Acquisition Sub's own investigation and due diligence process (HAPC and Acquisition Sub only);

accuracy of all information contained in proxy statement (HAPC and Acquisition Sub only);

no other representations and warranties (HAPC and Acquisition Sub only); and

knowledge of breaches.

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### **Materiality and Material Adverse Effect**

Certain of the representations and warranties are qualified by materiality or material adverse effect. Subject to certain exceptions set forth in the Stock Purchase Agreement, a material adverse effect means, with respect to InfuSystem, any event, change, circumstance, effect or state of facts, or any combination of the foregoing, that is materially adverse to (i) the business, assets, liabilities, condition (financial or otherwise) or results of operations of InfuSystem, taken as a whole, or (ii) the ability of InfuSystem to timely perform its obligations under the Stock Purchase Agreement, Amended and Restated Services Agreement or the License Agreement to which it is, or will be, a party or to consummate the transactions contemplated hereby or thereby.

With respect to InfuSystem, a material adverse effect does not include the effect of any circumstance, change, development or event arising out of or impacting:

the markets or industry in which InfuSystem operates its business;

general economic conditions, including such conditions as are related to InfuSystem's business;

national or international political or social conditions, including the engagement by the United States in hostilities, whether or not pursuant to the declaration of a national emergency or war, or the occurrence of any military or terrorist attack upon the United States or any of its territories, possessions or diplomatic or consular offices or upon any military installation, equipment or personnel of the United States, or escalation of any existing hostilities;

financial, banking or securities markets (including any disruption thereof and any decline in the price of any security or any market index);

natural disasters, acts of God or other events not within the reasonable control of InfuSystem, including, but not limited to, recalls or shortage of drugs;

any change in applicable laws or accounting rules;

the taking of any action required by Stock Purchase Agreement or expressly consented to by HAPC or Acquisition Sub;

the public announcement of the entering into of the Stock Purchase Agreement or the transactions contemplated by the Stock Purchase Agreement; and

any adverse change in or effect on InfuSystem's business that is cured by I-Flow or InfuSystem to the reasonable satisfaction of the HAPC before the earlier of the closing or the termination of the Stock Purchase Agreement.

Additionally, no material adverse effect shall be deemed to have occurred upon the occurrence of any one or more of the following events (or combination thereof): (i) the threatened or actual reduction in reimbursements collectible by InfuSystem that is not specific to, or targeted solely at, InfuSystem as a result of any change or development not within the reasonable control of the InfuSystem, including, without limitation, changes or developments in applicable laws or general economic conditions or (ii) the resignation of any employee of the Company as a result of the transactions contemplated by the Stock Purchase Agreement or otherwise.

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A material adverse effect means, with respect to HAPC, Acquisition Sub or I-Flow, any event, change, circumstance, effect or state of facts that is materially adverse to the ability of the HAPC, Acquisition Sub or I-Flow, as applicable, to timely perform in all material respects its obligations under the Stock Purchase Agreement, the License Agreement and Amended and Restated Services Agreement to which it is, or will be, a party or to consummate the transactions contemplated thereby.

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**Interim Covenants**

The parties covenant that, between the date of the Stock Purchase Agreement and the closing;

the business of InfuSystem will continue to be conducted in the ordinary course;

HAPC and Acquisition Sub will have access to the facilities, books and records of InfuSystem;

the disclosure schedules to the Stock Purchase Agreement will be updated as necessary;

the parties will notify one another in the event that a party becomes aware of a breach in a representation or warranty that it has made in the Stock Purchase Agreement;

the parties will notify one another in the event that a party becomes aware of circumstances that will prevent fulfillment of the conditions set forth under The Stock Purchase Agreement Conditions to the Completion of the Acquisition ;

if the Stock Purchase Agreement is terminated before the closing, HAPC will not for a period of two years thereafter, unless permitted in writing by I-Flow, solicit the employment of any person who is or was an employee of InfuSystem or I-Flow during such two year period;

the parties agree to keep any confidential information obtained from the other in the course of negotiating the Stock Purchase Agreement subject to the terms of the Confidentiality Agreement dated as of May 3, 2006 by and between HAPC and I-Flow;

the parties agree to use all commercially reasonable efforts to obtain all necessary third party and governmental consents to the consummation of the transactions contemplated by the Stock Purchase Agreement;

the parties agree to consult with the other before releasing any press release or otherwise making any public statements with respect to the financing of the acquisition;

the parties agree to use all commercially reasonable efforts to obtain the release of I-Flow from its obligations under any bonds, guarantees or similar agreements that I-Flow has entered into on behalf of InfuSystem;

I-Flow agrees to cancel all liabilities owed by or to InfuSystem to or from I-Flow or any of its affiliates, without payment;

I-Flow agrees that it will not, and it will cause InfuSystem or its directors, officers, employees or agent not to: (i) solicit any inquiries with respect to a merger, acquisition, consolidation, recapitalization, liquidation, dissolution, equity investment or similar transaction involving, or any purchase of all or any substantial portion of the assets or any equity securities of, InfuSystem (a Proposal ); (ii) engage in any negotiations concerning, or provide any confidential information or data to, or have any substantive discussions with, any person relating to a Proposal; (iii) otherwise cooperate in any effort or attempt to make, implement or accept a Proposal; or (iv) enter into contract with any Person relating to a Proposal; and

I-Flow agrees that to the extent that any property or assets of InfuSystem, other than InfuSystem's books and records, are in the possession of I-Flow as of the date of the execution of the Stock Purchase Agreement, I-Flow agrees to deliver such property or assets to InfuSystem prior to closing.

**Indemnification of Officers and Directors**

From and after the closing, HAPC will, and cause InfuSystem to, indemnify and defend each person who was at the time of the execution of the Stock Purchase Agreement, or at any time prior thereto, or who becomes prior to the closing, an officer or director of InfuSystem against any and all losses arising out of or relating to any threatened or actual suit, arising out of or relating in whole or in part to the fact that such person is or was a director or officer of InfuSystem.

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### **Employees**

HAPC will provide, or cause to be provided, to the individuals who are actively employed by InfuSystem at the time of the closing, compensation and benefits on terms no less favorable than those provided by InfuSystem prior to the closing, for a period of 12 months.

### **Non-Competition**

Subject to certain exceptions, during the period commencing immediately after the closing and ending on the third anniversary of the closing, I-Flow will not, nor will it cause its affiliates to, have any direct ownership in or manage, operate, finance or control any business of billing to third party insurance carriers for the use of electronic pumps for chemotherapy and other ancillary medical treatments in the United States.

### **Insurance**

In the event that I-Flow is entitled, under the terms of occurrence based insurance policies in effect on or prior to the closing, to coverage for losses suffered by InfuSystem arising out of any occurrences covered by such policies occurring prior to closing, I-Flow will take such actions to recover such losses on behalf of InfuSystem pursuant to such policies as it would use or take in conducting its own business if such losses were suffered by I-Flow, and will deliver the proceeds thereby recovered to InfuSystem.

### **No Claims Against the Trust Account**

Each of I-Flow and InfuSystem agree that it does not have any right, title, interest or claim of any kind in or to any monies in the trust account containing the proceeds of HAPC's initial public offering in the amount of approximately \$96,200,000, and waives any claim it may have in the future as a result of, or arising out of, any negotiations, contracts with HAPC and will not seek recourse against the trust account for any reason whatsoever.

### **Sufficient Cash**

I-Flow is permitted to remove any cash remaining in the business at or prior to the closing of the acquisition. To the extent that I-Flow removes cash from the business at or prior to the closing of the acquisition, the purchase price may be subject to adjustment. The Stock Purchase Agreement provides that the purchase price will be subject to adjustment if the working capital (defined as the excess of current assets over current liabilities) of InfuSystem as of the closing date of the acquisition is greater or less than \$7,680,000. To the extent that I-Flow's removal of cash from the business causes the working capital to be less than \$7,680,000 as of the closing date of the acquisition, the purchase price will be decreased by the amount of the difference.

Pursuant to the terms of the Stock Purchase Agreement, InfuSystem is required to run its business in the ordinary course from the time that the Stock Purchase Agreement is signed until the closing of the acquisition. Accordingly, InfuSystem must maintain levels of inventory appropriate to ensure the ongoing operation of the business up until the time that the business is acquired by HAPC. HAPC anticipates that the levels of inventory maintained by InfuSystem will allow HAPC to generate the necessary cash flows to successfully continue operations once it has assumed control of the business at the closing. Additionally, HAPC or Acquisition Sub will provide cash from trust proceeds and any cash on hand to InfuSystem after the closing in an amount sufficient to allow InfuSystem to carry on its business, pay its creditors existing as of the closing date in ordinary course and continue as a going concern. HAPC estimates that there will be between \$5,000,000 and \$7,500,000 remaining from the trust account after the acquisition has closed and available to the combined company as working capital.

### **Stockholder Approval, Proxy and Annual Meeting**

HAPC's amended and restated certificate of incorporation requires that the acquisition must be approved by the holders of a majority of the shares of HAPC common stock sold in HAPC's initial public offering that vote on the issue. The acquisition cannot be completed if holders of 20% or more of the shares of HAPC common stock sold in the initial public offering vote against the



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acquisition and, as permitted by the amended and restated certificate of incorporation, demand that their shares be converted into the right to receive a pro rata portion of the net proceeds of the initial public offering held in a trust account.

HAPC has agreed to prepare and file a proxy statement with the SEC in order to convene an annual meeting of HAPC's stockholders to vote on the acquisition proposal. I-Flow has agreed to provide HAPC with all information related to InfuSystem necessary to prepare the proxy statement. HAPC's Board of Directors has agreed, subject to its fiduciary duties and applicable law, to recommend that HAPC stockholders vote to approve the acquisition proposal. All fees and expenses incurred by HAPC, I-Flow and InfuSystem in connection with the preparation of the proxy statement (with the exception of audit fees, as described below) and the solicitation of HAPC stockholder approval, will be borne by HAPC.

### **Assignment of Non-Disclosure Agreements**

I-Flow agrees to use commercially reasonable efforts to assign to InfuSystem all of I-Flow's rights and obligations under any non-disclosure or confidentiality agreements that I-Flow has entered into with potential purchasers of InfuSystem to the extent such non-disclosure agreements relate to InfuSystem and confidential information of InfuSystem.

### **Use of InfuSystem Name and Trademark**

I-Flow agrees to immediately cease use of the trade name and trademark "InfuSystem" following the closing.

### **Audit Fees and Costs**

HAPC agrees to bear 50% of all fees and costs paid to auditors by I-Flow and/or InfuSystem relating to the audit of InfuSystem's financial statements as of and for the years ended December 31, 2003 and December 31, 2004. I-Flow agrees to bear all fees and costs incurred in connection with the audit of InfuSystem's financial statements as of and for the year ended December 31, 2005. HAPC agrees to bear all fees and costs incurred in connection with the audit of InfuSystem's financial statements as of and for the year ended December 31, 2006 and all subsequent interim periods.

### **Indemnification**

The parties agree to indemnify one another against any and all damages or liabilities arising out of (i) breach of a representation, warranty or covenant made in the Stock Purchase Agreement, (ii) failure to perform or satisfy a covenant made in the Stock Purchase Agreement or (iii) incurrence of broker's fees in connection with the transactions contemplated by the Stock Purchase Agreement.

The maximum aggregate amount that the parties may recover from one another in connection with the breaches of representations and warranties and certain covenants is 15% of the purchase price. The parties will only become liable to one another for damages resulting from breaches of representations or warranties in excess of \$1,500,000. There is no minimum or maximum amount of damages recoverable by the parties for breaches of certain representations and warranties, most covenants or the incurrence of broker's fees.

Subject to certain exceptions, the representations, warranties and covenants of the parties will survive the closing and expire on March 31, 2008.

### **Tax Matters**

I-Flow agrees to indemnify InfuSystem and HAPC against taxes relating to taxable periods ending on or before the closing date, taxes resulting from any preclosing affiliations of InfuSystem with other entities and taxes resulting from an election under Section 338(h)(10) of the Internal Revenue Code of 1986, as amended (the "Code") with respect to the purchase by HAPC of the stock of InfuSystem. This tax indemnity is limited by various items, including amounts reserved by InfuSystem against certain potential liabilities in respect of Michigan Use Taxes. HAPC agrees to indemnify I-Flow against taxes incurred by InfuSystem in respect of taxable periods beginning on or after the closing date. In general, the parties agree to share responsibility for taxes incurred by InfuSystem for taxable periods including but not ending on the closing date by apportioning those taxes assuming that InfuSystem were to close the books as of the end of the closing date, but on a per diem basis in respect of property taxes.

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I-Flow will prepare and file tax returns for InfuSystem for taxable periods ending on or before the closing date to the extent InfuSystem is included in returns filed by I-Flow on a consolidated or combined basis. HAPC files other tax returns of InfuSystem. The parties have various rights of oversight and review in respect of the tax returns filed by each other.

At the election of HAPC, the parties will enter into an election under Section 338(h)(10) of the Code with respect to the sale of the stock of InfuSystem by I-Flow to HAPC. The parties have agreed upon a tentative allocation of the purchase price among the assets of I-Flow necessitated by this election, subject to adjustment as the figures are finalized.

The parties have agreed to provide each other with various cooperation and assistance if necessary in respect of tax filings or audits with respect to InfuSystem. I-Flow has agreed to terminate all tax sharing agreements relating to InfuSystem so that any such agreements will not have effect after the closing.

## **Conditions to the Completion of the Acquisition**

The obligations of HAPC, Acquisition Sub, I-Flow and InfuSystem to complete the acquisition are subject to the satisfaction or waiver of specified conditions before completion of the acquisition, including the following:

*Conditions to HAPC's, Acquisition Sub's, I-Flow's and InfuSystem's obligations:*

the absence of any law preventing consummation of the acquisition; and

the receipt of all material consents of, registrations, declarations or filings with, any governmental entity legally required for the consummation of the acquisition, including any consents required under the HSR Act.

*Conditions to HAPC's and Acquisition Sub's obligations:*

The obligation of HAPC and Acquisition Sub to complete the acquisition is further subject to the following conditions:

the representations and warranties made by I-Flow and InfuSystem that are qualified as to materiality must be true and correct, and those not qualified as to materiality must be true and correct in all material respects, both when made and as of the closing date of the acquisition, except representations and warranties that address matters as of another date, which must be true and correct as of such other date, and HAPC must have received a certificate from each of I-Flow and InfuSystem to that effect;

I-Flow and InfuSystem must have performed in all material respects all obligations required to be performed by each of them under the terms of the Stock Purchase Agreement;

HAPC and Acquisition Sub must have received all such documents as HAPC and Acquisition Sub may reasonably request evidencing the satisfaction of I-Flow's and InfuSystem's obligations under the terms of the Stock Purchase Agreement;

HAPC must have received the affirmative vote in favor of the acquisition by the holders of at least the majority of the number of shares of common stock that were issued in HAPC's public offering that vote on the proposal, provided, less than 20% of the shares of common stock issued in HAPC's initial public offering vote against the acquisition proposal and elect a cash conversion of their shares;

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I-Flow must have obtained the consent of each person whose consent is required under certain material contracts to which InfuSystem is a party and provided evidence of such consents to HAPC;

I-Flow must have delivered to HAPC evidence of the release of all encumbrances (other than certain permitted encumbrances, including those created by HAPC or Acquisition Sub) with respect to the property and assets of InfuSystem and all of the issued and outstanding capital stock of InfuSystem;

I-Flow must have delivered to HAPC evidence of the repayment or release of all outstanding indebtedness of InfuSystem (other than certain permitted indebtedness);

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I-Flow must have delivered to HAPC evidence of the repayment or other cancellation of all liabilities owed by or to InfuSystem to or from I-Flow or any of its affiliates;

I-Flow must have delivered to HAPC or Acquisition Sub a certificate of the secretary of I-Flow dated as of the closing date and certifying that attached thereto are true and complete copies of all resolutions adopted by the Board of Directors of I-Flow authorizing the execution, delivery and performance of the Stock Purchase Agreement and that all such resolutions are in full force and effect and are all the resolutions adopted in connection with the transactions contemplated by the Stock Purchase Agreement;

I-Flow must have delivered to HAPC a duly completed and executed certification of non-foreign status pursuant to Section 1.1445-2(b)(2) of the Treasury regulations; and

I-Flow must have delivered to HAPC a duly completed and executed Form 8023, if requested by HAPC.

*Conditions to I-Flow's and InfuSystem's Obligations:*

The obligation of I-Flow and InfuSystem to complete the acquisition is further subject to the following conditions:

the representations and warranties made by HAPC and Acquisition Sub that are qualified as to materiality must be true and correct, and those not qualified as to materiality must be true and correct in all material respects, both when made and as of the closing date of the acquisition, except representations and warranties that address matters as of another date, which must be true and correct as of such other date, and I-Flow must have received a certificate from each of HAPC and Acquisition Sub to that effect;

HAPC or Acquisition Sub must have delivered the purchase price of \$140,000,000 in cash (subject to certain working capital adjustments to be determined at the time of closing) or in a combination of cash and a promissory note to I-Flow;

HAPC must have executed and delivered to I-Flow a guaranty of amounts due under the promissory note;

I-Flow must have received an executed counterpart signature page by InfuSystem to each of the License Agreement and Amended and Restated Services Agreement; and

I-Flow must have received all such documents as I-Flow may reasonably request evidencing the satisfaction of HAPC's and Acquisition Sub's obligations under the terms of the Stock Purchase Agreement.

## **Termination**

### *Termination by I-Flow or HAPC*

The Stock Purchase Agreement may be terminated at any time prior to the closing by mutual written consent of I-Flow or HAPC. Additionally, I-Flow or HAPC may terminate the Stock Purchase Agreement prior to closing if (i) the closing has not occurred by July 31, 2007 or (ii) any governmental authority issues an order, ruling or takes other action that prohibits the consummation of the transactions contemplated by the Stock Purchase Agreement.

### *Termination by I-Flow*

I-Flow may terminate the Stock Purchase Agreement prior to the closing if (i) HAPC or Acquisition Sub breaches or fails to perform in any respect any of its representations, warranties or covenants contained in the Stock Purchase Agreement where such breach or failure to perform would result in a failure of a condition precedent to the closing, cannot be cured within 15 calendar days following delivery of written notice of

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such breach and such breach has not been waived by I-Flow or (ii) any of the conditions precedent to closing have become incapable of fulfillment.

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### *Termination by HAPC*

HAPC may terminate the Stock Purchase Agreement prior to the closing if (i) I-Flow or InfuSystem breaches or fails to perform in any respect any of its representations, warranties or covenants contained in the Stock Purchase Agreement, License Agreement or the Amended and Restated Services Agreement where such breach or failure to perform would result in a failure of a condition precedent to the closing, cannot be cured within 15 calendar days following delivery of written notice of such breach and such breach has not been waived by I-Flow or (ii) any of the conditions precedent to closing have become incapable of fulfillment.

### **Effect of Termination**

In the event that the Stock Purchase Agreement is terminated for any of the reasons enumerated above, the Stock Purchase Agreement will become void, provided, however, the parties shall continue to remain bound by the provisions relating to confidentiality, public announcements, fees and expenses, notices, governing law, third party beneficiaries and submission to jurisdiction.

Additionally, in the event that the Stock Purchase Agreement is terminated (i) because of HAPC's failure to obtain the stockholder approval required by the terms of the Stock Purchase Agreement ( HAPC Stockholder Approval ) by July 31, 2007 for any reason or (ii) because HAPC or Acquisition Sub is unwilling or unable to consummate the transactions contemplated by the Stock Purchase Agreement notwithstanding the fact that all conditions precedent to the Stock Purchase Agreement to be satisfied by I-Flow and InfuSystem (and the receipt of HAPC Stockholder Approval) have been satisfied or are capable of fulfillment, HAPC must pay I-Flow a break up fee. In the event that I-Flow terminates the Stock Purchase Agreement after July 31, 2007 and the break up fee is payable for the sole reason that HAPC has not held the stockholder meeting seeking HAPC Stockholder Approval by July 31, 2007, the break up fee will be \$1,000,000. In all other cases where a break up fee is payable, the amount will be \$3,000,000.

### **Guaranty**

Payment of the break up fee has been guaranteed to I-Flow by Messrs. Sean McDevitt and Philip B. Harris (the Guarantors ) pursuant to a Continuing Guaranty provided by the Guarantors in favor of I-Flow and delivered concurrently with the execution of the Stock Purchase Agreement. Pursuant to the terms of a Guarantee Fee and Reimbursement Agreement entered into by HAPC and the Guarantors on September 29, 2006, HAPC has agreed to pay the Guarantors a fee of \$100,000 upon delivery of the Continuing Guaranty and \$300,000 upon closing of the transactions contemplated by, or the termination of, the Stock Purchase Agreement. HAPC has also agreed to reimburse the Guarantors for any payments actually made by them in connection with the Continuing Guaranty.

Messrs. McDevitt and Harris have delivered a letter of credit to I-Flow issued by JPMorgan Chase Bank for the benefit of I-Flow which I-Flow may draw upon in the event that the \$3,000,000 or \$1,000,000 break up fee, as the case may be, is not paid when due and payable.

### **Fees and Expenses**

All fees and expenses incurred in connection with the Stock Purchase Agreement will be paid by the party incurring those fees and expenses, regardless of whether the transactions contemplated by the Stock Purchase Agreement are consummated.

### **Amendment and Modification**

The Stock Purchase Agreement may not be amended or modified except by an instrument in writing signed on behalf of each of the parties thereto.

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### **Waiver**

Any agreement on the part of any party to the Stock Purchase Agreement to waive a right or remedy under the Stock Purchase Agreement will only be valid if set forth in writing and signed by a duly authorized officer on behalf of such party.

No failure or delay of any party in exercising any right or remedy under the Stock Purchase Agreement will operate as a waiver of such right or remedy, nor will any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such right or power, preclude any other or further exercise of such right or power.

### **Governing Law**

The laws of the State of New York will govern disputes and controversies arising out of the Stock Purchase Agreement.

### **Assignment**

HAPC or the Acquisition Sub may assign the Stock Purchase Agreement to any subsidiary of HAPC without the prior consent of I-Flow or InfuSystem. I-Flow may assign any of its rights under the Stock Purchase Agreement, including the right to receive the purchase price and/or the repayment of the promissory note, to one of its affiliates without the consent of HAPC or InfuSystem. In all other instances, neither the Stock Purchase Agreement, nor any of the rights or obligations thereunder, may be assigned by any party without the prior written consent of the other parties, and any such assignment without such prior written consent will be null and void.

### **Ancillary Agreements**

#### *Amended and Restated Services Agreement*

I-Flow and InfuSystem will enter into an Amended and Restated Services Agreement ( *Services Agreement* ) pursuant to which InfuSystem will agree to continue to provide I-Flow, from and after the closing, the billing and collection services and management services that InfuSystem has been providing I-Flow prior to the date of closing. Under the Services Agreement, I-Flow will agree to retain InfuSystem, as an independent contactor, on a non-exclusive basis, to provide third-party billing and certain management services in connection with the manufacturing, marketing, distribution and sale by I-Flow of its medical equipment and supplies. In return, InfuSystem will agree to furnish I-Flow certain billing and collection services, including the billing of services and/or products to, and collection of payments and reimbursements from, patients and applicable third parties. Additionally, InfuSystem will agree to furnish the following management services to I-Flow: (i) business management assistance; (ii) advice concerning regulatory, legislative and industry changes; (iii) assistance in establishing and maintaining a medical record system; and (iv) staff development.

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

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

#### *License Agreement*

In order to facilitate the continued business relationship between InfuSystem and I-Flow pursuant to the Services Agreement, as described above, InfuSystem will grant to I-Flow a license to use InfuSystem's intellectual property related to the third-party

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billing and collection services and management services currently provided by InfuSystem to I-Flow. Specifically, InfuSystem will grant to I-Flow (i) an unrestricted, perpetual, irrevocable, worldwide, assignable, royalty-free and exclusive license to use and/or sublicense InfuSystem's intellectual property with respect to acute post-operative pain management treatments, and (ii) an unrestricted, perpetual, irrevocable, worldwide, assignable, royalty-free and non-exclusive license to use and/or sublicense InfuSystem's intellectual property with respect to all fields other than post-operative pain management treatments, including, without limitation, the fields of wound site management and post-operative surgical treatments.

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



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**BNY CAPITAL MARKETS, INC. FAIRNESS OPINION**

BNY Capital Markets, Inc. ( BNY ) was retained by HAPC in connection with its proposed acquisition of InfuSystem, Inc. HAPC chose to retain BNY based on BNY 's reputation and experience in the healthcare mergers and acquisitions market. Specifically, HAPC requested BNY to determine whether the consideration be paid by HAPC in connection with the acquisition is fair to HAPC from a financial point of view. On September 29, 2006, at a meeting of the HAPC Board of Directors held to evaluate the acquisition, BNY rendered to the board an oral opinion, which opinion was confirmed by delivery of a written opinion dated September 29, 2006, to the effect that, as of that date and based on and subject to the matters described in its opinion, the consideration to be paid by HAPC in connection with the acquisition was fair, from a financial point of view to HAPC.

The full text of BNY 's written opinion, dated September 29, 2006, to the HAPC Board of Directors, which sets forth the procedures followed, assumptions made, matters considered and limitations on the review undertaken, is attached as Annex C. You are encouraged to read this opinion carefully in its entirety. The opinion was provided to the board in connection with the board 's evaluation of the acquisition and relates only to the fairness to HAPC, from a financial point of view, of the consideration to be paid by HAPC, does not address any other aspect of the acquisition and does not constitute a recommendation to any stockholder as to how such stockholder should vote or act with respect to any matters relating to the acquisition. The opinion is neither a recommendation nor advice as to whether HAPC shareholders should exercise their right to convert their shares into cash, pursuant to the HAPC charter. The summary of BNY 's opinion in this proxy statement is qualified in its entirety by reference to the full text of the opinion.

In arriving at its opinion, BNY reviewed a draft dated September 28, 2006, of the stock purchase agreement and drafts of certain related documents, as well as certain publicly available business and financial information relating to InfuSystem. BNY also reviewed certain other information relating to InfuSystem, including financial forecasts provided to or discussed with BNY by HAPC management and InfuSystem. In addition, BNY reviewed certain financial projections presented in the InfuSystem Confidential Information Memorandum and discussed InfuSystem 's business and prospects with HAPC management and InfuSystem management. BNY also considered certain financial data of InfuSystem and compared that data with similar data for other publicly held companies in businesses BNY deemed similar to InfuSystem, and considered, to the extent publicly available, the financial terms of certain other business combinations and transactions which had been effected or announced. BNY also considered such other information, financial studies, analyses and investigations and financial, economic and market criteria as it deemed relevant.

In connection with its review, BNY did not assume any responsibility for independent verification of any of the information it reviewed and relied on that information being complete and accurate in all material respects. With respect to the financial forecasts for InfuSystem that BNY reviewed, HAPC management advised BNY, and BNY assumed, that the forecasts were reasonably prepared on bases reflecting the best currently available estimates and judgments of HAPC management as to InfuSystem 's future financial performance. BNY also assumed, with HAPC 's consent, that in the course of obtaining any regulatory or third party consents, approvals or agreements in connection with the acquisition, no modification, delay, limitation, restriction or condition would be imposed that would have an adverse effect on InfuSystem or the acquisition and that the acquisition would be consummated in accordance with the terms of the Stock Purchase Agreement, without waiver, modification, amendment or adjustment of any material term, condition or agreement therein. In addition, BNY was not requested to make, and did not make, an independent evaluation or appraisal of the assets or liabilities (contingent or otherwise) of InfuSystem, nor was BNY furnished with any such evaluations or appraisals. Representatives of HAPC advised BNY, and BNY assumed, that the Stock Purchase Agreement and related documents, when executed, would conform to the drafts reviewed by BNY in all respects material to its analyses. BNY 's opinion addressed only the fairness to HAPC, from a financial point of view, of the consideration paid by HAPC in the acquisition and did not address any other aspect or implication of the acquisition or any other agreement, arrangement or understanding entered into in connection with the acquisition or otherwise. The opinion was necessarily based upon information made available to BNY as of the date of the opinion and upon financial, economic, market and other conditions as they existed and could be evaluated on that date. BNY 's opinion did not address the relative merits of the acquisition as compared to other business strategies or transactions that might be available to HAPC, nor did it address the underlying business decision of HAPC to proceed with the acquisition.

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In preparing its opinion to the HAPC Board of Directors, BNY performed a variety of financial and comparative analyses, including those described below. The summary of BNY's analyses described below is not a complete description of the analyses underlying BNY's opinion. The preparation of a fairness opinion is a complex process involving various determinations as to the most appropriate and relevant methods of financial analysis and the application of those methods to particular circumstances and, therefore, a fairness opinion is not readily susceptible to partial analysis or summary description. In arriving at its opinion, BNY made qualitative judgments as to the significance and relevance of each analysis and factor that it considered. BNY arrived at its ultimate opinion based on the results of all analyses undertaken by it and assessed as a whole and did not draw, in isolation, conclusions from or with regard to any one factor or method of analysis. Accordingly, BNY believes that its analyses must be considered as a whole and that selecting portions of its analyses and factors or focusing on information presented in tabular format, without considering all analyses and factors or the narrative description of the analyses, could create a misleading or incomplete view of the processes underlying its analyses and opinion.

In its analyses, BNY considered industry performance, general business, economic, market and financial conditions and other matters, many of which are beyond the control of InfuSystem. No company, transaction or business used in BNY's analyses as a comparison is identical to InfuSystem or the acquisition, and an evaluation of the results of those analyses is not entirely mathematical. Rather, the analyses involve complex considerations and judgments concerning financial and operating characteristics and other factors that could affect the acquisition, public trading or other values of the companies, business segments or transactions analyzed. The estimates contained in BNY's analyses and the ranges of valuations resulting from any particular analysis are not necessarily indicative of actual values or predictive of future results or values, which may be significantly more or less favorable than those suggested by the analyses. The estimates contained in BNY's analysis were used for valuation purposes only and stockholders should not place undue reliance upon the estimates. In addition, analyses relating to the value of businesses or securities do not purport to be appraisals or to reflect the prices at which businesses or securities actually may be sold. Accordingly, the estimates used in, and the results derived from, BNY's analyses are inherently subject to substantial uncertainty.

BNY's opinion and financial analyses were only one of many factors considered by the HAPC Board of Directors in its evaluation of the acquisition and should not be viewed as determinative of the views of HAPC with respect to the decision by HAPC to pursue the acquisition or the consideration to be paid by HAPC in connection with acquisition.

The following is a summary of the material financial analyses presented to the HAPC board in connection with BNY's opinion dated September 29, 2006:

The financial analyses summarized below include information presented in tabular format. In order to fully understand BNY's financial analyses, the tables must be read together with the text of each summary. The tables alone do not constitute a complete description of the financial analyses. Considering the data in the tables below without considering the full narrative description of the financial analyses, including the methodologies and assumptions underlying the analyses, could create a misleading or incomplete view of BNY's financial analyses.

*Discounted Cash Flow Analysis*

BNY calculated the estimated present value of the stand-alone, unlevered, after-tax free cash flows that InfuSystem could generate over calendar years 2007 through 2010 based on internal estimates developed by HAPC and provided to or discussed with BNY.

The projections assumed annual revenue growth and operating and earnings margins substantially consistent with InfuSystem's performance over the past several years. The projections were developed by HAPC management and provided to BNY for use in its analysis. InfuSystem's actual annual revenue growth during the period from 2001 to 2005 varied from -1% to 49%. HAPC assumed annual revenue growth rates for InfuSystem for the period from 2007 to 2010 that varied from 15% to 20%. InfuSystem's actual annual gross profit margins during the period from 2001 to 2005 varied from 69% to 73%. HAPC assumed annual gross profit margins for InfuSystem for the period from 2007 to 2010 that varied from 73% to 75%. InfuSystem's actual annual operating profit margins during the period from 2001 to 2005 varied from 15% to 28%. HAPC assumed annual operating profit margins for InfuSystem for the period from 2007 to 2010 that varied from 26% to 36%. While HAPC believes the assumptions underlying these projections were reasonable, there is no assurance that InfuSystem will obtain the results contemplated by these projections. Factors that may impact InfuSystem's ability to do so include those outlined under "Risk Factors" contained in this proxy statement.

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A range of estimated terminal values for InfuSystem was calculated by multiplying InfuSystem's calendar year 2010 estimated earnings before net interest, income taxes, depreciation and amortization, commonly referred to as EBITDA, by selected multiples ranging from 8.0x to 9.0x. The multiple range was based on the trading multiples of selected comparable companies. The estimated after-tax free cash flows and terminal values were then discounted to present value using discount rates of 13% to 15%. This analysis indicated the following total enterprise value range for InfuSystem as compared to the total enterprise value of the consideration to be paid in accordance with the acquisition:

**Implied Total Enterprise****Value Range**

\$157.0 \$185.0 million

**Total Enterprise****Value of Consideration to be Paid**

\$140.0 million

BNY then performed two sensitivity analyses by discounting the projected stand-alone, unlevered, after-tax free cash flows by 15% annually over calendar years 2007 through 2010 and 30% annually over calendar years 2007 through 2010. Like the scenario above, a range of estimated terminal values for InfuSystem was calculated by multiplying InfuSystem's calendar year 2010 estimated earnings before net interest, income taxes, depreciation and amortization, commonly referred to as EBITDA, by selected multiples ranging from 8.0x to 9.0x. The estimated after-tax free cash flows and terminal values were then discounted to present value using discount rates of 13% to 15%. These two sensitivity analyses indicated the following total enterprise value range for InfuSystem as compared to the total enterprise value of the consideration to be paid in accordance with the acquisition:

**Implied Total Enterprise****Value Range after 15% Discount**

\$133.0 \$157.0 million

**Total Enterprise****Value of Consideration to be Paid**

\$140.0 million

**Implied Total Enterprise****Value Range after 15% Discount**

\$110.0 \$130.0 million

**Total Enterprise****Value of Consideration to be Paid**

\$140.0 million

The implied total enterprise value range for the financial projections is higher than the value of consideration to be paid. The two ranges of enterprise values from the sensitivity analyses illustrate the relative valuation of the business as a result of a 15% and 30% decrease in cash flow. The value of consideration to be paid was within the range of implied value in the 15% discount analysis and above the range of implied value in the 30% discount analysis. The Board of Directors of HAPC believes that the multiples and discount rates used by BNY in its discounted cash flow analysis were reasonable.

*Selected Companies Analysis*

Comparable companies were identified based on a search of U.S. publicly-traded companies using primary and secondary home health care services SIC code 8082. BNY deemed the following five selected publicly held companies in the home healthcare industry to be comparable based on a review of each company's business and financial performance and reviewed their market values and trading multiples:

Company	(\$Millions)		
	LTM Revenue (\$Millions) <sup>1</sup>	LTM Revenue (\$Millions) <sup>1</sup>	LTM EBITDA (\$Millions) <sup>1</sup>
Amedisys, Inc.	\$ 686.9	\$ 491.2	\$ 66.2
Apria Healthcare Group Inc.	\$ 1,391.7	\$ 1,471.4	\$ 277.4
Gentiva Health Services, Inc.	\$ 744.3	\$ 968.9	\$ 59.7
Lincare Holdings Inc.	\$ 3,525.9	\$ 1,330.0	\$ 45.3
Option Care Inc.	\$ 524.5	\$ 571.2	\$ 36.5
InfuSystem, Inc.		\$ 30.5	\$ 14.4

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<sup>1</sup> As of June 30, 2006

BNY compared enterprise values, calculated as equity value plus debt, less cash and cash equivalents, as a multiple of the latest 12 months and estimated calendar years 2006 and 2007 EBITDA. BNY applied ranges of selected multiples described above for the selected companies to corresponding financial data of InfuSystem based on internal estimates developed by HAPC. BNY then applied a 40% discount to the implied TEV due to InfuSystem's non-public securities, smaller size, product concentration and dependence on existing reimbursement

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regime and a 20.9% premium due to the contemplated change in control resulting in a net discount of 19.1%. The 20.9% premium is the median control premium for health services transactions in the second quarter of 2006. All multiples were based on closing stock prices on September 28, 2006. Financial data for the selected companies was based on publicly available research analysts' estimates, public filings and other publicly available information. Financial data for InfuSystem was based on internal estimates developed by HAPC. This analysis indicated the following total enterprise value range for InfuSystem, as compared to the total enterprise value of the consideration to be paid in accordance with the Proposed Transaction:

**Implied Total Enterprise****Value Range**

\$99.0 \$121.0 million

**Total Enterprise****Value of Consideration to be Paid**

\$140.0 million

*Selected Acquisitions Analysis*

BNY reviewed the transaction value multiples in the following four selected transactions in the home healthcare industry:

Company	Company	TEV (\$Millions)	LTM	
			Revenue (\$Millions) <sup>1</sup>	EBITDA (\$Millions) <sup>1</sup>
Gentiva Health Services	The Healthfield Group	\$ 455.0	\$ 269.0	\$ 42.5
Amedisys, Inc.	Housecall Medical Resources	\$ 116.6	\$ 103.0	\$ 9.9
National Senior Care	Mariner Health Care	\$ 1,027.6	\$ 1,701.0	\$ 81.3
Critical Care Systems International	Critical Care Systems	\$ 185.7	\$ 107.1	\$ 12.0
	InfuSystem, Inc.		\$ 30.5	\$ 14.4

BNY compared, among other things, enterprise values in the selected transactions as multiples of the latest 12 months EBITDA. BNY then applied a range of selected multiples derived from the selected transactions to corresponding financial data of InfuSystem. Multiples for the selected transactions were based on publicly available financial information at the time of announcement of the relevant transaction. Financial data for InfuSystem was based on internal estimates developed by HAPC. This analysis indicated the following implied total enterprise value range for InfuSystem, as compared to the total enterprise value of the consideration to be paid in accordance with the Proposed Transaction:

**Implied Total Enterprise****Value Range**

\$158.0 \$187.0 million

**Total Enterprise****Value of Consideration to be Paid**

\$140.0 million

*Miscellaneous*

BNY is a nationally recognized investment banking firm and has been retained by the Board of Directors of HAPC to determine if the consideration to be paid by HAPC in the acquisition is fair, from a financial point of view, to HAPC. Under the terms of its engagement letter, BNY provided HAPC a financial opinion in connection with the acquisition, and HAPC agreed to pay BNY a fee for its services, which was not contingent on either BNY rendering a favorable opinion on or successful completion of the acquisition. In addition, HAPC has agreed to indemnify BNY for certain liabilities that may arise out of the rendering of the Opinion. BNY is a wholly owned subsidiary of The Bank of New York Company, Inc. In the ordinary course of business, members of The Bank of New York group of companies may from time to time trade in the securities of InfuSystem or its affiliates for their own account, accounts under their management and for the accounts of their customers and, accordingly, may at any time hold a long or short position in such securities.

The acquisition consideration was determined through arms'-length negotiations between InfuSystem, I-Flow and HAPC and was approved by the HAPC Board of Directors and the I-Flow Board of Directors. BNY did not recommend any specific amount of consideration to the HAPC Board of Directors or that any specific amount of consideration constituted the only appropriate consideration for the acquisition.

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BNY, as part of its customary investment banking practice, is continually engaged in the valuation of businesses and their securities in connection with acquisitions and acquisitions, competitive biddings, corporate and other purposes. BNY acted as financial advisor to HAPC in connection with the acquisition for the purpose of providing the fairness opinion and received a fee of \$250,000 plus reimbursement of approximately \$25,000 in expenses incurred in connection with the engagement. BNY did not provide any other financial advisor services. The fee received by BNY was not contingent on the consummation of the acquisition or the conclusions expressed in the opinion. HAPC also agreed to indemnify BNY against certain liabilities incurred in connection with its services.

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**PROPOSAL 2**

**THE STOCK INCENTIVE PLAN PROPOSAL**

**Background**

HAPC is seeking your approval of the adoption of the HAPC 2007 Stock Incentive Plan (the "Plan") providing for the issuance of a maximum of 2,000,000 shares of common stock in connection with the grant of options and/or other stock-based or stock-denominated awards. The closing bid price of a share of HAPC common stock on November 30, was \$5.60.

The HAPC Board of Directors believes that attracting, retaining and rewarding directors, officers, other employees and persons who provide services to HAPC and its subsidiaries and enabling such persons to acquire or increase a proprietary interest in HAPC has been and will continue to be essential to HAPC's growth and success. The Plan will enable HAPC to implement a compensation program with different types of incentives for motivating such individuals and encouraging them to give HAPC long-term, excellent service.

On November 8, 2006, the HAPC Board of Directors unanimously approved the Plan and recommended that the Plan be submitted to the stockholders for approval at the annual meeting. If approved by the stockholders at the annual meeting, the Plan will become effective as of the closing of the acquisition. A copy of the Plan is attached as Annex B.

**Reasons for Shareholder Approval**

The HAPC Board of Directors seeks shareholder approval of the Plan as a matter of good corporate governance practices.

The HAPC Board of Directors also seeks to preserve HAPC's ability to claim tax deductions for compensation paid, to the greatest extent practicable. Section 162(m) of the Internal Revenue Code limits the deductions a publicly held company can claim for compensation in excess of \$1 million in a given year paid to the chief executive officer and the four other most highly compensated executive officers serving on the last day of the fiscal year (generally referred to as the "named executive officers"). Performance-based compensation that meets certain requirements is not counted against the \$1 million deductibility cap, and therefore remains fully deductible. HAPC is seeking stockholder approval of the Plan in order to meet a key requirement for certain awards to qualify as "performance-based" under Code Section 162(m).

In addition, stockholder approval will permit designated stock options to qualify as incentive stock options under the Internal Revenue Code. Such qualification can give the holder of the options more favorable tax treatment, as explained below.

The approval of the Plan will not affect HAPC's ability to make stock-based or cash-based awards outside of the Plan to the extent consistent with applicable law and stock exchange rules.

**Potential Dilution**

The aggregate number of shares of common stock ("Shares") that may be issued under the Plan will not exceed 2,000,000, subject to adjustment as discussed below.

**Repricing**

As to any award granted as an option to purchase Shares or an appreciation right payable in Shares, the HAPC Board of Directors is authorized to subsequently reduce the applicable exercise price relating to such award, or take such other action as may be considered a repricing of such award under generally accepted accounting principles.

**Accounting Treatment of Awards under the Plan**

HAPC has adopted Statement of Financial Accounting Standards No. 123 Revised (FAS 123R) as its method of accounting for stock-based compensation plans. FAS 123R provides a method by which the fair value of awards granted under the Plan, including stock options, can be calculated and reflected in HAPC's financial statements.





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Although accounting standards may change over time, the HAPC Board of Directors expects that any standard HAPC may use in the foreseeable future will provide a reasonable method for valuing awards and reflecting such value as an expense in HAPC's financial statements.

### **Description of the Plan**

The following is a brief description of the material features of the Plan. This description is qualified in its entirety by reference to the full text of the Plan, a copy of which is attached to this proxy statement as Annex B.

#### *Administration*

The HAPC Board of Directors will have the authority to select award recipients, determine the type, size and other terms and condition of the award, and make all other decisions and determinations as may be required under the terms of the Plan or as the HAPC Board may deem necessary or advisable for the administration of the Plan. The HAPC Board of Directors will have the authority to delegate any or all of its authority to the extent such delegation is consistent with applicable law.

#### *Eligibility*

Officers, employees, directors (including outside directors), and other persons who provide services to HAPC and its subsidiaries are eligible to be selected as award recipients.

#### *Type of Awards*

The HAPC Board of Directors is authorized to grant awards payable in either Shares or cash, including options to purchase Shares, restricted Shares, stock appreciation rights, Share units, performance units and dividend equivalents. These awards may be granted as a bonus, or in lieu of obligations of HAPC or any subsidiary to pay cash or grant other awards under other plans or compensatory arrangements.

#### *Terms and Conditions of Awards*

The HAPC Board of Directors will determine the size of each award to be granted (including, where applicable, the number of Shares to which an award will relate), and all other terms and conditions of each award (including any exercise price, grant price, or purchase price, any restrictions or conditions relating to transferability, forfeiture, exercisability, or settlement of an award, and any schedule or performance conditions for the lapse of such restrictions or conditions, and accelerations or modifications of such restrictions or conditions).

#### *Aggregate Limitation on Stock-Based Awards*

The aggregate number of Shares that may be issued under the Plan during the life of the Plan will not exceed 2,000,000, subject to adjustment as discussed below. Shares issued that are reacquired by HAPC in connection with a forfeiture or other failure to satisfy performance conditions will not be treated as having been issued for purposes of this limit. Shares delivered under the Plan may be newly issued Shares, treasury Shares or Shares acquired on the market.

#### *Per Participant Limitations*

In any calendar year, no individual may be granted stock-based awards that relate to more than 500,000 Shares, or cash-based awards that can be settled for more than \$500,000.

#### *Certain Performance-Based Awards*

The HAPC Board of Directors may grant performance awards, which may be cash-denominated awards or stock-based awards. Generally, performance awards require satisfaction of pre-established performance goals, consisting of one or more business criteria and a targeted performance level with respect to such criteria as a condition of awards being granted, becoming exercisable or settleable, or as a condition to accelerating the timing of such events. Performance may be measured over a period of any length specified by the Board, up to 10 years. If so determined by the Board, in order to avoid the limitations on tax



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deductibility under Section 162(m) of the Code, the business criteria used by the Board in establishing performance goals applicable to performance awards to the named executive officers will be based on one or more of the following individual, corporate-wide or subsidiary, division or operating unit financial measures: (1) pre-tax or after-tax income; (2) pre-tax or after-tax operating income; (3) gross revenue; (4) profit margin; (5) stock price (including market capitalization); (6) cash flow(s); (7) market share; (8) pre-tax or after-tax earnings per share; (9) pre-tax or after-tax operating earnings per share; (10) expenses; (11) return on equity; and (12) strategic business criteria, consisting of one or more objectives based on meeting specified revenue, market penetration, geographic business expansion goals, cost targets, goals relating to acquisitions or divestitures, clinical goals, distribution and development goals, sales force goals and strategic alliance goals. Each such goal may be expressed on an absolute and/or relative basis, may be based on or otherwise employ comparisons based on current internal targets and/or the past performance of HAPC (including the performance of one or more subsidiaries, divisions and/or operating units), and in the case of earnings-based measures, may use or employ comparisons relating to capital (including, but not limited to, the cost of capital), shareholders equity and/or shares outstanding, or to assets or net assets.

*Adjustments*

In the event of any change in the outstanding Shares by reason of any Share dividend or split, reorganization, recapitalization, merger, amalgamation, consolidation, spin-off, combination or exchange of Shares, repurchase, liquidation, dissolution or other corporate exchange, any large, special and non-recurring dividend or distribution to stockholders, or other similar corporate transaction, the HAPC Board shall make such substitution or adjustment as is equitable and appropriate in order to preserve, without enlarging, the rights of participants, as to (i) the number and kind of Shares which may be delivered pursuant to awards, (ii) the number and kind of Shares subject to or deliverable in respect of outstanding awards, and (iii) the exercise price, grant price or purchase price relating to any award. In addition, the HAPC Board shall make such equitable and appropriate adjustments in the terms and conditions of, and the criteria included in, awards (including cancellation of awards in exchange for the intrinsic (i.e., in-the-money) value, if any, of the vested portion thereof, substitution of awards using securities or other obligations of a successor or other entity, acceleration of the expiration date for awards, or adjustment to performance goals in respect of awards) in recognition of unusual or nonrecurring events (including events described in the preceding sentence, as well as acquisitions and dispositions of businesses and assets) affecting HAPC, any subsidiary or any business unit, or the financial statements of HAPC or any subsidiary, or in response to changes in applicable laws, regulations, or accounting principles. Notwithstanding the foregoing, if any such event will result in the acquisition of all or substantially all of HAPC's outstanding Shares, then if the document governing such acquisition (e.g., merger agreement) specifies the treatment of outstanding awards, such treatment shall govern without the need for any action by the Board.

*Amendment, Termination*

The HAPC Board of Directors may amend, suspend, discontinue, or terminate the Plan or the HAPC Board's authority to grant awards under the plan without shareholder approval, except as required by law or regulation. Unless earlier terminated, the Plan will terminate ten years after its approval by shareholders.

**Federal Income Tax Implications of The Plan**

The Federal income tax consequences arising with respect to awards granted under the Plan will depend on the type of the award. From the recipients' standpoint, as a general rule, ordinary income will be recognized at the time of payment of cash, or delivery of actual Shares. Future appreciation on Shares held beyond the ordinary income recognition event will be taxable at capital gains rates when the Shares are sold. HAPC, as a general rule, will be entitled to a tax deduction that corresponds in time and amount to the ordinary income recognized by the recipient, and HAPC will not be entitled to any tax deduction in respect of capital gain income recognized by the recipient. Exceptions to these general rules may arise under the following circumstances: (i) if Shares, when delivered, are subject to a substantial risk of forfeiture by reason of failure to satisfy an employment or performance-related condition, ordinary income taxation and HAPC's tax deduction will be delayed until the risk of forfeiture lapses (unless the recipient makes a special election to ignore the risk of forfeiture); (ii) if an employee is granted an option that qualifies as an incentive stock option, no ordinary income will be recognized, and HAPC will not be entitled to any tax deduction, if Shares acquired upon exercise of such option are held more than the longer of one year from the date of exercise and two years from the date of grant; (iii) HAPC will not be entitled to a tax deduction for compensation attributable to awards granted to one of

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its named executive officers, if and to the extent such compensation does not qualify as performance-based compensation Code Section 162(m), and such compensation, along with any other non-performance-based compensation paid in the same calendar year, exceeds \$1 million, and (iv) an award may be taxable at 20 percentage points above ordinary income tax rates at the time it becomes vested, even if that is prior to the delivery of the cash or Stock in settlement of the award, if the award constitutes deferred compensation under Code Section 409A, and the requirements of Code Section 409A are not satisfied. The foregoing provides only a general description of the application of federal income tax laws to certain awards under the Plan. This discussion is intended for the information of shareholders considering how to vote at the annual meeting and not as tax guidance to participants in the Plan, as the consequences may vary with the types of awards made, the identity of the recipients and the method of payment or settlement. The summary does not address the effects of other federal taxes (including possible golden parachute excise taxes) or taxes imposed under state, local, or foreign tax laws.

## **New Plan Benefits Under the Plan**

See Directors and Management of HAPC, INC. Following the Acquisition of InfuSystem, Inc. Employment Agreements for a description of certain stock and stock option grants to be made to Steven Watkins, Janet Skonieczny and Tony Norkus under the terms of an employment agreement to be entered into at the closing.

Awards under the Plan generally will be granted in the discretion of the HAPC Board. Therefore, the type, number, recipients, and other terms of other awards cannot be determined at this time.

## **Required Vote**

To be approved by the stockholders, the proposal to approve the adoption of the HAPC 2007 Stock Incentive Plan must receive the affirmative vote of a majority of the shares of HAPC common stock issued and outstanding as of the Record Date that are present in person or by proxy at the annual meeting. Abstentions are treated as shares present or represented and entitled to vote at the annual meeting and will have the same effect as a vote against this proposal. Broker non-votes are not deemed to be present and represented and are not entitled to vote, and, therefore, will have no effect on the outcome of this proposal. A failure to vote by not returning a signed proxy will have no effect on the outcome of the proposal.

## **Recommendation**

The HAPC Board of Directors believes that it is in the best interests of, and fair to, HAPC and its stockholders that the stockholders approve the HAPC 2007 Stock Incentive Plan.

**THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT THE STOCKHOLDERS VOTE FOR THIS PROPOSAL 2 TO ADOPT THE HAPC 2007 STOCK INCENTIVE PLAN.**

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**PROPOSAL 3**

**AMENDMENT TO AMENDED AND RESTATED CERTIFICATE OF INCORPORATION PROPOSAL**

**Background**

HAPC is seeking your approval to authorize the HAPC Board of Directors, to amend HAPC's amended and restated certificate of incorporation to change its name from HAPC, INC. to InfuSystem Holdings, Inc.

The name change is being undertaken as a result of, and in conjunction with, the acquisition of InfuSystem, Inc.

This proposal to amend HAPC's amended and restated certificate of incorporation is conditioned upon and subject to the approval of the acquisition proposal.

**Proposal**

Under the proposed amendment, Article First of HAPC's amended and restated certificate of incorporation would be amended as follows:

FIRST: The name of the corporation is InfuSystem Holdings, Inc. (hereinafter sometimes referred to as the Corporation ).

**Required Vote**

To be approved by the stockholders, the proposal to amend the amended and restated certificate of incorporation must receive the affirmative vote of a majority of the shares of HAPC common stock issued and outstanding as of the Record Date. An abstention or broker non-vote will have the same effect as a vote against the proposal since neither is an affirmative vote in favor of the proposal but will be included in the determination of the number of shares issued and outstanding as of the Record Date. A failure to vote by not returning a signed proxy will have the same effect as a vote against the proposal.

**Recommendation**

The HAPC Board of Directors believes that it is in the best interests of HAPC that the stockholders approve the proposal to authorize the HAPC Board of Directors, in its discretion, to amend HAPC's amended and restated certificate of incorporation.

**THE BOARD OF DIRECTORS RECOMMENDS THAT THE STOCKHOLDERS OF HAPC VOTE FOR THIS PROPOSAL 3 TO AUTHORIZE THE BOARD OF DIRECTORS, IN ITS DISCRETION, TO AMEND HAPC'S AMENDED AND RESTATED CERTIFICATE OF INCORPORATION TO CHANGE OUR NAME TO INFUSYSTEM HOLDINGS, INC.**

**Table of Contents****PROPOSAL 4****ELECTION OF DIRECTORS**

Five directors are to be elected by a plurality of the votes of the shares of HAPC's common stock present in person or by proxy at the Annual Meeting to serve until the 2008 annual stockholders meeting and until their successors shall be duly elected and qualified.

**Background**

The table set forth below lists the names and ages of each of the nominees and the position and offices that each nominee currently holds with HAPC.

<b>Name</b>	<b>Age</b>	<b>Position</b>
Sean McDevitt	43	Chairman of the Board
John Voris	59	Chief Executive Officer and Director
Pat LaVecchia	40	Secretary and Director
Jean Pierre Millon	56	Director
Wayne Yetter	61	Director

**Business Experience of Nominees**

The business experience of the nominees for election to the Board of Directors of HAPC may be found under the heading Directors and Management of HAPC, INC. Following the Acquisition of InfuSystem, Inc.

**Director Independence**

The Board of Directors of HAPC affirmatively determined the independence of each director and nominee for election as a director in accordance with the elements of independence set forth in the Nasdaq listing standards. Based upon information solicited from each nominee, the Board of Directors of HAPC has determined that Jean Pierre Millon and Wayne Yetter have no material relationship with HAPC (either directly or as a partner, stockholder or officer of an organization that has a relationship with HAPC) and are independent within the meaning of Nasdaq's director independence standards and Audit Committee independence standards, as currently in effect. Sean McDevitt (Chairman of the Board), John Voris (Chief Executive Officer) and Pat LaVecchia (Secretary) are not considered independent in accordance with Nasdaq's requirements.

**Required Vote**

In order to be elected to the Board of Directors of HAPC, each nominee must receive a plurality of the votes of the shares of HAPC's common stock present in person or represented by proxy at the Annual Meeting. Stockholders may only vote for or withhold their votes for the election of the nominees to the Board of Directors. Votes that are withheld and broker non-votes, if any, will be counted for purposes of determining the presence or absence of a quorum, but will have no effect on the election of directors.

**Recommendation**

**THE BOARD OF DIRECTORS RECOMMENDS THAT THE STOCKHOLDERS OF HAPC VOTE FOR THIS PROPOSAL 4 TO ELECT SEAN MCDEVITT, JOHN VORIS, PAT LAVECCHIA, JEAN PIERRE MILLION AND WAYNE YETTER AS MEMBERS OF THE BOARD OF DIRECTORS TO SERVE UNTIL THE 2008 ANNUAL STOCKHOLDERS MEETING AND UNTIL THEIR SUCCESSORS ARE DULY ELECTED AND QUALIFIED.**

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**PROPOSAL 5**

**RATIFICATION OF THE INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

**Proposal**

The Audit Committee and the Board of Directors has selected Deloitte & Touche LLP as its independent registered public accounting firm to audit the financial statements of HAPC for the fiscal year ending December 31, 2007. The Board of Directors is submitting the appointment of Deloitte & Touche LLP to the stockholders for ratification as a matter of good corporate practice.

The ratification of the appointment of Deloitte & Touche LLP as HAPC's independent registered public accounting firm for the fiscal year ending December 31, 2007 will require the affirmative vote of the majority of the shares of HAPC's common stock issued and outstanding as of the Record Date that are present in person or by proxy at the Annual Meeting.

In the event that the stockholders fail to ratify the appointment, the Audit Committee will reconsider its selection of audit firms, but may decide not to change its selection. Even if the appointment is ratified, the Audit Committee may appoint a different independent registered public accounting firm at any time if it determines that such a change would be in HAPC's stockholders best interest.

Representatives of Deloitte & Touche LLP are not expected to be present at the Annual Meeting.

**Background**

Deloitte & Touche LLP served as HAPC's independent registered public accounting firm for the fiscal year ended December 31, 2006.

Miller, Ellin and Company, LLP served as HAPC's independent registered public accounting firm for the fiscal year ended December 31, 2005. Effective as of October 23, 2006, the Audit Committee of HAPC engaged Deloitte & Touche LLP as its independent registered public accounting firm to audit HAPC's financial statements for its fiscal year ended December 31, 2006. The Audit Committee approved the appointment of Deloitte & Touche LLP to replace Miller, Ellin and Company, LLP, HAPC's previous independent registered public accounting firm, who was dismissed on October 23, 2006.

The reports of Miller, Ellin and Company, LLP on HAPC's balance sheets as of December 31, 2005 and April 18, 2006 and the related statements of operations, stockholders' equity (deficit) and cash flows for the periods from August 15, 2005 (inception) to December 31, 2005, from January 1, 2006 to April 18, 2006, and from August 15, 2005 (inception) to April 18, 2006, did not contain an adverse opinion or a disclaimer of opinion, and were not qualified or modified as to uncertainty, audit scope or accounting principle.

During the periods from August 15, 2005 (inception) through December 31, 2005 and from January 1, 2006 through April 18, 2006, there were no disagreements with Miller, Ellin and Company, LLP on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which, if not resolved to the satisfaction of Miller, Ellin and Company, LLP, would have caused them to make reference to the subject matter of the disagreement in connection with their reports on HAPC's balance sheets as of December 31, 2005 and April 18, 2006 and the related statements of operations, stockholders' equity (deficit) and cash flows for the periods from August 15, 2005 (inception) to December 31, 2005, from January 1, 2006 to April 18, 2006, and from August 15, 2005 (inception) to April 18, 2006. During the periods from August 15, 2005 (inception) through December 31, 2005, from January 1, 2006 through April 18, 2006 and for the subsequent interim period from April 19, 2006 through October 23, 2006, there were no reportable events as defined in Item 304(a)(1)(v) of Regulation S-K.

HAPC furnished a copy of the above disclosures to Miller, Ellin and Company, LLP and requested that Miller, Ellin and Company, LLP furnish it with a letter addressed to the U.S. Securities and Exchange Commission stating whether or not it agreed with the above statements. A copy of such letter, dated October 27, 2006, was filed as Exhibit 16.1 to HAPC's Current Report on Form 8-K on October 27, 2006.

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Prior to the engagement of Deloitte & Touche LLP, neither HAPC nor anyone on behalf of HAPC consulted with Deloitte & Touche LLP during the periods from August 15, 2005 (inception) through December 31, 2005, from January 1, 2006 through April 18, 2006 and for the subsequent interim period from April 19, 2006 through October 23, 2006, in any manner regarding: (a) either the application of accounting principles to a specified transaction, either completed or proposed, or the type of audit opinion that might be rendered on HAPC's financial statements, and neither was a written report provided to HAPC nor was oral advice provided that Deloitte & Touche LLP concluded was an important factor considered by HAPC in reaching a decision as to the accounting, auditing, or financial reporting issue, or (B) the subject of either a disagreement or a reportable event, as defined in Item 304(a)(1)(iv) and (v), respectively, of Regulation S-K.

**Principal Accountants Fees and Services**

The following presents aggregate fees billed to HAPC for the fiscal years ended December 31, 2006 and December 31, 2005 by Deloitte & Touche LLP, HAPC's independent registered public accounting firm and Miller, Ellin and Company, LLP HAPC's former independent registered public accounting firm and outside accountants.

*Audit Fees*

There were \$269,800 in audit fees billed by Deloitte & Touche LLP for the fiscal year ended December 31, 2006. These fees were for professional services rendered for audits of annual consolidated financial statements and for reviews of HAPC's quarterly reports on Form 10-Q and proxy statement. There were no audit fees billed by Deloitte & Touche LLP for the fiscal year ended December 31, 2005.

There were \$71,475 in audit fees billed by Miller, Ellin and Company, LLP for the fiscal year ended December 31, 2006. These fees were for professional services rendered for audits of annual consolidated financial statements and for reviews of HAPC's registration statement on Form S-1 and quarterly reports on Form 10-Q. There were no audit fees billed by Miller, Ellin and Company, LLP for the fiscal year ended December 31, 2005.

*Audit Related Fees*

There were no audit related fees billed by Deloitte & Touche LLP or Miller, Ellin and Company, LLP for the fiscal years ended December 31, 2006 and December 31, 2005.

*Tax Fees*

There were no tax fees billed by Deloitte & Touche LLP for the fiscal years ended December 31, 2006 and December 31, 2005. There were \$2,100 in tax fees billed by Miller, Ellin and Company, LLP for the fiscal year ended December 31, 2006 and no tax fees billed by Miller, Ellin and Company, LLP for the fiscal year ended December 31, 2005.

*All Other Fees*

There were no other fees billed by Deloitte & Touche LLP or Miller, Ellin and Company, LLP for the fiscal years ended December 31, 2006 and December 31, 2005.

**Pre-Approval Policies and Procedures**

The Audit Committee has adopted a policy and the procedure for pre-approving all audit and non-audit services to be performed by HAPC's independent registered public accounting firm. The policy requires pre-approval of all services rendered by HAPC's independent registered public accounting firm either as part of the Audit Committee's approval of the scope of the engagement of the independent registered public accounting firm or on a case by case basis. All of the audit and non-audit services described herein were pre-approved by the Audit Committee.

The services provided for 2006 were 99.4 % audit services, 0 % audit related fees, 0.6% tax fees and 0% all other fees.



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**Required Vote**

To be approved by the stockholders, the proposal to ratify the appointment of Deloitte & Touche LLP as HAPC's independent registered public accounting firm for the fiscal year ending December 31, 2007 must receive the affirmative vote of a majority of the shares of HAPC common stock issued and outstanding as of the Record Date that are present in person or by proxy at the annual meeting. Abstentions are treated as shares present or represented and entitled to vote at the annual meeting and will have the same effect as a vote against this proposal. Broker non-votes are not deemed to be present and represented and are not entitled to vote, and, therefore, will have no effect on the outcome of this proposal. A failure to vote by not returning a signed proxy will have no effect on the outcome of the proposal.

**Recommendation**

The HAPC Board of Directors believes that it is in the best interests of HAPC that the stockholders ratify the appointment of Deloitte & Touche LLP as HAPC's independent registered public accounting firm for the fiscal year ending December 31, 2007.

**THE BOARD OF DIRECTORS RECOMMENDS THAT THE STOCKHOLDERS OF HAPC VOTE FOR THIS PROPOSAL 5 TO RATIFY THE APPOINTMENT OF DELOITTE & TOUCHE LLP AS HAPC'S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR THE FISCAL YEAR ENDING DECEMBER 31, 2007.**

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**AUDIT COMMITTEE REPORT**

The Audit Committee of the Board of Directors has furnished the following report on its activities during the fiscal year ended December 31, 2006. The report is not deemed to be soliciting material or filed with the SEC or subject to the SEC's proxy rules or to the liabilities of Section 18 of the Exchange Act, and the report shall not be deemed to be incorporated by reference into any prior or subsequent filing under the Securities Act or the Exchange Act except to the extent that HAPC specifically incorporates it by reference into any such filing.

The Audit Committee oversees the financial reporting process on behalf of the Board of Directors. Management has the primary responsibility for the financial reporting process, principles and internal controls as well as preparation of HAPC's financial statements. The Audit Committee is comprised of Wayne Yetter and Jean Pierre Millon, each of whom is an independent director as defined by the applicable SEC rules. The audit committee held 4 meetings during the fiscal year ended December 31, 2006.

In fulfilling its responsibilities, the Audit Committee appointed independent registered public accounting firm Deloitte & Touche LLP for the fiscal year ended December 31, 2006. The Audit Committee reviewed and discussed with the independent registered public accounting firm the overall scope and specific plans for their Audit. The Audit Committee also reviewed and discussed with the independent registered public accounting firm and with management HAPC's audited financial statements and the adequacy of HAPC's internal controls. The Audit Committee met with the independent registered public accounting firm, without management present, to discuss the results of HAPC's independent registered public accounting firm's audits, their evaluations of HAPC's internal controls and the overall quality of HAPC's financial reporting. Although the Audit Committee has the sole authority to appoint the independent registered public accounting firm, the Audit Committee will continue its practice of recommending that the Board of Directors ask the stockholders, at their annual meeting, to ratify their appointment of the independent registered public accounting firm.

The Audit Committee monitored the independence and performance of the independent registered public accounting firm. The Audit Committee discussed with the independent registered public accounting firm the matters required to be discussed by Statements on Auditing Standards No 61 as amended (Communication with Audit Committees). HAPC's independent registered public accounting firm has provided the Audit Committee with the written disclosures and the letter required by Independence Standards Board Standard No. 1, Independence Discussions with Audit Committees, and the Audit Committee has discussed with the independent registered public accounting firm and management the independent registered public accounting firm's independence.

Based upon the review and discussions referred to above, the Audit Committee recommended to the Board of Directors that the audited financial statements be included in the annual report on Form 10-K for the fiscal year ended December 31, 2006 for filing with the SEC.

Wayne Yetter

Jean Pierre Millon

July \_\_, 2007

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**INFORMATION ABOUT INFUSYSTEM**

**Business of InfuSystem**

InfuSystem is a provider of ambulatory infusion pump management services for oncologists in the United States. Ambulatory infusion pumps are small, lightweight electronic pumps designed to be worn by patients in their homes and to allow patients the freedom to move about while receiving chemotherapy treatments. The pumps are battery powered and attached to intravenous administration tubing, which is in turn attached to a bag or plastic cassette that contains the chemotherapy drug.

InfuSystem's business model is highly focused on the narrow market niche of oncology chemotherapy infusion. To InfuSystem's knowledge, there are no national ambulatory infusion pump service providers focused on oncology other than InfuSystem.

InfuSystem was incorporated under the laws of the State of California in December 1997 under the name I-Flow Subsidiary, Inc., as a wholly owned subsidiary of I-Flow Corporation or I-Flow, a Delaware corporation. In February 1998, I-Flow Subsidiary acquired Venture Medical, Inc. and InfuSystem II, Inc. in a merger transaction, pursuant to which I-Flow Subsidiary, as the surviving corporation, changed its name to InfuSystem, Inc.

The principal executive office of InfuSystem is located at 1551 East Lincoln Avenue, Suite 200, Madison Heights, Michigan 48071.

InfuSystem supplies electronic ambulatory infusion pumps and assorted disposable supply kits to physicians' offices to be utilized by patients. InfuSystem obtains an assignment of insurance benefits from the patient, bills the insurance company and collects payment. InfuSystem provides billing and collection services for the pumps and assorted disposable supply kits to approximately 1,550 physician practices in United States. InfuSystem retains title to the pumps during this process.

InfuSystem purchases electronic ambulatory infusion pumps from a variety of suppliers on a non-exclusive basis. Such pumps are generic in nature and are available to InfuSystem's competitors. The pumps are currently used primarily for the continuous infusion of chemotherapy drugs for patients with colorectal cancer.

InfuSystem faces risks in that other competitors can provide the same services as InfuSystem. Those risks are currently mitigated by InfuSystem's existing managed care contracts and economies of scale, which allow for less costly purchases and management of the pumps. Additionally, InfuSystem has already established a long standing relationship as a provider of pumps to approximately 1,550 physicians practices in the United States. HAPC believes that there are competitive barriers to entry against suppliers other than InfuSystem with respect to these physicians' practices because InfuSystem has an established national presence and managed care contracts in place covering over 125,000,000 managed care lives, increasing the likelihood that InfuSystem will be in the insurance networks of patients whom physicians wish to refer to an ambulatory infusion pump provider. Moreover, InfuSystem has a supply of approximately 14,000 active ambulatory infusion pumps, which may allow InfuSystem to be more responsive to the needs of physicians and patients than a new market entrant.

InfuSystem does not perform any research and development.

*Continuous Infusion Therapy*

Continuous infusion therapy involves the gradual administration of a drug via a small, lightweight, portable pump over two to seven days, followed by rest periods and additional cycles. This is an alternative to traditional bolus chemotherapy, where patients receive higher doses of drugs over the course of minutes to several hours, administered in the physician's office or the hospital. InfuSystem believes that independent market research reports indicate that continuous infusion of chemotherapy through ambulatory pumps is increasingly being utilized by oncologists as a preferred treatment for patients with colorectal cancer; for example, the National Comprehensive Cancer Network Guidelines in Oncology (Pelusi, 2006) recommends continuous infusion therapy for various stages of treatment. InfuSystem believes the growth of continuous infusion therapy is driven by three factors: superior clinical outcomes, enhanced patient convenience and comfort and recent changes to physician reimbursement.

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In 2004, two new protocols were approved by the U.S. Food and Drug Administration ( FDA ) for treatment of colorectal cancer: FOLFOX (by Sanofi-Aventis) and FOLFIRI (by Pfizer Inc.). These treatment regimens, which combine older medications such as 5-Fluorouracil and Leucovorin with newer drugs, have been shown in studies to produce better anti-tumor efficacy, longer patient survival, reduced drug toxicities and improved therapy tolerance. 5-Fluorouracil is administered via continuous infusion therapy. FOLFOX, FOLFIRI and Leucovorin are delivered via bolus or short-term infusions of less than three hours in combination with 5-Fluorouracil. Sanofi-Aventis and Pfizer are each dedicating significant resources to educate physicians and promote the use of FOLFOX and FOLFIRI. Oncologists have responded and the adoption of continuous infusion treatments has grown rapidly over the past two years.

Continuous infusion therapy through ambulatory pumps allows patients to undergo infusion therapy in the comfort and convenience of their homes and enables them to continue with many of their daily activities. In bolus chemotherapy, patients are given large doses of drugs over a short period of time which can often lead to nausea, vomiting, diarrhea and decreased white blood cell and platelet counts. Continuous infusion therapy involves the delivery of smaller doses over a longer period of time (two to seven days), leading to improved tolerance and patient comfort. Importantly, this can enhance a patient's ability to remain on the chemotherapy regimen.

The Medicare Modernization Act of 2003 reduced levels of Medicare reimbursement for oncology drugs administered in the physician office setting. To offset this reduction, Medicare increased the service fees paid to oncologists. InfuSystem believes that this has resulted in doctors shifting to treatments that provide superior efficacy and patient satisfaction while optimizing their potential to earn service fees.

### *Products and Services*

InfuSystem's core service is to provide oncologist offices with ambulatory infusion pumps and related supplies, and to directly bill and collect payment from payors for the use of these pumps. InfuSystem owns approximately 14,000 pumps. At any given time, it is estimated that 70% of the pumps are in the possession of patients. The remainder of the pumps are in transport for cleaning, calibration or as back-ups in the oncologists' offices.

After a doctor determines that a patient is eligible for ambulatory infusion pump therapy, the doctor arranges for the patient to receive an infusion pump and provides the necessary chemotherapy drugs. The oncologist and nursing staff train the patient in the use of the pump and initiate service. The physician bills insurers, Medicare, Medicaid, managed care companies or patients (collectively, payors) for the physician's professional services associated with initiating and supervising the infusion pump administration, as well as the supply of drugs. InfuSystem directly bills payors for the use of the pump and related disposable supplies. InfuSystem has contracts with more than 100 payors that cover more than 125 million managed care lives (*i.e.* persons enrolled in various managed care plans or commercial insurance carriers such as health maintenance organizations and preferred provider organizations). Billing to payors requires coordination with physicians who initiate the service, as physicians' offices must provide InfuSystem with appropriate paperwork (patient's insurance information, certificate of medical necessity and an acknowledgement of benefits that shows receipt of equipment by the patient) in order for InfuSystem to bill the payors.

In addition to providing high quality and convenient care, InfuSystem believes its pump management program offers significant economic benefits for patients, providers and payors.

InfuSystem benefits patients by providing high quality, reliable pumps and accessories as well as 24-hour service and support. InfuSystem employs oncology and intravenous certified registered nurses trained on ambulatory infusion pump equipment who staff InfuSystem's 24-hour hotline to address questions that patients may have about their treatment, the infusion pumps or other medical or technical questions related to the pumps.

Physicians benefit from InfuSystem's service in several ways. For those physicians wishing to provide pumps to their patients, by utilizing the InfuSystem model, InfuSystem can relieve such physicians of the capital commitment, pump service, maintenance, and billing and administrative burden associated with pump ownership. Rather than referring patients to home care, InfuSystem's service allows the doctor to continue a direct relationship with the patient and to receive professional service fees for setting up treatment and administering drugs. InfuSystem provides physicians the



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pumps and related administration sets and accessories while retaining title to the pumps. InfuSystem directly bills the insurance companies for the use of the pumps. Therefore, with no purchase on the part of the physician, there is no capital commitment. InfuSystem bills insurance providers for the technical component (pump usage and related supplies) and the physician bills insurance providers for the related professional services.

Payors support InfuSystem because its service is generally less expensive than hospitalization or home care.

### *Relationships with Physician Offices*

Through its 17 person sales force, InfuSystem maintains relationships with clinical oncologists in more than 1,550 practices. Though this represents a substantial portion of the oncologists in the United States, InfuSystem believes it can continue to expand its network to further penetrate the oncology market. Over the past three years, InfuSystem has added approximately 450 new accounts to its services. InfuSystem believes its relationships with physician offices are strong, as evidenced by its significant retention rate (98% of the physician offices serviced during fiscal year 2005 remained customers during fiscal year 2006).

InfuSystem believes that, in general, it does 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, InfuSystem believes it can help providers keep up with increasing patient demand and manage institutional restraints on capital and manpower due to the nature of limited resources in hospitals and physician offices.

### *Additional Markets*

In addition to treatments for colorectal cancer, there are a number of approved drugs, protocols and drugs in the development pipeline that InfuSystem believes could potentially be used for continuous infusion protocols for the treatment of other diseases. Approved drugs and drugs in the development pipeline that InfuSystem believes could potentially be used for continuous infusion protocols for the treatment of other diseases include the following: Cisplatin and 5-Fluorouracil for gastric adenocarcinoma, Interleukin-2 for metastatic renal cell carcinoma, and Doxorubicin and CI Ifosfamide for ovarian cancer. InfuSystem currently generates approximately 15% of its revenue from treatments for these diseases. Drugs currently in clinical trials may also be launched over the next several years. If these new drugs are launched with continuous infusion protocols, InfuSystem expects the pharmaceutical companies to focus their sales and marketing forces on promoting the new drugs and protocols to physicians.

### *Billing Collection Services*

As part of its relationship with I-Flow, InfuSystem provides billing and collection services for I-Flow's ON-® product. InfuSystem has agreed to continue to provide this service to I-Flow for at least 18 months after the closing of the acquisition, subject to certain cancellation provisions. InfuSystem currently maintains a staff of 17 people to provide these services. I-Flow will compensate InfuSystem for its costs and provides InfuSystem with an incentive based reimbursement arrangement.

## **Employees**

As of June 30, 2007, InfuSystem had 110 employees, including 102 full-time employees and 8 part-time employees. None of InfuSystem's employees are unionized.

## **Properties**

InfuSystem leases office and warehouse space at 1551 E. Lincoln Avenue, Madison Heights, Michigan. InfuSystem believes that such office and warehouse space is suitable and adequate for its business. As InfuSystem's only office and warehouse properties, they are extensively utilized in the business.

**Table of Contents****Legal Proceedings***State of Michigan Department of Treasury*

In August 2005, the State of Michigan Department of Treasury issued a decision and order of determination which provided that InfuSystem is liable for use taxes on its purchases of infusion pumps. As a result, InfuSystem has recorded through March 31, 2007 a cumulative net increase to gross fixed assets of \$1,347,000, a tax liability of \$1,466,000, a liability for accrued interest expense of \$267,000 and total cumulative expense of \$1,033,000. InfuSystem appealed the decision. InfuSystem believes that portable infusion pumps which allow cancer patients to be ambulatory and lead a reasonably normal life, qualify for an exemption from use tax under Michigan law. On April 24, 2007, the Michigan Tax Tribunal granted a Motion for Summary Disposition in favor of InfuSystem, which was not appealed by the State of Michigan Department of Treasury. The review period for the ruling by the Michigan Tax Tribunal has ended which effectively forecloses further appeal of the August 2005 decision and order. InfuSystem believes that, due to the favorable ruling, its reported results for the second quarter of 2007 will include the reversal of all or a majority of the liability and expense recorded to date.

*Estate of Bilbie*

InfuSystem was made aware of a wrongful death allegation made against a hospital by the estate of a decedent, involving an error by a nurse who allegedly programmed a pump incorrectly. Counsel for the hospital invited InfuSystem to contribute to any settlement. InfuSystem notified its insurer and declined the invitation to participate in the settlement. InfuSystem has since been informed that the hospital reached a settlement with the estate, and the hospital again sought contribution from InfuSystem, which has again been declined. There has been no communication with the hospital or any involved party since August 2004. Given that this matter has not ripened into litigation, and may not do so, it is not possible to project the outcome. Once the relevant statute of limitations expires, this matter will no longer be a potential threat.

*Moore v. Deline* (Case No. 06-02-02422-7, Superior Court of Washington, County of Spokane, complaint filed August 8, 2006)

InfuSystem was served as one of several defendants in this product liability lawsuit on October 12, 2006. Other defendants include I-Flow and the treating podiatrist. The complaint alleges that the plaintiff suffered complications in connection with a pain management pump system manufactured by I-Flow (not InfuSystem), following bunionectomy and osteotomy procedures that were performed more than three years ago (on August 14, 2003), and after which the plaintiff allegedly required a transplant procedure that has resulted in a lack of mobility in the plaintiff's left foot and scarring where muscle was removed for the transplant procedure. The complaint also alleges that InfuSystem provided a catheter expansion kit for use with the pain management system, and that InfuSystem manufactured, sold and distributed the catheter expansion kit. Although the other facts of the case are still under development, the allegation that InfuSystem manufactured the catheter expansion kit is erroneous. The plaintiffs in the case are seeking, against the defendants jointly and severally, past and future general and special damages (economic and non-economic) as are allowed by law and such other and future relief as the court may deem just and proper. An appearance has been made before the court on behalf of InfuSystem by I-Flow's defense counsel, and InfuSystem expects to answer or otherwise respond to the complaint in a timely fashion. I-Flow has tendered a claim to the insurance carrier under its comprehensive general liability policy and is awaiting a response. HAPC believes that InfuSystem will not incur any material liability for this matter, as the product in question was manufactured and distributed by I-Flow. The dollar amount of damages sought has not been specified by the plaintiff in the complaint.

*Estate of Hamilton*

Cancer Care Associates Northwest of Spokane, Washington ( Cancer Care ) informed InfuSystem that a malpractice lawsuit will be filed against Cancer Care by the estate of Phyllis Hamilton who, in April 2006, allegedly received four days worth of medication in four hours from a Cadd Legacy Pump that was provided to the customer by InfuSystem. Cancer Care informed InfuSystem that it believes that InfuSystem will also be named in the lawsuit when filed.

**Material Suppliers**

InfuSystem supplies a wide variety of pumps and assorted equipment, as well as disposables and ancillary supplies. The majority of InfuSystem pumps are electronic ambulatory pumps purchased from the following manufacturers, each of which is material and supplies more than 10% of the pumps purchased by InfuSystem: Smiths Medical, Inc.; Hospira Worldwide, Inc.;

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and McKinley Medical, LLC. Smiths Medical, Inc. is InfuSystem's largest supplier of ambulatory infusion pumps. There are no supply agreements in place with any of the three suppliers. All purchases are handled pursuant to pricing agreements, which contain no material terms other than prices that are subject to change by the manufacturer. As of December 31, 2006, InfuSystem owned approximately 14,000 active pumps.

### **Seasonality**

InfuSystem does not believe that there is significant seasonality of its business.

### **Environmental Laws**

InfuSystem is required to comply with applicable environmental laws regulating the disposal of cleaning agents used in the process of cleaning its ambulatory infusion pumps, as well as the disposal of sharps and blood products used in connection with the pumps. InfuSystem does not believe that compliance with such laws has a material effect on InfuSystem.

### **Significant Customers**

InfuSystem has sought to establish contracts with as many managed care organizations as commercially practicable, in an effort to ensure that reimbursement is not a significant obstacle for providers who recommend continuous infusion therapy. A managed care organization is a health care payor (or a group of medical services payors) who contract to provide a wide variety of healthcare services to enrolled members through participating providers (such as InfuSystem).

InfuSystem currently has contracts with more than 100 managed care plans that cover approximately 125 million lives. Material terms of contracts with managed care organizations are typically a set fee or rate for services or equipment provided. These contracts generally provide for a term of one year, with automatic one-year renewals, unless InfuSystem or the applicable managed care organization with which InfuSystem has contracted provides notice to the other party that it does not wish for the contract to renew.

Payors include managed care organizations, insurance carriers, Medicare and Blue Cross/Blue Shield. A payor is any entity that pays on behalf of a patient.

Blue Cross/Blue Shield plans are all independently operated. They can and do operate independently from each other. The largest Blue Cross / Blue Shield plan that InfuSystem services represented only 1.6% of InfuSystem's total revenue over a three-year time span. InfuSystem does not believe this constitutes a material customer.

InfuSystem's largest contracted payor is Medicare, which accounted for approximately 32% of InfuSystem's revenue in 2006. Although InfuSystem contracts with various individual branches of Blue Cross Blue Shield, these branches in the aggregate account for approximately 20% of InfuSystem's revenue. No individual payor (other than Medicare and the Blue Cross Blue Shield entities) accounts for greater than approximately 4% of InfuSystem's revenue.

Through December 31, 2006, InfuSystem experienced increased collection delays from independently contracted Blue Cross/Blue Shield providers. Although these entities are separately owned and managed, InfuSystem is required to submit all of its nationwide billings to Blue Cross of Michigan ( BCBSM ) through the national BlueCard program. BCBSM processes the initial claims from InfuSystem and generates electronic claims to the Blue Cross affiliates under which the patients' policies are carried. In November 2004, as a result of BCBSM's response to the requirements of the Health Insurance Portability and Accountability Act, Blue Cross of Michigan required InfuSystem to change from electronic submission of claims to paper submission of claims, and to attach a paper copy of a Certificate of Medical Necessity signed by the attending physician to each claim, resulting in significant processing and payment delays.



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### **Competitors**

InfuSystem believes that its competition is primarily composed of regional providers, hospital-owned durable medical equipment ( DME ) providers, physician providers and home care infusion providers. 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. InfuSystem is 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 InfuSystem s experiences in the industry.

**Regional Providers:** Regional DME providers act as distributors for a variety of medical products. InfuSystem believes regional DME provider sales forces generally consist of a relatively small number of salespeople, usually covering one or two states in total. Regional DME providers tend to carry a limited selection of infusion pumps and their salespeople generally have limited resources. Regional DME providers usually do not have after-hours customer service or 24-hour nursing service. InfuSystem believes that regional DME providers have relatively few managed care 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 DME Providers:** Many hospitals have in-house DME providers to supply basic equipment. In general, however, these providers have limited capital and tend to stock a small inventory of infusion pumps. As a result, InfuSystem believes that hospital-owned providers have limited ability to grow because of restricted 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 DME providers.

**Physician Providers:** A limited number of physicians maintain an inventory of their own infusion pumps and collect both the professional and technical fees. However, InfuSystem believes that pump utilization in this arena tends to be low and the costs associated with ongoing supplies, preventative maintenance and repairs can be relatively high. Moreover, InfuSystem believes that a high percentage of DME claims are rejected by payors upon first submission, requiring a provider 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. Although the doctor is still responsible for overseeing the treatment and assuming the liability for the patient s treatment and outcome, InfuSystem believes that the physician is often not reimbursed for this ongoing responsibility. Moreover, InfuSystem believes that home care infusion treatment can be very costly and that many patients do not carry this type of insurance coverage, 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. InfuSystem believes that home care providers may also be reluctant to offer 24-hour coverage or additional patient visits, due to capped fees.

### **Regulation of InfuSystem s Business**

InfuSystem is subject to certain regulations of its business. Specifically, as a Medicare supplier of durable medical equipment ( DME ) and related supplies, InfuSystem must comply with the rules (the DMEPOS Supplier Standards ) established by the Health Care Financing Administration regulating Medicare suppliers of DME and prosthetics, orthotics and supplies ( DMEPOS ). The DMEPOS Supplier Standards consist of 21 requirements that must be met in order for a DMEPOS supplier to be eligible to receive payment for a Medicare-covered item. The most significant DMEPOS Supplier Standards require InfuSystem 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 agents of the Centers for Medicare and Medicaid Services to conduct on-site inspections to ascertain compliance with the DMEPOS Supplier Standards, (iv) maintain liability insurance, (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 it supplies equipment and (viii) maintain a complaint resolution procedure and record certain information regarding each complaint.



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InfuSystem is also subject to the provisions of the Health Insurance Portability and Accountability Act of 1996 ( HIPAA ) designed to protect the security and confidentiality of certain patient health information. Under HIPAA, InfuSystem must provide patients with access to certain records and must notify patients of InfuSystem's use of personal medical information and patient privacy rights. Moreover, HIPAA sets limits on how providers such as InfuSystem may use individually identifiable health information and prohibits the use of patient information for marketing purposes.

**Selected Historical Financial Information**

The following tables set forth selected audited historical financial data of InfuSystem for each of the four years ended December 31, 2006 through 2003, and selected unaudited historical financial data for the three months ended March 31, 2007 and March 31, 2006 and year ended December 31, 2002. The historical data was derived from InfuSystem's audited and unaudited historical financial statements. This information is only a summary and must be read in conjunction with the financial statements attached hereto and the related notes to such financial statements. The operating results are not necessarily indicative of future performance.

**Statement of Operations:**

<i>(in thousands)</i>	<i>Year Ended December 31,</i>				
	<i>2006</i> <i>(Audited)</i>	<i>2005</i> <i>(Audited)</i>	<i>2004</i> <i>(Audited)</i>	<i>2003</i> <i>(Audited)</i>	<i>2002</i> <i>(Unaudited)</i>
Net rental income(1)	\$ 31,716	\$ 28,525	\$ 19,349	\$ 13,022	\$ 10,292
Cost of revenues(2)	8,455	7,735	5,555	3,993	3,051
Gross profit(3)	23,261	20,790	13,794	9,029	7,241
Operating expenses					
Selling and marketing	3,803	4,315	3,195	2,962	2,129
General and administrative	11,288	8,394	5,947	4,168	2,901
Total operating expenses(4)	15,091	12,709	9,142	7,130	5,030
Operating income	8,170	8,081	4,652	1,899	2,211
Interest expense(5)	113	50	29	32	18
Income before income taxes	8,057	8,031	4,623	1,867	2,193
Income tax provision(5)	3,094	2,938	1,699	720	818
Net income	\$ 4,963	\$ 5,093	\$ 2,924	\$ 1,147	\$ 1,375

	<i>Three months ended</i> <i>March 31, 2007</i>	<i>Three months ended</i> <i>March 31, 2006</i>
Net rental income(1)	\$ 7,874	\$ 7,717
Cost of revenues(2)	2,314	2,031
Gross profit(3)	5,560	5,686
Operating expenses		
Selling and marketing	1,008	1,002
General and administrative	3,539	2,349

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Total operating expenses(4)	4,547	3,351
Operating income	1,013	2,335
Interest expense (5)	30	37
Income before income taxes	983	2,298
Income tax provision(5)	394	832
Net income	\$ 589	\$ 1,466

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- (1) During 2002 and 2003, revenue growth was driven primarily by additional client facilities and additional managed care contracts. Beginning in the fourth quarter of 2003 and continuing through 2005, the clinical use of new drugs and combination drug therapies involving continuous infusion increased significantly, driven by clinical studies demonstrating improved survival with new drugs and protocols (FOLFOX and FOLFIRI). These protocols normally include continuous infusion of the drug 5-Fluorouracil using ambulatory electronic infusion pumps of the type provided by InfuSystem. InfuSystem estimates that it incurred a \$1.9 million loss in revenue due to a shortage of 5-Fluorouracil in the fourth quarter

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- of 2005. InfuSystem estimates the corresponding cost reduction in sales and sales commission expenses that would have been incurred without the 5-Fluorouracil shortage to be \$0.3 million each. The 5-Fluorouracil shortage continued into the first quarter of 2006, but availability of 5-Fluorouracil returned to normal at the end of the first quarter of 2006. Revenue is believed to have been adversely affected during the second, and possibly third, quarters of 2006, however, due to a decline in the number of patients in the pipeline who had to turn to other medications or treatments.
- (2) Cost of revenues has two major components: the cost of operating supplies (primarily disposable tubing kits provided to customers with the pumps) and depreciation of rental equipment (pumps). The relative increase in gross profit from 2003 to 2006 reflected improved utilization of pumps and supplies. On August 24, 2005, the Michigan Department of Treasury assessed InfuSystem for unpaid use taxes. Through March 31, 2007, InfuSystem has recognized \$0.8 million as cost of sales (incremental depreciation expense) as a result of the Michigan tax dispute. InfuSystem disputes the assessment and has appealed the determination. On April 24, 2007, the Michigan Tax Tribunal granted a Motion for Summary Disposition in favor of InfuSystem, which was not appealed by the State of Michigan Department of Treasury. The review period for the ruling by the Michigan Tax Tribunal has ended which effectively forecloses further appeal of the August 2005 decision and order. InfuSystem believes that, due to the favorable ruling, its reported results for the second quarter of 2007 will include the reversal of all or a majority of the liability and expense recorded to date.
- (3) Gross profit as a percentage of revenues increased from 70% in 2002 to 73% in 2006 and decreased to 71% for the three months ended March 31, 2007.
- (4) Operating expenses decreased from 49% of revenues in 2002 to 45% of revenues in 2005, indicating greater sales force efficiency (more revenues per sales representative) and billing efficiency (more billing dollars in proportion to the cost of administrative staff). For the year ended December 31, 2006 and three months ended March 31, 2007, operating expenses increased to 48% and 57.7% of revenues, which was primarily due to an increase in the bad debt expense related to a delay in collections from a specific large third party insurer and processing costs of approximately \$1.5 million and \$0.3 million incurred during the year ended December 31, 2006 and three months ended March 31, 2007, respectively, borne by InfuSystem related to I-Flow's ON-Q product line. InfuSystem was not reimbursed by I-Flow for these services. InfuSystem has agreed to continue to provide this service to I-Flow after the closing of the acquisition. I-Flow will compensate InfuSystem for its cost and provide InfuSystem with an incentive-based reimbursement arrangement. Administrative staff primarily consists of InfuSystem's in-house customer service representatives, billers and collectors. Operating expenses do not include overhead costs associated with administrative services and corporate oversight that have historically been provided by I-Flow Corporation, InfuSystem's parent, at no charge to InfuSystem, including with respect to the following: insurance, benefits, employee stock option administration, human resources, finance, information technology, investor relations, corporate governance, SEC compliance, general management, strategy development, taxes, audits, cash management, legal work, regulatory compliance and budgeting. Upon acquisition of InfuSystem by HAPC, Inc., these services will no longer be provided by I-Flow Corporation, and operating expenses to InfuSystem may increase accordingly.
- (5) As of March 31, 2007, InfuSystem had recorded a cumulative total of \$0.3 million as interest expense related to unpaid use taxes. The audited and unaudited financial statements for the years 2002 through 2006 and the three months ended March 31, 2007 include the incremental expense that would have been reported if the use tax had been paid, capitalized, and subsequently depreciated on an ongoing basis. There is an accrued interest expense of \$0.3 million recognized but unpaid related to this matter as of March 31, 2007. Due to the favorable ruling by the Michigan Tax Tribunal on April 24, 2007, InfuSystem believes its reported results for the second quarter will include the reversal of a majority of the liability and expense recorded related to the unpaid use taxes. See footnote 2 above. Income taxes as presented in the table have been prepared on a separate tax return basis.

**Balance Sheet Data:**

<i>(in thousands)</i>	<i>As of December 31,</i>				
	<i>2006</i> <i>Audited</i>	<i>2005</i> <i>Audited</i>	<i>2004</i> <i>Audited</i>	<i>2003</i> <i>Unaudited</i>	<i>2002</i> <i>Unaudited</i>
Accounts receivable, less allowance for doubtful accounts	\$ 9,630	\$ 9,160	\$ 4,920	\$ 4,022	\$ 4,521
Total current assets	12,682	12,715	6,427	4,952	6,230
Total current liabilities	4,335	3,906	3,385	1,927	1,396
Total assets	27,163	27,831	17,665	11,647	11,546

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	<i>As of March 31, 2007 (Unaudited)</i>	<i>As of March 31, 2006 (Unaudited)</i>
Accounts receivable, less allowance for doubtful accounts	\$ 8,345	\$ 9,720
Total current assets	12,975	12,519
Total current liabilities	3,552	3,380
Total assets	28,309	27,143

**Management's Discussion and Analysis****Forward-Looking Statements**

Statements about InfuSystem in this proxy statement are and will be forward-looking in nature and express HAPC's current opinions about trends and factors that may impact future operating results. Statements that use words such as may, will, should, believes, predicts, projects, or expects or use similar expressions are intended to identify forward-looking statements. Forward-looking statements are subject to material risks, assumptions and uncertainties, which could cause actual results to differ materially from those currently expected, and readers are cautioned not to place undue reliance on these forward-looking statements. HAPC undertakes no obligation to provide revised forward-looking statements to reflect the occurrence of unanticipated or subsequent events. Readers are also urged to carefully review and consider the various disclosures made about InfuSystem in this proxy statement that seek to advise interested parties of the risks and other factors that affect InfuSystem's business. The risks affecting InfuSystem's business include, among others, the following: successful consummation of the previously announced acquisition of InfuSystem by HAPC, physician acceptance of infusion-based therapeutic regimens; implementation of InfuSystem's sales strategy; dependence on InfuSystem's suppliers and distributors and the market availability to physicians of drugs used in chemotherapy; InfuSystem's continuing compliance with applicable laws and regulations, such as the Medicare Supplier Standards, and the concurrence of regulatory agencies with management's subjective judgment on compliance issues; the reimbursement system currently in place and future changes to that system; product availability and acceptance; competition in the industry; technological changes; intellectual property claims; InfuSystem's growth strategy, involving entry into new fields of infusion-based therapy; and inadequacy of booked reserves. All forward-looking statements, whether made in this proxy statement or elsewhere, should be considered in context with the various disclosures made by HAPC about InfuSystem's business.

**Overview**

InfuSystem is primarily engaged in the rental of infusion pumps on a month-to-month basis for the administration of chemotherapy drugs for the treatment of cancer. InfuSystem's primary service is to provide domestic oncologist offices with ambulatory infusion pumps and related supplies, and to directly bill and collect payment for the use of these pumps.

Rental revenue is recognized as earned over the term of the related rental agreements, normally on a month-to-month basis. Pump rentals are billed at InfuSystem's established rates, which often differ from contractually allowable rates provided by third party payors such as Medicare and commercial insurance carriers. Provision is made currently to reduce revenue to the estimated allowable amount per such contractual rates.

Factors affecting revenue include the number of physician practices utilizing InfuSystem for such services as opposed to competitors of InfuSystem, physician preference as to the mode of administration of chemotherapy, the introduction of new drugs and drug protocols involving continuous administration of chemotherapy as opposed to rapid infusion, and changes in contractually allowable rates. For example, revenue increased significantly after the approval in 2004 of new clinical protocols involving the continuous administration of chemotherapy. If a substantial number of physicians were to switch from continuous therapy to protocols involving oral administration, InfuSystem revenues would be adversely affected.

**Discussion and Analysis**

If more doctors convert from bolus chemotherapy and oral medication regimens to continuous infusion therapy, InfuSystem believes it is positioned to capture additional market share. InfuSystem's growth strategy reflects InfuSystem's beliefs as to the market potential of ambulatory infusion therapy.



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Over the last five years, InfuSystem's net revenue increased from \$10.3 million in 2002 to \$31.7 million in 2006. Net revenue for the three months ended March 31, 2007 was \$7.9 million compared to \$7.7 million for the same period in the prior year. The reasons for these increases include:

Increased prevalence of cancer treatment protocols involving the use of ambulatory pumps (continuous therapy versus bolus administration of chemotherapy drugs).

Changes in the reimbursement landscape, creating increased economic incentives for providers to provide continuous administration therapy.

Additional facilities utilizing InfuSystem's products and services, and the expansion of those organizations (*i.e.*, larger physician groups). The increased customer base is largely due to an increased number of InfuSystem outside sales representatives, and their relative success in communicating the clinical, economic and administrative benefits of the InfuSystem pump management program to physician groups.

Increased number of managed care contracts, which favorably influences the average yield (percentage of gross billings collected) because a higher percentage of the patients treated by an oncologist will result in a payment to InfuSystem.

InfuSystem believes that its revenues fluctuate based on a number of factors, including the number of client facilities utilizing the InfuSystem pump management system, the number of contracts with managed care organizations, the number of potential patients covered by those contracts, reimbursement levels, and periodic fluctuations in the prevalence of continuous infusional administration of chemotherapy as opposed to oral administration or rapid infusion of drug therapies.

InfuSystem's operations require the management of two significant assets: accounts receivable (primarily insurance billings) and fixed assets (primarily rental pumps purchased from ambulatory pump manufacturers).

Net accounts receivable increased from \$4.5 million as of December 31, 2002 to \$9.6 million as of December 31, 2006, an increase of 113%. During that same period, revenues increased 208%. Net accounts receivable grew less rapidly than revenues from 2002 to 2006 due to improved collection performance. As of March 31, 2007, net accounts receivable were \$8.3 million, compared to \$9.6 million as of December 31, 2006. The decrease in net accounts receivable is primarily due to an increase in the allowance for doubtful accounts, which resulted from the delay in collections from a specific large third party insurer. The delays resulted from procedural and processing changes within the insurer's affiliated group of companies.

Net fixed assets increased from \$2.7 million as of December 31, 2002 to \$12.3 million as of December 31, 2006 and March 31, 2007. Acquired pumps are depreciated on a straight-line basis over five years. Generally, in periods of rapidly increasing revenue, significant capital expenditures are required, depreciation expense increases, and the average age of the pump fleet decreases. If the rate of revenue growth were to decrease, a decrease in capital expenditures would be expected.

Purchases of pump rental equipment have increased from \$0.9 million in 2002 to \$3.6 million in 2006 to support the rapid increase in revenue. Purchases for pump rental equipment for the three months ended March 31, 2007 was \$1.2 million compared to \$0.3 million for the same period in the prior year. Depreciation expense increased from \$1.0 million in 2002 to \$3.7 million in 2006. Depreciation expense for the three months ended March 31, 2007 was \$1.0 million compared to \$0.9 million for the same period in the prior year.

### **Results of Operations for the Three Months Ended March 31, 2007 Compared to the Three Months Ended March 31, 2006**

#### *Revenues*

Revenues increased 2% or \$0.2 million, to \$7.9 million for the three months ended March 31, 2007 from \$7.7 million compared to the same period in the prior year. The increase in revenues for the three months ended March 31, 2007 compared to same period in the prior year was primarily due to an increased usage of new drugs and clinical protocols that require the use of ambulatory electronic pumps.





**Table of Contents***Cost of Revenues*

Cost of revenues increased 14%, or \$0.3 million, to \$2.3 million for the three months ended March 31, 2007 from \$2.0 million for the same period in the prior year. Cost of revenues increased for three months ended March 31, 2007 compared to the same period in the prior year primarily due to the increase in revenues and an increase in the amount of depreciation expense recognized in cost of sales from additional pump purchases made towards the end of 2006, which resulted in an increase in the depreciation expense recorded in the first quarter of 2007. Cost of revenues increased as a percentage of revenues by three percentage points for the three months ended March 31, 2007 compared to the same period in the prior year.

*Selling and Marketing Expenses*

Selling and marketing expenses of \$1.0 million for the three months ended March 31, 2007 was comparable to the same period in the prior year on an absolute dollar basis and as a percentage of net revenues.

*General and Administrative Expenses*

General and administrative expenses increased 51%, or \$1.2 million, to \$3.5 million for the three months ended March 31, 2007 from \$2.3 million for same period in the prior year. The increase was primarily attributable to an increase in bad debt expense of \$1.1 million. The increase in bad debt expense for the three months ended March 31, 2007 compared to the same period in the prior year resulted primarily from a delay in collections from a specific large third party insurer and continued application of an aging schedule in determining bad debt expense. The delays resulted from procedural and processing changes within the insurer's affiliated group of companies.

InfuSystem estimates that unreimbursed processing costs borne by InfuSystem for I-Flow's ON-Q billings and reflected in its financial statements were approximately \$0.3 million and \$0.4 million for the three months ended March 31, 2007 and 2006, respectively. InfuSystem will continue to bear these processing costs until the closing of the sale of InfuSystem to HAPC. At the time of closing, I-Flow and InfuSystem will enter into a services agreement that will result in I-Flow compensating InfuSystem for its processing costs related to I-Flow's ON-Q billings and providing InfuSystem with an incentive-based reimbursement arrangement. Pursuant to the terms of the services agreement, InfuSystem will continue to provide to I-Flow, from and after the closing, the billing and collection services and management services InfuSystem has been providing prior to the date of the closing. The term of the services agreement will be three years, but it may be terminated earlier, after 18 months. Fees paid by I-Flow under the services agreement will be set at the higher of a cost-plus or percentage of collections.

In connection with the pending sale of InfuSystem to HAPC, Inc., I-Flow incurred certain expenses related to the divestiture of InfuSystem, including legal and professional fees that resulted directly from the sale transaction. Divestiture expenses for the three months ended March 31, 2007 were \$257,000, which was not reimbursed from InfuSystem to I-Flow and not reflected in InfuSystem's financial statements.

General and administrative expenses for the three months ended March 31, 2007 and 2006 do not include overhead costs associated with administrative services and corporate oversight that have historically been provided by I-Flow Corporation, InfuSystem's parent, at no charge to InfuSystem, including with respect to the following: insurance, benefits, employee stock option administration, human resources, finance, information technology, investor relations, corporate governance, SEC compliance, general management, strategy development, taxes, audits, cash management, legal work, regulatory compliance and budgeting. Upon acquisition of InfuSystem by HAPC, Inc., these services will no longer be provided by I-Flow Corporation, and general and administrative expenses to InfuSystem may increase accordingly.

*Interest Expense*

Interest expense decreased 19%, or \$7,000, to \$30,000 for the three months ended March 31, 2007 from \$37,000 for the same period in the prior year. The decrease for the three months ended March 31, 2007 was primarily due to additional interest assessed on state income taxes during the three months ended March 31, 2006, offset in part by an increase in the accrual of interest expense in connection with a dispute with the State of Michigan Department of Treasury related to use taxes on purchases of infusion pumps during the three months ended March 31, 2007.

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In August 2005, the State of Michigan Department of Treasury issued a decision and order of determination which provided that InfuSystem is liable for use taxes on its purchases of infusion pumps. As a result, InfuSystem has recorded through March 31, 2007 a cumulative net increase to gross fixed assets of \$1,347,000, a tax liability of \$1,466,000, and total expense of \$1,033,000 (of which \$90,000 and \$69,000 were recorded during the three months ended March 31, 2007 and 2006, respectively). The \$1,033,000 total expense recorded through March 31, 2007 consists of \$766,000 cost of sales (of which \$60,000 and \$50,000 were recorded during the three months ended March 31, 2007 and 2006, respectively) and \$267,000 accrued interest expense (of which \$30,000 and \$19,000 were recorded during the three months ended March 31, 2007 and 2006, respectively). InfuSystem appealed the decision. InfuSystem believes that portable infusion pumps, which allow cancer patients to be ambulatory and to lead a reasonably normal life, qualify for an exemption from use tax under Michigan law. On April 24, 2007, the Michigan Tax Tribunal granted a Motion for Summary Disposition in favor of InfuSystem, which was not appealed by the State of Michigan Department of Treasury. The review period for the ruling by the Michigan Tax Tribunal has ended which effectively forecloses further appeal of the August 2005 decision and order. InfuSystem believes that, due to the favorable ruling, its reported results for the second quarter of 2007 will include the reversal of all or a majority of the liability and expense recorded to date.

The income tax provision decreased 53%, or \$0.4 million, to \$0.4 million for the three months ended March 31, 2007 from \$0.8 million for the same period in the prior year. The decrease was primarily attributable to a decrease in pretax income. InfuSystem's effective tax expense rates for the three months ended March 31, 2007 and 2006 were 40.1% and 36.2%, respectively. The increase in the effective tax expense rate is due to the additional state income taxes recorded during the three months ended March 31, 2007.

*Net Income*

Net income for the three months ended March 31, 2007 was \$0.6 million, compared to \$1.5 million in the prior year, a decrease of 60%. The decrease was primarily due to an increase of \$1.2 million in general and administrative expenses, partially offset by a decrease of \$0.4 million in income tax provision and a decrease of \$0.1 million in gross profit.

*Liquidity and Capital Resources*

During the three months ended March 31, 2007, cash provided by operating activities was \$1.6 million, compared to \$1.3 million for the same period in the prior year. The increase in cash provided by operating activities was primarily due to a decrease in accounts receivable and increase in other liabilities, partially offset by an increase in payments for accounts payable and accrued payroll and related expenses due to the timing of payments.

During the three months ended March 31, 2007, cash used in investing activities was \$0.6 million, compared \$0.4 million for the same period in the prior year. The increase in cash used in investing activities was primarily due to an increase in the purchases of electronic infusion pumps to support the rental business, offset in part by an increase in the proceeds from the sale of property. InfuSystem spent \$0.8 million on the purchases of electronic infusion pumps during the three months ended March 31, 2007, compared to \$0.4 million during the same period in the prior year.

During the three months ended March 31, 2007, cash provided by financing activities was \$0.4 million, compared to cash used in financing activities of \$1.6 million for the same period in the prior year. The increase in cash used in financing activities was primarily due to a decrease in net dividends to I-Flow, InfuSystem's parent.

As of March 31, 2007, InfuSystem had cash and cash equivalents of \$3.4 million, net accounts receivable of \$8.3 million and net working capital of \$9.4 million. At that time, InfuSystem believed that, notwithstanding the contemplated transaction with HAPC, the then-current funds were sufficient to provide for InfuSystem's projected needs to maintain operations for at least the following 12 months. Pursuant to the transaction with HAPC, it is anticipated that all or part of InfuSystem's cash balance will be transferred to I-Flow prior to the closing of the transaction. At the close of the acquisition of InfuSystem, Acquisition Sub will merge with and into InfuSystem, and InfuSystem will be obligated to make principal and interest payments to I-Flow on the secured Promissory Note. HAPC believes that InfuSystem's funds, together with cash to be provided by HAPC or Acquisition Sub after the closing, are sufficient to provide for InfuSystem's projected needs to maintain operations for at least the following 12 months.

During the three months ended March 31, 2007, InfuSystem had no material changes outside the normal course of business in the contractual obligations and commercial commitments described below under the caption Contractual Obligations and

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Commercial Commitments as of 12/31/06. The table under the caption Contractual Obligations and Commercial Commitments as of 12/31/06 excludes the \$1,200,000 in long-term liability recorded as of March 31, 2007 in connection with the adoption of FASB Interpretation No. 48

Accounting for Uncertainty in Income Taxes effective January 1, 2007 because InfuSystem is unable to make a reasonable estimate of the period of cash settlement with the state taxing jurisdictions to which InfuSystem is subject. During the same period, InfuSystem had no material off-balance sheet arrangements as defined in Item 303(a)(4)(ii) of Regulation S-K.

**Results of Operations for the Year Ended December 31, 2006 Compared to the Year Ended December 31, 2005***Revenues*

Revenues increased 11% or \$3.2 million, to \$31.7 million for the year ended December 31, 2006 from \$28.5 million for the year ended December 31, 2005. The increase in revenues for the year ended December 31, 2006 compared to the prior year was primarily due to an increased usage of new drugs and clinical protocols that require the use of ambulatory electronic pumps. Net revenues for the year ended December 31, 2006 increased despite the unfavorable impact of shortages of 5-Fluorouracil, a commonly used chemotherapy drug, that began in the fourth quarter of 2005 and continued into the first quarter of 2006. Availability of 5-Fluorouracil returned to normal at the end of the first quarter of 2006. However, revenue is believed to have been adversely affected during the second, and possibly third, quarters of 2006 due to a decline in the number of patients in the pipeline who InfuSystem believes had to turn to other medications or treatments.

*Cost of Revenues*

Cost of revenues increased 9%, or \$0.7 million, to \$8.5 million for the year ended December 31, 2006 from \$7.7 million for the year ended December 31, 2005. Cost of revenues increased for the year ended December 31, 2006 compared to the prior year primarily due to the increase in revenues. Cost of revenues as a percentage of revenues for the year ended December 31, 2006 was equal to that of the prior year.

*Selling and Marketing Expenses*

Selling and marketing expenses decreased 12%, or \$0.5 million, to \$3.8 million for the year ended December 31, 2006 from \$4.3 million for the year ended December 31, 2005. The decrease in expenses was primarily attributable to a decrease in commissions (\$0.7 million), which was due to the unfavorable impact of the 5-Fluorouracil shortage during the first quarter of 2006, resulting in less compensation expense recorded for the achievement of sales goals, offset in part by an increase in advertising expense (\$0.1 million). InfuSystem recognized stock-based compensation costs related to selling and marketing expenses of approximately \$254,000 and \$266,000 for the years ended December 31, 2006 and 2005, respectively. The adoption of SFAS 123R in fiscal 2006 did not have a significant impact on stock-based compensation expense for selling and marketing expenses because InfuSystem was required to recognize such expenses under the prior accounting guidance for the stock awards issued to the sales force, which were generally granted with an exercise price below fair market value.

As a percentage of net revenues, selling and marketing expenses decreased by approximately three percentage points for the year ended December 31, 2006 compared to the prior year, primarily because of the decrease in selling and marketing expenses described above.

*General and Administrative Expenses*

General and administrative expenses increased 34%, or \$2.9 million, to \$11.3 million for the year ended December 31, 2006 from \$8.4 million for the year ended December 31, 2005. The increase was primarily attributable to increases in bad debt expense (\$2.8 million) and salaries, wages and fringe benefits related expenses (\$0.5 million), offset in part by a decrease in non-cash compensation expense related to the amortization of deferred compensation (\$0.7 million). The increase in bad debt expense for the year ended December 31, 2006 compared to the prior year resulted primarily from a delay in collections from a specific large third party insurer. The delays resulted from procedural and processing changes within the insurer's affiliated group of companies. Increases in salaries, wages and fringe benefits and related expenses for the year ended December 31, 2006 compared to the prior year were primarily due to increased staffing to support the growth of InfuSystem. The decrease in non-cash compensation expense related to the amortization of deferred compensation was primarily due to the upward repricing and acceleration of the

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out-of-the-money stock options on November 9, 2005, offset in part by the adoption of SFAS 123R in fiscal 2006. InfuSystem recognized stock-based compensation costs related to general and administrative expenses of approximately \$142,000 and \$819,000 during the year ended December 31, 2006 and 2005, respectively.

InfuSystem estimates that unreimbursed processing costs borne by InfuSystem for I-Flow's ON-Q billings and reflected in its financial statements were approximately \$1.5 million and \$1.2 million for the years ended December 31, 2006 and 2005, respectively. InfuSystem will continue to bear these processing costs until the closing of the sale of InfuSystem to HAPC. At the time of closing, I-Flow and InfuSystem will enter into a services agreement that will result in I-Flow compensating InfuSystem for its processing costs related to I-Flow's ON-Q billings and providing InfuSystem with an incentive-based reimbursement arrangement. Pursuant to the terms of the services agreement, InfuSystem will continue to provide to I-Flow, from and after the closing, the billing and collection services and management services InfuSystem has been providing prior to the date of the closing. The term of the services agreement will be three years, but it may be terminated earlier, after 18 months. Fees paid by I-Flow under the services agreement will be set at the higher of a cost-plus or percentage of collections.

In connection with the pending sale of InfuSystem to HAPC, I-Flow incurred certain expenses related to the divestiture of InfuSystem, including legal and professional fees that resulted directly from the sale transaction. Divestiture expenses for the year ended December 31, 2006 were \$2.1 million, which were not reimbursed from InfuSystem to I-Flow and not reflected in InfuSystem's financial statements.

General and administrative expenses for the years ended December 31, 2006 and 2005 do not include overhead costs associated with administrative services and corporate oversight that have historically been provided by I-Flow Corporation, InfuSystem's parent, at no charge to InfuSystem, including with respect to the following: insurance, benefits, employee stock option administration, human resources, finance, information technology, investor relations, corporate governance, SEC compliance, general management, strategy development, taxes, audits, cash management, legal work, regulatory compliance and budgeting. Upon acquisition of InfuSystem by HAPC, these services will no longer be provided by I-Flow, and general and administrative expenses to InfuSystem may increase accordingly.

*Interest Expense*

Interest expense increased 126%, or \$63,000, to \$113,000 for the year ended December 31, 2006 from \$50,000 for the year ended December 31, 2005. The increase for the year ended December 31, 2006 was primarily due to an increase in the accrual of interest expense in connection with a dispute with the State of Michigan Department of Treasury related to use taxes on purchases of infusion pumps.

In August 2005, the State of Michigan Department of Treasury issued a decision and order of determination which provided that InfuSystem is liable for use taxes on its purchases of infusion pumps. As a result, InfuSystem has recorded through December 31, 2006 a cumulative net increase to gross fixed assets of \$1,276,000, a tax liability of \$1,392,000, and total expense of \$943,000 (of which \$302,000 and \$236,000 were recorded during the years ended December 31, 2006 and 2005, respectively). The \$943,000 total expense recorded through December 31, 2006 consists of \$706,000 cost of sales (of which \$209,000 and \$187,000 were recorded during the years ended December 31, 2006 and 2005, respectively) and \$237,000 accrued interest expense (of which \$93,000 and \$49,000 were recorded during the years ended December 31, 2006 and 2005, respectively). InfuSystem appealed the decision. InfuSystem believes that portable infusion pumps which allow cancer patients to be ambulatory and lead a reasonably normal life, qualify for an exemption from use tax under Michigan law. On April 24, 2007, the Michigan Tax Tribunal granted a Motion for Summary Disposition in favor of InfuSystem, which was not appealed by the State of Michigan Department of Treasury. The review period for the ruling by the Michigan Tax Tribunal has ended which effectively forecloses further appeal of the August 2005 decision and order. InfuSystem believes that, due to the favorable ruling, its reported results for the second quarter of 2007 will include the reversal of all or a majority of the liability and expense recorded to date.

*Income Tax Provision*

The income tax provision increased 5%, or \$0.2 million, to \$3.1 million for the year ended December 31, 2006 from \$2.9 million for the year ended December 31, 2005. The increase was primarily attributable to an increase in pretax income. InfuSystem's effective tax expense rates for the years ended December 31, 2006 and 2005 were 38.4% and 36.6%, respectively.

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*Net Income*

Net income for the year ended December 31, 2006 was \$5.0 million, compared to \$5.1 million in the prior year, a decrease of 2%. The decrease was primarily due to an increase of \$2.9 million in general and administrative expenses, partially offset by an increase in gross profit of \$2.5 million and a decrease in selling and marketing expense of \$0.5 million.

**Results of Operations for the Year Ended December 31, 2005 Compared to the Year Ended December 31, 2004**

*Revenue*

Revenue for the year ended December 31, 2005 was \$28.5 million, compared to \$19.3 million for the year ended December 31, 2004, an increase of 47%. The increase in revenue was substantially due to an increased usage of new drugs and clinical protocols that require the use of ambulatory electronic pumps instead of oral application or rapid (bolus) injection of chemotherapy drugs. Net revenues for the year ended December 31, 2005 increased despite the unfavorable impact of a market shortage of 5-Fluorouracil, a commonly-used chemotherapy drug, during the fourth quarter of 2005. InfuSystem estimated that the unfavorable revenue impact from the drug shortage was approximately \$1.9 million.

*Cost of Revenues*

Cost of revenues for the year ended December 31, 2005 was \$7.7 million, compared to \$5.6 million for the year ended December 31, 2004, an increase of 39%.

Cost of revenues decreased as a percentage of revenues by two percentage points for the year ended December 31, 2005 compared to the prior year. The decrease was due to better pump utilization and to a decrease in the shipment of disposable supplies in proportion to revenues that resulted in decreased cost of sales in proportion to revenues. Fewer supplies were shipped because there was a shortage of 5-Fluorouracil during the fourth quarter of 2005. The decrease for the year ended December 31, 2005 was partially offset by an increase of \$77,000 of cost of sales recorded related to a dispute with the State of Michigan Department of Treasury concerning InfuSystem's potential liability for use taxes on purchases of infusion pumps.

In August 2005, the State of Michigan Department of Treasury issued a decision and order of determination which provided that InfuSystem is liable for use taxes on its purchases of infusion pumps. As a result, as of December 31, 2005 InfuSystem recorded a net increase to gross fixed assets of \$1,070,000, a tax liability of \$1,173,000, and total expense of \$641,000, consisting of \$497,000 of cost of sales (of which \$187,000 and \$110,000 were recorded during the years ended December 31, 2005 and 2004, respectively) and \$144,000 of accrued interest expense (of which \$49,000 and \$28,000 were recorded during the years ended December 31, 2005 and 2004, respectively). InfuSystem is currently appealing the decision. InfuSystem believes that portable infusion pumps, which allow cancer patients to be ambulatory and to lead a reasonably normal life, qualify for an exemption from tax under Michigan law. On April 24, 2007, the Michigan Tax Tribunal granted a Motion for Summary Disposition in favor of InfuSystem, which was not appealed by the State of Michigan Department of Treasury. The review period for the ruling by the Michigan Tax Tribunal has ended which effectively forecloses further appeal of the August 2005 decision and order. InfuSystem believes that, due to the favorable ruling, its reported results for the second quarter of 2007 will include the reversal of all or a majority of the liability and expense recorded to date.

*Selling and Marketing Expenses*

Selling and marketing expenses for the year ended December 31, 2005 were \$4.3 million, compared to \$3.2 million for the year ended December 31, 2004, an increase of 35%. The increase was primarily attributable to an increase in sales commissions and bonuses from higher revenues.

As a percentage of net revenues, selling and marketing expenses decreased by approximately one percentage point for the year ended December 31, 2005 versus the prior year because net revenues increased at a rate that outpaced the increase in selling and marketing expenses described above.

**Table of Contents***General and Administrative Expenses*

General and administrative expenses for the year ended December 31, 2005 were \$8.4 million compared to \$5.9 million for the year ended December 31, 2004, an increase of 41%. The increase was primarily attributable to increases in non-cash compensation expense related to amortization of deferred compensation and an increase in compensation and related expenses. InfuSystem recognized stock-based compensation costs related to general and administrative expenses of approximately \$819,000 and \$99,000 during the years ended December 31, 2005 and 2004, respectively.

InfuSystem estimates that unreimbursed processing costs borne by InfuSystem for I-Flow's ON-Q billings and reflected in its financial statements were approximately \$1.2 million and \$0.3 million for the years ended December 31, 2005 and 2004, respectively. InfuSystem will continue to bear these processing costs until the closing of the sale of InfuSystem to HAPC. At the time of closing, I-Flow and InfuSystem will enter into a services agreement that will result in I-Flow compensating InfuSystem for its processing costs related to I-Flow's ON-Q billings and providing InfuSystem with an incentive-based reimbursement arrangement. Pursuant to the terms of the services agreement, InfuSystem will continue to provide to I-Flow, from and after the closing, the billing and collection services and management services InfuSystem has been providing prior to the date of the closing. The term of the services agreement will be three years, but it may be terminated earlier, after eighteen months. Fees paid by I-Flow under the services agreement will be set at the higher of a cost-plus or percentage of collections.

Increases in non-cash compensation expense related to the amortization of deferred compensation expenses for the year ended December 31, 2005 were primarily due to the recognition of stock-based compensation expense in connection with I-Flow's upward repricing and acceleration of the out-of-the-money stock options on November 9, 2005. The primary purposes of upward repricing and acceleration of the out-of-the-money stock options were to comply with new deferred compensation tax laws, to promote employee motivation, retention and the perception of option value, and to avoid recognizing future compensation expense associated with out-of-the-money stock options upon adoption of SFAS 123R. Increases in compensation and related expenses for the year ended December 31, 2005 were primarily due to increased staffing to support the growth of InfuSystem.

As a percentage of net revenues, general and administrative expenses decreased by approximately one percentage point for the year ended December 31, 2005 compared to the same period in the prior year because net revenues increased at a rate that outpaced the increase in general and administrative expenses described above.

General and administrative expenses for the year ended December 31, 2005 do not include overhead costs associated with administrative services and corporate oversight that have historically been provided by I-Flow, InfuSystem's parent, at no charge to InfuSystem, including with respect to the following: insurance, benefits, employee stock option administration, human resources, finance, information technology, investor relations, corporate governance, SEC compliance, general management, strategy development, taxes, audits, cash management, legal work, regulatory compliance and budgeting. Upon acquisition of InfuSystem by HAPC, these services will no longer be provided by I-Flow, and general and administrative expenses to InfuSystem may increase accordingly.

*Interest Expense*

Interest expense for the year ended December 31, 2005 was \$50,000, compared to \$29,000 for the year ended December 31, 2004, an increase of 73%. The increase was primarily due to an increase in the accrual of interest expense by InfuSystem in connection with the previously described dispute with the State of Michigan Department of Treasury related to use taxes on purchases of infusion pumps.

*Income Tax Provision*

The income tax provision for the year ended December 31, 2005 was \$2.9 million, compared to \$1.7 million for the year ended December 31, 2004, an increase of 73%. The increase was primarily attributable to an increase in pre-tax income. InfuSystem's effective tax expense rate for the year ended December 31, 2005 was 36.6%, compared to 36.8% for the year ended December 31, 2004.

**Table of Contents***Net Income*

Net income for the year ended December 31, 2005 was \$5.1 million, compared to \$2.9 million in the prior year, an increase of 74% for the year ended December 31, 2005, compared to the prior year. The increase was primarily due to an increase in gross profit of \$7.0 million, offset in part by an increase in operating expenses of \$3.6 million and an increase in income tax provision of \$1.2 million.

*Liquidity and Capital Resources*

During the year ended December 31, 2006, cash provided by operating activities was \$7.8 million, compared to \$5.0 million for the prior year. The increase in cash provided by operating activities was primarily due to the increase in current period income from operations, net of non-cash items, a reduction in the rate of growth in accounts receivable and an increase in accounts payable, partially offset by an increase in payments for accrued payroll and related taxes and state income taxes. Accounts receivable increased 5% and 86% during the years ended December 31, 2006 and 2005, respectively, while revenue increased 11% and 47% for the same periods, respectively, resulting in a relatively larger amount of cash collected during the year ended December 31, 2006 compared to the prior year. Accounts payable increased due to the timing of payments.

During the year ended December 31, 2006, cash used in investing activities was \$2.5 million, compared \$6.9 million for the prior year. The decrease in cash used in investing activities was primarily due to a decrease in the purchases of electronic infusion pumps to support the rental business. InfuSystem spent \$2.5 million on the purchases of electronic infusion pumps during the year ended December 31, 2006, compared to \$6.9 million during the year ended December 31, 2005. This relative decrease in the amount of purchases of electronic infusion pumps was primarily due to a smaller year-to-year increase in the number of patients receiving continuous infusion of chemotherapy from InfuSystem's clients' facilities, believed to have resulted primarily from the 5-Fluorouracil shortage.

During the year ended December 31, 2006, cash used in financing activities was \$5.8 million, compared to cash provided by financing activities of \$3.5 million for the prior year. The increase in cash used in financing activities was primarily due to an increase in net dividends to I-Flow, InfuSystem's parent.

As of December 31, 2006, InfuSystem had cash and cash equivalents of \$2.0 million, net accounts receivable of \$9.6 million and net working capital of \$8.3 million. At that time, InfuSystem believed that, notwithstanding the contemplated transaction with HAPC, the then-current funds were sufficient to provide for InfuSystem's projected needs to maintain operations for at least the following 12 months. Pursuant to the transaction with HAPC, it is anticipated that all or part of InfuSystem's cash balance will be transferred to I-Flow prior to the closing of the transaction. At the close of the acquisition of InfuSystem, Acquisition Sub will merge with and into InfuSystem, and InfuSystem will be obligated to make principal and interest payments to I-Flow on the secured promissory note. HAPC believes that InfuSystem's funds, together with cash to be provided by HAPC or Acquisition Sub after the closing, are sufficient to provide for InfuSystem's projected needs to maintain operations for at least the following 12 months.

**Critical Accounting Policies**

InfuSystem prepares its financial statements in conformity with accounting principles generally accepted in the United States. Accordingly, InfuSystem is required to make estimates, judgments and assumptions that InfuSystem believes are reasonable based on the information available. These estimates and assumptions affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the periods presented. The critical accounting policies that InfuSystem believes are the most important to aid in fully understanding and evaluating its reported financial results include the following:

*Revenue Recognition*

Rental revenue in the oncology market is InfuSystem's strategic focus. InfuSystem does not recognize revenue until all of the following criteria are met: persuasive evidence of an arrangement exists; shipment and passage of title has occurred; the price to the customer is fixed or determinable; and collectibility is reasonably assured. Persuasive evidence of an arrangement is determined to exist, and collectibility is reasonably assured, at the point in which a certificate of medical necessity and assignment of benefits, signed by the physician and patient, respectively, have been received by InfuSystem, and InfuSystem has verified



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actual pump usage and insurance coverage. Rental revenue from electronic infusion pumps is recognized as earned over the term of the related rental agreements, normally on a month-to-month basis. Pump rentals are billed at InfuSystem's established rates, which often differ from contractually allowable rates provided by third party payors such as Medicare, Medicaid and commercial insurance carriers. Provisions are recorded simultaneously with revenue recognition to reduce revenue to the estimated allowable amount per contractual rates with third-party payors.

Due to the nature of the industry and the reimbursement environment in which InfuSystem operates, certain estimates are required to record net revenues and accounts receivable at their net realizable values. Inherent in these estimates is the risk that they will have to be revised or updated as additional information becomes available. Specifically, the complexity of many third-party billing arrangements and the uncertainty of reimbursement amounts for certain services from certain payors may result in adjustments to amounts originally recorded. Because of continuing changes in the healthcare industry and third-party reimbursement, it is possible that management's estimates could change in the near term, which could have an impact on operations and cash flows.

### *Accounts Receivable*

InfuSystem performs periodic analyses to evaluate its accounts receivable balances. It records an allowance for doubtful accounts based on the estimated collectibility of the accounts such that the recorded amounts reflect estimated net realizable value. Upon determination that an account is uncollectible, the account is written-off and charged to the allowance.

In determining its accounts receivable balances and allowance for doubtful accounts, management considers historical realization data, accounts receivable aging trends, operating trends, and other relevant business conditions such as governmental and managed care payor claims processing procedures and system changes. InfuSystem's analysis includes the application of specified percentages to the accounts receivable aging to estimate the amount that will ultimately be uncollectible and, therefore, should be reserved. The percentages are increased as the accounts age. Due to the continuing changes in the health care industry and third-party reimbursement, it is possible that management's estimates could change in the near term, which could have an impact on its financial position, results of operations and cash flows.

### *Fixed Assets*

Property is stated at cost and depreciated using the straight-line method over the estimated useful lives of the related assets, ranging from three to seven years. Rental equipment, consisting of ambulatory infusion pumps that InfuSystem acquires from third-party manufacturers, is depreciated over five years. Leasehold improvements are amortized using the straight-line method over the life of the asset or the remaining term of the lease, whichever is shorter. Maintenance and minor repairs are charged to operations as incurred. When assets are sold, or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any gain or loss is recorded in the current period.

### *Income Taxes*

InfuSystem accounts for income taxes in accordance with SFAS No. 109, Accounting for Income Taxes, which requires that InfuSystem recognize deferred tax liabilities and assets based on the differences between the financial statement carrying amounts and the tax basis of assets and liabilities, using enacted tax rates in effect in the years the differences are expected to reverse. Deferred income tax benefit (expense) results from the change in net deferred tax assets or deferred tax liabilities. A valuation allowance is recorded when it is more likely than not that some or all of any deferred tax assets will not be realized. InfuSystem's income taxes as presented in the financial statements have been prepared on a separate return basis.

### *Goodwill*

InfuSystem recognizes goodwill in accordance with SFAS No. 142, Goodwill and Other Intangible Assets ( SFAS 142 ). Under SFAS 142, goodwill is recorded at its carrying value and is tested for impairment at least annually. InfuSystem reviews the recoverability of the carrying value of goodwill on an annual basis or more frequently if an event occurs or circumstances change to indicate that an impairment of goodwill has possibly occurred. InfuSystem compares the fair value of its operating unit to the carrying value, as well as other factors, to determine whether or not any potential impairment of goodwill exists. If a potential

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impairment exists, an impairment loss is recognized to the extent the carrying value of goodwill exceeds the difference between the fair value of the operating unit and the fair value of its other assets and liabilities.

*Stock-Based Compensation*

Beginning January 1, 2006, InfuSystem accounts for stock-based compensation in accordance with SFAS No. 123R, Share-Based Payment ( SFAS 123R ). Under the provisions of SFAS 123R, stock-based compensation cost is estimated at the grant date based on the award's fair value as calculated by the Black-Scholes option-pricing model and is recognized as expense ratably over the requisite service period. The Black-Scholes model requires various highly judgmental assumptions including volatility, forfeiture rates, and expected option life. If any of the assumptions used in the Black-Scholes model change significantly, stock-based compensation expense may differ materially in the future from that recorded in the current period.

**Contractual Obligations and Commercial Commitments as of 12/31/06**

Contractual Obligations	Payments due by Period (in thousands)				
	Total	<1 year	1-3 yrs	3-5 yrs	>5 yrs
Long Term Debt Obligations	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Capital Lease Obligations	0	0	0	0	0
Operating Lease Obligations*	348	233	115	0	0
Purchase Obligations	0	0	0	0	0
Other Long-Term Liabilities Reflected on Balance Sheet under GAAP	0	0	0	0	0
Total	\$ 348	\$ 233	\$ 115	\$ 0	\$ 0

\* Consists of leases for approximately 14,000 square feet of general office space and approximately 3,000 square feet of warehouse space in Madison Heights, Michigan. The amounts in this row reflect obligations under the leases as amended on July 2, 2007.

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**INFUSYSTEM EXECUTIVE COMPENSATION AND OTHER INFORMATION**

**InfuSystem Compensation**

**Discussion and Analysis ( CD&A )**

***Overview***

The following is a description of the executive compensation policies of InfuSystem, as such policies exist as of the date of the filing of this Proxy Statement. If and when InfuSystem is acquired by HAPC, HAPC will have sole control and responsibility over the future compensation policies of InfuSystem. HAPC's intentions with respect to the compensation policies of InfuSystem after the acquisition of InfuSystem are described elsewhere in this proxy statement, on page 128.

InfuSystem's executive compensation program is designed to attract, retain and motivate high-quality employees who have the ability to produce strong business results and further the long-term success of InfuSystem, and to reward such employees for furthering the long-term success of InfuSystem. I-Flow's chief executive officer, chief operating officer and chief financial officer (who are referred to in this CD&A as "I-Flow executive management") are responsible for overseeing InfuSystem's executive compensation program. In order to motivate InfuSystem's executive officers and to achieve long-term stockholder value, InfuSystem maintains a management incentive plan, and I-Flow executive management has historically used this program as a significant part of total compensation for InfuSystem's executive officers. Currently, InfuSystem's executive officers are Steven E. Watkins, InfuSystem's President; Stephen C. Revere, InfuSystem's Controller; Janet L. Skonieczny, InfuSystem's Vice President of Operations; Anthony E. Norkus, InfuSystem's Vice President of Western Region Sales; and Thomas A. Bryniarski, InfuSystem's Director of Regional Sales.

InfuSystem's executive compensation program is specifically designed to accomplish the following objectives:

to provide competitive levels of base compensation in order to attract, retain and motivate high-quality employees who are necessary to achieve InfuSystem's success and who provide continuity to management of InfuSystem;

to tie individual total compensation to both the individual's and InfuSystem's performance; and

to align the interests of InfuSystem's executive officers with those of InfuSystem's sole stockholder, I-Flow.

InfuSystem faces significant challenges in the coming years and will rely heavily upon its president and other executive officers for leadership, strategic direction and operational effectiveness. InfuSystem's long-term goals include increasing the awareness of InfuSystem's services, educating customers and patients as to the clinical and financial benefits of InfuSystem's services and significantly growing revenues. InfuSystem's president has the ultimate responsibility for these goals as part of maximizing InfuSystem's profitability, and I-Flow executive management believes that InfuSystem is best served if InfuSystem's president and other executive officers have significant incentives to meet these expectations.

Due to InfuSystem's smaller size in earlier years and the desire to minimize overhead expenses, InfuSystem's management structure is such that each of InfuSystem's executive officers has more responsibilities as compared to executive officers at many other similarly sized companies. This lean organizational structure and the corresponding additional responsibilities that InfuSystem's executive officers have is taken into consideration by I-Flow executive management when analyzing and determining the appropriate levels of their compensation.

As described in more detail below, InfuSystem's executive compensation program uses a combination of fixed and variable elements. The following are the specific elements of compensation that are intended to achieve the objectives described above: (1) base salary, (2) sales commissions and restricted stock grants based on the performance of InfuSystem and the individual, (3) cash management incentives based on the performance of InfuSystem and the individual, (4) benefits and perquisites and (5) post-employment benefits. I-Flow executive management does not have any pre-established policies with respect to the allocation of base salary and incentive payments, or with respect to cash compensation versus non-cash compensation. Rather, I-Flow executive management undertakes an annual evaluation of how to allocate the total compensation value that takes into



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account factors such as current competitive practices, projected compensation trends and the strategic needs and direction of the business. As part of that annual evaluation, I-Flow executive management allocates compensation components based upon the purpose of each element. Base salaries are used to be competitive with similarly sized companies, bonuses are used to measure and reward performance on a twelve-month basis and equity compensation is used to align the interests of InfuSystem's executives with that of I-Flow and to aid executive retention.

### **Role of I-Flow Executive Management**

I-Flow executive management is responsible for establishing InfuSystem executive compensation, including the following:

determining InfuSystem's compensation philosophy, objectives and policies;

reviewing and approving all elements and amounts of compensation and benefits provided to InfuSystem's executive officers;  
and

annually evaluating the performance of the president.

I-Flow executive management's specific duties relating to executive compensation include the following:

establishing the corporate goals and objectives relevant to the president's compensation, evaluating the president's performance in light of such goals and objectives, and setting the president's compensation elements and amounts based on such evaluation. The president may not be present during I-Flow executive management's deliberations regarding his compensation;

establishing the corporate goals and objectives relevant to executive officer compensation (other than the president), evaluating such executive officers' performance in light of such goals and objectives, and setting the executive officers' compensation elements and amounts based on this evaluation;

administering InfuSystem's incentive compensation plans;

examining InfuSystem's overall compensation structure, policies and programs, including, without limitation, salary, incentive, stock, deferred, retirement and health benefits, and assessing whether such programs establish appropriate and adequate incentives;

considering the creation, amendment, modification and termination of InfuSystem's compensation and employee benefit plans; and

performing such other duties and responsibilities with respect to executive compensation as I-Flow executive management may deem appropriate.

Each year, I-Flow executive management reviews compensation matters and makes decisions with respect to the matters listed above. I-Flow executive management considers the reasonableness of the compensation paid to, and incentives established for, the executive officers and also reviews the competitiveness of each executive officer's base salary, total annual cash compensation and the present value of the expected future value of equity compensation. In doing so, I-Flow executive management takes into account InfuSystem's business challenges and growth opportunities and the highly competitive market for high-quality, experienced executive talent. For equity compensation, I-Flow executive management considers the value of potential grants of I-Flow equity to the InfuSystem executives and the potential increase in the value of an equity grant from the grant date forward that results from an increase in the market price of I-Flow stock, in order to align the executives

interests with those of InfuSystem and I-Flow.

While I-Flow executive management discusses with the president his own compensation package, I-Flow executive management ultimately makes decisions regarding the president's compensation package based on its separate deliberations. The president provides input with respect to decisions regarding the other executive officers' compensation. As in the case of the president, compensation decisions regarding the other executive officers are ultimately made by I-Flow executive management based on its separate deliberations.

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### **Elements of Compensation**

#### ***Base Salary***

I-Flow executive management seeks to establish base salaries for InfuSystem's executive officers at levels that are competitive with base salary compensation paid to executive officers of I-Flow with similar levels of responsibility, and not significantly below cash compensation available to InfuSystem's key executives through alternative employment at peer or other companies for which InfuSystem's executive officers' experience would be valuable. Base salary levels are reviewed annually by I-Flow executive management and may be adjusted based on factors such as the performance of InfuSystem, the scope of the executive officer's responsibilities, the performance of the executive officer during the prior fiscal year, the executive officer's experience and the competitive marketplace. I-Flow executive management evaluates base salary levels together with other components of the executive officer's compensation in determining the executive officer's total compensation and whether such total compensation is consistent with the objectives of InfuSystem's compensation program. I-Flow executive management considers whether the base salary levels are reasonable in years where there may not be any incentive payments under the Management Incentive Plan (discussed below).

Specifically, in determining base salaries of InfuSystem executive officers, I-Flow executive management first considers the actions of the I-Flow board and compensation committee in determining the base salaries of I-Flow's executive officers, pursuant to the procedures described in I-Flow's definitive proxy statement for its 2007 annual meeting filed with the Securities and Exchange Commission on April 20, 2007. Those procedures include the retention of a compensation consultant, WNB Consulting LLC, by I-Flow's compensation committee. In determining base salaries, the I-Flow board and compensation committee consider and evaluate data provided by various surveys and data sources that are provided by the compensation consultant, and, based on such surveys, the compensation consultant recommends a range for base salaries. These surveys include companies in the life sciences industry and durable and non-durable goods manufacturers.

After I-Flow's board and compensation committee have determined base salaries for I-Flow's executive officers, I-Flow executive management then determines base salaries for InfuSystem's executive officers by comparing the levels of responsibility of such officers to the levels of responsibility of the executive management of I-Flow and calculating an appropriate base salary based upon such comparison. InfuSystem itself does not directly benchmark its compensation against any of its competitors and does not review any surveys of similarly sized companies. In addition, I-Flow executive management considers the individual performance of InfuSystem's executive officers in the determination of annual base salary adjustments.

For 2006 compared to 2005, and based upon I-Flow executive management's philosophy with respect to base salaries as described above, Mr. Watkins' base salary increased to \$260,817 from \$230,143; Mr. Revere's base salary increased to \$113,551 from \$89,818; Ms. Skonieczny's base salary increased to \$127,857 from \$120,874; Mr. Norkus' base salary increased to \$100,000 from \$95,673; and Mr. Bryniarski's base salary increased to \$80,000 from \$76,153. These increases were made in response to the growth of InfuSystem and the attendant increase in the levels of responsibilities of the named executive officers, as well as to reward performance and to aid in the retention of the named executive officers. In connection with its strategic plan relating to the potential sale of InfuSystem, I-Flow executive management deemed retention of the named executive officers to be of an even higher priority than in prior years, in order to assist with the consummation of the potential acquisition of InfuSystem by HAPC.

#### ***Sales Commissions and I-Flow Restricted Stock***

In 2006, sales commissions were paid to Mr. Norkus and Mr. Bryniarski, InfuSystem's key sales personnel, in order to motivate and reward achievement of sales objectives. For 2006, each received a commission of either 0.58% or 0.465% of net sales for his region (excluding his personal territory, for which InfuSystem's standard salesperson commissions apply), depending on whether his applicable regional sales quota was achieved. In order to motivate and reward achievement of sales objectives in 2006, each of Mr. Norkus and Mr. Bryniarski (i) was also eligible to receive a 6% commission on all billings in his region (excluding his personal territory) exceeding his regional quota and (ii) received 2,000 shares of I-Flow restricted stock with a three-year cliff-vesting schedule, which was subject to earlier vesting (in 2006), in the event that his regional sales quota was attained.

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Regional sales quotas for Mr. Norkus and Mr. Bryniarski are set at a high level to motivate such executives to achieve sales growth, and the quotas are sufficiently difficult such that there is a possibility they may not be obtained in any given year (but the quotas are not so difficult that attainment of the quotas would be impossible or the executives would cease to be motivated to achieve the quotas). Mr. Bryniarski met his regional sales quota for 2006. As such, his 2,000 restricted shares vested as of December 31, 2006 and were issued in January 2007. Mr. Norkus did not meet his regional sales quota for 2006. As such, his 2,000 restricted shares did not vest in 2006 and were not issued. For 2006, Mr. Norkus was paid sales commissions of \$162,243, compared to \$201,834 in 2005 and Mr. Bryniarski was paid sales commissions of \$166,943, compared to \$200,463 in 2005. The commission and restricted stock compensation structure for Mr. Norkus and Mr. Bryniarski were determined by I-Flow executive management.

In addition to the sales-based restricted stock awards granted to Mr. Norkus and Mr. Bryniarski in 2006, the chief executive officer of I-Flow considered whether I-Flow should award, subject to I-Flow board approval, any restricted stock awards to the named executive officers of InfuSystem (including any additional restricted stock awards to Mr. Norkus or Mr. Bryniarski), as I-Flow has done from time to time in prior years. For 2006, I-Flow decided not to grant any such awards to the named executive officers of InfuSystem.

### ***Management Incentive Plan***

In order to motivate InfuSystem's executive officers to meet certain annually specified performance objectives, InfuSystem has in prior years established a Management Incentive Plan (the "MIP"). The MIP has historically been a performance-based program that has both short-term and longer-term incentive components in which InfuSystem's executive officers participate. The MIP focuses these executive officers on achieving key financial and strategic objectives that are expected to lead to the creation of value for InfuSystem and to provide the executive officers with an opportunity to earn cash bonuses and stock-based awards that are tied to InfuSystem's performance. The structure and terms of the MIP are reviewed annually and approved early in the fiscal year by I-Flow executive management. The MIP incorporates predetermined performance goals and target awards on an annual basis and sets forth threshold, target and maximum levels of performance and amounts. InfuSystem's performance is compared to the goals and that result determines the aggregate achievement percentage used to calculate the bonus pool, if any, for the year. In recent years, the MIP has been an important component of InfuSystem's executive compensation program and has accounted for a significant portion of the actual compensation earned by InfuSystem's executive officers. The emphasis on short-term goals is based on the competitive marketplace practices for short-term cash incentives that focus on the importance of delivering quarterly and annual results to the financial marketplace. Each new annual MIP typically replaces all prior MIPs such that there is only one MIP in place at any given time. The only MIP currently in place is InfuSystem's 2007 Management Incentive Plan, which is described below.

### ***2007 Management Incentive Plan***

For 2007, to provide an incentive for management to cooperate and facilitate the sale of InfuSystem and maintain a high level of operating performance contributing to an attractive sale price, I-Flow executive management established performance criteria for the 2007 Management Incentive Plan (the "2007 MIP"), awards under which are based completely upon the gross sales price paid by HAPC to I-Flow to acquire InfuSystem and are contingent upon the closing of such acquisition. Specifically, InfuSystem's executive officers will earn cash bonuses from a total pool of at least \$150,000 (provided that the gross sales price is at least \$100 million) and at most \$500,000 (for gross sales prices of \$200 million and above), payable upon closing of the transaction. For sales prices above \$100 million but less than \$150 million, the total pool is \$150,000 plus 0.3% of the incremental sales price above \$100 million. For sales prices above \$150 million but less than \$200 million, the total pool is \$300,000 plus 0.4% of the incremental sales price above \$150 million. If the sales price objectives are achieved, the bonus pool will be divided as follows: Mr. Watkins, 40%; Ms. Skonieczny, 30%; Mr. Revere, 10%; Mr. Norkus, 10%; and Mr. Bryniarski, 10%. The above bonus pool amount and participation percentages were determined by I-Flow executive management. Under the terms of the purchase agreement between HAPC and I-Flow, I-Flow will be responsible for payments under the 2007 MIP.

### ***Retirement Plans***

InfuSystem's executive officers, along with all other InfuSystem employees, are entitled to participate in I-Flow's 401(k) retirement plan. InfuSystem contributes \$0.33 for each dollar of executive officer contribution up to a maximum contribution by InfuSystem of 1.32% of each executive officer's annual salary. The maximum contribution by InfuSystem of 1.32% corresponds



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to an executive officer contribution of 4% of annual salary. 401(k) plan participants vest in InfuSystem's contribution ratably over five years. No retirement plan other than I-Flow's 401(k) retirement plan is available to InfuSystem's executive officers, and InfuSystem does not provide post-retirement benefits to any of its executive officers.

### ***Employment and Change In Control Agreements***

Pursuant to the change in control agreements described below, InfuSystem has agreed to pay a success bonus to each of its executive officers, in the event (and only in the event) that I-Flow and InfuSystem complete the sale of InfuSystem to a third party. The payments under the agreements described below are not dependent upon the continued employment of the executive officers after the change in control, but the executive officers must discharge all of their duties to InfuSystem through the date of closing (and the agreements contain other terms and conditions, as described below).

The success bonuses provided in the change in control agreements effectively supplement the 2007 Management Incentive Plan (described above), but do so based on a fixed amount (i.e., they are not contingent upon the amount paid in an acquisition of InfuSystem). The success bonuses are also intended to encourage retention of the InfuSystem executive officers during the lengthy process between the signing and closing of a transaction.

The amounts of success bonuses paid to the executive officers vary from 6 months salary (and commissions, in the case of commissioned executives) to 12 months salary. The estimated corresponding dollar amounts payable under the change in control agreements for each executive are included in the table beginning on page 93. Although such amounts may be lower than amounts paid under more traditional change in control agreements, the amounts are intended to be significant enough to encourage the executive officers to remain with InfuSystem to achieve I-Flow's strategic objective with respect to the divestiture of InfuSystem.

InfuSystem has entered into employment agreements with some of its executive officers and change in control agreements with each of its executive officers. Specific information regarding these agreements is provided under the headings "Employment Agreements" and "Change In Control Agreements" below.

### ***Stock Option Grant Practices***

InfuSystem does not currently grant stock options to its executive officers but may do so in the future. In the past, I-Flow has granted options to purchase I-Flow stock to InfuSystem's executive officers but does not currently do so. Awards of options are approved by the board of directors of I-Flow or the compensation committee of such board. It is the general policy of I-Flow that the grant of any stock options to eligible employees occurs without regard to the timing of the release of material, non-public information. Under I-Flow's 2001 Equity Incentive Plan, the exercise price of options is determined by the plan administrator, and options may generally be granted at an exercise price that is greater than or less than the fair market value (as defined in the 2001 Equity Incentive Plan) of the common stock at the date of grant.

### ***Perquisites and Other Benefits***

InfuSystem's executive officers receive perquisites under the current executive compensation program as disclosed under "Perquisites." InfuSystem's executive officers also participate in the same benefit programs that are available to InfuSystem's other employees, including medical, dental and employee benefit plans, on the same terms as other employees.

## **Executive Compensation Tables**

### ***2006 Fiscal Year Summary Compensation Table***

The following table sets forth the compensation paid during the last fiscal year to InfuSystem's president, controller and InfuSystem's other most highly compensated executive officers who were serving as InfuSystem's executive officers at the end of the fiscal year ended December 31, 2006 (collectively, the "named executive officers").

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Name and Principal Position	Year	Salary (\$) (1)	Bonus (\$)	Stock Awards (\$ (2))	Option Awards (\$ (2))	Non-Equity Incentive Plan Compensation (\$)	All Other Compensation (\$ (3))	Total (\$)
Steven E. Watkins President	2006	260,817		34,239	5,392		18,785	319,233
Stephen C. Revere Controller	2006	113,551		17,692	308		2,009	133,560
Janet L. Skonieczny Vice President Operations	2006	127,857		22,704	4,239		10,251	165,051
Tony Norkus Vice President Western Regional Sales	2006	262,243		7,860	6,895		14,071	291,069
Thomas A. Bryniarski Director, Regional Sales	2006	246,943		27,700			13,566	288,209

- The amounts reported in salary include commissions earned for our sales executives.
- The value reported in the Stock Awards and Option Awards columns for each named executive officer is the aggregate cost recognized in InfuSystem's financial statements for such awards for fiscal year 2006, as well as for awards granted in prior years. The costs for awards shown in the table above made during fiscal year 2006 which remained unvested as of January 1, 2006 are determined in accordance with SFAS 123(R), except that any estimates of forfeitures have been disregarded to comply with SEC rules. The costs for awards made prior to fiscal year 2006, which remained unvested as of January 1, 2006, are determined in accordance with the modified prospective transition method under SFAS 123(R), except that adjustments for estimates of forfeitures have been disregarded to comply with SEC rules. The assumptions for the valuation determinations are provided in Note 2 to InfuSystem's audited financial statements for the year ended December 31, 2006.
- The amounts reported in the All Other Compensation column include automobile allowances for Messrs. Watkins, Norkus and Bryniarski and Ms. Skonieczny in the amounts of \$6,428, \$7,200, \$7,200 and \$7,200, respectively, and InfuSystem's matching contributions to the I-Flow retirement savings plan for Messrs. Watkins, Revere, Norkus and Bryniarski and Ms. Skonieczny in the amounts of \$5,357, \$1,921, \$4,366, \$4,107 and \$2,963, respectively.

**2006 Fiscal Year Perquisites Table**

The following table sets forth certain of the perquisites provided to the named executive officers during 2006. The amounts below are all included in the All Other Compensation column of the Summary Compensation Table.

Name	Year	Supplemental Life			
		Auto and Gas Expenses (\$) (1)	Healthcare (\$)	Insurance (\$)	Other (\$) (2)
Steven E. Watkins	2006	4,351	2,340	88	221
Stephen C. Revere	2006			88	
Janet L. Skonieczny	2006			88	
Anthony E. Norkus	2006	2,417		88	
Thomas A. Bryniarski	2006	2,171		88	

- The amount reported in this column represents reimbursement to the named executives for gas and auto-related expenses, excluding the automobile allowances described in footnote 3 of the summary compensation table above.
- The amount reported in this column represents reimbursement to the named executive for the use of a home telephone line.

**Grants of Plan-Based Awards in 2006**

The following table provides information about I-Flow equity and non-equity awards granted to the named executive officers in 2006. There can be no assurance that the Grant Date Fair Value of Stock Awards will ever be realized. The amount of the stock awards that were granted and expensed in 2006 is shown in the Summary Compensation Table above.



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Name	Grant Date	I-Flow Board Approval Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards			Estimated Future Payouts Under Equity Incentive Plan Awards			All Other Stock Awards:	Grant Date
			Threshold (\$)	Target (\$)	Maximum (\$)	Threshold (#)	Target (#)	Maximum (#)	Number of Shares of Stock or Units (#)	Fair Value of Stock and Option Awards (\$) (1)
Steven E. Watkins	2/23/06	2/23/06							14,515(2)	201,033
Stephen C. Revere	2/23/06	2/23/06							7,500(2)	103,875
Janet L. Skonieczny	2/23/06	2/23/06							9,625(2)	133,306
Anthony E. Norkus	2/23/06	2/23/06							2,000(3)	27,700
Thomas A. Bryniarski	2/23/06	2/23/06							2,000(3)	27,700

(1) Based on the closing price of I-Flow's common stock on the date of grant, which was \$13.85 per share.

(2) These awards were granted in 2006 based on performance of the individuals in 2005.

(3) As noted in the CD&A, Mr. Norkus and Mr. Bryniarski each received 2,000 shares of restricted stock at the beginning of the year with a three-year cliff-vesting schedule that was eligible to be accelerated if the applicable sales quota was attained; Mr. Bryniarski met his sales quota and his 2,000 restricted shares vested as of December 31, 2006.

**Outstanding Equity Awards at Fiscal Year-End 2006**

The following table provides information on the current holdings of I-Flow stock option and stock awards by the named executive officers as of December 31, 2006. The market value of the stock awards is based on the closing market price of I-Flow's common stock as of December 31, 2006, which was \$14.95 per share.

Name	Number of Securities Underlying Unexercised Options (#)	Number of Securities Underlying Unexercised Options (#)(1)	Option Awards			Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$)	Stock Awards Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#) (2)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$)
			Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date				
Steven E. Watkins	1,912	8,048(1)		1.66	1/2/08			14,515(3)	216,999
	30,000			13.55	1/2/09				
	492	246(2)		11.52	1/2/09				
	30,000			17.58	1/3/10				
Stephen C. Revere	12,500			17.58	1/3/10		7,500(3)	112,125	
Janet L. Skonieczny	9,972	5,028(1)		1.66	1/2/08			9,625(3)	143,894
	10,000			1.33	1/2/08				
	21,000			13.55	1/2/09				

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	492	246(2)	11.52	1/2/09		
	20,000		17.58	1/3/10		
Anthony E. Norkus	3,989	2,011(1)	1.66	1/2/08	2,000(4)	29,900
	4,000		1.33	1/2/08		
	894	1,446(2)	11.52	1/2/09		
	5,000		17.58	1/3/10		
Thomas A. Bryniarski	5,000		17.58	1/3/10	2,000(4)	29,900
	2,000		0.00	4/1/09		

- (1) These options vest and become exercisable in equal installments on a daily basis through January 2, 2008.
- (2) These options vest and become exercisable on January 2, 2007.
- (3) These awards represent shares of restricted stock units with service-based vesting requirements. These shares are scheduled to vest in equal installments on February 23, 2007, 2008, 2009, 2010 and 2011.

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- (4) These shares represent shares of restricted stock units with service-based vesting, but include performance conditions that allow for acceleration of vesting if performance goals as determined annually are achieved. The shares are scheduled to vest at the earlier of February 23, 2009 or the achievement of performance goals. Please see the disclosure under the heading Sales Commissions and I-Flow Restricted Stock on page 86 for more detail on such performance goal

**Option Exercises and Stock Vested Table in Fiscal Year 2006**

The following table provides information regarding stock option exercises by the named executive officers during 2006, including the number of shares acquired upon exercise and the value realized. No restricted stock awards vested for the named executive officers during 2006.

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise	Value Realized on Exercise	Number of Shares Acquired on Vesting	Value Realized on Vesting
	(#)	(\$)	(#)	(\$)
Steven E. Watkins (1)	32,168	432,335		
Stephen C. Revere (2)	9,500	51,865		
Janet L. Skonieczny (3)	29,079	364,662		
Anthony E. Norkus (4)	21,000	278,780		
Thomas A. Bryniarski (5)	2,000	29,035		

- (1) Mr. Watkins exercised the following stock options during 2006: 2,000 stock options on March 7, 2006, with an exercise price of \$2.91 and market price of \$14.12; 1,000 stock options on March 14, 2006, with an exercise price of \$2.47 and market price of \$13.38; 4,628 stock options on March 16, 2006, with an exercise price of \$2.47 and market price of \$13.38; 5,000 stock options on October 30, 2006, with an exercise price of \$2.47 and market price of \$15.34; 5,637 stock options on October 30, 2006, with an exercise price of \$2.91 and market price of \$15.34; 4,000 stock options on November 2, 2006, with an exercise price of \$1.66 and market price of \$15.06; 1,000 stock options on November 7, 2006, with an exercise price of \$1.66 and market price of \$14.98; 5,000 stock options on November 8, 2006, with an exercise price of \$1.66 and market price of \$15.50; 640 stock options on November 15, 2006, with an exercise price of \$1.66 and market price of \$15.32; 2,400 stock options on November 16, 2006, with an exercise price of \$1.66 and market price of \$15.29; and 863 stock options on December 14, 2006, with an exercise price of \$2.91 and market price of \$14.81.
- (2) Mr. Revere exercised the following stock options during 2006: 2,500 stock options on November 6, 2006, with an exercise price of \$13.55 and market price of \$15.18; 3,500 stock options on November 7, 2006, with an exercise price of \$13.55 and market price of \$14.98; 1,500 stock options on November 8, 2006, with an exercise price of \$2.47 and market price of \$15.50; and 2,000 stock options on December 5, 2006, with an exercise price of \$2.91 and market price of \$14.53.
- (3) Ms. Skonieczny exercised the following stock options during 2006: 3,500 stock options on March 6, 2006, with an exercise price of \$2.47 and market price of \$14.61; 2,500 stock options on March 7, 2006, with an exercise price of \$2.47 and market price of \$14.12; 2,500 stock options on March 15, 2006, with an exercise price of \$2.47 and market price of \$13.20; 5,000 stock options on March 17, 2006, with an exercise price of \$2.47 and market price of \$13.36; 6,579 stock options on October 30, 2006, with an exercise price of \$2.47 and market price of \$15.34; 8,136 stock options on October 30, 2006, with an exercise price of \$2.91 and market price of \$15.34; and 864 stock options on December 11, 2006, with an exercise price of \$2.91 and market price of \$14.16.
- (4) Mr. Norkus exercised the following stock options during 2006: 4,000 stock options on October 30, 2006, with an exercise price of \$2.91 and market price of \$15.34; 6,000 stock options on October 30, 2006, with an exercise price of \$2.47 and market price of \$15.34; 4,000 stock options on November 21, 2006, with an exercise price of \$0.00 and market price of \$15.16; 2,000 stock options on November 21, 2006, with an exercise price of \$11.52 and market price of \$15.16; 3,000 stock options on November 21, 2006, with an exercise price of \$2.91 and market price of \$15.16; 1,000 stock options on November 21, 2006, with an exercise price of \$2.47 and market price of \$15.16; and 1,000 stock options on December 13, 2006, with an exercise price of \$2.91 and market price of \$14.35.
- (5) Mr. Bryniarski exercised the following stock options during 2006: 500 stock options on December 6, 2006, with an exercise price of \$0.00 and market price of \$14.61; 1,000 stock options on December 13, 2006, with an exercise price of \$0.00 and market price of \$14.35; and 500 stock options on December 15, 2006, with an exercise price of \$0.00 and market price of \$14.76.

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### **Employment Agreements**

*Steven E. Watkins.* Mr. Watkins co-founded the corporate predecessor to InfuSystem in 1986 and has been president of InfuSystem since its acquisition by I-Flow in February 1998. InfuSystem entered into a written employment agreement with Mr. Watkins on February 9, 1998, which agreement was subsequently amended on April 10, 2006. The employment agreement, as amended, provides for the at-will employment of Mr. Watkins as president of InfuSystem and an annual base salary of at least \$125,000 per year. Mr. Watkins is also entitled to receive 30 days of paid vacation per year and reimbursement for automobile payments and related expenses.

Mr. Watkins' employment agreement may be terminated by InfuSystem or Mr. Watkins at any time. The employment agreement also provides for a severance payment if Mr. Watkins' employment with InfuSystem is terminated by InfuSystem for any reason other than (i) cause or (ii) Mr. Watkins' death or disability, in which case Mr. Watkins would be entitled to receive a severance payment equal to his annual base salary, provided that Mr. Watkins (x) has not breached his Non-Competition Agreement with InfuSystem and (y) executes and delivers to InfuSystem an unconditional general release, in a form satisfactory to InfuSystem. Mr. Watkins' employment agreement further provides that Mr. Watkins shall not be paid such severance payment if (i) he is terminated by InfuSystem concurrent with or subsequent to the closing of a transaction that results in a change in control or the sale of all or substantially all of the assets of InfuSystem and (ii) InfuSystem pays a success bonus to Mr. Watkins upon the closing of the transaction that is equal to or greater than such severance payment.

*Anthony E. Norkus.* Mr. Norkus, InfuSystem's Vice President of Western Region Sales, joined InfuSystem in 1998. InfuSystem entered into a written employment agreement with Mr. Norkus on February 12, 1999. The employment agreement provides for the at-will employment of Mr. Norkus and an initial base salary and commission rate, which are subject to change by InfuSystem in its sole discretion. The agreement also (i) requires Mr. Norkus to take steps to protect InfuSystem's proprietary and confidential information and trade secrets and (ii) places restrictions on the ability of Mr. Norkus to compete with InfuSystem under certain circumstances following the termination of his employment.

*Thomas A. Bryniarski.* Mr. Norkus, InfuSystem's Director of Regional Sales, joined InfuSystem in 1999. InfuSystem entered into a written employment agreement with Mr. Bryniarski on September 14, 1999. The employment agreement provides for the at-will employment of Mr. Bryniarski and an initial base salary and commission rate, which are subject to change by InfuSystem in its sole discretion. The agreement also (i) requires Mr. Bryniarski to take steps to protect InfuSystem's proprietary and confidential information and trade secrets and (ii) places restrictions on the ability of Mr. Bryniarski to compete with InfuSystem under certain circumstances following the termination of his employment.

### **Change In Control Agreements**

*Steven E. Watkins.* On April 10, 2006, InfuSystem and Mr. Watkins entered into a change in control agreement that was subsequently amended on March 13, 2007 and, as amended, provides for the payment of a success bonus in the event of the closing of the sale of InfuSystem to a third party, provided that Mr. Watkins has discharged his duties to InfuSystem through the date of such closing. The agreement provides that such success bonus shall be equal to twelve months of Mr. Watkins' current base salary. The agreement also provides that, provided Mr. Watkins remains a full-time employee in good standing of InfuSystem until the closing date and that Mr. Watkins does not accept employment with I-Flow prior to the closing date, (i) all shares of restricted stock of I-Flow issued to Mr. Watkins shall immediately vest and all restrictions with respect thereto shall lapse and (ii) all unvested options issued by I-Flow to purchase I-Flow common stock shall immediately vest and will remain exercisable for 30 days after the closing date of the transaction. The change in control agreement terminates upon the earlier of the following: (i) payment of the success bonus, (ii) the termination of Mr. Watkins' employment with InfuSystem for any reason prior to the closing date of the transaction and (iii) the date of the termination of the purchase agreement between I-Flow and HAPC.

*Stephen C. Revere.* On April 10, 2006, InfuSystem and Mr. Revere entered into a change in control agreement that was subsequently amended on March 13, 2007 and, as amended, provides for the payment of a success bonus in the event of the closing of the sale of InfuSystem to a third party, provided that Mr. Revere has discharged his duties to InfuSystem through the date of such closing. The agreement provides that such success bonus shall be equal to Mr. Revere's Medicare W-2 wages from InfuSystem, excluding bonus and stock option income, for the twelve months immediately preceding the closing date. The

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agreement also provides that, provided Mr. Revere remains a full-time employee in good standing of InfuSystem until the closing date and that Mr. Revere does not accept employment with I-Flow prior to the closing date, (i) all shares of restricted stock of I-Flow issued to Mr. Revere shall immediately vest and all restrictions with respect thereto shall lapse and (ii) all unvested options issued by I-Flow to purchase I-Flow common stock shall immediately vest and will remain exercisable for 30 days after the closing date of the transaction. The change in control agreement terminates upon the earlier of the following: (i) payment of the success bonus, (ii) the termination of Mr. Revere's employment with InfuSystem for any reason prior to the closing date of the transaction and (iii) the date of the termination of the purchase agreement between I-Flow and HAPC.

*Janet L. Skonieczny.* On April 10, 2006, InfuSystem and Ms. Skonieczny entered into a change in control agreement that was subsequently amended on March 13, 2007 and, as amended, provides for the payment of a success bonus in the event of the closing of the sale of InfuSystem to a third party, provided that Ms. Skonieczny has discharged her duties to InfuSystem through the date of such closing. The agreement provides that such success bonus shall be equal to twelve months of Ms. Skonieczny's current base salary. The agreement also provides that, provided Ms. Skonieczny remains a full-time employee in good standing of InfuSystem until the closing date and that Ms. Skonieczny does not accept employment with I-Flow prior to the closing date, (i) all shares of restricted stock of I-Flow issued to Ms. Skonieczny shall immediately vest and all restrictions with respect thereto shall lapse and (ii) all unvested options issued by I-Flow to purchase I-Flow common stock shall immediately vest and will remain exercisable for 30 days after the closing date of the transaction. The change in control agreement terminates upon the earlier of the following: (i) payment of the success bonus, (ii) the termination of Ms. Skonieczny's employment with InfuSystem for any reason prior to the closing date of the transaction and (iii) the date of the termination of the purchase agreement between I-Flow and HAPC.

*Anthony E. Norkus.* On April 10, 2006, InfuSystem and Mr. Norkus entered into a change in control agreement that was subsequently amended on March 13, 2007 and, as amended, provides for the payment of a success bonus in the event of the closing of the sale of InfuSystem to a third party, provided that Mr. Norkus has discharged his duties to InfuSystem through the date of such closing. The agreement provides that such success bonus shall be equal to (i) six months of Mr. Norkus' current base salary plus (ii) six times (x) the sum of all commissions and overrides earned by Mr. Norkus in the twelve months immediately preceding the closing date divided by (y) twelve. The agreement also provides that, provided Mr. Norkus remains a full-time employee in good standing of InfuSystem until the closing date and that Mr. Norkus does not accept employment with I-Flow prior to the closing date, (i) all shares of restricted stock of I-Flow issued to Mr. Norkus shall immediately vest and all restrictions with respect thereto shall lapse and (ii) all unvested options issued by I-Flow to purchase I-Flow common stock shall immediately vest and will remain exercisable for 30 days after the closing date of the transaction. The change in control agreement terminates upon the earlier of the following: (i) payment of the success bonus, (ii) the termination of Mr. Norkus' employment with InfuSystem for any reason prior to the closing date of the transaction and (iii) the date of the termination of the purchase agreement between I-Flow and HAPC.

*Thomas A. Bryniarski.* On April 10, 2006, InfuSystem and Mr. Bryniarski entered into a change in control agreement that was subsequently amended on March 13, 2007 and, as amended, provides for the payment of a success bonus in the event of the closing of the sale of InfuSystem to a third party, provided that Mr. Bryniarski has discharged his duties to InfuSystem through the date of such closing. The agreement provides that such success bonus shall be equal to (i) six months of Mr. Bryniarski's current base salary plus (ii) six times (x) the sum of all commissions and overrides earned by Mr. Bryniarski in the twelve months immediately preceding the closing date divided by (y) twelve. The agreement also provides that, provided Mr. Bryniarski remains a full-time employee in good standing of InfuSystem until the closing date and that Mr. Bryniarski does not accept employment with I-Flow prior to the closing date, (i) all shares of restricted stock of I-Flow issued to Mr. Bryniarski shall immediately vest and all restrictions with respect thereto shall lapse and (ii) all unvested options issued by I-Flow to purchase I-Flow common stock shall immediately vest and will remain exercisable for 30 days after the closing date of the transaction. The change in control agreement terminates upon the earlier of the following: (i) payment of the success bonus, (ii) the termination of Mr. Bryniarski's employment with InfuSystem for any reason prior to the closing date of the transaction and (iii) the date of the termination of the purchase agreement between I-Flow and HAPC.

Under the terms of the purchase agreement between HAPC and I-Flow, I-Flow will be responsible for the payment of success bonuses under the change in control agreements described in this section.



**Table of Contents****Potential Payments Upon Termination or a Change in Control**

The table below reflects the amount of compensation to each of the named executive officers of InFuSystem in the event of termination of such executive officer's employment. The amounts of compensation payable to each named executive officer (i) upon involuntary not-for-cause termination, (ii) upon termination following a change of control and (iii) in the event of disability of the executive officer is shown below. The amounts shown assume that such termination was effective as of December 31, 2006 and use the closing price of I-Flow's common stock as of December 31, 2006 (\$14.95), and thus include amounts earned through such time and are estimates of the amounts that would be paid out to the executive officers upon their termination. The actual amounts to be paid out can only be determined at the time of such executive officer's separation from InFuSystem. The amounts payable under InFuSystem's 2007 Management Incentive Plan if the transaction is completed at a purchase price of \$140,000,000 are indicated in the rows labeled "Bonus" in the table below for each of the named executive officers. No benefits other than those listed in the table below (such as insurance continuation, gross-ups and the like) are payable by InFuSystem in the event of a change in control.

Name and Principal Position	Potential Executive Benefits and Payments	Involuntary, Not For Cause or Voluntary, Good Reason	Change in Control (Qualifying Termination) Total \$	Disability Total \$
		Termination Total (\$)		
Steven E. Watkins President	Cash Severance Pursuant to Employment Agreement	260,817		
	Cash Payment Pursuant to Change in Control Agreement		260,817	
	Bonus (1) Equity		108,000	
	Stock Awards -Unvested and accelerated (2)		216,999	
	Stock Options - Unvested and accelerated (2)		110,636	
	Total	260,817	696,452	
Stephen C. Revere Controller	Cash Payment Pursuant to Change in Control Agreement		113,551	
	Bonus (1) Equity		27,000	
	Stock Awards - Unvested and accelerated (2)		112,125	
	Stock Options - Unvested and accelerated			
	Total		252,676	
Janet L. Skonieczny Vice President, Operations	Cash Payment Pursuant to Change in Control Agreement		127,857	
	Bonus (1) Equity		81,000	
	Stock Awards - Unvested and accelerated (2)		143,894	
	Stock Options - Unvested and accelerated (2)		70,500	
	Total		423,251	
Anthony E. Norkus Vice President, Western Regional Sales	Cash Payment Pursuant to Change in Control Agreement		131,122	

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	Bonus (1)	27,000
	Equity	
	Stock Awards - Unvested and accelerated (2)	29,900
	Stock Options - Unvested and accelerated (2)	48,344
	Total	236,366
Thomas A. Bryniarski Director, Regional Sales	Cash Payment Pursuant to Change in Control Agreement	123,472
	Bonus (1)	27,000
	Equity	
	Stock Awards - Unvested and accelerated	
	Stock Options - Unvested and accelerated	
	Total	150,472

(1) The amount represents the payout under InfuSystem's 2007 Management Incentive Plan if the transaction is completed at a purchase price of \$140,000,000.

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- (2) The value of the acceleration of the stock awards and stock options was calculated by multiplying the number of unvested shares on December 31, 2006 by the intrinsic value, which is the closing market price of I-Flow's common stock as of December 31, 2006 of \$14.95 per share, and in the case of stock options, minus the exercise price.

**Director Compensation**

InfuSystem's board consists of Donald M. Earhart (I-Flow's Chairman, President and Chief Executive Officer) and James J. Dal Porto (I-Flow's Executive Vice President and Chief Operating Officer). Mr. Earhart and Mr. Dal Porto are compensated by I-Flow and receive no compensation from InfuSystem for their service as directors of InfuSystem.

**Employee Compensation After the Acquisition of InfuSystem**

Please see the section entitled "HAPC Executive Compensation" on page 128.

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**INFORMATION ABOUT HAPC**

**Business of HAPC**

**General**

HAPC was formed in Delaware on August 15, 2005. HAPC was formed specifically as a vehicle to acquire, through a merger, capital stock exchange, asset acquisition or other similar business combination, one or more operating businesses primarily in the healthcare sector. The initial business combination entered into by HAPC must be with a target business or businesses whose fair market value is at least equal to 80% of net assets at the time of such acquisition.

A registration statement for HAPC's initial public offering was declared effective on April 11, 2006. On April 18, 2006, HAPC consummated its initial public offering of 16,666,667 units at a price of \$6.00 per unit. On May 18, 2006, HAPC sold 208,584 units to FTN Midwest Securities Corp. pursuant to a partial exercise by FTN Midwest Securities Corp. of its over-allotment option. The units were sold at the offering price of \$6.00 per unit, minus FTN Midwest Securities Corp.'s 7% underwriting discount. Each unit consists of one share of the HAPC's common stock, \$.0001 par value, and two redeemable common stock purchase warrants. The common stock and warrants began trading separately on the OTC Bulletin Board as of June 15, 2006.

Each warrant entitles the holder to purchase from HAPC one share of common stock at an exercise price of \$5.00 commencing on the later of the completion of a business combination or one year from the effective date of the initial public offering and expiring five years from the effective date of the initial public offering.

HAPC may call the warrants for redemption in whole and not in part at a price of \$.01 per warrant at any time after the warrants become exercisable. The warrants cannot be redeemed unless the warrant holders receive written notice not less than 30 days prior to the redemption; and, if, and only if, the reported last sale price of the common stock equals or exceeds \$8.50 per share for any 20 trading days within a 30 trading day period ending on the third business day prior to the notice of redemption to holders of the warrants.

In addition, on April 18, 2006, HAPC issued to FTN Midwest Securities Corp., for \$100, an option to purchase up to a total of 833,333 units. The units issuable upon exercise of this option are identical to those offered in the initial public offering, except that each of the warrants underlying this option entitles the holder to purchase one share of common stock at a price of \$6.25. This option is exercisable at \$7.50 per unit commencing on the later of the consummation of a business combination or April 11, 2007 and expires on April 11, 2011. The option may only be exercised or converted by the option holder.

In connection with the initial public offering, HAPC paid to FTN Midwest Securities Corp. an underwriting discount of 7% of the initial public offering price and a non-accountable expense allowance of 1% of the initial public offering price.

The net proceeds from the sale of the HAPC units were approximately \$98,011,000 which includes a contingent underwriting fee of \$5,468,000. Of this amount, \$96,215,000 was deposited in trust and, in accordance with HAPC's amended and restated certificate of incorporation, will be released either upon the consummation of a business combination or upon the liquidation of HAPC. The remaining \$1,796,000 was held outside of the trust to provide for business, legal and accounting due diligence on prospective acquisitions and continuing general and administrative expenses. As of June 30, 2007, approximately \$100,261,456 was held in deposit in the trust account and \$99,813 held outside the trust account.

HAPC evaluated a number of candidates before moving forward with InfuSystem. In the event that the acquisition of InfuSystem is not consummated, HAPC will attempt to use the additional time available to it under its Amended and Restated Certificate of Incorporation to sign another letter of intent or definitive agreement by October 18, 2007 and consummate an alternative business combination by April 18, 2008.

In order to complete an alternative business combination, HAPC will be required to raise additional funds. HAPC expects to commence the process of raising additional funds in the event that the acquisition of InfuSystem is not approved by its stockholders. If necessary, HAPC would most likely seek to raise additional funds to finance an alternative business combination through the issuance of warrants. It is not determinable at this time what terms would be included in such warrants.

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It is possible that the terms of such warrants could negatively impact HAPC's currently outstanding securities. HAPC does not believe it is likely that it would raise additional funds through third party loans. HAPC expects that any potential third party lender would refuse to waive its rights to assert claims against the trust account, and HAPC would not enter into a loan transaction with a party unless it had obtained such waiver. Accordingly, HAPC does not expect to be in a position to raise additional funds through loans from third parties to finance and search for an alternative business combination. It is likely that HAPC will have insufficient time and resources to sign another letter of intent or definitive agreement by October 18, 2007 and consummate an alternative business combination by April 18, 2008. HAPC will most likely be forced to liquidate after April 18, 2008 (or October 18, 2007 if no agreement is entered into).

## **Employees**

HAPC currently has three officers, two of whom, John Voris and Pat LaVecchia, are also members of the HAPC Board of Directors. John Voris is the chief executive officer and Pat LaVecchia is the secretary. Erin Enright is the vice president, chief financial officer and treasurer. None of HAPC's officers are full time employees. HAPC does not intend to hire full time employees until the consummation of the initial business combination.

## **Properties**

HAPC does not own any real estate or other physical properties materially important to its operation. The executive offices, which HAPC uses pursuant to an agreement with FTN Midwest Securities Corp., are located at 350 Madison Avenue, 20th Floor, New York, NY 10017.

## **Legal Proceedings**

To the knowledge of management, there is no litigation currently pending or contemplated against HAPC or any of its officers or directors in their capacity as such.

## **Periodic Reporting and Audited Financial Statements**

HAPC has registered its securities under the Exchange Act and has reporting obligations, including the requirement to file annual and quarterly reports with the Securities and Exchange Commission. In accordance with the requirements of the Exchange Act, HAPC's annual reports will contain financial statements audited and reported on by HAPC's independent registered public accounting firm.

## **Quantitative and Qualitative Disclosures About Market Risk**

To date, HAPC's efforts have been limited to organizational activities and activities relating to its initial public offering and the identification of a target business; HAPC has neither engaged in any operations nor generated any revenues. As the proceeds from HAPC's initial public offering held in trust have been invested in short term investments, its only market risk exposure relates to fluctuations in interest rates.

As of December 31, 2006, approximately \$98,151,128 of the net proceeds of HAPC's initial public offering was held in trust for the purposes of consummating a business combination. As of December 31, 2006, the proceeds held in trust have been invested in a United States Treasury money market account. As of December 31, 2006, the effective annualized interest rate payable on HAPC's investment was approximately 4.72%. Assuming no other changes to HAPC's holdings as of December 31, 2006, a 1% decrease in the underlying interest rate payable on its investments as of December 31, 2006 would result in a decrease of \$242,016 in the interest earned on its investments for the following 90-day period, and a corresponding decrease in its net increase in stockholders' equity resulting from operations, if any, for that period.

HAPC has not engaged in any hedging activities since its inception on August 15, 2005. HAPC does not expect to engage in any hedging activities with respect to the market risk to which it is exposed.

## **Management's Discussion and Analysis of Financial Condition and Results of Operations of HAPC**

The following discussion should be read in conjunction with HAPC's financial statements and related notes thereto included elsewhere in this proxy statement.

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### **Critical Accounting Policies and Estimates**

Management's discussion and analysis addresses HAPC's consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting period. Actual results could differ from those estimates.

Management believes the following critical accounting policies involve its more significant judgments and estimates used in the preparation of the financial statements. On an ongoing basis, management evaluates its estimates and judgment including those related to intangible assets, income taxes, share-based payment and contingencies.

#### *Share-Based Payment*

Management uses certain assumptions to determine the value of share-based payments based on fair value. These can include, as appropriate, relevant modeling techniques such as the Black-Scholes model and analyses of the valuation of various derivative securities of other comparable publicly traded companies, including the prices of publicly traded securities of other blank check companies.

#### *Valuation of Warrants*

Fair values for traded securities and derivatives are based on quoted market prices. Where market prices are not readily available, as in the case of HAPC's warrants as of the date of issuance, fair values are determined using methods requiring judgment and estimates. Before the warrants were publicly traded, HAPC allocated the unit price between the share of common stock and the warrants issued based upon relative fair value determined, among other things, by reference to comparative companies. The warrants included in the units sold in HAPC's initial public offering and the underwriter's over allotment option began to be publicly traded on the Over the Counter Bulletin Board on June 15, 2006, and consequently the market value of the warrants is reflected as the fair value of the warrants at each period end. To the extent that the market prices of HAPC's warrants increase or decrease, HAPC's derivative liabilities will also increase or decrease with a corresponding impact on its statement of operations.

### **Overview**

HAPC was formed in Delaware on August 15, 2005. HAPC was formed specifically as a vehicle to acquire, through a merger, capital stock exchange, asset acquisition or other similar business combination, one or more operating businesses primarily in the healthcare sector. The initial business combination entered into by HAPC must be with a target business or businesses whose fair market value is at least equal to 80% of net assets at the time of such acquisition.

Prior to entering into the Stock Purchase Agreement with InfuSystem and I-Flow, HAPC was engaged in sourcing a suitable business combination candidate. HAPC had met with target companies, service professionals and other intermediaries to discuss with them the background of HAPC's management and combination preferences. In the course of these discussions, HAPC also spent time explaining the capital structure of the initial public offering, the combination approval process, and the timeline under which HAPC was operating before the proceeds of the offering are returned to investors.

Overall, HAPC would conclude that the environment for target companies has been competitive and believes that private equity firms and strategic buyers represent its biggest competition. HAPC's management believes that many of the fundamental drivers of alternative investment vehicles like HAPC are becoming more accepted by investors and potential business combination targets. These drivers include a difficult environment for initial public offerings, a cash-rich investment community looking for differentiated opportunities for incremental yield and business owners seeking new ways to maximize their stockholder value while remaining invested in the business.

From August 2005 (inception) until December 31, 2005, HAPC had net losses of approximately \$24,783.

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On April 18, 2006, HAPC consummated its initial public offering of 16,666,667 units at a price of \$6.00 per unit. Each unit consists of one share of HAPC's common stock, \$.0001 par value, and two redeemable common stock purchase warrants. The common stock and warrants started trading separately on the OTC Bulletin Board as of June 15, 2006.

Each warrant entitles the holder to purchase from HAPC one share of common stock at an exercise price of \$5.00 commencing the later of the completion of a business combination or one year from the effective date of the initial public offering and expiring five years from the effective date of the initial public offering.

HAPC's net proceeds from the sale of the units were \$98,011,000 which includes a contingent underwriting fee of \$5,468,000. Of this amount, \$96,215,000 was deposited in trust. The remaining \$1,780,000 was held outside of the trust for use to provide for business, legal and accounting due diligence on prospective acquisitions and continuing general and administrative expenses. As of December 31, 2006, the \$1,780,000 of net proceeds of the initial public offering held outside the trust were exhausted. On December 28, 2006, Sean McDevitt purchased 624,286 warrants from HAPC for an aggregate purchase price of \$437,000. Sean McDevitt purchased an additional 447,143 warrants from HAPC for an aggregate purchase price of 313,000 as of April 12, 2007 (the date HAPC received payment for such warrants). To date, Mr. McDevitt has purchased 1,071,429 warrants from HAPC at an aggregate purchase price of \$750,000. It is intended that Mr. McDevitt will purchase additional warrants from HAPC as needed to fund HAPC's operating costs and liquidation costs (in the event that HAPC is required to liquidate).

As of March 31, 2007, HAPC had (i) \$61,863 in cash outside the trust and (ii) \$1,757,579 in current liabilities including accrued legal fees, due diligence expenses and related transaction expenses and taxes. The consideration of \$140,000,000 to be paid to I-Flow in connection with the acquisition of InfuSystem will be funded using cash held in the trust account and by a promissory note payable to I-Flow in the initial principal amount of \$55,000,000 to be increased up to \$75,000,000 depending on the number of HAPC's stockholders who exercise their conversion rights. Accordingly, HAPC believes that it will have adequate funds to complete the proposed acquisition of InfuSystem. In the event that the business combination is not completed, HAPC could try to raise any required funds via a private offering of debt or equity securities to continue searching for an acquisition candidate. However, there is no guarantee that HAPC would be successful in completing such fundraising on terms acceptable to it and HAPC may be forced to liquidate.

HAPC received net proceeds of approximately \$98,011,000. Of the net proceeds, \$5,468,000 is payable to FTN as an underwriting fee upon HAPC's consummation of a business combination. At the time of the initial public offering, HAPC estimated that it would deposit proceeds of \$95,000,000 or \$109,560,000 (if the underwriter's overallotment option was exercised in full) into the trust account. FTN partially exercised its overallotment option of 2,500,000 units by purchasing 208,584 units from HAPC. As a result, HAPC deposited \$96,215,000 of net proceeds from the initial public offering into the trust account. Set forth below are HAPC's estimated uses of the net proceeds of \$1,780,000 held outside the trust account as determined at the time of the initial public offering:

Description	Amount
Legal, accounting and other third party expenses attendant to the due diligence investigations, structuring and negotiation of a business combination	\$ 350,000
Internal due diligence of prospective target businesses	100,000
Legal and accounting fees relating to SEC reporting obligations	50,000
Working capital to cover miscellaneous expenses, stockholder note payable, directors and officers insurance and reserves	1,280,000
<b>Total</b>	<b>\$ 1,780,000</b>

Set forth below are HAPC's estimates as of May 29, 2007 of expenses incurred or to be incurred through the estimated closing of the acquisition. Actual expenses incurred may differ materially from these estimates.

Description	Amount
Legal, accounting and other third party expenses attendant to the due diligence investigations, structuring and negotiation of the acquisition of InfuSystem	\$ 3,485,400
Financing expenses relating to fees payable to I-Flow in connection with the Promissory Note, fees payable to Sean McDevitt and Philip B. Harris in connection with their guaranty of HAPC's payment of the break up fee to I-Flow under the Stock Purchase Agreement and fees paid in connection with the issuance of the letter of credit by JPMorgan for the benefit of I-Flow	1,002,000
	1,884,700

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Legal and accounting expenses, directors and officers insurance and other miscellaneous expenses attendant to the operations of HAPC

Total \$ 6,372,100



**Table of Contents****Quarterly Financial Information (Unaudited)**

The following is a summary of the quarterly results of operations for the quarter ended March 31, 2007, the year ended December 31, 2006 and the period from August 15, 2005 (inception) to December 31, 2006:

Quarter Ended March 31, 2007	
Revenue	\$
Net earnings (loss)	(1,774,808)
Net earnings (loss) per common share:	
Basic	\$ (0.10)
Diluted	\$ (0.08)

	Mar. 31	THREE MONTHS ENDED		Dec. 31
		June 30	Sept. 30	
Fiscal Year Ended December 31, 2006				
Revenue	\$	\$	\$	\$
Net earnings (loss)	(2,198,721)	8,090,524	(13,919,735)	168,588
Net earnings (loss) per common share:				
Basic	\$ (1.26)	\$ 0.53	\$ (0.75)	\$ 0.01
Diluted		0.46		0.01

	For the Period From August 15, 2005 (inception) to September 30, 2005		Three Months Ended December 31,
Fiscal Year Ended December 31, 2005			
Revenues		\$	\$
Net loss		(56)	(24,727)
Net loss per common share basic and diluted		\$ (0.00)	\$ (0.01)
HAPC had no operations prior to August 15, 2005.			

**Results of Operations for the Three Months Ended March 31, 2007 Compared with March 31, 2006**

During the three months ended March 31, 2007, HAPC had not yet consummated a business combination; however, HAPC signed a material definitive agreement (see Note 11 to the Condensed Consolidated Financial Statements) and incurred non-cash expense of \$615,051, which represented the amortization of stock based compensation as well as a non-cash gain on warrant liabilities of \$2,025,030.

The amortization of stock based compensation of \$615,051 for the three months ended March 31, 2007 was lower than the amount for the three months ended March 31, 2006 of \$2,196,616. The amortization of stock based compensation was calculated based on the forfeiture period as discussed in Note 10 of the Condensed Consolidated Financial Statements.

General and administrative expenses increased for the three months ended March 31, 2007, compared with the three months ended March 31, 2006 from \$573 to \$403,027. The increased general and administrative expenses for the three months ended March 31, 2007 compared to the three months ended March 31, 2006 primarily relates to directors and officers fees and insurance and professional fees related to the preparation and review of HAPC's financial statements and filings with the SEC incurred during 2007 that were not incurred during 2006.

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During the three months ended March 31, 2006, HAPC incurred non-cash expenses of \$2,196,616, which represented the amortization of stock based compensation. The balance of expenses of \$2,105, coupled with the amortization of stock-based compensation, resulted in a net loss of \$2,198,721 for the three months ended March 31, 2006.

HAPC incurred a ticking fee in the amount of \$162,500 during the three months ended March 31, 2007 in connection with the Stock Purchase Agreement that HAPC entered into with I-Flow, InfuSystem and Acquisition Sub to purchase InfuSystem. There was no ticking fee payable for the three months ended March 31, 2006 as HAPC was not subject to the terms of the Stock Purchase Agreement until the quarter ended September 30, 2006.

### **Liquidity and Capital Resources**

For the three months ended March 31, 2007, HAPC experienced negative cash flow and financed its operations primarily from existing cash. As of March 31, 2007, HAPC had \$61,863 of cash and cash equivalents, a decrease of \$365,509 from the \$427,372 at December 31, 2006, which relates primarily to the payment of expenses and deferred acquisition costs.

Net cash used by operating activities for the three months ended March 31, 2007 was \$273,393, which included a decrease in prepaid expenses of \$154,479, an increase in accounts payable, accrued expenses and state and city taxes payable of \$354,050 and a non-cash gain on warrant liabilities of \$2,025,030. This was offset by non-cash charges of \$615,051, representing stock based compensation, non-cash compensation and HAPC's net income of \$1,774,808.

Net cash used in investing activities for the three months ended March 31, 2007 amounted to \$92,216, the result of the payment of deferred acquisition costs.

Net cash provided by financing activities for the three months ended March 31, 2007 was the result of proceeds of \$100 received by HAPC from the issuance of an option to purchase 833,333 units to FTN on April 18, 2006.

HAPC entered into a material definitive agreement, discussed in more detail in Note 11 to the Condensed Consolidated Financial Statements. There can be no assurance that such transaction will be consummated. In the event that the proposed acquisition is not undertaken, it is likely that HAPC will have insufficient time and resources to look for another suitable acquisition target and will most likely be forced to liquidate.

On April 18, 2006, HAPC consummated its initial public offering of 16,666,667 units sold to the public at a price of \$6.00 per unit. Each unit consists of one share of HAPC's common stock, \$.0001 par value, and two redeemable common stock purchase warrants. Each warrant will entitle the holder to purchase one share of HAPC's common stock at an exercise price of \$5.00 commencing on the later of the completion of a business combination or one year from the effective date of the initial public offering and expiring five years from the effective date of the initial public offering. HAPC may call the warrants for redemption in whole, but not in part, at a price of \$.01 per warrant at any time after the warrants become exercisable. The warrants cannot be redeemed unless the warrant holders receive written notice not less than 30 days prior to the redemption; and if, and only if, the reported last sale price of the common stock equals or exceeds \$8.50 per share for any 20 trading days within a 30 trading day period ending on the third business day prior to the notice of redemption to warrant holders.

On May 18, 2006, HAPC sold an additional 208,584 units (the Overallotment) pursuant to a partial exercise by FTN of its Overallotment option.

Net proceeds (including the Overallotment) after underwriting, legal, accounting, and printing costs amounted to \$98,134,319 which includes a contingent underwriting fee of \$5,467,581. \$99,297,879 is being held in a trust account as of March 31, 2007. HAPC will use substantially all of the net proceeds of the initial public offering to acquire a target business, including identifying and evaluating prospective acquisition candidates, selecting the target business, and structuring, negotiating and consummating the business combination.

HAPC granted a purchase option to FTN at the closing of the initial public offering on April 18, 2006 to acquire 833,333 units for \$100. Similar to the units issued in connection with the initial public offering, the units issuable upon exercise of the purchase option consist of one share of common stock and one warrant. Each of the warrants underlying the purchase option, however, entitles the holder to purchase one share of HAPC's common stock at a price of \$6.25 per share. Additionally, the terms

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of the purchase option provide that: (i) HAPC is not obligated to deliver any securities pursuant to the exercise of the purchase option unless a registration statement under the Securities Act of 1933, as amended, with respect to the common stock issuable upon exercise of the warrants which are issuable upon exercise of the purchase option is effective; and (ii) FTN is not entitled to receive a net-cash settlement or other consideration in lieu of physical settlement in securities if the common stock issuable upon exercise of the warrants is not covered by an effective registration statement. The purchase option is exercisable at \$7.50 per unit commencing on the later of the consummation of a business combination and one year from the date of the prospectus and expiring five years from the date of the prospectus. The option may only be exercised or converted by the option holder. HAPC received payment for this option in the first quarter of 2007.

The sale of the option was accounted for as an equity transaction. Accordingly, there was no net impact on HAPC's financial position or results of operations, except for the recording of the \$100 proceeds from the sale. HAPC has determined that the fair value of the option on the date of sale was \$2.36 per unit, or approximately \$1,966,666 total, using an expected life of five years, volatility of 47% and a risk-free interest rate of 3.98%. Accordingly, this amount was recorded as an expense of the offering resulting in a charge directly to the stockholders' equity.

On December 28, 2006, HAPC issued a warrant to Sean McDevitt, Chairman of the Board of Directors of HAPC, for a purchase price of \$0.70 per warrant or a total of \$437,000. The warrant is to purchase 624,286 shares of HAPC's common stock at a price of \$5.00 per share. This warrant is exercisable commencing on the later of HAPC's completion of a business combination or April 11, 2007 and expiring April 11, 2011 or earlier upon redemption by HAPC. HAPC may call the warrants for redemption in whole and not in part at a price of \$0.01 per warrant at anytime after the warrant becomes exercisable. The warrants cannot be redeemed unless the holder receives written notice not less than 30 days prior to the redemption and if and only if, the reported last price of the common stock equals or exceeds \$8.50 per share for any 20 trading days within a 30 day period ending on the third day of business prior to the notice of redemption to the holder of the warrant. HAPC has fully reserved these shares as authorized but not issued.

HAPC expects to fund its short term working capital requirements through the sale of warrants.

HAPC intends to fund expenses associated with the acquisition of InfuSystem from the release of investments held in trust upon the completion of the acquisition or the termination of the acquisition. Taxes will be paid out of the investments held in trust from the interest earned on the funds held in the account.

**Off-Balance Sheet Arrangements**

In the event that the Stock Purchase Agreement that HAPC entered into with I-Flow, Iceland Acquisition and InfuSystem on September 29, 2006 is terminated (i) because of HAPC's failure to obtain stockholder approval of the acquisition of InfuSystem by July 31, 2007 for any reason or (ii) because HAPC or its subsidiary, Iceland Acquisition Sub, are unwilling or unable to consummate the transactions contemplated by the Stock Purchase Agreement notwithstanding the fact that all conditions precedent to the Stock Purchase Agreement to be satisfied by I-Flow and InfuSystem (and the receipt of stockholder approval) have been satisfied or are capable of fulfillment, HAPC must pay I-Flow a break up fee. On April 30, 2007, HAPC entered into an amendment to the Stock Purchase Agreement with I-Flow, Iceland Acquisition and InfuSystem which extends the date by which HAPC must obtain stockholder approval of the acquisition of InfuSystem to June 29, 2007. On June 29, 2007, HAPC entered into an amendment to the Stock Purchase Agreement with I-Flow, Iceland Acquisition and InfuSystem which extends the date by which HAPC must obtain stockholder approval of the acquisition of InfuSystem to July 31, 2007.

As discussed in Note 11 to the Consolidated Financial Statements, HAPC's payment of the break up fee has been guaranteed to I-Flow by Sean McDevitt, Chairman of the Board of Directors of HAPC, and Philip B. Harris pursuant to a Continuing Guaranty provided by the guarantors in favor of I-Flow and delivered concurrently with the execution of the Stock Purchase Agreement. Pursuant to the terms of a Guaranty Fee and Reimbursement Agreement entered into by HAPC and the guarantors on September 29, 2006, HAPC has agreed to pay the guarantors a fee of \$100,000 upon delivery of the Continuing Guaranty and \$300,000 upon closing of the transactions contemplated by, or the termination of, the Stock Purchase Agreement. HAPC has also agreed to reimburse the guarantors for any payments actually made by them in connection with the Continuing Guaranty. Messrs. McDevitt and Harris have delivered to I-Flow a \$3,000,000 letter of credit issued by JPMorgan for the benefit of I-Flow which I-Flow may draw upon in the event that the break up fees are not paid when due and payable.

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**Results of Operations for the Year Ended December 31, 2006 with Comparable Prior Year Period**

During the year ended December 31, 2006, HAPC had not yet consummated a business combination with one or more operating businesses, however it signed a Material Definitive Agreement (see Note 11 to the Condensed Consolidated Financial Statements) and incurred non-cash expenses of \$6,660,139 and \$13,049,996, which represented the amortization of stock based compensation and the value of 2,416,666 shares granted to two of HAPC's directors, respectively. The balance of expenses were offset by interest income of \$3,203,820 and a non-cash gain on warrant liabilities of \$10,800,160, resulting in a net loss of \$7,859,344 for the year ended December 31, 2006.

During the year ended December 31, 2006, in addition to incurring \$6,660,139 and \$13,049,996 of non-cash expenses, HAPC completed its initial public offering. The net loss of \$7,859,344 for the year ended December 31, 2006 primarily consisted of non-cash expenses, representing amortization of compensation costs and the value of granted stock. These expenses were offset by interest income totaling \$3,203,820, earned on proceeds from the initial public offering and a non-cash gain on warrant liabilities of \$10,800,160.

For the comparable periods of the prior year which comprised August 15, 2005 (date of inception) to December 31, 2005, HAPC had substantially no operations.

**Liquidity and Capital Resources**

For the year ended December 31, 2006, HAPC experienced positive cash flow and financed its operations primarily from cash generated from its issuance of stock at its consummated initial public offering, discussed below in further detail. As of December 31, 2006, HAPC had \$427,372 of cash and cash equivalents, an increase of approximately \$413,782 from the \$13,590, at December 31, 2005, which relates primarily to interest income.

Net cash used by operating activities for the year ended December 31, 2006 was \$912,353, which included HAPC's net loss of \$7,859,344, an increase in prepaid expenses of \$445,369, offset by an increase in accounts payable and accrued expenses of \$418,720 and non-cash charges of \$6,660,139 and \$13,049,996, representing stock based compensation and non-cash compensation satisfied by grant of stock, respectively. These non-cash charges were offset by a non-cash gain on warrant liabilities of \$10,800,160. The increases in accounts payable and accrued expenses are attributable to costs incurred by HAPC in connection with identifying and conducting due diligence of suitable business combinations and general corporate matters.

Net cash used in investing activities for the year ended December 31, 2006 amounted to \$96,956,451, the result of purchasing investments held in trust for \$96,214,793 and the payment of deferred acquisition costs totaling \$741,658. The investments held in trust are only to be utilized for the acquisition of a target business or the payment of income taxes.

Net cash provided by financing activities for the year ended December 31, 2006 was the result of proceeds received from issuance of shares of stock, offset by payments of notes payable totaling \$85,000 and payment for costs associated with HAPC's initial public offering amounting to \$3,320,920.

HAPC entered into a Material Definitive Agreement, discussed in more detail in footnote 11. There can be no assurance that such transaction will be consummated. In the event that the proposed acquisition is not undertaken, it is likely that HAPC will have insufficient time and resources to look for another suitable acquisition target and will most likely be forced to liquidate.

On April 18, 2006, HAPC consummated its initial public offering of 16,666,667 units sold to the public at a price of \$6.00 per unit. Each unit consists of one share of HAPC's common stock, \$.0001 par value, and two redeemable common stock purchase warrants. Each warrant will entitle the holder to purchase from HAPC one share of common stock at an exercise price of \$5.00 commencing on the later of the completion of a business combination or one year from the effective date of the initial public offering and expiring five years from the effective date of the initial public offering. HAPC may call the warrants for redemption in whole, but not in part, at a price of \$.01 per warrant at any time after the warrants become exercisable. They cannot be redeemed unless the warrant holders receive written notice not less than 30 days prior to the redemption; and if, and only if, the reported last sale price of the common stock equals or exceeds \$8.50 per share for any 20 trading days within a 30 trading day period ending on the third business day prior to the notice of redemption to warrant holders.

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On May 18, 2006, HAPC sold an additional 208,584 units (the Overallotment ) pursuant to a partial exercise by FTN Midwest Securities Corp. of its Overallotment option.

Net proceeds (including the Overallotment) after underwriting, legal, accounting, and printing costs amounted to \$98,134,319 which includes a contingent underwriting fee of \$5,467,581. \$98,151,128 is being held in a trust account as of December 31, 2006. HAPC will use substantially all of the net proceeds of the initial public offering to acquire a target business, including identifying and evaluating prospective acquisition candidates, selecting the target business, and structuring, negotiating and consummating the business combination.

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

The sale of the option was accounted for as an equity transaction. Accordingly, there was no net impact on HAPC's financial position or results of operations, except for the recording of the \$100 proceeds from the sale. HAPC has determined that the fair value of the option on the date of sale was \$2.36 per unit, or approximately \$1,966,666 total, using an expected life of five years, volatility of 47% and a risk-free interest rate of 3.98%. Accordingly, this amount was recorded as an expense of the offering resulting in a charge directly to the stockholders' equity.

On December 28, 2006, HAPC issued a warrant to the chairman of the board for a purchase price of \$0.70 or a total of \$437,000. This warrant is to purchase 624,286 shares of HAPC's common stock at a price of \$5.00 per share. This warrant is exercisable commencing on the later of HAPC's completion of a business combination or April 11, 2007 and expiring April 11, 2011 or earlier upon redemption by HAPC. HAPC may call the warrants for redemption in whole and not in part at a price of \$0.01 per warrant at anytime after the warrant becomes exercisable. The warrants cannot be redeemed unless the holder receives written notice not less than 30 days prior to the redemption and if and only if, the reported last price of the common stock equals or exceeds \$8.50 per share for any 20 trading days within a 30 day period ending on the third day of business prior to the notice of redemption to warrant holder HAPC has fully reserved these shares as authorized but not issued. HAPC issued and sold to Mr. McDevitt an additional 447,143 warrants to purchase common stock at a purchase price of \$0.70 per warrant for an aggregate purchase price of \$313,000 as of April 12, 2007 (the date HAPC received payment for such warrants). These warrants are subject to the same terms and conditions as the warrants purchased by Mr. McDevitt in December 2006. To date, Mr. McDevitt has purchase 1,071,429 of warrants from HAPC at an aggregate purchase price of \$750,000. It is intended that Mr. McDevitt will purchase additional warrants from HAPC as needed to fund HAPC's operating costs and liquidation costs (in the event that HAPC is required to liquidate).

HAPC expects to fund its short term working capital requirements through loans from third parties and the sale of warrants.

HAPC intends to fund expenses associated with the acquisition of InfuSystem from the release of investments held in trust upon the completion of the acquisition or the termination of the acquisition. Taxes will be paid out of the investments held in trust account from the interest earned on the funds held in the account.

### **Off-Balance Sheet Arrangements**

In the event that the Stock Purchase Agreement HAPC entered into with I-Flow, Iceland Acquisition Subsidiary and InfuSystem on September 29, 2006 is terminated (i) because of HAPC's failure to obtain stockholder approval of the acquisition of InfuSystem by July 31, 2007 for any reason or (ii) because HAPC or its subsidiary, Iceland Acquisition Sub, are unwilling or

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unable to consummate the transactions contemplated by the Stock Purchase Agreement notwithstanding the fact that all conditions precedent to the Stock Purchase Agreement to be satisfied by I-Flow and InfuSystem (and the receipt of stockholder approval) have been satisfied or are capable of fulfillment, HAPC must pay I-Flow a break up fee.

As discussed in Note 11 to HAPC's consolidated financial statements, HAPC's payment of the break up fee has been guaranteed to I-Flow by Sean McDevitt, HAPC's chairman, and Philip B. Harris pursuant to a Continuing Guaranty provided by the guarantors in favor of I-Flow and delivered concurrently with the execution of the Stock Purchase Agreement. Pursuant to the terms of a Guarantee Fee and Reimbursement Agreement entered into by HAPC and the guarantors on September 29, 2006, HAPC has agreed to pay the guarantors a fee of \$100,000 upon delivery of the Continuing Guaranty and \$300,000 upon closing of the transactions contemplated by, or the termination of, the Stock Purchase Agreement. HAPC has also agreed to reimburse the guarantors for any payments actually made by them in connection with the Continuing Guaranty. Messrs. McDevitt and Harris have delivered to I-Flow a \$3,000,000 letter of credit issued by JPMorgan for the benefit of I-Flow which I-Flow may draw upon in the event that the break up fees are not paid when due and payable.

### **Contractual Obligations**

HAPC does not have any contractual obligations.

### **Changes in HAPC's Certifying Accountant**

Effective as of October 23, 2006, the Audit Committee of HAPC engaged Deloitte & Touche LLP as its independent registered public accounting firm to audit HAPC's financial statements for its fiscal year ending December 31, 2006. The Audit Committee approved the appointment of Deloitte & Touche LLP to replace Miller, Ellin and Company, LLP, HAPC's previous independent registered public accounting firm, who was dismissed on October 23, 2006.

The reports of Miller, Ellin and Company, LLP on HAPC's balance sheets as of December 31, 2005 and April 18, 2006 and the related statements of operations, stockholders equity (deficit) and cash flows for the periods from August 15, 2005 (inception) to December 31, 2005, from January 1, 2006 to April 18, 2006, and from August 15, 2005 (inception) to April 18, 2006, did not contain an adverse opinion or a disclaimer of opinion, and were not qualified or modified as to uncertainty, audit scope or accounting principle.

During the periods from August 15, 2005 (inception) through December 31, 2005, from January 1, 2006 through April 18, 2006 and for the subsequent interim period from April 19, 2006 through October 23, 2006, there were no disagreements with Miller, Ellin and Company, LLP on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which, if not resolved to the satisfaction of Miller, Ellin and Company, LLP, would have caused them to make reference to the subject matter of the disagreement in connection with their reports on HAPC's balance sheets as of December 31, 2005 and April 18, 2006 and the related statements of operations, stockholders equity (deficit) and cash flows for the periods from August 15, 2005 (inception) to December 31, 2005, from January 1, 2006 to April 18, 2006, and from August 15, 2005 (inception) to April 18, 2006. During the periods from August 15, 2005 (inception) through December 31, 2005, from January 1, 2006 through April 18, 2006 and for the subsequent interim period from April 19, 2006 through October 23, 2006, there were no reportable events as defined in Item 304(a)(1)(v) of Regulation S-K.

HAPC furnished a copy of the above disclosures to Miller, Ellin and Company, LLP and requested that Miller, Ellin and Company, LLP furnish it with a letter addressed to the U.S. Securities and Exchange Commission stating whether or not it agreed with the above statements. A copy of such letter, dated October 27, 2006, was filed as Exhibit 16.1 to HAPC's Current Report on Form 8-K on October 27, 2006.

Prior to the engagement of Deloitte & Touche LLP, neither HAPC nor anyone on behalf of HAPC consulted with Deloitte & Touche LLP during the periods from August 15, 2005 (inception) through December 31, 2005, from January 1, 2006 through April 18, 2006 and for the subsequent interim period from April 19, 2006 through October 23, 2006, in any manner regarding: (a) either the application of accounting principles to a specified transaction, either completed or proposed, or the type of audit opinion that might be rendered on HAPC's financial statements, and neither was a written report provided to HAPC nor was oral advice provided that Deloitte & Touche LLP concluded was an important factor considered by HAPC in reaching a decision as to the accounting, auditing, or financial reporting issue, or (B) the subject of either a disagreement or a reportable event, as defined in Item 304(a)(1)(iv) and (v), respectively, of Regulation S-K.

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**Dissolution and Liquidation if No Business Combination**

If HAPC does not complete a business combination within 18 months after the consummation of its initial public offering or within 24 months if the extension criteria described below have been satisfied, HAPC will be liquidated and will distribute to all of its public stockholders, in proportion to their respective equity interests, an aggregate sum equal to the amount in the trust account, inclusive of any interest, plus any remaining net assets. HAPC's initial stockholders will not have (and any person to whom HAPC transfers its reserved treasury shares will, as a condition to the transfer, be required to agree to not have) the right to participate in any liquidation distribution occurring upon HAPC's failure to consummate a business combination with respect to their shares of common stock. HAPC's initial stockholders and other members of its management agreed prior to the completion of its initial public offering (and any person to whom HAPC transfers its reserved treasury shares will, as a condition to the transfer, be required to agree) not to purchase any additional shares of common stock, whether as part of HAPC's initial public offering or otherwise, prior to the completion of a business combination and will, therefore, have no right to participate in a liquidation distribution. There will be no distribution from the trust account with respect to HAPC's warrants, and all rights with respect to HAPC's warrants will effectively cease upon HAPC's liquidation.

HAPC has expended the net proceeds of its initial public offering held outside of the trust account. In the event that HAPC is required to liquidate and dissolve, it estimates that it will have outstanding liabilities of approximately \$2,385,000 through July 31, 2007. However, all of this amount except approximately \$205,000 is covered by waivers. HAPC may not have sufficient capital to cover its outstanding debts with those parties who have waived their rights to make claims against the trust account.

The proceeds available in the trust account, including interest earned on the account subsequent to the initial public offering, would provide for an initial per-share liquidation price of \$5.94 as of June 30, 2007, less income taxes owed on accrued interest. (The closing prices of HAPC's common stock, warrants and units on July 20, 2007 were \$5.78, \$0.275 and \$6.40, respectively.) If the conversion price of the common stock is higher than the then prevailing market price of the common stock, there is a greater risk that HAPC stockholders will vote against the acquisition.

The proceeds deposited in the trust account could, however, become subject to the claims of HAPC's creditors which could be prior to the claims of its public stockholders. Messrs. McDevitt and LaVecchia have agreed that, if HAPC liquidates prior to the consummation of a business combination, they will be personally liable, on a joint and several basis, to ensure that the proceeds in the trust account are not reduced by the claims of various vendors that are owed money by HAPC for services rendered or contracted for or products sold to HAPC, or claims of other parties with which HAPC has contracted, including the claims of any prospective target with which HAPC has entered into a written letter of intent, confidentiality or non-disclosure agreement with respect to a failed business combination with such prospective target. However, HAPC cannot assure you that Messrs. McDevitt and LaVecchia will be able to satisfy those obligations. Messrs. McDevitt and LaVecchia are not personally liable to pay any of HAPC's debts and obligations except as provided above. Accordingly, HAPC cannot assure you that the actual per-share liquidation price will not be less than \$5.94, less income taxes owed on accrued interest, due to claims of creditors. In the event that Messrs. McDevitt and LaVecchia assert that they are not able to satisfy the claims of third parties against the trust account or are not required to do so, HAPC may bring claims against Messrs. McDevitt and LaVecchia to enforce the indemnification arrangement. The members of the Board of Directors of HAPC (excluding Messrs. McDevitt and LaVecchia), acting in accordance with their fiduciary duty to the stockholders of HAPC, will make the decision whether to bring claims against Messrs. McDevitt and LaVecchia to enforce the indemnification agreement.

If HAPC is unable to complete the transactions contemplated by the Stock Purchase Agreement with InfuSystem and I-Flow by October 18, 2007, 18 months from the consummation of HAPC's initial public offering, then HAPC will have an additional six months in which to complete acquisition of InfuSystem. If HAPC is unable to do so by April 18, 2008, 24 months from the date of the consummation of its initial public offering, HAPC will then liquidate. Upon notice from HAPC, the trustee of the trust account will commence liquidating the investments constituting the trust account and will turn over the proceeds to HAPC's transfer agent for distribution to its public stockholders. HAPC anticipates that its instruction to the trustee would be given promptly after the expiration of the 18-month or 24-month period, as applicable.

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HAPC's public stockholders will be entitled to receive funds from the trust account only in the event of HAPC's liquidation or if the stockholders seek to convert their respective shares into cash upon the consummation of a business combination which the stockholder voted against and which is actually completed by HAPC. In no other circumstances, except as required by applicable law, will a stockholder have any right or interest of any kind to or in the trust account.

As required under Delaware law, HAPC will seek stockholder approval for any plan of dissolution and liquidation. HAPC currently believes that any plan of dissolution and liquidation subsequent to the expiration of the 18 and 24 month deadlines would proceed in approximately the following manner (subject to HAPC's agreement to take earlier action as described below):

the HAPC Board of Directors will, consistent with its obligations described in HAPC's amended and restated certificate of incorporation to dissolve, prior to the passing of such deadline, convene and adopt a specific plan of dissolution and liquidation, which it will then vote to recommend to HAPC's stockholders; at such time HAPC will also prepare a preliminary proxy statement setting out such plan of dissolution and liquidation as well as the HAPC Board of Directors' recommendation of such plan;

upon such deadline (or earlier as described below), HAPC would file its preliminary proxy statement with the SEC;

if the SEC does not review the preliminary proxy statement, then, 10 days following the filing date, HAPC will file a definitive proxy statement with the SEC and will mail the definitive proxy statement to its stockholders, and 30 days following the mailing, HAPC will convene a meeting of its stockholders, at which they will either approve or reject HAPC's plan of dissolution and liquidation; and

if the SEC does review the preliminary proxy statement, HAPC currently estimates that it will receive their comments approximately 30 days following the filing of the preliminary proxy statement. HAPC will mail a definitive proxy statement to its stockholders following the conclusion of the comment and review process (the length of which HAPC cannot predict with any certainty, and which may be substantial) and HAPC will convene a meeting of its stockholders as soon as permitted thereafter.

In addition, if HAPC seeks approval from its stockholders to consummate a business combination within 90 days of the expiration of 24 months after the consummation of its initial public offering (assuming that the period in which HAPC needs to consummate a business combination has been extended, as provided in its amended and restated certificate of incorporation), the proxy statement related to such business combination will also seek stockholder approval for the HAPC Board's recommended plan of dissolution and liquidation, in the event HAPC's stockholders do not approve such business combination. If no proxy statement seeking the approval of HAPC's stockholders for a business combination has been filed 30 days prior to the date that is 24 months after the consummation of its initial public offering, the HAPC Board will, prior to such date, convene, adopt and recommend to its stockholders a plan of dissolution and liquidation and, on such date, file a proxy statement with the SEC seeking stockholder approval for such plan.

In the event that HAPC seeks stockholder approval for a plan of dissolution and liquidation and does not obtain such approval, HAPC will nonetheless continue to take all reasonable actions to obtain stockholder approval for its dissolution. Pursuant to the terms of HAPC's amended and restated certificate of incorporation, its purpose and powers following the expiration of the permitted time periods for consummating a business combination will automatically be limited to acts and activities relating to dissolving and winding up its affairs, including liquidation. Following the expiration of such time periods, the funds held in the trust account may not be distributed except upon HAPC's dissolution and, unless and until such approval is obtained from HAPC's stockholders, the funds held in HAPC's trust account will not be released. Consequently, holders of a majority of HAPC's outstanding stock must approve its dissolution in order to receive the funds held in the trust account, and the funds will not be available for any other corporate purpose. HAPC's existing stockholders have agreed to vote all the shares of common stock held by them in favor of the dissolution. HAPC cannot assure you that its stockholders will approve the dissolution in a timely manner or will ever approve the dissolution. As a result, HAPC cannot provide investors with assurances of a specific time frame for the dissolution and distribution.



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HAPC expects that its total costs and expenses associated with the implementing and completing the stockholder-approved plan of dissolution and liquidation will be in the range of \$50,000 to \$75,000. This amount includes all costs and expenses related to filing HAPC's dissolution in the State of Delaware, the winding up of the company and the costs of a proxy statement and meeting relating to the approval by HAPC's stockholders of its plan of dissolution and liquidation. HAPC received total proceeds of \$750,000 from its sale and issuance to Sean McDevitt of 624,286 warrants to purchase common stock on December 28, 2006 and 447,143 warrants to purchase common stock as of April 12, 2007 (the date HAPC received payment for such warrants). HAPC is using such proceeds to fund ongoing expenses. Mr. McDevitt and certain other members of management have committed to purchase up to an additional \$250,000 of warrants, which proceeds will be used to fund ongoing expenses. In lieu of such purchase of warrants in the case of the dissolution and liquidation of HAPC, HAPC may request Mr. McDevitt to fund the \$50,000 to \$75,000 of costs directly out of the warrant purchase commitment amount. HAPC has no reason to believe Mr. McDevitt (or other members of management) does not have the ability to fulfill this commitment.

As of June 30, 2007, HAPC held \$99,813 in funds outside the trust account. In the event that HAPC is forced to dissolve and liquidate, it intends to use the proceeds received in connection with the sale of warrants to Sean McDevitt to fund the estimated \$50,000 to \$75,000 in costs and expenses associated with the dissolution and liquidation.

Under the Delaware General Corporation Law, stockholders may be held liable for claims by third parties against a corporation to the extent of distributions received by them in a dissolution. If HAPC complied with certain procedures set forth in Section 280 of the Delaware General Corporation Law intended to ensure that a corporation makes reasonable provision for all claims against it, including a 60-day notice period during which any third-party claims can be brought against the corporation, a 90-day period during which the corporation may reject any claims brought, and an additional 150-day waiting period before any liquidating distributions are made to stockholders, any liability of a stockholder with respect to a liquidating distribution is limited to the lesser of such stockholder's pro rata share of the claim or the amount distributed to the stockholder, and any liability of the stockholder would be barred after the third anniversary of the dissolution. However, it is HAPC's intention to make liquidating distributions to its public stockholders as soon as reasonably possible after dissolution and, therefore, HAPC does not intend to comply with those procedures. As such, HAPC's public stockholders could potentially be liable for any claims to the extent of distributions received by them in a dissolution and any such liability of its public stockholders will likely extend beyond the third anniversary of such dissolution. Because HAPC will not be complying with Section 280, HAPC will seek stockholder approval to comply with Section 281(b) of the Delaware General Corporation Law, requiring it to adopt a plan of dissolution that will provide for payment, based on facts known to HAPC at such time, of (i) all existing claims, (ii) all pending claims, and (iii) all claims that may be potentially brought against HAPC within the subsequent 10 years. However, because HAPC is a blank check company rather than an operating company, and its operations will be limited to searching for prospective target businesses to acquire, the only likely claims to arise would be from its vendors (such as accountants, lawyers, investment bankers, etc.) or potential target businesses. As described above, HAPC seeks to have all vendors and prospective target businesses execute valid and enforceable agreements with HAPC waiving any right, title, interest or claim of any kind in or to any monies held in the trust account and to date have entered into such agreements with InfuSystem. As a result, HAPC believes the claims that could be made against it will be significantly reduced and the likelihood that any claim that would result in any liability extending to the trust will be limited.

As of March 31, 2007, HAPC had accrued liabilities of (i) \$1,008,861 consisting of accrued professional fees of \$990,930 and other accruals of \$17,931 and (ii) \$5,467,581 in underwriting fees payable to FTN. The underwriting fee of \$5,467,581 is payable to FTN upon the completion of HAPC's initial business combination. Each of HAPC's auditors and accountants, as well as FTN, have executed waivers against any claims to the trust account for fees payable to them by HAPC. HAPC believes that these waivers are valid and enforceable against its auditors, accountants and FTN. To date, HAPC is current on the fees billed to HAPC by its auditors. HAPC has paid its auditors in full for the fiscal year ended December 31, 2006 audit fees.

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**UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS**

The following unaudited pro forma condensed combined balance sheet combines the historical balance sheets of InfuSystem and HAPC as of March 31, 2007, giving effect to the acquisition of InfuSystem as if the acquisition had been consummated on March 31, 2007. The following unaudited pro forma condensed combined statements of operations combined the historical statement of income of InfuSystem and the historical statement of operations of HAPC for the year ended December 31, 2006 and the three months ended March 31, 2007, giving effect to the merger as if it had occurred on January 1, 2006. We are providing the following information to aid you in your analysis of the financial aspects of the merger. We derived this information for the year ended December 31, 2006 from the audited financial statements of InfuSystem and the audited financial statements of HAPC for that period and for the three months ended March 31, 2007 from the unaudited financial statements of InfuSystem and the unaudited financial statements of HAPC for that period. This information should be read together with the respective HAPC and InfuSystem financial statements and related notes included in this proxy statement.

The historical financial information has been adjusted to give effect to events that are directly attributable to the merger, factually supportable, and expected to have a continuing impact on the combined results. The unaudited pro forma condensed combined financial statements were prepared using the purchase method of accounting, with InfuSystem as the acquired company. Under the purchase method of accounting, the purchase price, including transaction costs, to acquire InfuSystem will be allocated to the underlying net assets, based on their respective estimated fair values. The excess of the purchase price over the estimated fair values of the net assets acquired will be recorded as goodwill. The purchase price allocation is preliminary and will be subject to a final determination upon closing of the acquisition of the acquired business. The final determination of the purchase price allocation may result in material allocation differences when compared to this preliminary allocation and the impact of the revised allocation may have a material effect on the actual results of operation and financial position of the combined entities.

The unaudited pro forma condensed combined information is for illustrative purposes only. The pro forma combined financial information may not be indicative of the historical results that would have been achieved had the companies always been combined or the future results that the combined company will experience nor do they purport to project the future financial position or operating results of the combined company.

The follow information should be read in conjunction with the pro forma condensed combined financial statements:

Accompanying notes to the unaudited pro forma condensed combined financial statements;

Historical financial statements of HAPC for the year ended December 31, 2006 included elsewhere in this proxy statement;  
and

Separate historical financial statements of InfuSystem for the year ended December 31, 2006 included elsewhere in this proxy statement.

The unaudited pro forma condensed combined financial information has been prepared assuming two different levels of approval of the merger by HAPC stockholders, as follows:

Assuming Maximum Redemption: This presentation assumes that 19.99% of the HAPC stockholders exercise their conversion rights; and

Assuming No Share Redemption: This presentation assumes no HAPC stockholders exercise their conversion rights.

**Table of Contents****UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET**

Assuming Maximum Share Redemption

March 31, 2007

(Amounts in Thousands)

	InfuSystem, Inc.	HAPC, INC.		Pro Forma Adjustments	Pro Forma Combined
<b>Current Assets:</b>					
Cash and cash equivalents	\$ 3,359	\$ 62	1	\$ (65,634)	
			3	(75)	
			4	(4,375)	
			5	(1,767)	
			8	(1,759)	
			11	99,298	
			13	(19,850)	\$ 9,259
Accounts receivable, net	8,345				8,345
Inventories	303				303
Investments held in trust		99,298	11	(99,298)	
Prepaid Expense		291	3	75	366
Other current assets	288				288
Deferred acquisition costs		1,718	5	(1,718)	
Deferred taxes	1,058		2	(1,058)	
Total current assets	13,353	101,369		(96,161)	18,561
Property and equipment, net	12,317				12,317
Goodwill and other intangible assets	2,639		1	77,899	
			5	3,485	84,023
Financing Costs		100	8	1,759	1,859
Trade Name and Trademarks			1	7,300	7,300
Physician Relationships			1	32,300	32,300
Total assets	\$ 28,309	\$ 101,469		\$ 26,582	\$ 156,360
<b>Current liabilities:</b>					
Accounts payable	\$ 1,301	\$ 603			\$ 1,904
Current portion of long-term debt			1	\$ 3,718	3,718
Other current liabilities	2,251	1,154			3,405
Deferred underwriting fees		5,468	4	(5,468)	
Warrant liabilities		7,088			7,088
Total Current Liabilities	3,552	14,313		(1,750)	16,115
Other Liabilities	1,198				1,198
Deferred Taxes	1,276		2	(1,276)	
Long-term debt, net of current portion			1	70,648	70,648
Total liabilities	6,026	14,313		67,622	87,961
Common stock subject to possible conversion		19,850	13	(19,850)	
Stockholders' equity:					
Common stock		2			2
Additional paid-in capital	8,544	73,413	1	(8,544)	

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			4	1,093	74,506
Retained Earnings (Accumulated deficit)	12,643	(7,884)	1	(12,643)	(7,884)
Contributions Distributions from Parent	507		1	(507)	
Income for current period	589	1,775	1	(589)	1,775
Total stockholders equity	22,283	67,306		(21,190)	68,399
Total liabilities and stockholders equity	\$ 28,309	\$ 101,469		\$ 26,582	\$ 156,360

**Table of Contents****UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET**

Assuming No Share Redemptions

March 31, 2007

(Amounts in Thousands)

	InfuSystem, Inc.	HAPC, INC.		Pro Forma Adjustments	Pro Forma Combined
<b>Current Assets:</b>					
Cash and cash equivalents	\$ 3,359	\$ 62	1	\$ (85,000)	
			3	(75)	
			4	(5,468)	
			5	(1,767)	
			8	(1,275)	
			11	99,298	\$ 9,134
Accounts receivable, net	8,345				8,345
Inventories	303				303
Investments held in trust		99,298	11	(99,298)	
Prepaid Expense		291	3	75	366
Other current assets	288				288
Deferred acquisition costs		1,718	5	(1,718)	
Deferred taxes	1,058		2	(1,058)	
<b>Total current assets</b>	<b>13,353</b>	<b>101,369</b>		<b>(96,286)</b>	<b>18,436</b>
Property and equipment, net	12,317				12,317
Goodwill and other intangible assets	2,639		1	77,899	84,023
			5	3,485	
<b>Financing Costs</b>		<b>100</b>	<b>8</b>	<b>1,275</b>	<b>1,375</b>
Tradename and Trademarks			1	7,300	7,300
Physician Relationships			1	32,300	32,300
<b>Total assets</b>	<b>\$ 28,309</b>	<b>\$ 101,469</b>		<b>\$ 25,973</b>	<b>\$ 155,751</b>
<b>Current liabilities:</b>					
Accounts payable	\$ 1,301	\$ 603			\$ 1,904
Current portion of long-term debt			1	\$ 2,750	2,750
Other current liabilities	2,251	1,154			3,405
Deferred underwriting fees		5,468	4	(5,468)	
Warrant liabilities		7,088			7,088
<b>Total Current Liabilities</b>	<b>3,552</b>	<b>14,313</b>		<b>(2,718)</b>	<b>15,147</b>
Other Liabilities	1,198				1,198
Deferred Taxes	1,276		2	(1,276)	
Long-term debt, net of current portion			1	52,250	52,250
<b>Total liabilities</b>	<b>6,026</b>	<b>14,313</b>		<b>48,256</b>	<b>68,595</b>
Common stock subject to possible conversion		19,850	13	(19,850)	
<b>Stockholders' equity:</b>					
Common stock		2			2
Additional paid-in capital	8,544	73,413	13	19,850	93,263
			1	(8,544)	

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Retained Earnings (Accumulated deficit)	12,643	(7,884)	1	(12,643)	(7,884)
Contributions (Distributions) from (to) Parent	507		1	(507)	
Income for current period	589	1,775	1	(589)	1,775
Total stockholders equity	22,283	67,306		(2,433)	87,156
Total liabilities and stockholders equity	\$ 28,309	\$ 101,469		\$ 25,973	\$ 155,751

**Table of Contents****UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS****For the Three Months Ended March 31, 2007****Assuming Maximum Share Redemption****(Amounts in Thousands, except share and per share data)**

	InfuSystem, Inc.	HAPC, INC.		Pro Forma Adjustments	Pro Forma Combined
Revenue	\$ 7,874	\$			\$ 7,874
Cost of sales	2,314				2,314
Gross Profit	5,560				5,560
Compensation expense		615	10	(615)	
Guaranty Fee					
Selling, general and administrative expense	4,547	403	9	19	4,969
Amortization of physician relationships			7	404	404
Total operating costs	4,547	1,018		(192)	5,373
Operating income (loss)	1,013	(1,018)		192	187
Other income ( expense)					
Interest income		1,151	12	(1,147)	4
Interest expense	(30)		6	(1,911)	
			7	(116)	(2,057)
Ticking Fee		(163)	9	163	
Gain on warrant liabilities		2,025			2,025
Total other income (expense)	(30)	3,013		(3,011)	(28)
Income (loss) before income taxes	983	1,995		(2,819)	159
Income tax provision	394	220	2	(561)	53
Net income (loss)	\$ 589	\$ 1,775		\$ (2,258)	\$ 106
Pro forma net income per common share Basic					\$ 0.01
Weighted average number of common shares outstanding Basic					15,251,889
Pro forma net income per common share Diluted					\$ 0.01
Weighted average number of common shares outstanding Diluted					18,299,825

**Table of Contents****UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS****For the Three Months Ended March 31, 2007****Assuming No Share Redemptions****(Amounts in Thousands, except share and per share data)**

	<b>InfuSystem, Inc.</b>	<b>HAPC, INC.</b>		<b>Pro Forma Adjustments</b>	<b>Pro Forma Combined</b>
Revenue	\$ 7,874	\$			\$ 7,874
Cost of sales	2,314				2,314
Gross Profit	5,560				5,560
Compensation expense		615	10	(615)	
Guaranty Fee					
Selling, general and administrative expense	4,547	403	9	19	4,969
Amortization of physician relationship costs			7	404	404
Total operating costs	4,547	1,018		(192)	5,373
Operating income (loss)	1,013	(1,018)		192	187
Other income (expense)					
Interest income		1,151			