HAPC, Inc.
Form 10-K
March 30, 2007
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C., 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2006

OR

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

Commission File Number: 000-51902

HAPC, INC.

(Exact Name of Registrant as Specified in its Charter)

Delaware	**20-3341405**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
350 Madison Avenue, New York, New York	**10017**
(Address of Principal Executive Offices)	**(Zip Code)**

Registrant s Telephone Number, including Area Code:

(212) 418-5070

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

Title of Each Class	Name of Each Exchange on which Registered
None	None

Securities Registered Pursuant to 12(g) of the Act

Common Stock, par value $0.001 per share

(Title of Class)

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

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (check one)

Large accelerated filer ¨ Accelerated filer ¨ Non-accelerated filer x

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

The aggregate market value of the registrant s voting equity held by non-affiliates of the registrant, computed by reference to the closing sales price for the registrant s common stock, on June 30, 2006, as reported on the OTC Bulletin Board, was approximately $90,282,593. In determining the market value of the voting equity held by non-affiliates, securities of the registrant beneficially owned by directors and officers of the registrant have been excluded. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

The number of shares of the registrant s common stock outstanding as of March 29, 2007 was 18,625,252.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of this registrant s definitive proxy statement for its 2007 Annual Meeting to be filed with the SEC no later than 120 days after the end of the registrant s fiscal year are incorporated herein by reference in Part III of this Annual Report on Form 10-K.

Table of Contents

TABLE OF CONTENTS

Table of Contents

PART I

Item 1. Business.

General

We are a Delaware blank check company, formed in 2005 for the purpose of acquiring, through a merger, capital stock exchange, asset acquisition or other similar business combination, one or more operating businesses in the healthcare sector.

On September 29, 2006, we entered into a Stock Purchase Agreement with I-Flow Corporation, a Delaware corporation, Iceland Acquisition Subsidiary, Inc., a Delaware corporation and our wholly-owned subsidiary, and InfuSystem, Inc., a wholly-owned subsidiary of I-Flow. Pursuant to the terms of the Stock Purchase Agreement, subject to approval by stockholders, our subsidiary will purchase all of the issued and outstanding capital stock of InfuSystem. Concurrently with the acquisition, our subsidiary will merge with and into InfuSystem. After the merger, Iceland Acquisition Subsidiary 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 name of the surviving corporation will be InfuSystem, Inc.

According to the Centers for Medicare and Medicaid Services, U.S. healthcare spending surpassed $2.0 trillion in 2005. Also according to the Centers for Medicare and Medicaid Services, total U.S. healthcare expenditures are projected to increase to $4.0 trillion in 2015, with the annual growth rate averaging about 7.2%. U.S. healthcare spending, calculated at approximately 15% of GDP based on statistics from the Centers for Medicare & Medicaid Services and projected to be more than 20% of GDP in 2015 according to the California HealthCare Foundation, is larger than that of every other developed nation in total size, as a percentage of GDP, and on a per-capita basis according to Plunkett s Health Care Industry Almanac. In fact, according to Plunkett s Health Care Industry Almanac, per capita spending is twice the average of that of member countries of the Organization for Economic Cooperation and Development. Moreover, according to Plunkett s Health Care Industry Almanac, investors are supporting this growth, investing $4.8 billion in venture investment into U.S. healthcare companies in the first nine months of 2004 alone. Within this industry we believe there are numerous niche sectors each with potential markets totaling in the hundreds of millions of dollars. While some of these sectors are serviced by large traditional healthcare institutions, we believe many are nascent with significant opportunities for fast-moving, smaller companies. The Centers for Medicare and Medicaid Services anticipate the industry will grow at a compounded annual growth rate (CAGR) of 6.7% from 2004 to 2013, reaching $3.4 trillion. This growth outpaces the forecasted U.S. GDP CAGR of 5.2% for the same time frame. At these respective rates, healthcare costs will comprise 18% of the GDP in 2013. Factors contributing to this growth include:

Demographic Trends. The U.S. population is aging rapidly. At the same time, the life expectancy of Americans is increasing, and chronic illnesses that require drug treatment are increasing as the population ages.

Rising Cost of Prescription Drugs and Biologics. According to Plunkett s Health Care Industry Almanac, prescription drug costs have increased more than 10% every year since 1995. According to a study released in 2006 by the Tufts Center for the Study of Drug Development, the cost of developing a new drug and getting it to market, as adjusted for inflation, averaged approximately $899 million and the cost of developing a biologic to approval averaged $1.2 billion. Bain & Co. estimates the total cost, including marketing and advertising, at a much higher $1.7 billion per drug.

Table of Contents

High Medicare and Medicaid Costs. The obligations of Medicare and Medicaid have the potential to swell the federal budget. The number of senior citizens covered by Medicare will continue to grow at an exceedingly high rate, and new prescription coverage costs will add to the government s financial problems. According to White House projections, federal funding for the Medicare program is projected to reach $340 billion in 2006. Prescription coverage costs have added substantially to the government s financial burden and have significantly increased the government s focus on reimbursement for medical products and services.

Pharmaceutical Direct to Consumer Advertising. The drug industry is making an intensified sales effort. Direct-to-consumer advertising and legions of sales professionals calling on physicians increase demand for the newest, most expensive drugs. According to the research firm Schonfeld & Associates, the pharmaceutical industry s total advertising budget is expected to exceed $21 billion in 2006, up 10% from 2005 levels.

Lifestyle Drugs Trend. Lifestyle drug use is increasing, as shown by the popularity of such drugs as Viagra, Propecia, and Botox. These drugs have dramatically increased the total annual consumer intake of pharmaceuticals and create a great deal of controversy over which drugs should be covered by managed care and which should be paid for by the consumer alone.

Boom in Surgery Centers. The number of ambulatory surgery centers (ASCs), otherwise known as outpatient surgery centers, has skyrocketed since their initial Medicare approval in 1982. According to the Federated Ambulatory Surgery Association, there were over 4,200 ASCs in 2005. Most procedures performed in such centers are covered under Medicare or by most major health plans. According to the Medicare Payment Advisory Commission, Medicare paid $2.2 billion to surgery centers in 2003, up from $1 billion in 1997.

While the market has grown, it has also faced substantial challenges and undergone significant changes. Rising costs have placed increased pressure on payors, providers, and consumers to find lower-cost healthcare solutions. Legislation has reformed Medicare to give private insurers a greater role in insuring the elderly and to provide prescription drug benefits for seniors. Other legislative efforts have targeted drug pricing by attempting to find ways to encourage the use of generics, including efforts to develop a regulatory pathway for the approval of generic biologics. New technology and services are increasing the efficiency of all aspects of the healthcare industry, from physicians to payors.

In recent years, the healthcare industry has capitalized on many remarkable advances in medical technology, including breakthroughs in computing, communications, small-incision surgery, drug therapies, diagnostics and instruments. Meanwhile, more emphasis is being placed on the use of computers and advanced telecommunication technology in many phases of hospital operations and patient care, often in conjunction with complex equipment to diagnose and improve patients conditions. With respect to investment in information technology, or IT, the healthcare industry lagged behind almost all other business sectors in 2003, spending just under 4% of its revenue on IT, in contrast to many other industries that have been averaging 5% to 8%. However, this is starting to change. Gartner, a major research firm, projects healthcare industry spending on IT to rise from $34 billion in 2001 to nearly $48 billion in 2006 the second-fastest area for IT growth after the Federal Government. A recent survey by the Health Information Management and Systems Society found that 60% of U.S. hospitals are utilizing, installing or planning to install systems to handle electronic records.

Table of Contents

The U.S. Department of Health & Human Services estimated that a national electronic health information network could save about $140 billion yearly, or 8% of the nation s health expenditures. This is due to the fact that vast amounts of time and money are wasted on redundant paperwork, billing errors, duplicated tasks and mistreatment of patients due to lack of complete health information at the point of treatment.

The large number of growth factors and regulatory changes creates an entrepreneur s market in which companies that can capitalize on the growth and changing environment will prosper. While the healthcare market is dominated by some of the largest companies in the U.S., their ability to adapt to meet the industry s growth and changing paradigms has been hampered by bureaucracy, heavy research and development costs, and increased litigation. In this type of environment, middle market companies can often react faster to changes and take advantage of the market opportunities.

While we expect to seek to effect additional business combinations, our initial business acquisition must be with one or more operating businesses whose fair market value is, either individually or collectively, at least equal to 80% of our net assets at the time of such acquisition.

Regulation of the healthcare sector

The development, testing, production and marketing of some of our potential products that we may manufacture, market or sell following a business combination may be subject to regulation by the FDA as devices under the 1976 Medical Device Amendments to the Federal Food, Drug and Cosmetic Act, as amended. Before a new medical device, or a new use of, or claim for, an existing product can be marketed in the United States, it must first receive either 510(k) clearance or pre-market approval from the FDA, unless an exemption applies. Either process can be expensive and lengthy. The FDA s 510(k) clearance process usually takes from three to twelve months, but it can take longer and is unpredictable. The process of obtaining pre-market approval is much more costly and uncertain than the 510(k) clearance process and it generally takes from one to three years, or even longer, from the time the application is filed with the FDA.

In the United States, medical devices must be:

- manufactured in registered and quality approved establishments by the FDA; and
- produced in accordance with the FDA Quality System Regulation, or QSR, for medical devices.

As a result, we may be required to comply with QSR requirements and if we fail to comply with these requirements, we may need to find another company to manufacture any such devices which could delay the shipment of our potential product to our customers.

The FDA requires producers of medical devices to obtain FDA clearance or approval prior to commercialization in the United States. Testing, preparation of necessary applications and the processing of those applications by the FDA is expensive and time consuming. We do not know if the FDA would act favorably or quickly in making such reviews, and significant difficulties or costs may potentially be encountered by us in any efforts to obtain FDA clearance or approval. The FDA may also place conditions on clearances and approvals that could restrict commercial applications of such products. Product approvals may be withdrawn if compliance with regulatory standards is not maintained or if

Table of Contents

problems occur following initial marketing. Delays imposed by the FDA clearance or approval process may materially reduce the period during which we have the exclusive right to commercialize any potential patented products. We may make modifications to any potential devices and may make additional modifications in the future that we may believe do not or will not require additional clearances or approvals. If the FDA should disagree, and require new clearances or approvals for the potential modifications, we may be required to recall and to stop marketing the potential modified devices. We also may be subject to Medical Device Reporting regulations, which would require us to report to the FDA if our products were to cause or contribute to a death or serious injury, or malfunction in a way that would likely cause or contribute to a death or serious injury.

The development, testing, production and marketing of some of our potential products that we may manufacture, market or sell following a business combination may be subject to regulation by the FDA as drugs or biologics . All new drugs must be the subject of an FDA-approved new drug application (NDA) and all new biologics products must be the subject of an approved biologics license application (BLA) before they may be marketed in the United States. All generic equivalents to previously approved drugs or new dosage forms of existing drugs must be the subject of an FDA-approved abbreviated new drug application (ANDA) before they may be marketed in the United States. There is at present no regulatory pathway for the approval of general biologics in the United States (unlike the European Union) but this is a subject of consideration currently by Congress. In all cases, the FDA has the authority to determine what testing procedures are appropriate for a particular product and, in some instances, has not published or otherwise identified guidelines as to the appropriate procedures. The FDA has the authority to withdraw existing NDA, BLA and ANDA approvals and to review the regulatory status of products marketed under its enforcement policies. The FDA may require an approved NDA, BLA, or ANDA for any drug or biologic product marketed to be recalled or withdrawn under its enforcement policy if new information reveals questions about the drug or biologic s safety or effectiveness. All drugs must be manufactured in conformity with current good manufacturing practice regulations (GMPs) and drugs and biologics subject to an approved NDA, BLA, or ANDA must be manufactured, processed, packaged, held and labeled in accordance with information contained in those approvals. The required product testing and approval process for new drugs and biologics ordinarily takes several years and requires the expenditure of substantial resources. Testing of any product under development may not result in a commercially-viable product. Even after such time and expenses, regulatory approval by the FDA may not be obtained for any products developed. In addition, delays or rejections may be encountered based upon changes in FDA policy during the period of product development and FDA review. Any regulatory approval may impose limitations in the indicated use for the product. Even if regulatory approval is obtained, a marketed product, its manufacturer and its manufacturing facilities are subject to continual review and periodic inspections. Subsequent discovery of previously unknown problems with a product, manufacturer or facility may result in restrictions on the product or manufacturer, including withdrawal of the product from the market.

Even if required FDA approval has been obtained with respect to a new drug or biologic product, foreign regulatory approval of a product must also be obtained prior to marketing the product internationally. Foreign approval procedures vary from country to country and the time required for approval may delay or prevent marketing. The clinical testing requirements and the time required to obtain foreign regulatory approvals may differ from that required for FDA approval. Although there is now a centralized European Union approval mechanism for new pharmaceutical products in place, each European Union member state may nonetheless impose its own procedures and requirements, many of which are time consuming and expensive, and some European Union member states require price approval as part of the regulatory approval process. Thus, there can be substantial delays in obtaining required approval from both the FDA and foreign regulatory authorities.

Table of Contents

Effecting a business combination

General

We are not presently engaged in, and we will not engage in, any substantive commercial business for an indefinite period of time. We intend to use cash derived from the proceeds of our initial public offering, our capital stock, debt or a combination of these to effect a business combination involving an operating business in the healthcare-related sector.

Entry into a Material Definitive Agreement

On September 29, 2006, we entered into a Stock Purchase Agreement with I-Flow Corporation, a Delaware corporation, Iceland Acquisition Subsidiary, Inc., a Delaware corporation and our wholly-owned subsidiary, and InfuSystem, a wholly-owned subsidiary of I-Flow. Pursuant to the terms of the Stock Purchase Agreement, our subsidiary will purchase all of the issued and outstanding capital stock of InfuSystem. Concurrently with the acquisition, our subsidiary will merge with and into InfuSystem. After the merger, Iceland Acquisition Subsidiary 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 name of the surviving corporation will be InfuSystem, Inc.

Our amended and restated certificate of incorporation requires that the acquisition must be approved by the holders of a majority of the shares of our common stock sold in our initial public offering. The acquisition cannot be completed if holders of 20% or more of the shares of our common stock sold in our initial public offering vote against the acquisition and, as permitted by the certificate of incorporation, demand that their shares be converted into the right to receive a pro rata portion of the net proceeds of our initial public offering held in a trust account established for this purpose at the time of the initial public offering. If the holders of less than 20% of the shares of our common stock exercise their conversion rights and the transaction closes, such holders will receive their pro rata share of the trust proceeds.

Purchase Price

In consideration for the acquisition of all of the issued and outstanding shares of capital stock of InfuSystem, HAPC or our subsidiary 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 paid through a combination of (i) a secured promissory note payable to I-Flow in a principal amount equal to $55,000,000 plus the amount actually paid to our stockholders who exercise their conversion rights but not to exceed the maximum amount of $75,000,000 and (ii) an amount of cash equal to $65,000,000 plus the difference between the maximum amount and the actual principal amount of the promissory note. In connection with I-Flow s commitment to accept the promissory note, a $100,000 delivery fee was paid by us to I-Flow on October 4, 2006 and a Ticking Fee (between 0.50% and 1.0% per annum of the Maximum Amount) is payable from September 29, 2006 until the earlier of the closing under the Stock Purchase Agreement, termination of the Stock Purchase Agreement or our notice that, because alternative financing has been secured, the promissory note to I-Flow will no longer be required.

Indemnification

Under the Stock Purchase Agreement, each of HAPC and I-Flow have agreed to indemnify the other and its affiliates, subject to certain limitations, against certain losses arising from, among other matters, such party s breach of the Stock Purchase Agreement.

Table of Contents

Termination and Break Up Fee

In the event that the Stock Purchase Agreement is terminated (i) because of our failure to obtain stockholder approval by April 30, 2007 for any reason or (ii) because HAPC or our subsidiary 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 stockholder approval) have been satisfied or are capable of fulfillment, we must pay I-Flow a break up fee. In the event that I-Flow terminates the Stock Purchase Agreement after April 30, 2007 and the break up fee is payable for the sole reason that we have not held the stockholder meeting seeking stockholder approval by April 30, 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.

Payment of the break up fee has been guaranteed to I-Flow by Messrs. Sean McDevitt 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 us and the guarantors on September 29, 2006, we have 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. We have 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.

Requirements of a Business Combination

If we are unable to consummate the business combination with InfuSystem, we will endeavor to consummate an alternative business combination satisfying the requirements of our amended and restated certificate of incorporation as more fully discussed below.

Subject to the requirement that our initial business combination must be with one or more operating businesses that, individually or collectively, have a fair market value of at least 80% of our net assets at the time of such acquisition, our management has virtually unrestricted flexibility in identifying and selecting prospective target businesses in the healthcare sector. We expect that our management will diligently review all of the proposals we receive with respect to prospective target businesses. In evaluating prospective target businesses, our management expects to consider, among other factors, the following:

financial condition and results of operation;

growth potential;

experience and skill of management and availability of additional personnel;

capital requirements;

competitive position;

stage of development of the products, processes or services;

degree of current or potential market acceptance of the products, processes or services;

Table of Contents

proprietary features and degree of intellectual property or other protection of the products, processes or services;

regulatory environment of the industry;

costs associated with effecting the business combination; and

barriers to entry into the targeted businesses industries.

These criteria are not intended to be exhaustive. Any evaluation relating to the merits of a particular business combination with one or more operating businesses will be based, to the extent relevant, on the above factors as well as other considerations deemed relevant by our management in effecting a business combination consistent with our business objective. In evaluating prospective target businesses, we intend to conduct an extensive due diligence review which will encompass, among other things, meetings with incumbent management and inspection of facilities, as well as review of financial and other information which will be made available to us.

We will endeavor to structure a business combination so as to achieve the most favorable tax treatment to us, the target businesses and their stockholders, as well as our stockholders. We cannot assure stockholders, however, that the Internal Revenue Service or appropriate state tax authority will agree with our tax treatment of the business combination.

The time and costs required to complete the selection and evaluation of target businesses and to structure and complete the business combination cannot presently be ascertained with any degree of certainty. Any costs incurred with respect to the identification and evaluation of prospective target businesses with which a business combination is not ultimately completed will result in a loss to us and reduce the amount of capital available to otherwise complete a business combination.

Fair market value of target businesses

The initial target businesses that we acquire must have a fair market value, individually or collectively, equal to at least 80% of our net assets at the time of such acquisition.

Possible lack of business diversification

While we may seek to effect a business combination with more than one target business, our initial business acquisition must be with one or more operating businesses whose fair market value, individually or collectively, is at least equal to 80% of our net assets at the time of such acquisition. If we are not able to acquire more than one target business, resulting lack of diversification may:

result in our dependency upon the performance of a single operating business;

result in our dependency upon the development or market acceptance of a single or limited number of products, processes or services; and

subject us to numerous economic, competitive and regulatory developments, any or all of which may have a substantial adverse impact upon the particular industry in which we may operate subsequent to a business combination.

Table of Contents

In this case, we will not be able to diversify our operations or benefit from the possible spreading of risks or offsetting of losses, unlike other entities which have the resources to complete several business combinations in different industries or different areas of a single industry so as to diversify risks and offset losses. Further, the prospects for our success may be entirely dependent upon the future performance of the initial target business or businesses we acquire.

Acquisition of more than one business

As noted above, we expect to effect our initial business combination through the acquisition of a single business, but we reserve the right to acquire more than one business in contemporaneous acquisitions if our board of directors determines that such a course is in our best interest. Completing our initial business combination through more than one acquisition would likely result in increased costs as we would be required to conduct a due diligence investigation of more than one business and negotiate the terms of the acquisition with multiple sellers. In addition, due to the difficulties involved in consummating multiple acquisitions concurrently, our attempt to complete our initial business combination in this manner would increase the chance that we would be unable to successfully complete our initial business combination in a timely manner.

Limited ability to evaluate the target business s management

Although we intend to closely scrutinize the management of prospective target businesses when evaluating the desirability of effecting a business combination with those businesses, we cannot assure stockholders that our assessment of the target business s management will prove to be correct. In addition, we cannot assure stockholders that the future management will have the necessary skills, qualifications or abilities to manage a public company intending to embark on a program of business development. Further, we cannot ascertain the future role of our officers and directors, if any, in the target businesses. While it is possible that one or more of our officers and directors will remain associated with us in some capacity following a business combination, it is unlikely that any of them will devote their full efforts to our affairs subsequent to a business combination. Moreover, we cannot assure stockholders that our officers and directors will have significant experience or knowledge relating to the operations of the particular target businesses acquired.

Following a business combination, we may seek to recruit additional managers to supplement the incumbent management of the acquired businesses. We cannot assure stockholders that we will have the ability to recruit additional managers, or that additional managers will have the requisite skills, knowledge or experience necessary to enhance the incumbent management.

Dissolution and Liquidation if No Business Combination

If we do not complete a business combination within 18 months after the consummation of our initial public offering (October 18, 2007) or within 24 months (April 18, 2008) if the extension criteria provided in our certificate of incorporation have been satisfied, we will be liquidated and will distribute to all of our 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. Our initial stockholders (those holders of our shares issued prior to our initial public offering) will not have (and any person to whom we transfer our 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 our failure to consummate a business combination with respect to their shares of common stock. Our initial stockholders and other members of our management agreed prior to the completion of our initial public offering (and any person to whom we transfer our reserved treasury shares will, as a condition to the

Table of Contents

transfer, be required to agree) not to purchase any additional shares of common stock, whether as part of our 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 our warrants, and all rights with respect to our warrants will effectively cease upon our liquidation.

At the time of a liquidation we will have expended the net proceeds of our initial public offering held outside of 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 $5.86 as of March 14, 2007, less income taxes owed on accrued interest. (The closing prices of our common stock, warrants and units on March 28, 2007, were $5.64, $0.22 and $6.10, 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 our stockholders will vote against the acquisition.

The proceeds deposited in the trust account could, however, become subject to the claims of our creditors which could be prior to the claims of our public stockholders. Messrs. McDevitt and LaVecchia have agreed that, if we liquidate 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 us for services rendered or contracted for or products sold to us, or claims of other parties with which we have contracted, including the claims of any prospective target with which we have entered into a written letter of intent, confidentiality or non-disclosure agreement with respect to a failed business combination with such prospective target. However, we cannot assure stockholders that Messrs. McDevitt and LaVecchia will be able to satisfy those obligations. Messrs. McDevitt and LaVecchia are not personally liable to pay any of our debts and obligations except as provided above. Accordingly, we cannot assure stockholders that the actual per-share liquidation price will not be less than $5.86, 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, we may bring claims against Messrs. McDevitt and LaVecchia to enforce the indemnification arrangement.

Our public stockholders will be entitled to receive funds from the trust account only in the event of our 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 us. 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.

Competition

If we succeed in effecting a business combination with InfuSystem, there will be, in all likelihood, intense competition from competitors of InfuSystem. The degree of competition characterizing the industry of InfuSystem cannot presently be ascertained.

If we do not complete a business combination with InfuSystem, we expect to seek an alternative acquisition target. In identifying, evaluating and selecting target businesses, we may encounter intense competition from other entities having a business objective similar to ours. Many of these entities are well established and have extensive experience identifying and effecting business combinations directly or through affiliates. Many of these competitors possess greater financial, technical, human and other resources than us. Our ability to compete in acquiring certain sizable target businesses will be limited by our available financial resources. This inherent competitive limitation gives others an advantage over us in pursuing the acquisition of target businesses. Further:

Table of Contents

our obligation to seek stockholder approval of a business combination may delay the completion of a transaction;

our obligation to convert into cash shares of common stock held by our stockholders in certain instances may reduce the resources available to us to effect a business combination; and

our outstanding warrants and the purchase option granted to FTN Midwest Securities Corp., and the future dilution they potentially represent, may not be viewed favorably by certain target businesses.

Any of these factors may place us at a competitive disadvantage in successfully negotiating a business combination. Our management believes, however, that our status as a public entity and potential access to the United States public equity markets may give us a competitive advantage over privately-held entities having a similar business objective as ours in acquiring a target business on favorable terms.

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.

Periodic Reporting and Audited Financial Statements

HAPC has registered its securities under the Securities Exchange Act of 1934 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 Securities Exchange Act of 1934, HAPC s annual reports will contain financial statements audited and reported on by HAPC s independent registered public accounting firm.

Item 1A. Risk Factors.

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

Risks associated with our status as a blank check company

We are a development stage company with no operating history and, accordingly, you have no basis upon which to evaluate our ability to achieve our business objective.

We are a development stage company with no operating results to date. Since we do not have an operating history, you have no basis upon which to evaluate our ability to achieve our business objective, which is to acquire one or more operating businesses in the healthcare-related sector. We have entered into a material definitive agreement to acquire InfuSystem, Inc., but the consummation of the business combination is dependent upon approval from our shareholders. We will not generate any revenues until, at the earliest, after the consummation of a business combination. We cannot assure you as to when or if a business combination will occur.

Table of Contents

You are not entitled to protections normally afforded to investors of blank check companies under federal securities laws.

Since the net proceeds of our initial public offering are intended to be used to complete a business combination with one or more operating businesses in the healthcare-related sector, we may be deemed to be a blank check company under the federal securities laws. However, since we have net tangible assets in excess of $5,000,000 and have filed a Current Report on Form 8-K with the Securities and Exchange Commission, or the SEC, which included an audited balance sheet demonstrating this fact, we believe that we are exempt from rules promulgated by the SEC to protect investors in blank check companies such as Rule 419 under the Securities Act of 1933, as amended, or Rule 419. Accordingly, investors will not be afforded the benefits or protections of those rules. Because we do not believe we are subject to Rule 419, we have a longer period of time within which to complete a business combination in certain circumstances.

If third parties bring claims against us, the proceeds held in trust could be reduced and the per-share liquidation distribution received by stockholders could be less than $5.86 per share.

Our placing of funds in trust may not protect those funds from third party claims against us. We seek to have all vendors and prospective target businesses execute valid and enforceable agreements with us 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, we believe 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. However, there is no guarantee that going forward such entities will agree to waive any claims they may have in the future as a result of, or arising out of, any negotiations, contracts or agreements with us and will not seek recourse against the trust account for any reason. Accordingly, the proceeds held in trust could be subject to claims which could take priority over the claims of our public stockholders and the per-share liquidation price could be less than $5.86, plus interest, due to claims of such creditors. If we cannot complete a business combination and are forced to liquidate, Sean McDevitt, the chairman of our board, and Pat LaVecchia, our secretary and a director, 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 us for services rendered or contracted for or products sold to us, or claims of other parties with which we have contracted, including the claims of any prospective target with which we have entered into a written letter of intent, confidentiality or non-disclosure agreement with respect to a failed business combination with such prospective target, so that the trust account proceeds are not reduced by the claims of potential contracted parties, former target businesses or others. However, we cannot assure you that Messrs. McDevitt and LaVecchia will be able to satisfy those obligations.

Our officers and directors allocate their time to other businesses, which could produce conflicts of interest in their determination as to how much time to devote to our affairs and could cause us to be less efficient in completing an acquisition than a competitor.

We do not intend to have any full time employees prior to the consummation of a business combination. Each of our officers and directors is engaged in other business endeavors and is not required to, and will not, commit their full time to our affairs, which may result in a conflict of interest in allocating their time between our operations and other businesses. This could cause us to be less efficient in completing an acquisition than a prospective competitor or otherwise have a negative impact on our ability to consummate a business combination. If our officers and directors other business affairs require them to devote substantial amounts of time to such affairs in excess of their current commitment levels, it could limit their ability to devote time to our affairs and could have a negative impact on our ability to consummate a business combination. We cannot assure you that these conflicts will be resolved in our favor.

Table of Contents

Certain of our officers and directors are currently, and all may in the future become, affiliated with entities engaged in business activities similar to those intended to be conducted by us and, accordingly, may have conflicts of interest in determining to which entity, and in what priority, a particular business opportunity should be presented.

John Voris, our CEO and a director, Erin Enright, our CFO, Jean-Pierre Millon, one of our directors, and Wayne Yetter, one of our directors, are currently, and all of our officers and directors may in the future become, affiliated with entities engaged in business activities similar to those intended to be conducted by us. In addition, all of our officers and directors may in the future become affiliated with other blank check companies. Our officers and directors may become aware of business opportunities which may be appropriate for presentation to us as well as the other entities with which they are or may be affiliated. Due to these existing affiliations, they may have fiduciary obligations to present potential business opportunities to those entities prior to presenting them to us which could cause additional conflicts of interest. Accordingly, they may have conflicts of interest in determining to which entity, and in what priority, a particular business opportunity should be presented. We have entered into agreements with FTN Midwest Securities Corp., Sean McDevitt and Pat LaVecchia, under the terms of which each of them has agreed to present to us for our consideration any opportunity to acquire all or substantially all of the outstanding equity securities of, or otherwise acquire a controlling equity interest in, an operating business in the healthcare, or a healthcare-related, sector, provided that they are under no obligation to present to us any opportunity involving a business in the healthcare, or a healthcare-related, sector seeking a strategic combination with another operating business in the healthcare, or a healthcare-related, sector. The terms of these agreements do not obligate these individuals or FTN Midwest Securities Corp. to present any opportunities to us for consideration prior to presenting such opportunities to any other person or entity.

If our common stock becomes subject to the SEC s penny stock rules, broker-dealers may experience difficulty in completing customer transactions and trading activity in our securities may be reduced.

If at any time we have net tangible assets of $5,000,000 or less and our common stock has a market price per share of less than $5.00, transactions in our common stock may be subject to the penny stock rules promulgated under the Exchange Act. Under these rules, broker-dealers who recommend such securities to persons other than institutional accredited investors must:

- make a special written suitability determination for the purchaser;
- receive the purchaser s written agreement to a transaction prior to sale;
- provide the purchaser with risk disclosure documents which identify certain risks associated with investing in penny stocks and which describe the market for these penny stocks as well as the purchaser s legal remedies; and
- obtain a signed and dated acknowledgment from the purchaser demonstrating that the purchaser has actually received the required risk disclosure document before a transaction in a penny stock can be completed.

Table of Contents

If our common stock becomes subject to these rules, broker-dealers may find it difficult to effect customer transactions and trading activity in our securities may be reduced. As a result, the market price of our securities may become depressed, and you may find it difficult to sell our securities.

Our initial stockholders control a substantial interest in us and thus may influence certain actions requiring stockholder vote and could support proposals that are not in your interest.

Our initial stockholders own 9.4% of our issued and outstanding shares of common stock. Sean McDevitt holds 624,286 warrants purchased in a private placement. Our initial stockholders will continue to exert considerable control over us.

Our outstanding warrants may have an adverse effect on the market price of our common stock and make it more difficult to effect a business combination.

We have outstanding warrants to purchase 34,374,788 shares of common stock. To the extent we issue shares of common stock to effect a business combination, the potential for the issuance of substantial numbers of additional shares upon exercise of these warrants could make us a less attractive acquisition vehicle in the eyes of a target business as such warrants, when exercised, will increase the number of issued and outstanding shares of our common stock and reduce the value of the shares issued to complete the business combination. Accordingly, our warrants may make it more difficult to effectuate a business combination or increase the cost of a target business. Additionally, the sale, or even the possibility of sale, of the shares underlying the warrants could have an adverse effect on the market price for our securities or on our ability to obtain future public financing. If and to the extent these warrants are exercised, you will experience dilution to your holdings.

Our securities are quoted on the OTC Bulletin Board, which limits the liquidity and price of our securities more than if our securities were quoted or listed on the Nasdaq National Market or a national exchange.

Our securities are traded in the over-the-counter market. They are quoted on the OTC Bulletin Board, an inter-dealer automated quotation system for equity securities sponsored and operated by The Nasdaq Stock Market, Inc., but not included in the Nasdaq National Market. Quotation of our securities on the OTC Bulletin Board limits the liquidity and price of our securities more than if our securities were quoted or listed on the Nasdaq National Market or a national exchange. Lack of liquidity limits the price at which you may be able to sell our securities or your ability to sell our securities at all.

If we are deemed to be an investment company, we may be required to institute burdensome compliance requirements and our activities may be restricted, which may make it difficult for us to complete a business combination.

If we are deemed to be an investment company under the Investment Company Act of 1940, as amended, or the 1940 Act, our activities may be restricted, including:

restrictions on the nature of our investments; and

restrictions on the issuance of our securities, each of which may make it difficult for us to complete a business combination.

In addition, we may have imposed upon us burdensome requirements, including:

Table of Contents

registration and regulation as an investment company;

adoption of a specific form of corporate structure; and

reporting, record keeping, voting, proxy and disclosure requirements and other rules and regulations.

We do not believe that our principal activities will subject us to the 1940 Act. To this end, the proceeds held in trust may only be invested by the trust agent in a money market fund fully collateralized by United States government securities. By restricting the investment of the proceeds to these instruments, we believe we meet the requirements for the exemption provided in Rule 3a-1 under the 1940 Act. If we were deemed to be subject to the 1940 Act, compliance with these additional regulatory burdens would require additional expense that we have not allotted for.

Because there are numerous companies with a business plan similar to ours seeking to complete a business combination, it may be more difficult for us to complete a business combination.

Based upon publicly available information as of February 15, 2007, we have identified approximately 87 similarly structured companies which have gone public since 2003, of which 20 have actually consummated a business combination. As of such date, the remaining 67 companies have more than $5.5 billion in trust and are seeking to consummate business combinations. Of these companies, 24 have announced that they have entered into definitive agreements for business combinations but not yet consummated these transactions. In addition, while some of the companies must consummate their respective business combinations in specific industries, a significant number of them may consummate their business combinations in any industry they choose or have very broad definitions of the industries they will target. Therefore, we may be subject to competition from these and other companies as well as financial institutions and numerous other buyers for potential acquisitions. As a result, we face increased competition in targeting an operating business. Furthermore, there are also 48 similarly structured companies currently in registration planning to raise approximately $4.1 billion and there are likely to be more such companies filing registration statements for initial public offerings prior to the consummation of our initial business combination. Competition from these and other companies seeking to consummate a business plan similar to ours could increase demand for attractive target companies. Further, the fact that very few of such companies have entered into a definitive agreement for a business combination and even fewer have completed a business combination may be an indication that there are only a limited number of attractive target businesses available or that target businesses may not be inclined to enter into business combinations with publicly held blank check companies like us. Therefore, we cannot assure you that we will be able to successfully compete for an attractive business combination, nor can we assure you that we will be able to effectuate a business combination within the required time period. If we are unable to find a suitable target business within such time periods, we will be forced to liquidate and the portion of your investment not placed in trust would be lost.

A provision in our Amended and Restated Certificate of Incorporation preventing amendment of certain language therein may not be enforceable under Delaware law.

Our Amended and Restated Certificate of Incorporation contains provisions governing the process for the approval of a business combination and the release of funds from the trust account. The Amended and Restated Certificate of Incorporation also provides that these provisions may not be amended prior to the consummation of a business combination. The enforceability of this prohibition of any amendment under Delaware law is unclear. Although Delaware law may allow us to amend these provisions upon obtaining the affirmative vote of the holders of a majority of our common stock, we will not propose any such amendment to our stockholders. Specifically, prior to the consummation of a

Table of Contents

business combination we will not amend or modify the provisions of Article FIFTH in our Amended and Restated Certificate of Incorporation dealing with the restrictions and requirements of stockholder approval of a business combination.

Risks Related to the Acquisition

On September 29, 2006, we entered into a Stock Purchase Agreement with I-Flow, Iceland Acquisition Subsidiary, our wholly-owned subsidiary, and InfuSystem, a wholly-owned subsidiary of I-Flow. Pursuant to the terms of the Stock Purchase Agreement, Iceland Acquisition Subsidiary will purchase all of the issued and outstanding capital stock of InfuSystem. Concurrently with the acquisition, our subsidiary will merge with and into InfuSystem. After the merger, Iceland Acquisition Subsidiary 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 name of the surviving corporation will be InfuSystem, Inc.

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

Pursuant to the terms of our amended and restated certificate of incorporation, we 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 us to consummate the acquisition of InfuSystem by April 18, 2008 (notwithstanding the fact that we are contractually bound to complete the acquisition by April 30, 2007 under the terms of the Stock Purchase Agreement). If we fail to consummate the acquisition by April 18, 2008, it is unlikely that we will have sufficient time to complete an alternative business combination and will be forced to liquidate our assets.

If we are forced to liquidate our assets, our stockholders will receive less than $6.00 per share upon distribution of the trust account and our warrants will expire worthless.

If we are unable to complete the acquisition and forced to liquidate its assets, the per-share liquidation distribution on the shares of common stock sold in our 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 us will expire worthless if we liquidate before the completion of the acquisition.

If our 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 our amended and restated certificate of incorporation, holders of shares of common stock issued in our initial public offering in April 2006 may vote against the acquisition and demand that we 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, we 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

Table of Contents

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 our 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 our 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.

Debt incurred in connection with the acquisition of InfuSystem could adversely affect our operations and financial condition.

If the acquisition of InfuSystem is consummated we will be highly leveraged. Depending upon the number of our stockholders who exercise their conversion rights, we 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 our business, financial condition and results of operations, such as:

- limiting our ability to obtain additional financing to fund growth and working capital;
- limiting our operational flexibility in planning for or reacting to changing conditions in our business and industry;
- limiting our 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 our vulnerability to economic downturns and changing market conditions or preventing us from carrying out capital spending that is necessary or important to our growth strategy.

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

Our indebtedness to I-Flow under the promissory note will be secured by substantially all of our assets. I-Flow s security interest in substantially all of our assets may limit our flexibility in the way we operate our business and our ability to obtain additional financing from third parties.

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

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

Table of Contents

Our ability to successfully operate after the acquisition of InfuSystem will be dependent upon the efforts of our key personnel. The future role of our 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 our 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. Additionally, upon completion of the acquisition, the remaining members of InfuSystem s current management team will be employed by us in capacities similar to their roles with respect to InfuSystem. While we intend to closely scrutinize any additional individuals we engage after the acquisition of InfuSystem, we cannot assure you that our 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 us to have to expend time and resources helping them become familiar with such laws. This could be expensive and time-consuming, which would reduce our profitability, and could lead to various regulatory problems that would further increase costs and reduce profitability.

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

Stockholders should be aware that members of our Board are parties to agreements or arrangements that provide them with interests that differ from, or are in addition to, those of our stockholders generally. Our directors and officers, other than Sean McDevitt and Pat LaVecchia, own shares of HAPC common stock that were issued prior to our initial public offering. Our initial stockholders will not have the right to receive distributions from the trust account upon our liquidation in the event that we fail to complete the acquisition of InfuSystem within the time frame required by our amended and restated certificate of incorporation. The shares of common stock owned by our directors and officers will be worthless if we do not consummate a business combination.

In addition, Sean McDevitt, our Chairman, has personally guaranteed our payment of up to $3,000,000 in break up fees to I-Flow in the event that that Stock Purchase Agreement is terminated by I-Flow (i) because of our failure to obtain the stockholder approval required by the terms of the Stock Purchase Agreement by April 30, 2007 for any reason or (ii) because HAPC or our subsidiary 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.

We expect 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.

We expect 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. We estimate that we 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

Table of Contents

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 the operations of InfuSystem subsequent to the merger of our subsidiary 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.

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

Our initial stockholders are entitled to demand that we 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 our 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 us 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 our common stock may decline.

The market price of our common stock may decline as a result of the acquisition if InfuSystem does not perform as expected, or we do 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 we may not be able to raise future capital, if necessary, in the equity markets.

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

As a result of the acquisition, our 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 our outstanding warrants from quarter to quarter.

Our outstanding warrants are classified as derivative liabilities and therefore, their fair values are recorded as derivative liabilities on our 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 our statement of operations. We are 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 our stock, among other things, fluctuations in such value could be substantial and could