

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

Form 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2019

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to

Commission file number: 001-11993



BioScrip, Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State of incorporation)

1600 Broadway, Suite 700, Denver, Colorado

(Address of principal executive offices)

05-0489664

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

80202

(Zip Code)

Registrant's telephone number, including area code:

720-697-5200

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

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

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

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

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

Securities registered pursuant to Section 12(b) of the Act:

Title of each Class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, \$0.0001 par value per share	BIOS	Nasdaq Global Market
Rights to Purchase Series D Junior Participating Preferred Stock	Not applicable	Nasdaq Global Market

On July 29, 2019, there were 129,180,707 shares of the registrant's Common Stock outstanding.

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PART I
FINANCIAL INFORMATION

Item 1. *Financial Statements*

BIOSCRIP, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except share amounts)

	June 30, 2019	December 31, 2018
	(unaudited)	
ASSETS		
Current assets		
Cash and cash equivalents	\$ 14,390	\$ 14,539
Restricted cash	4,322	4,321
Accounts receivable, net	118,081	114,864
Inventory	27,801	26,689
Prepaid expenses and other current assets	13,046	14,292
Total current assets	177,640	174,705
Property and equipment, net of accumulated depreciation of \$76,282 and \$100,851 as of June 30, 2019 and December 31, 2018, respectively	27,103	28,788
Goodwill	367,198	367,198
Deferred taxes	995	1,032
Intangible assets, net of accumulated amortization of \$51,800 and \$49,080 as of June 30, 2019 and December 31, 2018, respectively	7,351	10,470
Operating lease right-of-use assets	18,611	—
Other non-current assets	1,679	1,745
Total assets	\$ 600,577	\$ 583,938
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities		
Current portion of long-term debt	\$ 5,879	\$ 3,179
Current portion of operating lease liabilities	5,335	—
Accounts payable	73,367	67,025
Amounts due to plan sponsors	573	956
Accrued interest	6,659	6,706
Accrued expenses and other current liabilities	24,352	29,450
Total current liabilities	116,165	107,316
Long-term debt, net of current portion	519,384	501,495
Operating lease liabilities, net of current portion	19,231	—
Other non-current liabilities	21,009	25,842
Total liabilities	675,789	634,653
Series A convertible preferred stock, \$.0001 par value; 825,000 shares authorized; 21,630 shares issued and outstanding; and \$3,452 and \$3,264 liquidation preference as of June 30, 2019 and December 31, 2018, respectively	3,442	3,231
Series C convertible preferred stock, \$.0001 par value; 625,000 shares authorized; 614,177 shares issued and outstanding; and \$100,184 and \$94,706 liquidation preference as of June 30, 2019 and December 31, 2018, respectively	95,872	90,058
Stockholders' deficit		
Preferred stock, \$.0001 par value; 5,000,000 shares authorized; no shares issued and outstanding as of June 30, 2019 and December 31, 2018, respectively	—	—
Common stock, \$.0001 par value; 250,000,000 shares authorized; 129,620,672 shares issued and 128,956,878 shares outstanding at June 30, 2019, and 128,391,456 shares issued and 128,077,651 shares outstanding as of December 31, 2018, respectively	13	13
Treasury stock, 663,794 and 313,805 shares outstanding, at cost, as of June 30, 2019 and December 31, 2018, respectively	(1,722)	(950)
Additional paid-in capital	614,335	618,137
Accumulated deficit	(787,152)	(761,204)
Total stockholders' deficit	(174,526)	(144,004)
Total liabilities and stockholders' deficit	\$ 600,577	\$ 583,938

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

BIOSCRIP, INC. AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Net revenue	\$ 191,517	\$ 175,789	\$ 370,473	\$ 344,373
Cost of revenue (excluding depreciation expense)	126,864	115,832	248,156	229,368
Gross profit	64,653	59,957	122,317	115,005
Operating expenses:				
Service location operating expenses	38,428	38,861	78,615	78,160
General and administrative expenses	11,796	10,931	23,290	21,600
Depreciation and amortization expense	4,665	6,366	9,738	12,852
Restructuring, acquisition, integration, and other expenses	2,871	2,024	8,892	3,906
Total operating expenses	57,760	58,182	120,535	116,518
Operating income (loss)	6,893	1,775	1,782	(1,513)
Other expense:				
Interest expense, net	15,638	13,805	30,869	27,200
Change in fair value of equity linked liabilities	5,216	3,064	(4,784)	(375)
Loss (gain) on dispositions	51	(13)	(25)	(318)
Total other expense	20,905	16,856	26,060	26,507
Loss from continuing operations before income taxes	(14,012)	(15,081)	(24,278)	(28,020)
Income tax expense	(154)	(43)	(170)	(91)
Loss from continuing operations	(14,166)	(15,124)	(24,448)	(28,111)
Loss from discontinued operations, net of income taxes	(1,500)	(15)	(1,500)	(45)
Net loss	(15,666)	(15,139)	(25,948)	(28,156)
Accrued dividends on preferred stock	(3,068)	(2,756)	(6,025)	(5,413)
Loss attributable to common stockholders	\$ (18,734)	\$ (17,895)	\$ (31,973)	\$ (33,569)
Basic loss per share:				
Loss from continuing operations	\$ (0.13)	\$ (0.14)	\$ (0.24)	\$ (0.26)
Loss from discontinued operations	(0.01)	—	(0.01)	—
Basis loss per share	\$ (0.14)	\$ (0.14)	\$ (0.25)	\$ (0.26)
Diluted loss per share:				
Loss from continuing operations	\$ (0.13)	\$ (0.14)	\$ (0.27)	\$ (0.26)
Loss from discontinued operations	(0.01)	—	(0.01)	—
Diluted loss per share	\$ (0.14)	\$ (0.14)	\$ (0.28)	\$ (0.26)
Weighted average number of common shares outstanding:				
Basic	128,779	128,038	128,446	127,906
Diluted	128,779	128,038	130,499	130,158

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

BIOSCRIP, INC. AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT
(in thousands)

	Preferred Stock	Common Stock	Treasury Stock	Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Deficit
Balance at December 31, 2018	\$ —	\$ 13	\$ (950)	\$ 618,137	\$ (761,204)	\$ (144,004)
Exercise of stock options, vesting of restricted stock and related tax withholdings	—	—	(386)	253	—	(133)
Accrued dividends on preferred stock	—	—	—	(2,957)	—	(2,957)
Stock-based compensation	—	—	—	1,034	—	1,034
Net loss	—	—	—	—	(10,282)	(10,282)
Balance at March 31, 2019	<u>\$ —</u>	<u>\$ 13</u>	<u>\$ (1,336)</u>	<u>\$ 616,467</u>	<u>\$ (771,486)</u>	<u>\$ (156,342)</u>
Exercise of stock options, vesting of restricted stock and related tax withholdings	—	—	(386)	—	—	(386)
Accrued dividends on preferred stock	—	—	—	(3,068)	—	(3,068)
Stock-based compensation	—	—	—	936	—	936
Net loss	—	—	—	—	(15,666)	(15,666)
Balance at June 30, 2019	<u>\$ —</u>	<u>\$ 13</u>	<u>\$ (1,722)</u>	<u>\$ 614,335</u>	<u>\$ (787,152)</u>	<u>\$ (174,526)</u>

	Preferred Stock	Common Stock	Treasury Stock	Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Deficit
Balance at December 31, 2017	\$ —	\$ 13	\$ (16)	\$ 624,762	\$ (709,511)	\$ (84,752)
Exercise of stock options, vesting of restricted stock and related tax withholdings	—	—	(338)	41	—	(297)
Accrued dividends on preferred stock	—	—	—	(2,657)	—	(2,657)
Stock-based compensation	—	—	—	511	—	511
Net loss	—	—	—	—	(13,017)	(13,017)
Balance at March 31, 2018	<u>\$ —</u>	<u>\$ 13</u>	<u>\$ (354)</u>	<u>\$ 622,657</u>	<u>\$ (722,528)</u>	<u>\$ (100,212)</u>
Exercise of stock options, vesting of restricted stock and related tax withholdings	—	—	27	94	—	121
Accrued dividends on preferred stock	—	—	—	(2,756)	—	(2,756)
Stock-based compensation	—	—	—	1,020	—	1,020
Net loss	—	—	—	—	(15,139)	(15,139)
Balance at June 30, 2018	<u>\$ —</u>	<u>\$ 13</u>	<u>\$ (327)</u>	<u>\$ 621,015</u>	<u>\$ (737,667)</u>	<u>\$ (116,966)</u>

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

BIOSCRIP, INC. AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Six Months Ended June 30,	
	2019	2018
Cash flows from operating activities:		
Net loss	\$ (25,948)	\$ (28,156)
Less: Loss from discontinued operations, net of income taxes	(1,500)	(45)
Loss from continuing operations	(24,448)	(28,111)
Adjustments to reconcile net loss from continuing operations to net cash used in operating activities:		
Depreciation and amortization	9,738	12,852
Amortization of operating lease right-of-use assets	2,456	—
Amortization of deferred financing costs and debt discount	4,064	4,071
Change in fair value of equity linked liabilities	4,784	(375)
Change in deferred income taxes	36	56
Stock-based compensation	2,160	1,809
Paid-in-kind interest capitalized as principal on Second Lien Note Facility	8,383	—
Gain on dispositions	(25)	(318)
Changes in assets and liabilities		
Accounts receivable	(3,217)	(11,397)
Inventory	(1,112)	12,759
Prepaid expenses and other assets	1,401	10,054
Operating lease liabilities	(2,817)	—
Accounts payable	6,342	(16,702)
Amounts due to plan sponsors	(384)	(2,437)
Accrued interest	(46)	23
Accrued expenses and other liabilities	(11,238)	(2,566)
Net cash used in operating activities from continuing operations	(3,923)	(20,282)
Net cash used in operating activities from discontinued operations	—	(45)
Net cash used in operating activities	(3,923)	(20,327)
Cash flows from investing activities:		
Purchases of property and equipment, net	(3,246)	(6,946)
Net cash used in investing activities	(3,246)	(6,946)
Cash flows from financing activities:		
Borrowings on long-term debt, net of expenses	8,000	10,000
Repayments of finance leases	(460)	(1,185)
Net activity from exercises of employee stock awards	(519)	(179)
Net cash provided by financing activities	7,021	8,636
Net change in cash, cash equivalents and restricted cash	(148)	(18,637)
Cash, cash equivalents and restricted cash - beginning of period	18,860	44,407
Cash, cash equivalents and restricted cash - end of period	\$ 18,712	\$ 25,770
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid during the period for interest	\$ 18,544	\$ 23,146
Cash paid during the period for income taxes, net of refunds	\$ —	\$ 51
NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Paid-in-kind interest capitalized as principal on Second Lien Note Facility	\$ 8,383	\$ —

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

BIOSCRIP, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 — NATURE OF OPERATIONS AND PRESENTATION OF FINANCIAL STATEMENTS

Corporate Organization and Business

We are a national provider of infusion and home care management solutions with nearly 67 service locations around the U.S. We partner with physicians, hospital systems, payors, pharmaceutical manufacturers and skilled nursing facilities to provide patients access to post-acute care services. We operate with a commitment to bring customer-focused pharmacy and related healthcare infusion therapy services into the home or alternate-site setting. By collaborating with the full spectrum of healthcare professionals and the patient, we aim to provide cost-effective care that is driven by clinical excellence, customer service and values that promote positive outcomes and an enhanced quality of life for those whom we serve.

Option Care Enterprises, Inc. Merger Agreement

On March 14, 2019 we entered into a definitive merger agreement with the shareholder of Option Care Enterprises, Inc. (“Option Care”), the nation’s largest independent provider of home and alternate treatment site infusion therapy services. Under the terms of the merger agreement, the Company will issue new shares of its common stock to the Option Care’s shareholder in a non-taxable exchange, which will result in BioScrip shareholders holding approximately 20% of the combined company. The shareholder of Option Care has secured committed financing, the proceeds of which will be used to retire the Company’s First Lien Note Facility, Second Lien Note Facility and 2021 Notes at the close of the transaction. Following the close of the transaction, the combined company common stock will continue to be listed on the Nasdaq Global Market. The transaction is currently expected to close in the third quarter of 2019.

Basis of Presentation

These Unaudited Consolidated Financial Statements should be read in conjunction with the audited Consolidated Financial Statements, including the notes thereto, and other information included in the Annual Report on Form 10-K of BioScrip, Inc. and its wholly-owned subsidiaries (the “Company”) for the year ended December 31, 2018 (the “Annual Report”) filed with the U.S. Securities and Exchange Commission (“SEC”). These Unaudited Condensed Consolidated Financial Statements have been prepared in accordance with U.S. generally accepted accounting principles (“GAAP”) for interim financial information, and the instructions to Form 10-Q and Article 10 of Regulation S-X promulgated under the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. The condensed consolidated balance sheet data as of December 31, 2018 was derived from audited financial statements, but does not include all disclosures required by GAAP.

The information furnished in these Unaudited Condensed Consolidated Financial Statements reflects all adjustments, including normal recurring adjustments, which are, in the opinion of management, necessary for a fair presentation of the results for the interim periods presented. Operating results for the interim periods presented require management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes and are not necessarily indicative of the results that may be expected for the full year.

Principles of Consolidation

The Unaudited Condensed Consolidated Financial Statements include the accounts of the Company and its wholly-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

Reclassifications

Certain prior period financial statement amounts have been reclassified to conform to current period presentation. Additionally, certain amounts in the Unaudited Condensed Consolidated Statements of Operations have been reclassified to include the presentation of operating expenses and operating income (loss).

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Leases

We have lease agreements for facilities, warehouses, office space, and property and equipment. We determine if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use assets (“ROU assets”) and operating lease

liabilities in our consolidated balance sheets. Finance leases are included in property and equipment and long-term debt in our consolidated balance sheets.

ROU assets and operating lease liabilities are recognized at the lease commencement date. Operating lease liabilities represent the present value of unpaid lease payments. As the majority of our leases do not provide an implicit rate, we use our estimated incremental borrowing rate at the lease commencement date to determine the present value of unpaid lease payments. ROU assets represent our right to use underlying assets and are recorded as operating lease liabilities adjusted for prepayments or accrued lease payments, initial direct costs, lease incentives, and impairment of ROU assets. Tenant incentives used to fund leasehold improvements are recognized when earned and reduce our right-of-use asset related to the lease. These are amortized through the right-of-use asset as reductions of expense over the lease term.

Our leases typically contain rent escalations over the expected lease term. We recognize expense for these leases on a straight-line basis over the expected lease term. We review the terms of any renewal options to determine if it is reasonably certain that they will be exercised, however we generally conclude that our expected lease term is the minimum noncancellable period of the lease.

We have lease agreements with both lease and non-lease components, which we elected to account for as single lease components for all asset classes. Leases with an initial term of 12 months or less are not recorded on the balance sheet and are expensed on a straight-line basis over the related lease term. Our lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Accounting Pronouncements Recently Adopted

We adopted ASU 2016-02, *Leases*, on January 1, 2019. The standard requires lessees to recognize a liability for lease obligations, which represents the discounted obligation to make future minimum lease payments, and a corresponding right-of-use asset on the balance sheet and disclosure of key information about leasing arrangements. We elected the optional transition method to apply the standard as of the effective date and therefore, we did not apply the standard to the comparative periods presented in our financial statements. We elected the transition package of three practical expedients permitted within the standard, which eliminates the requirement to reassess prior conclusions about lease identification, lease classification and initial direct costs. We did not elect the hindsight practical expedient, which permits the use of hindsight when determining lease term and impairment of right-of-use assets. Further, we elected a short-term lease exception policy, permitting us to not apply the recognition requirements of this standard to short-term leases (i.e. leases with terms of 12 months or less) and an accounting policy to account for lease and non-lease components as a single component for certain classes of assets.

Adoption of the new standard resulted in the recording of operating lease liabilities and corresponding ROU assets of \$25.9 million as of January 1, 2019. Additionally, existing net liabilities for prepayments or accrued lease payments, initial direct costs and lease incentives of \$5.0 million were reclassified as an offset to the ROU assets on January 1, 2019, resulting in net initial ROU assets of \$20.9 million. The standard did not materially impact our consolidated statements of operations or cash flows.

We adopted ASU 2017-11—*Earnings Per Share (Topic 260), Distinguishing Liabilities From Equity (Topic 480), and Derivatives and Hedging (Topic 815): I. Accounting for Certain Financial Instruments with Down Round Features and II. Replacement of the Indefinite Deferral for Mandatorily Redeemable Financial Instruments of Certain Nonpublic Entities and Certain Mandatorily Redeemable Noncontrolling Interests with a Scope Exception*, on January 1, 2019. ASU 2017-11 eliminates the requirement that a down round feature precludes equity classification when assessing whether an instrument is indexed to an entity's own stock. A freestanding equity-linked financial instrument no longer would be accounted for as a derivative liability at fair value as a result of the existence of a down round feature. The adoption of this standard did not have a material impact on the Company's consolidated financial statements.

Recent Accounting Pronouncements

In August 2018, the FASB issued *ASU 2018-13— Fair Value Measurement (Topic 820): Disclosure Framework— Changes to the Disclosure Requirements for Fair Value Measurements*. ASU 2018-13 modifies fair value measurement disclosure requirements. The effective date for ASU 2018-13 is for annual and interim periods beginning after December 15, 2019. Early adoption is permitted. The adoption of this standard is not expected to have a material impact on the Company's disclosures to the consolidated financial statements.

In June 2016, the FASB issued *ASU 2016-13—Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which requires measurement and recognition of expected credit losses for financial assets held. The amendments in ASU 2016-13 eliminate the probable threshold for initial recognition of a credit loss in current GAAP and

reflect an entity's current estimate of all expected credit losses. ASU 2016-13 is effective for interim and annual reporting periods beginning January 1, 2020, and is to be applied using a modified retrospective transition method. Earlier adoption is permitted. The adoption of this standard is not expected to have a material impact on the Company's consolidated financial statements.

NOTE 3 — NET REVENUE AND ACCOUNTS RECEIVABLE

The following table presents our disaggregated net revenue for each associated payor class (in thousands). Sales and usage-based taxes are excluded from net revenue.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Commercial	\$ 174,461	\$ 152,251	\$ 324,156	\$ 292,792
Government	15,872	22,397	43,832	48,939
Patient	1,184	1,141	2,485	2,642
Total Net Revenue	\$ 191,517	\$ 175,789	\$ 370,473	\$ 344,373

Net Revenue Concentration

No single payor accounted for more than 10.0% of revenue during the three or six months ended June 30, 2019 or 2018.

Collectability of Accounts Receivable

The following table sets forth the aging of our net accounts receivable, aged based on date of service and categorized based on the three primary payor groups (in thousands):

	June 30, 2019			December 31, 2018		
	0 - 180 days	Over 180 days	Total	0 - 180 days	Over 180 days	Total
Government	\$ 15,121	\$ 4,891	\$ 20,012	\$ 17,849	\$ 6,098	\$ 23,947
Commercial	74,369	13,862	88,231	67,288	14,740	82,028
Patient	4,313	5,525	9,838	2,092	6,797	8,889
Accounts receivable, net	\$ 93,803	\$ 24,278	\$ 118,081	\$ 87,229	\$ 27,635	\$ 114,864

NOTE 4 — LEASES

Operating lease costs of \$1.8 million, including short-term leases, for the three months ended June 30, 2019 and \$3.7 million for the six months ended June 30, 2019 are included in general and administrative expenses in the Condensed Consolidated Statements of Operations. Finance lease costs consisting of depreciation and amortization and interest were nominal during the three and six months ended June 30, 2019.

Lease term and discount rate	June 30, 2019
Weighted-average remaining lease term (years)	
Operating leases	5.3
Weighted-average discount rate	
Operating leases	10.97%
Supplemental cash flow information	Six Months Ended June 30, 2019
Cash paid for amounts included in the measurement of lease liabilities	
Operating cash flows from operating leases	\$ 2,022
Financing cash flows from finance leases	\$ 460

We did not enter into any significant operating leases or finance leases during the six months ended June 30, 2019.

Maturities of lease liabilities

(in thousands)	Operating leases	Finance leases	Total
2019	\$ 3,932	\$ 538	\$ 4,470
2020	6,963	638	7,601
2021	6,100	—	6,100
2022	4,872	—	4,872
2023	3,592	—	3,592
After 2023	7,088	—	7,088
Total future minimum lease payments	32,547	1,176	\$ 33,723
Less: interest	7,981	44	
Present value of lease liabilities	\$ 24,566	\$ 1,132	

As of June 30, 2019, we had no significant additional operating or finance leases that had not yet commenced.

Prior to the adoption of ASU 2016-02, *Leases*, on January 1, 2019, maturities of lease liabilities included certain variable non-lease components, which are excluded from maturities of lease liabilities as of June 30, 2019. As previously disclosed in our 2018 Annual Report on Form 10-K, maturities of lease liabilities are as follows as of December 31, 2018:

Maturities of lease liabilities

(in thousands)	Operating leases	Finance leases	Total
2019	\$ 8,934	\$ 679	\$ 9,613
2020	7,143	311	7,454
2021	6,252	—	6,252
2022	4,797	—	4,797
2023	3,320	—	3,320
After 2023	7,470	—	7,470
Total future minimum lease payments	\$ 37,916	\$ 990	\$ 38,906

NOTE 5 — DEBT

Debt consisted of the following (in thousands):

	June 30, 2019	December 31, 2018
First Lien Note Facility, net of unamortized discount	207,209	198,962
Second Lien Note Facility, net of unamortized discount	120,017	108,931
2021 Notes, net of unamortized discount	198,534	198,125
Finance leases	1,132	990
Less: Deferred financing costs	(1,629)	(2,334)
Total debt	525,263	504,674
Less: Current portion of long-term debt	(5,879)	(3,179)
Long-term debt, net of current portion	\$ 519,384	\$ 501,495

Debt Facilities

On June 29, 2017 (the “Closing Date”), the Company entered into (i) a first lien note purchase agreement (the “First Lien Note Facility”), among the Company, which is the issuer under the agreement, the financial institutions and note purchasers from

time to time party to the agreement (the “First Lien Note Purchasers”), and Wells Fargo Bank, National Association, in its capacity as collateral agent for itself and the First Lien Note Purchasers (the “First Lien Collateral Agent”), pursuant to which the Company issued first lien senior secured notes in an aggregate principal amount of \$200.0 million (the “First Lien Notes”); and (ii) a second lien note purchase agreement (the “Second Lien Note Facility” and, together with the First Lien Note Facility, the “Notes Facilities”) among the Company, which is the issuer under the agreement, the financial institutions and note purchasers from time to time party to the agreement (the “Second Lien Note Purchasers”), and Wells Fargo Bank, National Association, in its capacity as collateral agent for itself and the Second Lien Note Purchasers (the “Second Lien Collateral Agent” and, together with the First Lien Collateral Agent, the “Collateral Agent”), pursuant to which the Company (a) issued second lien senior secured notes in an aggregate initial principal amount of \$100.0 million (the “Initial Second Lien Notes”) and (b) had the ability to draw upon the Second Lien Note Facility and issue second lien delayed draw senior secured notes, which was exercised on June 21, 2018, in an aggregate initial principal amount of \$10.0 million, representing the maximum borrowings allowed on this facility (the “Second Lien Delayed Draw Notes” and, together with the Initial Second Lien Notes, the “Second Lien Notes”); the Second Lien Notes, together with the First Lien Notes, the “Notes”). Funds managed by Ares Management L.P. are acting as lead purchasers for the Notes Facilities.

The Company used the proceeds of the sale of the First Lien Notes and the Initial Second Lien Notes to repay in full all amounts outstanding under the Prior Credit Agreements and extinguished the liability. Each of the Prior Credit Agreements was terminated following such repayment. The Company used the remaining proceeds of \$15.9 million, net of \$0.2 million in issuance costs, from the Notes Facilities and the related private placement of the Company’s common stock for working capital and general corporate purposes.

The First Lien Notes accrue interest, payable monthly in arrears, at a floating rate or rates equal to, at the option of the Company, (i) the base rate (defined as the highest of the Federal Funds Rate plus 0.5% per annum, the Prime Rate as published by The Wall Street Journal and the one-month London Interbank Offered Rate (“LIBOR”) (subject to a 1.0% floor) plus 1.0%), or (ii) the one-month LIBOR rate (subject to a 1.0% floor), plus a margin of 6.0% if the base rate is selected or 7.0% if the LIBOR Option is selected. The First Lien Notes mature on August 15, 2020, provided that if the Company’s existing 8.875% Senior Notes due 2021 (the “2021 Notes”) are refinanced prior to August 15, 2020, then the scheduled maturity date of the First Lien Notes shall be June 30, 2022.

The First Lien Notes amortize in equal quarterly installments equal to 0.625% of the aggregate principal amount of the First Lien Note Facility, commencing on September 30, 2019, and on the last day of each third month thereafter, with the balance payable at maturity. The First Lien Notes are pre-payable at the Company’s option at specified premiums to the principal amount that will decline over the term of the First Lien Note Facility. If the First Lien Notes are prepaid prior to the second anniversary of the Closing Date, the Company will be required to pay a make-whole premium based on the present value (using a discount rate based on the specified treasury rate plus 50 basis points) of all remaining interest payments on the First Lien Notes being prepaid prior to the second anniversary of the Closing Date, plus 4.0% of the principal amount of First Lien Notes being prepaid. On or after the second anniversary of the Closing Date, the prepayment premium is 4.0%, which declines to 2.0% on or after the third anniversary of the Closing Date, and declines to 0.0% on or after the fourth anniversary of the Closing Date. At any time, the Company may pre-pay up to \$50.0 million in aggregate principal amount of the First Lien Notes from internally generated cash without incurring any make-whole or prepayment premium. The occurrence of certain events of default may increase the applicable rate of interest by 2.0% and could result in the acceleration of the Company’s obligations under the First Lien Note Facility prior to stated maturity and an obligation of the Company to pay the full amount of its obligations under the First Lien Note Facility.

The First Lien Note Facility contains customary events of default that include, among others, non-payment of principal, interest or fees, violation of covenants, inaccuracy of representations and warranties, bankruptcy and insolvency events, material judgments, cross-defaults to material indebtedness and events constituting a change of control. In addition, the obligations under the First Lien Note Facility are guaranteed by joint and several guarantees from the Company’s subsidiaries.

In May 2019, the First Lien Note Facility was amended to allow for additional borrowings of up to \$8.0 million under terms materially consistent with the existing agreement. The Company drew upon the agreement on May 7, 2019, in an aggregate initial principal amount of \$8.0 million, representing the maximum borrowings allowed on this facility.

In connection with the First Lien Note Facility, the Company, its subsidiaries and the First Lien Collateral Agent entered into a First Lien Guaranty and Security Agreement, dated as of June 29, 2017 (the “First Lien Guaranty and Security Agreement”). Pursuant to the First Lien Guaranty and Security Agreement, the obligations under the First Lien Notes are secured by first priority liens on, and security interests in, substantially all of the assets of the Company and its subsidiaries.

The Second Lien Notes accrue interest, payable monthly in arrears, at a floating rate or rates equal to, at the option of the Company, (i) one-month LIBOR (subject to a 1.25% floor) plus 9.25% per annum in cash, (ii) one-month LIBOR (subject to a 1.25% floor) plus 11.25% per annum, which amount will be capitalized on each interest payment date, or (iii) one-month LIBOR

(subject to a 1.25% floor) plus 10.25% per annum, of which one-half LIBOR plus 4.625% per annum will be payable in cash and one-half LIBOR plus 5.625% per annum will be capitalized on each interest payment date, provided that, in each case, if any permitted refinancing indebtedness with which the 2021 Notes are refinanced requires or permits the payment of cash interest, all of the interest on the Second Lien Notes shall be paid in cash. For the six months ended June 30, 2019, \$8.4 million of interest was capitalized to the Second Lien Notes, increasing the principal amount to \$126.2 million as of June 30, 2019. The Second Lien Notes mature on August 15, 2020, provided that if the 2021 Notes are refinanced prior to August 15, 2020, then the scheduled maturity date of the Second Lien Notes shall be June 30, 2022.

In connection with the Second Lien Note Facility, the Company also issued warrants (the “2017 Warrants”) to the purchasers of the Second Lien Notes pursuant to a Warrant Purchase Agreement dated as of June 29, 2017 (the “Warrant Purchase Agreement”). The 2017 Warrants entitle the purchasers of the Warrants to purchase shares of Common Stock, representing at the time of any exercise of the 2017 Warrants an equivalent number of shares equal to 4.99% of the Common Stock of the Company on a fully diluted basis, subject to the terms of the Warrant Agreement governing the Warrants, dated as of June 29, 2017 (the “Warrant Agreement”). The 2017 Warrants, considered a derivative and subject to remeasurement at each reporting period, are reflected in other non-current liabilities at a fair value of \$20.5 million.

The Second Lien Notes are not subject to scheduled amortization installments. The Second Lien Notes are pre-payable at the Company’s option at specified premiums to the principal amount that will decline over the term of the Second Lien Note Facility. If the Second Lien Notes are prepaid prior to the third anniversary of the Closing Date, the Company will need to pay a make-whole premium based on the present value (using a discount rate based on the specified treasury rate plus 50 basis points) of all remaining interest payments on the Second Lien Notes being prepaid prior to the third anniversary of the Closing Date, plus 4.0% of the principal amount of Second Lien Notes being prepaid. On or after the third anniversary of the Closing Date, the prepayment premium is 4.0%, which declines to 2.0% on or after the fourth anniversary of the Closing Date, and declines to 0.0% on or after the fifth anniversary of the Closing Date. The occurrence of certain events of default may increase the applicable rate of interest by 2.0% and could result in the acceleration of the Company’s obligations under the Second Lien Note Facility prior to stated maturity and an obligation of the Company to pay the full amount of its obligations under the Second Lien Note Facility.

The Second Lien Note Facility contains customary events of default that include, among others, non-payment of principal, interest or fees, violation of covenants, inaccuracy of representations and warranties, bankruptcy and insolvency events, material judgments, cross-defaults to material indebtedness and events constituting a change of control. In addition, the obligations under the Second Lien Note Facility are guaranteed by joint and several guarantees from the Company’s subsidiaries.

In connection with the Second Lien Note Facility, the Company, its subsidiaries and the Second Lien Collateral Agent entered into a Second Lien Guaranty and Security Agreement, dated as of June 29, 2017 (the “Second Lien Guaranty and Security Agreement”). Pursuant to the Second Lien Guaranty and Security Agreement, the obligations under the Second Lien Notes are secured by second priority liens on, and security interests in, substantially all of the assets of the Company and its subsidiaries.

In connection with the First Lien Note Facility and the Second Lien Note Facility, the Company, the First Lien Collateral Agent and the Second Lien Collateral Agent, entered into an intercreditor agreement containing customary provisions to, among other things, subordinate the lien priority of the liens granted under the Second Lien Note Facility to the liens granted under the First Lien Note Facility.

2021 Notes

On February 11, 2014, the Company issued \$200.0 million aggregate principal amount of the 2021 Notes. The 2021 Notes are senior unsecured obligations of the Company and are fully and unconditionally guaranteed by all existing and future subsidiaries of the Company.

Interest on the 2021 Notes accrues at a fixed rate of 8.875% per annum and is payable in cash semi-annually on February 15 and August 15 of each year. The debt discount of \$5.0 million at issuance is being amortized as interest expense through maturity which will result in the accretion over time of the outstanding debt balance to the principal amount. The 2021 Notes are the Company’s senior unsecured obligations and rank equally in right of payment with all of its other existing and future senior unsecured indebtedness and senior in right of payment to all of its existing and future subordinated indebtedness.

The 2021 Notes are guaranteed on a full, joint and several basis by each of the Company’s existing and future domestic restricted subsidiaries that is a borrower under any of the Company’s credit facilities or that guarantees any of the Company’s debt or that of any of its restricted subsidiaries, in each case incurred under the Company’s credit facilities. As of June 30, 2019, the Company does not have any independent assets or operations, and as a result, its direct and indirect subsidiaries (other than minor subsidiaries), each being 100% owned by the Company, are fully and unconditionally, jointly and severally, providing guarantees on a senior unsecured basis to the 2021 Notes.

NOTE 6 — PREFERRED STOCK AND STOCKHOLDERS' DEFICIT***Series A Preferred Stock***

As of June 30, 2019, the carrying value of Series A Preferred Stock included accrued dividends at 11.5% and discount accretion from the date of issuance. Dividends and discount accretion totaled \$0.2 million and \$22 thousand, respectively, for the six months ended June 30, 2019 and were recorded as a reduction to additional paid-in capital. The following table sets forth the activity recorded during the six months ended June 30, 2019 related to the Series A Preferred Stock (in thousands):

Series A Preferred Stock carrying value at December 31, 2018	\$	3,231
Dividends and discount accretion through June 30, 2019 ¹		211
Series A Preferred Stock carrying value at June 30, 2019	\$	3,442

¹ Dividends recorded reflect the increase in the Liquidation Preference associated with unpaid dividends.

Series C Preferred Stock

As of June 30, 2019, the carrying value of Series C Preferred Stock included accrued dividends at 11.5% and discount accretion from the date of issuance. Dividends and discount accretion totaled \$5.5 million and \$0.3 million, respectively, for the six months ended June 30, 2019 and were recorded as a reduction to additional paid-in capital. The following table sets forth the activity recorded during the six months ended June 30, 2019 related to the Series C Preferred Stock (in thousands):

Series C Preferred Stock carrying value at December 31, 2018	\$	90,058
Dividends and discount accretion through June 30, 2019 ¹		5,814
Series C Preferred Stock carrying value at June 30, 2019	\$	95,872

¹ Dividends recorded reflect the increase in the Liquidation Preference associated with unpaid dividends.

As of June 30, 2019, the Liquidation Preference of the Series A Preferred Stock and Series C Preferred Stock was \$3.5 million and \$100.2 million, respectively.

2017 Warrants

In connection with the Second Lien Note Facility (as defined above), the Company issued the 2017 Warrants to the purchasers of the Second Lien Notes (as defined above) pursuant to a Warrant Purchase Agreement dated as of June 29, 2017 (the "Warrant Purchase Agreement"). The 2017 Warrants entitle the purchasers of the Warrants to purchase shares of Common Stock, representing at the time of any exercise of the 2017 Warrants an equivalent number of shares equal to 4.99% of the Common Stock of the Company on a fully diluted basis, subject to the terms of the Warrant Agreement governing the 2017 Warrants, dated as of June 29, 2017 (the "Warrant Agreement"); provided, however, the 2017 Warrants may not be converted to the extent that, after giving effect to such conversion, the holders of the 2017 Warrants would beneficially own, in the aggregate, in excess of (i) 19.99% of the shares of Common Stock outstanding as of June 29, 2017 (the "Closing Date") minus (ii) the shares of Common Stock that were sold pursuant to the Second Quarter 2017 Private Placement (the "Conversion Cap"). The Conversion Cap will not apply to the 2017 Warrants if the Company obtains the approval of its stockholders for the removal of the Conversion Cap, which the Company is required to take certain steps to attempt to obtain, subject to the terms of the Warrant Agreement.

The 2017 Warrants have a 10-year term and an initial exercise price of \$2.00 per share, and may be exercised by payment of the exercise price in cash or surrender of shares of Common Stock into which the 2017 Warrants are being converted in an aggregate amount sufficient to pay the exercise price. The exercise price and the number of shares that may be acquired upon exercise of the 2017 Warrants are subject to adjustment in certain situations, including price based anti-dilution protection whereby, subject to certain exceptions, if the Company later issues Common Stock or certain Common Stock Equivalents (as defined in the Warrant Agreement) at a price less than either the then-current market price per share or exercise price of the 2017 Warrants, then the exercise price will be decreased and the percentage of shares of Common Stock issuable upon exercise of the 2017 Warrants will remain the same, giving effect to such issuance. Additionally, the 2017 Warrants have standard anti-dilution protections if the Company effects a stock split, subdivision, reclassification or combination of its Common Stock or fixes a record date for the making of a dividend or distribution to stockholders of cash or certain assets. Upon the occurrence of certain business combinations, the 2017 Warrants will be converted into the right to acquire shares of stock or other securities or property (including cash) of the successor entity.

The 2017 Warrants are reflected as a liability in other non-current liabilities on the accompanying Unaudited Condensed Consolidated Balance Sheets and are adjusted to fair value at the end of each reporting period through an adjustment to earnings. The fair value of the 2017 Warrants was \$20.5 million as of June 30, 2019. Fair value increases of \$5.2 million and \$3.1 million for three months ended June 30, 2019 and 2018, respectively, and fair value decreases of \$(4.8) million and \$(0.4) million for the six months ended June 30, 2019 and 2018, respectively, are presented as changes in fair value of equity linked liabilities on the accompanying Unaudited Condensed Consolidated Statements of Operations.

NOTE 7 — STOCK-BASED COMPENSATION AND EMPLOYEE BENEFIT PLANS

BioScrip Equity Incentive Plans

Under the Company's 2018 Equity Incentive Plan (the "2018 Plan"), approved at the annual meeting by the stockholders on May 3, 2018, the Company may issue, among other things, incentive stock options, non-qualified stock options, stock appreciation rights, restricted stock units, stock grants, and performance units to key employees and directors. The 2018 Plan is administered by the Company's Management Development and Compensation Committee (the "Compensation Committee"), a standing committee of the Board of Directors.

A total of 16,406,939 shares of Common Stock were initially authorized for issuance under the 2018 Plan, which included the shares that remained available under the 2008 Plan. No key employee in any calendar year will be granted more than 3,000,000 shares of Common Stock with respect to any combination of (i) Options to purchase shares of Common Stock, (ii) Stock Appreciation Rights (based on the appreciation with respect to shares of Common Stock); and (iii) Stock Grants and Restricted Stock Units that are intended to comply with the requirements of Section 162(m) of the Code.

As of June 30, 2019, there were 13,199,877 shares of Common Stock available for future grant under the 2018 Plan.

Stock Options

The Company recognized compensation expense related to stock options of \$0.2 million and \$0.3 million during the three months ended June 30, 2019 and 2018, respectively, and \$0.4 million and \$0.6 million of compensation expense during the six months ended June 30, 2019 and 2018, respectively.

Restricted Stock

The Company recognized \$0.8 million and \$0.8 million of compensation expense related to restricted stock awards during the three months ended June 30, 2019 and 2018, respectively, and \$1.6 million and \$1.0 million of compensation expense during the six months ended June 30, 2019 and 2018, respectively.

Employee Stock Purchase Plan

On May 3, 2018, the Company's stockholders approved an amendment to the BioScrip, Inc. Employee Stock Purchase Plan (the "ESPP"). The ESPP provides all eligible employees, as defined under the ESPP, the opportunity to purchase up to a maximum number of shares of Common Stock of the Company as determined by the Compensation Committee. Participants in the ESPP may acquire the Common Stock at a cost of 85% of the lower of the fair market value on the first or last day of the quarterly offering period.

As of June 30, 2019, there were 1,310,802 remaining shares available for issuance under the ESPP. In July 2019, 73,639 shares were issued to participants under this plan for elections made for the second quarter of 2019. During the three months and six months ended June 30, 2019 and 2018, the Company incurred nominal expense related to the ESPP.

NOTE 8 — LOSS PER SHARE

The Company presents basic and diluted loss per share for its common stock, par value \$0.0001 per share ("Common Stock"). Basic loss per share is calculated by dividing the net loss attributable to common stockholders of the Company by the weighted average number of shares of Common Stock outstanding during the period. Diluted loss per share is determined by adjusting the profit or loss attributable to stockholders and the weighted average number of shares of Common Stock outstanding adjusted for the effects of all dilutive potential common shares comprised of options granted, unvested restricted stock, stock appreciation rights, the 2017 Warrants and Series A and Series C Convertible Preferred Stock. Potential Common Stock equivalents that have been issued by the Company related to outstanding stock options, unvested restricted stock and warrants are determined using the treasury stock method, while potential common shares related to Series A and Series C Convertible Preferred Stock are determined using the "if converted" method.

The Company's Series A Convertible Preferred Stock, par value \$0.0001 per share (the "Series A Preferred Stock"), and Series C Convertible Preferred Stock, par value \$0.0001 per share (the "Series C Preferred Stock" and, together with the Series A Preferred Stock, the "Preferred Stock"), is considered a participating security, which means the security may participate in undistributed earnings with Common Stock. The holders of the Preferred Stock would be entitled to share in dividends, on an as-converted basis, if the holders of Common Stock were to receive dividends. The Company is required to use the two-class method when computing loss per share when it has a security that qualifies as a participating security. The two-class method is an earnings allocation formula that determines loss per share for each class of common stock and participating security according to dividends declared (or accumulated) and participation rights in undistributed earnings. In determining the amount of net earnings to allocate to common stockholders, earnings are allocated to both common and participating securities based on their respective weighted-average shares outstanding during the period. Diluted loss per share for the Company's Common Stock is computed using the more dilutive of the two-class method or the if-converted method.

The following table sets forth the computation of basic and diluted loss per common share (in thousands, except per share amounts):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Numerator:				
Loss from continuing operations	\$ (14,166)	\$ (15,124)	\$ (24,448)	\$ (28,111)
Loss from discontinued operations, net of income taxes	(1,500)	(15)	(1,500)	(45)
Net loss	\$ (15,666)	\$ (15,139)	\$ (25,948)	\$ (28,156)
Accrued dividends on preferred stock	(3,068)	(2,756)	(6,025)	(5,413)
Loss attributable to common stockholders, basic	\$ (18,734)	\$ (17,895)	\$ (31,973)	\$ (33,569)
Income effect of 2017 Warrants	—	—	(4,784)	(375)
Loss attributable to common stockholders, diluted	\$ (18,734)	\$ (17,895)	\$ (36,757)	\$ (33,944)
Denominator:				
Weighted average number of common shares outstanding, basic	128,779	128,038	128,446	127,906
Dilutive effect of 2017 Warrants	—	—	2,053	2,252
Weighted average number of common shares outstanding, diluted	128,779	128,038	130,499	130,158
Basic loss per share:				
Loss from continuing operations	\$ (0.13)	\$ (0.14)	\$ (0.24)	\$ (0.26)
Loss from discontinued operations	(0.01)	—	(0.01)	—
Basis loss per share	\$ (0.14)	\$ (0.14)	\$ (0.25)	\$ (0.26)
Diluted loss per share:				
Loss from continuing operations	\$ (0.13)	\$ (0.14)	\$ (0.27)	\$ (0.26)
Loss from discontinued operations	(0.01)	—	(0.01)	—
Diluted loss per share	\$ (0.14)	\$ (0.14)	\$ (0.28)	\$ (0.26)

The loss attributable to common stockholders is used as the basis of determining whether the inclusion of common stock equivalents would be anti-dilutive. Accordingly, the computation of diluted shares for the three months ended June 30, 2019 and 2018 excludes the effect of shares that would be issued in connection with the March 2015 PIPE transaction and related rights offering, stock options, restricted stock awards and 2017 Warrants, as their inclusion would be anti-dilutive to loss attributable to common stockholders. The computation of diluted shares for the six months ended June 30, 2019 and 2018 excludes the effect of shares that would be issued in connection with the March 2015 PIPE transaction and related rights offering, stock options, and restricted stock awards, as their inclusion would be anti-dilutive to loss attributable to common stockholders.

NOTE 9 — INCOME TAXES

The federal and state income tax expense from continuing operations consisted of the following (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Current				
Federal	\$ —	\$ —	\$ —	\$ —
State	123	18	134	35
Total current	123	18	134	35
Deferred				
Federal	—	—	—	—
State	31	25	36	56
Total deferred	31	25	36	56
Total income tax expense	\$ 154	\$ 43	\$ 170	\$ 91

A reconciliation of the federal statutory rate to the effective income tax rate from continuing operations is as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Tax benefit at statutory rate	\$ (2,942)	\$ (3,155)	\$ (5,098)	\$ (5,884)
State tax expense, net of federal taxes	154	43	170	91
Change in valuation allowance	1,941	2,484	4,890	5,903
Other	1,001	671	208	(19)
Income tax expense	\$ 154	\$ 43	\$ 170	\$ 91

On December 22, 2017, the President of the United States signed into law the Tax Cuts and Jobs Act of 2017 or U.S. Federal Tax Reform (the “Reform”). The enactment included broad tax changes that are applicable to BioScrip, Inc. Most notably, the Reform decreased the U.S. corporate income tax rate from a high of 35% to a flat 21% rate effective January 1, 2018. As a result, the Company has revalued its ending net deferred tax assets as of December 31, 2017. At June 30, 2019, the Company had Federal net operating loss carry forwards of approximately \$441.7 million, of which \$12.2 million is subject to an annual limitation, which will begin expiring in 2026 and later. The Company also has a carryforward of approximately \$75.8 million related to the interest expense limitation, which is not subject to an expiration period. The Company has post-apportioned state net operating loss carry forwards of approximately \$495.8 million, the majority of which will begin expiring in 2019 and later.

NOTE 10 — FAIR VALUE MEASUREMENTS

The estimated fair values of the Company’s financial instruments either recorded or disclosed on a recurring basis as of June 30, 2019 are as follows (in thousands):

Financial Instrument	Carrying Value as of June 30, 2019	Markets for Identical Item (Level 1)	Significant Other	
			Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
First Lien Note Facility ⁽¹⁾	\$ 207,209	\$ —	\$ —	\$ 215,536
Second Lien Note Facility ⁽¹⁾	120,017	—	—	132,092
2021 Notes ⁽²⁾	198,534	—	200,083	—
Total debt instruments	\$ 525,760	\$ —	\$ 200,083	\$ 347,628
2017 Warrants ⁽³⁾	\$ 20,547	\$ —	\$ 20,547	\$ —

- (1) The estimated fair values of the First and Second Lien Notes were based on cash flow models discounted at market interest rates that considered the underlying risks of the note.
- (2) The estimated fair value of the 2021 Notes incorporated recent trading activity in public markets.
- (3) The fair value of the 2017 Warrants is estimated using a valuation model that considers attributes of the Company’s common stock, including the number of outstanding shares, share price and volatility. The valuation also considers the exercise period of the warrants and the attributes of other convertible instruments in estimating the number of shares that will be issued upon the exercise of the warrants.

NOTE 11 — RESTRUCTURING, ACQUISITION, INTEGRATION, AND OTHER EXPENSES

Restructuring, acquisition, integration, and other expenses include non-recurring costs associated with restructuring, acquisition, pre-merger costs, integration initiatives such as employee severance costs, certain legal and professional fees, training costs, redundant wage costs, and other costs related to contract terminations and closed branches/offices.

Restructuring, acquisition, integration, and other expenses consisted of the following (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Restructuring expense	\$ 1,713	\$ 1,956	\$ 3,399	\$ 3,835
Acquisition and integration expense	—	68	—	71
Merger expenses	1,158	—	5,493	—
Total restructuring, acquisition, integration, and other expenses	\$ 2,871	\$ 2,024	\$ 8,892	\$ 3,906

NOTE 12 — COMMITMENTS AND CONTINGENCIES

Legal Proceedings

The Company is a party to various legal, regulatory and governmental proceedings incidental to its business. Based on current knowledge, management does not believe that loss contingencies arising from pending legal, regulatory and governmental matters, including the matters described herein, will have a material adverse effect on the consolidated financial position or liquidity of the Company. However, in light of the inherent uncertainties involved in pending legal, regulatory and governmental matters, some of which are beyond the Company’s control, and the indeterminate damages sought in some of these matters, an adverse outcome in one or more of these matters could be material to the Company’s results of operations or cash flows for any particular reporting period.

With respect to all legal, regulatory and governmental proceedings, the Company considers the likelihood of a negative outcome. If the Company determines the likelihood of a negative outcome with respect to any such matter is probable and the amount of the loss can be reasonably estimated, the Company records an accrual for the estimated loss for the expected outcome of the matter. If the likelihood of a negative outcome with respect to material matters is reasonably possible and the Company is able to determine an estimate of the possible loss or a range of loss, whether in excess of a related accrued liability or where there is no accrued liability, the Company discloses the estimate of the possible loss or range of loss. However, the Company is unable to estimate a possible loss or range of loss in some instances based on the significant uncertainties involved in, and/or the preliminary nature of, certain legal, regulatory and governmental matters.

On December 18, 2017, a commercial payor of the Company sent a letter that claimed an alleged breach of the Company’s obligation under its provider contracts. While legal proceedings have not been filed, the Company and the payor have agreed in principal to a non-binding settlement of \$1.5 million, payable contingent on the close of our merger with Option Care. The amount of this settlement agreement is recorded on the Company’s unaudited condensed consolidated statements of operations under “*Loss from discontinued operations, net of income taxes,*” as the alleged breach was related to a business line that no longer exists.

On June 7, 2019, a putative class action lawsuit, captioned *Erik Schmidt v. R. Carter Pate, et al.*, was filed in connection with the Option Care mergers in the Court of Chancery of the State of Delaware. The complaint names R. Carter Pate, Daniel E. Greenleaf, David Golding, Michael Goldstein, Christopher Shackelton, Michael G. Bronfein and Steven Neuman (collectively, the “BioScrip Board”), as defendants. The complaint alleges generally that the defendants breached their fiduciary duties by failing to disclose all material information relating to the Option Care mergers. The complaint seeks a judgment finding defendants liable as well as costs and disbursements, including attorneys’, accountants’ and experts’ fees. On July 9, 2019, the plaintiff filed a motion for expedited proceedings and for a preliminary injunction, and on July 15, 2019, the Court of Chancery of the State of Delaware granted the plaintiff’s motion for expedited proceedings and thereafter scheduled a hearing on plaintiff’s motion for preliminary

injunction for July 26, 2019. BioScrip caused certain supplemental disclosures regarding the proposed mergers to be filed in a Current Report on Form 8-K on July 24, 2019. Later that same day, the plaintiff withdrew his motion for a preliminary injunction.

On June 14, 2019, a putative class action lawsuit, captioned *Earl M. Wheby, Jr. v. BioScrip, Inc., et al.*, was filed in connection with the Option Care mergers in the United States District Court for the District of Delaware. The complaint names BioScrip and the members of the BioScrip Board, as defendants. The complaint alleges generally that the defendants caused BioScrip to file a preliminary proxy statement relating to the Option Care mergers that omits material information required to have been disclosed, in violation of Sections 14(a) and 20(a) of the Exchange Act. The complaint seeks, among other things, a preliminary injunction prohibiting defendants from proceeding with, consummating, or closing the Option Care merger or, in the event that the Option Care merger is consummated, rescission or rescissory damages as well as costs incurred in bringing the action (including plaintiff's attorneys' and experts' fees).

On June 27, 2019, a putative class action lawsuit, captioned *Lila Brennan v. BioScrip, Inc. et al.*, was filed in connection with the Option Care merger in the United States District Court for the District of Colorado. The complaint names BioScrip and the members of the BioScrip Board as defendants. The complaint alleges generally that the defendants caused BioScrip to file a definitive proxy statement relating to the merger that omits material information required to have been disclosed in violation of Sections 14(a) and 20(a) of the Exchange Act. The complaint seeks, among other things, a preliminary injunction prohibiting defendants from proceeding with, consummating, or closing the transaction, damages, and costs incurred in bringing the action (including plaintiff's attorneys' and experts' fees).

Government Regulation

Various federal and state laws and regulations affecting the healthcare industry do or may impact the Company's current and planned operations, including, without limitation, federal and state laws prohibiting kickbacks in government health programs, federal and state antitrust and drug distribution laws, and a wide variety of consumer protection, insurance and other state laws and regulations. While management believes the Company is in substantial compliance with all existing laws and regulations material to the operation of its business, such laws and regulations are often uncertain in their application to our business practices as they evolve and are subject to rapid change. As controversies continue to arise in the healthcare industry, federal and state regulation and enforcement priorities in this area can be expected to increase, the impact of which cannot be predicted.

From time to time, the Company responds to investigatory subpoenas and requests for information from governmental agencies and private parties. The Company cannot predict with certainty what the outcome of any of the foregoing might be. While the Company believes it is in substantial compliance with all laws, rules and regulations that affects its business and operations, there can be no assurance that the Company will not be subject to scrutiny or challenge under one or more existing laws or that any such challenge would not be successful. Any such challenge, whether or not successful, could have a material effect upon the Company's Consolidated Financial Statements. A violation of the federal Anti-Kickback Statute, for example, may result in substantial criminal and civil penalties, as well as suspension or exclusion from the Medicare and Medicaid programs. Moreover, the costs and expenses associated with defending these actions, even where successful, can be significant. Further, there can be no assurance the Company will be able to obtain or maintain any of the regulatory approvals that may be required to operate its business, and the failure to do so could have a material effect on the Company's Consolidated Financial Statements.

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

The following discussion should be read in conjunction with the audited Consolidated Financial Statements, including the notes thereto, and Management's Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 10-K for the year ended December 31, 2018 (the "Annual Report") filed with the U.S. Securities and Exchange Commission ("SEC"), as well as our Unaudited Condensed Consolidated Financial Statements and the related notes thereto included elsewhere in this report.

This Quarterly Report on Form 10-Q (this "Quarterly Report") contains statements not purely historical and which may be considered forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), including statements regarding our expectations, beliefs, future plans and strategies, anticipated events or trends concerning matters that are not historical facts or that necessarily depend upon future events. In some cases, you can identify forward-looking statements by terms such as "may," "will," "should," "could," "would," "expect," "plan," "anticipate," "believe," "estimate," "project," "predict," "potential," and similar expressions. Specifically, this Quarterly Report contains, among others, forward-looking statements about:

- our ability to make principal and interest payments on our debt and unsecured notes and satisfy the other covenants contained in our Notes Facilities;

- our ability to successfully complete the Option Care merger and integrate the two companies;
- our high level of indebtedness;
- our expectations regarding financial condition or results of operations in future periods;
- our future sources of, and needs for, liquidity and capital resources;
- our expectations regarding economic and business conditions;
- our expectations regarding legislative and regulatory changes impacting the level of reimbursement received from the Medicare and state Medicaid programs;
- periodic reviews and billing audits of payments from governmental reimbursement programs and private payors;
- our expectations regarding the size and growth of the market for our products and services;
- our business strategies and our ability to grow our business;
- the implementation or interpretation of current or future regulations and legislation, particularly governmental oversight of our business;
- our expectations regarding the outcome of litigation;
- our ability to maintain contracts and relationships with our customers;
- our ability to avoid delays in payment from our customers;
- sales and marketing efforts;
- status of material contractual arrangements, including the negotiation or re-negotiation of such arrangements;
- future capital expenditures;
- our ability to hire and retain key employees;
- our ability to execute our strategy;
- our ability to successfully integrate businesses we may acquire.

Investors are cautioned that any such forward-looking statements are not guarantees of future performance, involve risks and uncertainties and that actual results may differ materially from those possible results discussed in the forward-looking statements as a result of various factors. Important factors that could cause such differences include, among other things:

- risks associated with the Option Care merger
- risks associated with increased and complex government regulation related to the health care and insurance industries in general, and more specifically, home infusion providers;
- our ability to comply with debt covenants in our Notes Facilities and unsecured notes indenture;
- risks associated with our issuance of Preferred Stock and PIPE Warrants to the PIPE Investors and the 2017 Warrants;
- risks associated with the retention or transition of executive officers and key employees;
- our expectation regarding the interim and ultimate outcome of commercial disputes, including litigation;
- unfavorable economic and market conditions;
- disruptions in supplies and services resulting from force majeure events such as war, strike, riot, crime, or “acts of God” such as hurricanes, flooding, blizzards or earthquakes;
- delays or suspensions of federal and state payments for services provided;
- efforts to reduce healthcare costs and alter health care financing, which may involve reductions in reimbursement for our products and services;
- effects of the 21st Century Act (the “Cures Act”);
- the effect of health reform efforts including the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act of 2010 (together the “Affordable Care Act”), and value-based payment initiatives, including accountable care organizations (“ACOs”);
- availability of financing sources;
- declines and other changes in revenue due to the expiration of short-term contracts;
- network lockouts and decisions to in-source by health insurers including lockouts with respect to acquired entities;
- unforeseen contract terminations;
- difficulties in the implementation and ongoing evolution of our operating systems;
- difficulties with the implementation of our growth strategy and integrating businesses we have acquired or will acquire;
- increases or other changes in our acquisition cost for our products;
- increased competition from competitors having greater financial, technical, reimbursement, marketing and other resources could have the effect of reducing prices and margins;
- disruptions in our relationship with our primary supplier of prescription products;
- the level of our indebtedness and its effect on our ability to execute our business strategy and increased risk of default under our debt obligations;
- introduction of new drugs, which can cause prescribers to adopt therapies for patients that are less profitable to us;
- changes in industry pricing benchmarks, which could have the effect of reducing prices and margins; and
- other risks and uncertainties described from time to time in our filings with the SEC.

You should not place undue reliance on such forward-looking statements as they speak only as of the date they are made. Except as required by law, we assume no obligation to publicly update or revise any forward-looking statement even if experience or future changes make it clear that any projected results expressed or implied therein will not be realized.

Business Overview

We are a national provider of infusion and home care management solutions with nearly 67 service locations around the U.S. We partner with physicians, hospital systems, payors, pharmaceutical manufacturers and skilled nursing facilities to provide patients access to post-acute care services. We operate with a commitment to bring customer-focused pharmacy and related healthcare infusion therapy services into the home or alternate-site setting. By collaborating with the full spectrum of healthcare professionals and the patient, we aim to provide cost-effective care that is driven by clinical excellence, customer service and values that promote positive outcomes and an enhanced quality of life for those whom we serve.

Our platform provides nationwide service capabilities and the ability to deliver clinical management services that offer patients a high-touch, community-based and home-based care environment. Our core services are provided in coordination with, and under the direction of, the patient's physician. Our multidisciplinary team of clinicians, including pharmacists, nurses, dietitians and respiratory therapists, work with the physician to develop a plan of care suited to each patient's specific needs. Whether in the home, physician office, ambulatory infusion center, skilled nursing facility or other alternate sites of care, we provide products, services and condition-specific clinical management programs tailored to improve the care of individuals with complex health conditions such as gastrointestinal abnormalities, infectious diseases, cancer, multiple sclerosis, organ and blood cell transplants, bleeding disorders, immune deficiencies and heart failure.

We operate in one segment, infusion services. On an ongoing basis we will not report operating segment information unless a change in the business necessitates the need to do so.

Regulatory Matters Update

Approximately 17.5% and 19.3% of revenue for the three months ended June 30, 2019 and 2018, respectively, was derived directly from the Medicare program, state Medicaid programs and other government payors. We also provide services to beneficiaries of Medicare, Medicaid and other government-sponsored healthcare programs through managed care entities. Medicare Part D, for example, is administered through managed care entities. In the normal course of business, we and our customers are subject to legislative and regulatory changes impacting the level of reimbursement received from the Medicare and state Medicaid programs.

State Medicaid Programs

Over the last several years, increased Medicaid spending, combined with slow state revenue growth, led many states to institute measures aimed at controlling spending growth. Spending cuts have taken many forms including reducing eligibility and benefits, eliminating certain types of services, and provider reimbursement reductions. In addition, some states have been moving beneficiaries to managed care programs in an effort to reduce costs.

Each individual state Medicaid program represents less than 5% of our consolidated revenue for the three months and six months ended June 30, 2019, and no individual state Medicaid reimbursement reduction is expected to have a material effect on our Consolidated Financial Statements. We are continually assessing the impact of the state Medicaid reimbursement cuts as states propose, finalize and implement various cost-saving measures. These measures may include strategies to reduce coverage, restrict enrollment, or enroll more beneficiaries in managed care programs.

Given the reimbursement pressures, we strive to improve operational efficiencies and reduce costs to mitigate the impact on results of operations where possible. In some cases, reimbursement rate reductions may result in negative operating results, and we would likely exit some or all services where rate reductions result in unacceptable returns to our stockholders.

Medicare

Medicare currently covers home infusion therapy for selected therapies primarily through the durable medical equipment benefit. The Cures Act changed the new payment system for certain home infusion therapy services paid under Medicare Part B. The Cures Act significantly reduced the amount paid by Medicare for the drug costs, and also provides for the implementation of a clinical services payment. Under the Cures Act, the services payment does not take effect until 2021. However, the Bipartisan Budget Act of 2018 provides for a temporary transitional payment, starting January 1, 2019, for Medicare Part B home infusion services. CMS issued a final rule in October 2018 implementing this temporary benefit, which will continue until January 1, 2021,

when the services payment in the Cures Act takes effect. We have taken steps to mitigate the impact of the Cures Act on our business, but the Act has had material negative impact on our revenues and profitability.

Approximately 9.9% and 8.0% of revenue for the three months ended June 30, 2019 and 2018, respectively, was derived from Medicare.

Critical Accounting Estimates

We prepare our Unaudited Condensed Consolidated Financial Statements in accordance with United States generally accepted accounting principles (“GAAP”), which requires us to make estimates and assumptions. We evaluate our estimates and judgments on an ongoing basis. We base our estimates and judgments on historical experience and on various other factors that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses for the period presented. Our actual results may differ from these estimates, and different assumptions or conditions may yield different estimates.

There have been no significant changes in our critical accounting estimates from those described in our Annual Report.

Off-Balance Sheet Arrangements

As of June 30, 2019, we did not have any material off-balance sheet arrangements, as defined in Item 303(a)(4)(ii) of Regulation S-K.

Results of Operations - Three and Six Months Ended June 30, 2019 compared to June 30, 2018

The following discussion and analysis of the results of our operations and financial condition should be read in conjunction with the accompanying Unaudited Condensed Consolidated Financial Statements included in Item 1.

Net Revenue

The following table summarizes our net revenue, gross profit and gross margin for the three months ended June 30, 2019 and 2018 (in thousands):

	Three Months Ended June 30,		Change	
	2019	2018	2019 v. 2018	
Net revenue	\$ 191,517	\$ 175,789	\$ 15,728	8.9%
Gross profit, excluding depreciation expense	\$ 64,653	\$ 59,957	\$ 4,696	7.8%
Gross margin	33.8%	34.1%		

Net Revenue. Net revenue for the three months ended June 30, 2019 increased primarily due to an increase in patients served and higher reimbursement rates for certain therapies.

Gross Profit and Gross Margin. Gross profit consists of revenue less cost of revenue (excluding depreciation expense). The cost of revenue (excluding depreciation expense) primarily includes the costs of prescription medications, supplies, nursing services, shipping and other direct and indirect costs. The increase in gross profit was primarily driven by an increase in net revenue of \$15.7 million and supply chain cost improvement initiatives. Gross profit as a percentage of revenue decreased for the three months ended June 30, 2019 primarily due to the impact of lower estimated realization percentages on revenue billings and a higher mix of lower margin chronic therapies during the period.

Operating Expenses

The following tables summarize our operating expenses, and percentages of net revenue, for the three months ended June 30, 2019 and 2018 (in thousands):

	Three Months Ended June 30,		As a Percentage of Net Revenue	
	2019	2018	2019	2018
Service location operating expenses	\$ 38,428	\$ 38,861	20.1%	22.1%
General and administrative expenses	11,796	10,931	6.2%	6.2%
Depreciation and amortization expense	4,665	6,366	2.4%	3.6%
Restructuring, acquisition, integration, and other expenses	2,871	2,024	1.5%	1.2%
Total operating expenses	\$ 57,760	\$ 58,182	30.2%	33.1%

	Three Months Ended June 30,		Change	
	2019	2018	2019 v. 2018	
Service location operating expenses	\$ 38,428	\$ 38,861	\$ (433)	(1.1)%
General and administrative expenses	11,796	10,931	865	7.9 %
Depreciation and amortization expense	4,665	6,366	(1,701)	(26.7)%
Restructuring, acquisition, integration, and other expenses	2,871	2,024	847	41.8 %
Total operating expenses	\$ 57,760	\$ 58,182	\$ (422)	(0.7)%

Service Location Operating Expenses. Service location operating expenses consist primarily of wages and benefits, travel expenses, professional service and field office expenses for our healthcare professionals engaged in providing infusion services to our patients. Service location operating expenses decreased during the three months ended June 30, 2019 due to a decrease in payroll, travel, and facility expenses, offset partially by an increase in revenue cycle management costs.

General and Administrative Expenses. General and administrative expenses consist of wages and benefits for corporate overhead personnel, and certain corporate level professional service fees, including legal, accounting, and IT fees. The increase in general and administrative expenses during the three months ended June 30, 2019 resulted primarily from increased self-insurance costs, offset by a reduction in stock-compensation expense, accounting fees, and legal fees.

Depreciation and Amortization Expense. Depreciation and amortization expense includes the depreciation of property and equipment and the amortization of intangible assets such as customer relationships, trademarks, and non-compete agreements with estimable lives. The decrease in depreciation and amortization expense during the three months ended June 30, 2019 is attributable to full depreciation of certain property and equipment and full amortization of certain intangible assets.

Restructuring, Acquisition, Integration, and Other Expenses. Restructuring, acquisition, integration, and other expenses consist primarily of employee severance and other benefit-related costs, third-party consulting costs, redundant facility and personnel-related costs and certain other costs associated with our restructuring, acquisition, merger, and integration activities. The restructuring, acquisition, integration, and other expenses increase during the three months ended June 30, 2019 was primarily due to merger-related costs.

The following table summarizes our other expenses and income and income taxes for the three months ended June 30, 2019 and 2018 (in thousands):

	Three Months Ended June 30,		Change	
	2019	2018	2019 v. 2018	
Interest expense, net	\$ 15,638	\$ 13,805	\$ 1,833	13.3 %
Change in fair value of equity linked liabilities	5,216	3,064	2,152	70.2 %
Loss (gain) on dispositions	51	(13)	64	(492.3)%
Total other expense	\$ 20,905	\$ 16,856	\$ 4,049	24.0 %
Income taxes:				
Income tax expense	\$ (154)	\$ (43)	\$ (111)	258.1 %
Loss from discontinued operations:				
Loss from discontinued operations, net of income taxes	\$ (1,500)	\$ (15)	\$ (1,485)	9,900.0 %

Interest Expense, Net. Interest expense, net consists of interest expense, amortization of deferred financing costs and debt discounts reduced by an immaterial amount of interest income. The increase in interest expense during the three months ended June 30, 2019 is primarily the result of increasing variable interest rates on the First and Second Lien Note Facilities and an increase to the principal balance of the Second Lien Note Facility to \$126.2 million as a result of an additional \$10.0 million borrowing during June 2018 and paid-in-kind interest being capitalized as principal during 2018 and 2019.

Change in Fair Value of Equity Linked Liabilities. The change in the fair value of equity linked liabilities during the three months ended June 30, 2019 represents the mark to market adjustment associated with the issuance of the 2017 Warrants. The increase was primarily driven by an increase in the Company's stock price.

Income Tax Expense. Income tax expense for the three months ended June 30, 2019 is \$0.2 million and includes a \$1.9 million increase in deferred tax asset valuation allowances and nominal state tax expense, partially offset by a federal tax benefit of \$2.9 million and \$1.0 million of permanent items. Income tax expense for the three months ended June 30, 2018 is nominal and includes a federal tax benefit of \$(3.2) million and permanent items of \$0.7 million, offset by a \$2.5 million adjustment to deferred tax asset valuation allowances and nominal state tax expense.

Loss from discontinued operations, net of income taxes: Loss from discontinued operations, net of income taxes for both the three and six months ended June 30, 2019 includes a \$1.5 million provision for a non-binding settlement with a commercial payor

related to a business line that no longer exists. This settlement is contingent on the close of our merger with Option Care. For more information on this provision, please refer to Footnote 12 of our Unaudited Condensed Consolidated Financial Statements.

Net Revenue

The following table summarizes our net revenue, gross profit and gross margin for the six months ended June 30, 2019 and 2018 (in thousands):

	Six Months Ended June 30,		Change	
	2019	2018	2019 v. 2018	
Net revenue	\$ 370,473	\$ 344,373	\$ 26,100	7.6%
Gross profit, excluding depreciation expense	\$ 122,317	\$ 115,005	\$ 7,312	6.4%
Gross margin	33.0%	33.4%		

Net Revenue. Net revenue for the six months ended June 30, 2019 increased \$26.1 million due to an increase in patients served and higher reimbursement rates for certain therapies.

Gross Profit. Gross profit consists of revenue less cost of revenue (excluding depreciation expense). The cost of revenue (excluding depreciation expense) primarily includes the costs of prescription medications, supplies, nursing services, shipping and other direct and indirect costs. The increase in gross profit was primarily driven by an increase in net revenue of \$26.1 million and supply chain cost improvement initiatives. Gross profit as a percentage of revenue declined slightly for the six months ended June 30, 2019 due to the impact of lower estimated realization percentages on revenue billings.

Operating Expenses

The following tables summarize our operating expenses, and percentages of net revenue, for the six months ended June 30, 2019 and 2018 (in thousands):

	Six Months Ended June 30,		As a Percentage of Net Revenue	
	2019	2018	2019	2018
Service location operating expenses	\$ 78,615	\$ 78,160	21.2%	22.7%
General and administrative expenses	23,290	21,600	6.3%	6.3%
Depreciation and amortization expense	9,738	12,852	2.6%	3.7%
Restructuring, acquisition, integration, and other expenses	8,892	3,906	2.4%	1.1%
Total operating expenses	\$ 120,535	\$ 116,518	32.5%	33.8%

	Six Months Ended June 30,		Change	
	2019	2018	2019 v. 2018	
Service location operating expenses	\$ 78,615	\$ 78,160	\$ 455	0.6 %
General and administrative expenses	23,290	21,600	1,690	7.8 %
Depreciation and amortization expense	9,738	12,852	(3,114)	(24.2)%
Restructuring, acquisition, integration, and other expenses	8,892	3,906	4,986	127.6 %
Total operating expenses	\$ 120,535	\$ 116,518	\$ 4,017	3.4 %

Service Location Operating Expenses. Service location operating expenses consist primarily of wages and benefits, travel expenses, professional service and field office expenses for our healthcare professionals engaged in providing infusion services to our patients. Service location operating expenses for the six months ended June 30, 2019 increased due to decreased wage, benefit, and other employee costs as a result of integration, restructuring, and other workforce optimization efforts, offset by an increase in revenue cycle management costs.

General and Administrative Expenses. General and administrative expenses consist of wages and benefits for corporate overhead personnel and certain corporate level professional service fees, including legal, accounting, and IT fees. The increase in general and administrative expenses resulted primarily from increased self-insurance costs, offset by decreased professional service fees including legal and accounting.

Depreciation and Amortization Expense. Depreciation and amortization expense includes the depreciation of property and equipment and the amortization of intangible assets such as customer relationships, trademarks, and non-compete agreements with estimable lives. The decrease in depreciation and amortization expense for six months ended June 30, 2019 is attributable to full depreciation of certain property and equipment and full amortization of certain intangible assets.

Restructuring, Acquisition, Integration, and Other Expenses. Restructuring, acquisition, integration, and other expenses consist primarily of employee severance and other benefit-related costs, third-party consulting costs, redundant facility and personnel-related costs and certain other costs associated with our restructuring, acquisition, and integration activities. Restructuring, acquisition, integration, and other expenses increased during the six months ended June 30, 2019 primarily due to merger-related costs.

The following table summarizes our other expenses and income and income taxes for the six months ended June 30, 2019 and 2018 (in thousands):

	Six Months Ended June 30,		Change	
	2019	2018	2019 v. 2018	
Interest expense, net	\$ 30,869	\$ 27,200	\$ 3,669	13.5 %
Change in fair value of equity linked liabilities	(4,784)	(375)	(4,409)	1,175.7 %
Loss (gain) on dispositions	(25)	(318)	293	(92.1)%
Total other expense	<u>\$ 26,060</u>	<u>\$ 26,507</u>	<u>\$ (447)</u>	<u>(1.7)%</u>
Income taxes:				
Income tax expense	<u>\$ (170)</u>	<u>\$ (91)</u>	<u>\$ (79)</u>	<u>86.8 %</u>
Loss from discontinued operations:				
Loss from discontinued operations, net of income taxes	<u>\$ (1,500)</u>	<u>\$ (45)</u>	<u>\$ (1,455)</u>	<u>3,233.3 %</u>

Interest Expense, Net. Interest expense, net consists of interest expense, amortization of deferred financing costs and debt discounts, reduced by an immaterial amount of interest income. During the six months ended June 30, 2019 and 2018, we recorded interest expense of \$30.9 million and \$27.2 million, respectively, including \$6.1 million and \$4.7 million of amortization of deferred financing costs and debt discounts, respectively. The increase in interest expense during the six months ended June 30, 2019 as compared to the same period in 2018 is primarily the result of the changes in debt structure (see Note 5 - Debt), and increasing variable interest rates on the First and Second Lien Note Facilities.

Change in Fair Value of Equity Linked Liabilities. The decrease in the change in fair value of equity linked liabilities during the six months ended June 30, 2019, represents the mark-to-market adjustment to the estimated fair value of the 2017 Warrants. The decrease in value was primarily driven by a decrease in the Company's stock price.

Income Tax Expense. Income tax expense for the six months ended June 30, 2019 of \$0.2 million includes a \$4.9 million increase in deferred tax asset valuation allowances and \$0.2 million of state tax expense, offset by a federal tax benefit of \$5.1 million and permanent items of \$0.2 million. Income tax expense for the six months ended June 30, 2018 of \$0.1 million includes a \$5.9 million increase in deferred tax asset valuation allowances, \$0.1 million of state tax expense, and nominal permanent items, offset by a federal tax benefit of \$5.9 million.

Loss from discontinued operations, net of income taxes. Loss from discontinued operations, net of income taxes for both the three and six months ended June 30, 2019 includes a \$1.5 million provision for a non-binding settlement with a commercial payor related to a business line that no longer exists. This settlement is contingent on the close of our merger with Option Care. For more information on this provision, please refer to Footnote 12 of our Unaudited Condensed Consolidated Financial Statements.

Non-GAAP Measures

The following table reconciles GAAP loss from continuing operations, net of income taxes to Adjusted EBITDA. Adjusted EBITDA is net loss from continuing operations, net of income taxes, adjusted for interest expense, net, gain on dispositions, income tax expense, depreciation and amortization expense, stock-based compensation expense, and change in fair value of equity linked liabilities. Adjusted EBITDA also excludes restructuring, acquisition, integration, and other expenses, including associated non-recurring costs such as employee severance costs, certain legal and professional fees, training costs, redundant wage costs, and other costs related to contract terminations and closed branches/offices.

Adjusted EBITDA is a measure of earnings that management monitors as an important indicator of financial performance, particularly future earnings potential and recurring cash flow. Adjusted EBITDA is also a primary objective of the management bonus plan. Inclusion of Adjusted EBITDA is intended to provide investors insight into the manner in which management views the performance of the Company.

Non-GAAP financial measures have limitations as analytical tools and should not be considered in isolation or as a substitute for our financial results prepared in accordance with GAAP. Our calculation of Adjusted EBITDA, as presented, may differ from similarly titled measures reported by other companies. We encourage investors to review these reconciliations and we qualify our use of non-GAAP financial measures with cautionary statements as to their limitations.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
(in thousands)				
Loss from continuing operations	\$ (14,166)	\$ (15,124)	\$ (24,448)	\$ (28,111)
Interest expense, net	(15,638)	(13,805)	(30,869)	(27,200)
Loss (gain) on dispositions	(51)	13	25	318
Income tax expense	(154)	(43)	(170)	(91)
Depreciation and amortization expense	(4,665)	(6,366)	(9,738)	(12,852)
Stock-based compensation	(1,065)	(1,253)	(2,160)	(1,808)
Change in fair value of equity linked liabilities	(5,216)	(3,064)	4,784	375
Restructuring, acquisition, integration, and other expenses	(2,871)	(2,024)	(8,892)	(3,906)
Adjusted EBITDA	\$ 15,494	\$ 11,418	\$ 22,572	\$ 17,053

Adjusted EBITDA increased during the three months and six months ended June 30, 2019 compared to the same period of the prior year primarily due to the overall impact of the Company's shift in strategy to focus on growing its core revenue mix and restructuring and integration efforts which optimized operations.

Liquidity and Capital Resources

At June 30, 2019, we had net working capital of \$61.5 million, including \$14.4 million of cash on hand, compared to \$67.4 million of net working capital at December 31, 2018. The \$5.9 million decrease was the result of an increase in the current portion of long-term debt as principal payments on the First Lien Note Facility begin September 30, 2019, a net increase in other accounts payable and accrued expenses, and a decrease in prepaid expenses. At June 30, 2019, we had outstanding letters of credit totaling \$4.3 million, collateralized by restricted cash of \$4.3 million.

On March 14, 2019 we entered into a definitive merger agreement with the shareholder of Option Care Enterprises, Inc. ("Option Care"), the nation's largest independent provider of home and alternate treatment site infusion therapy services. Under the terms of the merger agreement, the Company will issue new shares of its common stock to the Option Care's shareholder in a non-taxable exchange, which will result in BioScrip shareholders holding approximately 20% of the combined company. The shareholder of Option Care has secured committed financing, the proceeds of which will be used to retire the Company's First Lien Note Facility, Second Lien Note Facility and 2021 Notes at the close of the transaction. Following the close of the transaction, the combined company common stock will continue to be listed on the Nasdaq Global Market. The transaction is currently expected to close during the third quarter of 2019.

We regularly evaluate market conditions and financing options to improve our current liquidity profile and enhance our financial flexibility. These options may include opportunities to raise additional funds through the issuance of various forms of equity and/or debt securities or other instruments, or the sale of assets or refinancing all or a portion of our indebtedness.

In May 2019, the First Lien Note Facility was amended to allow for additional borrowings up to \$8.0 million under terms materially consistent with the existing agreement. During the second quarter, the company drew the full \$8.0 million and no additional borrowings are available. These borrowings are intended to provide us with working capital resources and financial flexibility needed before the close of the anticipated merger with Option Care.

While the contemplated merger is in process of closing, we will continue to execute on our strategic plans, which include growing revenue, improving our EBITDA margins, and accelerating our cash collections. If the merger does not close and/or we are unsuccessful in executing our strategic plans, including the acceleration of cash collections, there would be an adverse effect on our liquidity and results of operations and we will likely require additional or alternative sources of liquidity, including additional borrowings. However, there is no assurance that, if necessary, we would be able to raise enough capital to provide the required liquidity.

As of the filing of this Quarterly Report, and notwithstanding the above, we expect that our cash on hand, cash from operations, and additional borrowing capacity under the First Lien Note Facility will be sufficient to fund our anticipated working capital, scheduled interest repayments and other cash needs for at least the next 12 months. Principal payments on the Notes Facilities commence on September 30, 2019.

Operating Activities

Net cash used in operating activities from continuing operations totaled \$3.9 million during the six months ended June 30, 2019 compared to \$20.3 million during the six months ended June 30, 2018, a decrease of \$16.4 million. The change is primarily related to fluctuations in the timing of collections of accounts receivable, inventory purchases and cash disbursements.

Investing Activities

Net cash used in investing activities from continuing operations during the six months ended June 30, 2019 was \$3.2 million compared to \$6.9 million during the same period in 2018. The decrease in cash used in investing was primarily due to a decrease in equipment purchases and renovations of branch locations.

Financing Activities

Net cash provided by financing activities from continuing operations during the six months ended June 30, 2019 was \$7.0 million compared to \$8.6 million during the same period in 2018, which was driven by a decrease in borrowings of long-term debt during the six months ended June 30, 2019 offset by lower finance lease payments.

Item 3. *Quantitative and Qualitative Disclosures About Market Risks*

There have been no material changes to our exposure to market risk from those reported in our Annual Report.

Item 4. *Controls and Procedures*

Evaluation of Disclosure Controls and Procedures

The Company maintains disclosure controls and procedures (as such term is defined under Rule 13a-15(e) promulgated under the Exchange Act) that are designed to ensure that information required to be disclosed by the Company in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. Under the supervision and with the participation of the Company's management, including its Chief Executive Officer and Chief Financial Officer, management evaluated the effectiveness of the Company's disclosure controls and procedures as of June 30, 2019. Based on that evaluation, the Company's Chief Executive Officer and its Chief Financial Officer concluded that our disclosure controls and procedures were effective as of June 30, 2019.

Changes in Internal Control Over Financial Reporting

There have been no changes in our internal control over financial reporting that occurred during the six months ended June 30, 2019 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II OTHER INFORMATION

Item 1. *Legal Proceedings*

For a summary of legal proceedings please refer to Note 12 within the financial statements section of this document.

Item 1A. Risk Factors

In addition to the risk factors disclosed in “Item 1A. Risk Factors” included in our Annual Report, investors should carefully consider the following risk factors, which relate to the pending merger with Option Care. These risks should be read in conjunction with the risk factors set forth in our Annual Report and the other information contained in this report and our other filings with the SEC, which are hereby incorporated by reference.

Risks Relating to the Merger with Option Care

BioScrip stockholders will have a reduced ownership and voting interest in the combined company after the completion of the merger and will exercise less influence over management.

Currently, BioScrip stockholders have the right to vote in the election of the Board of Directors of BioScrip and the power to approve or reject any matters requiring stockholder approval under Delaware law and BioScrip’s certificate of incorporation and BioScrip’s bylaws. Upon completion of the merger with Option Care, referred to as the merger, BioScrip’s current stockholders will have a percentage ownership of BioScrip that is smaller than the BioScrip stockholders’ current percentage ownership of BioScrip. At the effective time of merger, the parent company of Option Care (“Omega Parent”) will receive 542,261,567 shares of BioScrip common stock. As of the date of the merger agreement with Option Care (referred to as the merger agreement) there were 128,160, 291 shares of BioScrip common stock outstanding, which represent approximately 20.5% of the combined company on a fully diluted pro forma basis (based on the BioScrip share price as of signing, and taking into account the share issuance in respect of the certain transactions related to the merger and the vesting of certain restricted stock units and performance restricted stock units as a result of the merger). Even if all former BioScrip stockholders voted together on all matters presented to BioScrip stockholders from time to time, the former BioScrip stockholders would exercise significantly less influence over BioScrip after the completion of the merger relative to their influence over BioScrip prior to the completion of the merger, and thus would have a less significant impact on the election of the Board of Directors of BioScrip and on the approval or rejection of future proposals submitted to a stockholder vote. In addition, directors of BioScrip, as of immediately prior to the effective time of the merger, will represent two of the 10 members of the Board of Directors of BioScrip as of the effective time of the merger. Accordingly, each BioScrip stockholder will have less influence on the management and policies of BioScrip after the closing than such stockholder now has on the management and policies of BioScrip.

The merger may not be completed and the merger agreement may be terminated in accordance with its terms.

The merger subject to a number of conditions that must be satisfied or waived (to the extent permissible), in each case prior to the completion of the merger. These conditions to the completion of the merger, some of which are beyond the control of BioScrip, may not be satisfied or waived in a timely manner or at all, and, accordingly, the merger may be delayed or not completed.

Additionally, either BioScrip or Option Care may terminate the merger agreement under certain circumstances, including, among other reasons, if the merger is not completed by December 13, 2019. Furthermore, if the merger agreement is terminated under certain circumstances specified therein, BioScrip may be required to pay Option Care a termination fee of \$15.0 million, including certain circumstances in which the Board of Directors of BioScrip effects a recommendation against the merger or in favor of a third party superior acquisition proposal, or BioScrip terminates the merger agreement in connection with entering into a superior proposal.

The termination of the merger agreement could negatively impact BioScrip.

If the merger not completed for any reason, including as a result of a failure to obtain the BioScrip requisite stockholder’s approval, the ongoing business of BioScrip may be adversely affected and, without realizing any of the benefits of having completed the merger, BioScrip would be subject to a number of risks, including the following:

- BioScrip may experience negative reactions from the financial markets, including negative impacts on its stock price;
- BioScrip may experience negative reactions from its suppliers, customers and employees;
- the possible loss of employees necessary to operate the BioScrip business;
- having to pay significant costs relating to the merger without receiving the benefits of the merger, including, in certain circumstances, a termination fee of \$15.0 million or an expense reimbursement of up to \$5.0 million;
- BioScrip will be required to pay its costs relating to the merger, such as financial advisory, legal and accounting costs and associated fees and expenses, whether or not the merger are completed;

- if the merger agreement is terminated and the Board of Directors of BioScrip seeks another business combination, BioScrip stockholders cannot be certain that BioScrip will be able to find a party willing to enter into a transaction on terms equivalent to or more attractive than the terms that Option Care has agreed to in the merger agreement;
- the merger agreement places certain restrictions on the conduct of BioScrip's business prior to completion of the merger and such restrictions, the waiver of which is subject to the consent of Option Care (not to be unreasonably withheld, conditioned or delayed), which may prevent BioScrip from making certain acquisitions or taking certain other specified actions during the pendency of the merger; and
- matters relating to the merger (including integration planning) will require substantial commitments of time and resources by BioScrip management, which could otherwise have been devoted to day-to-day operations or to other opportunities that may have been beneficial to BioScrip as an independent company.

Until the completion of the merger or the termination of the merger agreement in accordance with its terms, BioScrip is prohibited from entering into certain transactions and taking certain actions that might otherwise be beneficial to BioScrip and its stockholders.

From and after the date of the merger agreement and prior to completion of the merger, the merger agreement restricts BioScrip from taking specified actions without the consent of the Option Care (not to be unreasonably withheld, conditioned or delayed) and requires that BioScrip use its reasonable best efforts to carry on its business and to cause its subsidiaries to carry on their respective businesses in the ordinary course consistent with past practice. These restrictions may prevent BioScrip from making appropriate changes to its business or organizational structure or from pursuing attractive business opportunities that may arise prior to the completion of the merger, and could have the effect of delaying or preventing other strategic transactions.

Adverse effects arising from the pendency of the merger could be exacerbated by any delays in consummation of the merger or termination of the merger agreement.

The merger agreement limits BioScrip's ability to pursue alternatives to the business combination.

The merger agreement contains provisions that may discourage a third party from submitting an acquisition proposal to BioScrip that might result in greater value to BioScrip's stockholders than the business combination with Option Care.

The merger agreement contains a general prohibition on BioScrip from soliciting or, subject to certain exceptions relating to the exercise of fiduciary duties by the Board of Directors of BioScrip, entering into discussions with any third party regarding any acquisition proposal or offer for a competing transaction. Further, subject to limited exceptions, consistent with applicable law, the merger agreement provides that the Board of Directors of BioScrip will not withhold, withdraw, qualify or modify (or publicly propose or resolve to withhold, withdraw, qualify or modify) its recommendation in favor of the merger and the transactions contemplated hereby. Although the Board of Directors of BioScrip is permitted to effect a change in recommendation with respect to the merger after complying with certain procedures set forth in the merger agreement, including in response to a superior proposal or an intervening event, if it determines in good faith (after consultation with outside counsel) that the failure to do so would reasonably be expected to be inconsistent with its fiduciary duties, such change in recommendation would entitle Omega to terminate the merger agreement and collect a termination fee from BioScrip in the amount of \$15.0 million. BioScrip may also terminate the merger agreement if, prior to the approval of the BioScrip proposals at the special meeting, the Board of Directors of BioScrip determines to enter into a definitive written agreement with respect to a superior proposal, but only if (x) BioScrip is permitted to terminate the merger agreement and accept such superior proposal, (y) BioScrip has not materially breached or failed to perform any of its covenants or agreements with respect to non-solicitation of alternative proposals under the merger agreement and (z) immediately prior to or substantially concurrently with such termination, BioScrip pays the \$15.0 million termination fee to Omega Parent.

These provisions could discourage a potential competing acquirer from considering or proposing an acquisition or merger, even if it were prepared to pay consideration with a higher value than that implied by the merger consideration, or might result in a potential competing acquirer proposing to pay a lower per-share price than it might otherwise have proposed to pay.

BioScrip stockholders will not be entitled to appraisal rights in the merger.

Appraisal rights are statutory rights that, if applicable under law, enable stockholders of a corporation to dissent from an extraordinary transaction, such as a merger, and to demand that such corporation pay the fair value for their shares as determined by a court in a judicial proceeding instead of receiving the consideration offered to such stockholders in connection with the transaction. Under the Delaware General Corporation Law (as amended, the "DGCL"), stockholders do not have appraisal rights if the shares of stock they hold are either listed on a national securities exchange or held of record by more than 2,000 holders. Notwithstanding the foregoing, appraisal rights are available if stockholders are required by the terms of a merger agreement to

accept for their shares anything other than (a) shares of stock of the surviving corporation, (b) shares of stock of another corporation that will either be listed on a national securities exchange or held of record by more than 2,000 holders, (c) cash in lieu of fractional shares or (d) any combination of the foregoing.

Because holders of BioScrip common stock will continue to hold their shares following completion of the merger, holders of BioScrip common stock are not entitled to appraisal rights in the merger.

Shares of BioScrip common stock after the closing will have rights different from the shares of BioScrip common stock prior to the closing.

Upon consummation of the merger, the rights of BioScrip stockholders, will be governed by the third amended and restated certificate of incorporation and bylaws of BioScrip. At the closing of the merger, BioScrip will also enter into the director nomination agreement. The rights associated with BioScrip common stock as of the date hereof and prior to the closing are different from the rights which will be associated with the BioScrip common stock after the closing.

Obtaining required approvals and satisfying closing conditions may prevent or delay completion of the merger.

The merger is subject to a number of conditions to the closing as specified in the merger agreement. These closing conditions include, the requisite approval of the BioScrip stockholders in favor of the merger and certain of the other transactions contemplated by the merger agreement, the expiration or earlier termination of any applicable waiting period under the Hart-Scott-Rodino Act (as amended, the “HSR Act”), the absence of governmental restraints or prohibitions preventing the consummation of the merger and receipt of certain regulatory consents or approvals under laws regulating pharmacies in California and North Carolina. The obligation of each of BioScrip and Option Care to consummate the merger is also conditioned on, among other things, the absence of a material adverse effect on the other party, the truth and correctness of the representations and warranties made by the other party on the date of the merger agreement and on the closing date (subject to certain materiality qualifiers), and the performance by the other party in all material respects of its obligations under the merger agreement. No assurance can be given that the required stockholder, governmental and regulatory consents and approvals will be obtained or that the required conditions to closing will be satisfied, and, if all required consents and approvals are obtained and the conditions are satisfied, no assurance can be given as to the terms, conditions and timing of such consents and approvals. Any delay in completing the merger could cause the combined company not to realize, or to be delayed in realizing, some or all of the benefits that BioScrip and Option Care expect to achieve if the merger is successfully completed within its expected time frame.

BioScrip and Option Care must obtain certain regulatory approvals and clearances to consummate the merger, which, if delayed, not granted or granted with unacceptable conditions, could prevent, substantially delay or impair consummation of the merger, result in additional expenditures of money and resources or reduce the anticipated benefits of the merger.

The completion of the merger is subject to the receipt of antitrust clearance in the United States. Under the HSR Act, the merger may not be completed until Notification and Report Forms have been filed with the FTC and the DOJ and the applicable waiting period has expired or been terminated. A transaction requiring notification under the HSR Act may not be completed until the expiration of a 30-calendar-day waiting period following the parties’ filing of their respective HSR notifications or the early termination of that waiting period. BioScrip and Omega each filed an HSR notification with the FTC and the DOJ on March 28, 2019 and the waiting period was terminated early on April 8, 2019.

At any time before or after consummation of the merger, notwithstanding the expiration or termination of the applicable waiting period under the HSR Act, the DOJ or the FTC, or any state, could take such action under the antitrust laws as it deems necessary or desirable in the public interest, including seeking to enjoin the completion of the merger, seeking divestiture of substantial assets of the parties or requiring the parties to license, or hold separate, assets or terminate existing relationships and contractual rights. At any time before or after the completion of the merger, and notwithstanding the expiration or termination of the applicable waiting period under the HSR Act, any state could take such action under the antitrust laws as it deems necessary or desirable in the public interest. Such action could include seeking to enjoin the completion of the merger or seeking divestiture of substantial assets of the parties. Private parties may also seek to take legal action under the antitrust laws under certain circumstances.

In addition, Option Care’s and Omega Parent’s obligation to effect the merger are subject to obtaining the consent (or written correspondence that such consent will be issued shortly after the closing) of the California Board of Pharmacy and the North Carolina Board of Pharmacy in respect of the merger for certain pharmacy permits currently held by BioScrip and Option Care. Other state regulatory bodies may also require filings or consents to the merger, however, BioScrip and Option Care do not believe such other actions are material. While BioScrip and Omega expect to obtain such consents, there is no assurance that such consents

will be obtained. The failure to obtain the California or North Carolina consent, or any condition or delay arising in connection with obtaining such consents, could result in the conditions to the merger not being satisfied.

Any one of these requirements, limitations, costs, divestitures or restrictions could jeopardize or delay the completion of or reduce the anticipated benefits of the merger. There is no assurance that BioScrip and Option Care will obtain the required clearances or approvals on a timely basis, or at all. Failure to obtain the necessary clearance under the HSR Act could substantially delay or prevent the consummation of the merger, which could negatively impact BioScrip.

BioScrip and Option Care may waive one or more of the conditions to the merger without resoliciting stockholder approval.

BioScrip and Option Care may determine to waive, in whole or in part, one or more of the conditions to its obligations to complete the merger, to the extent permitted by applicable laws. BioScrip will evaluate the materiality of any such waiver and its effect on BioScrip stockholders in light of the facts and circumstances at the time to determine whether any amendment of the proxy statement filed by BioScrip in respect of the merger and resolicitation of proxies is required or warranted. In some cases, if the Board of Directors of BioScrip determines that such a waiver is warranted but that such waiver or its effect on BioScrip stockholders is not sufficiently material to warrant resolicitation of proxies, BioScrip has the discretion to complete the merger without seeking further stockholder approval. Any determination whether to waive any condition to the merger or as to resoliciting stockholder approval or amending the proxy statement filed by BioScrip in respect of the merger as a result of a waiver will be made by BioScrip at the time of such waiver based on the facts and circumstances as they exist at that time.

If BioScrip's due diligence investigation of Option Care was inadequate or if unexpected risks related to Option Care's business materialize, it could have a material adverse effect on BioScrip stockholders' investment.

Even though BioScrip conducted a due diligence investigation of Option Care, BioScrip cannot be sure that its diligence surfaced all material issues that may be present inside Option Care or its business, or that it would be possible to uncover all material issues through a customary amount of due diligence, or that factors outside of Option Care and its business and outside of its control will not arise later. If any such material issues arise, they may materially and adversely impact the ongoing business of the combined company and BioScrip stockholders' investment.

Because the lack of a public market for Option Care shares makes it difficult to evaluate the fairness of the merger, the stockholders of Option Care may receive consideration in the merger that is more than the fair market value of the Option Care shares.

The outstanding capital stock of Option Care is privately held and is not traded in any public market. The lack of a public market makes it extremely difficult to determine the fair market value of Option Care. Because the percentage of BioScrip equity to be issued to Option Care stockholders as consideration for the merger is determined based on an exchange ratio negotiated between the parties that will not be adjusted even if there is a change in the value of BioScrip, it is possible that the value of BioScrip common stock to be received by Option Care stockholders will be more than the fair market value of Option Care.

The directors and executive officers of BioScrip have interests and arrangements that may be different from, or in addition to, those of BioScrip stockholders generally.

Certain of BioScrip's directors and executive officers have interests in the merger that are different from, or in addition to, the interests of BioScrip's stockholders generally. These interests include, but are not limited to, continued service of certain members of the Board of Directors of BioScrip on the board of directors of the combined company. In addition, certain executive officers of BioScrip, including Daniel Greenleaf, Stephen Deitsch, and Harriet Booker and certain other executive officers of BioScrip, hold equity awards and options with respect to BioScrip common stock that will become fully vested at the closing and that will become fully vested if the executive officer is terminated without "cause" or resigns for "good reason" within 12 months following the occurrence of the merger. Certain BioScrip executive officers also have employment or severance agreements that provide for severance payments and benefits in the event of a termination of employment by BioScrip without "cause" or resignation for "good reason" within 12 months following the occurrence of a "change in control" of BioScrip.

In addition, Christopher Shackelton, a director on the Board of Directors of BioScrip, is a co-founder and managing partner of Coliseum Capital. Funds and accounts managed by Coliseum Capital beneficially own 100% of the Series C Convertible Preferred Stock of BioScrip and 50.04% of the Series A Convertible Preferred Stock of BioScrip. In connection with the merger agreement, BioScrip entered into the Preferred Stock Repurchase Agreement to purchase 100% of the Series C Convertible Preferred Stock held by funds and accounts managed by Christopher Shackelton and the Board of Directors of BioScrip approved the Series A COD Amendment. The Preferred Stock Repurchase Agreement and the Series A COD Amendment are described in more detail in the Preliminary Proxy Statement filed by BioScrip on April 30, 2019.

Item 5. *Other Information*

None.

Item 6. Exhibits

(a) Exhibits.

Exhibit Number	Description
2.1+	Agreement and Plan of Merger, dated as of March 14, 2019, by and among BioScrip, Inc., Beta Sub, Inc., Beta Sub, LLD, HC Group Holdings I LLC, HC Group Holdings II, Inc. and HC Group Holdings III, Inc. (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed on March 15, 2019).
3.1	Second Amended and Restated Certificate of Incorporation of the Company (incorporated by reference to Exhibit 3.2 to the Company's Registration Statement on Form S-4 (File No. 333-119098) declared effective on January 26, 2005).
3.2	Amendment to the Second Amended and Restated Certificate of Incorporation of the Company (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on June 10, 2010, SEC File Number 000-28740).
3.3	Certificate of Amendment of the Second Amended and Restated Certificate of Incorporation of BioScrip, Inc. dated November 30, 2016 (Incorporated by reference to Exhibit 3.1 to the Company's Form 8-K filed on December 2, 2016).
3.4	Certificate of Designations for Series A Convertible Preferred Stock (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on March 10, 2015, SEC File Number 000-28740).
3.5	Certificate of Designations for Series B Convertible Preferred Stock (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on June 13, 2016, SEC File Number 000-28740).
3.6	Certificate of Designations for Series C Convertible Preferred Stock (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on June 14, 2016, SEC File Number 000-28740).
3.7	Certificate of Designations, Preferences, and Rights for Series D Junior Participating Preferred Stock (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on August 12, 2016, SEC File Number 000-28740).
3.8	Amended and Restated By-Laws of the Company (incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K filed on April 28, 2011, SEC File Number 000-28740).
4.1	Registration Rights Agreement, dated June 29, 2017, by and among the Company and the parties signatory thereto (incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K filed on June 29, 2017, SEC File Number 001-11993).
4.2	Warrant Agreement, dated June 29, 2017, by and among the Company and the subscribers signatory thereto (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed on June 29, 2017, SEC File Number 001-11993).
10.1	Preferred Stock Repurchase Agreement, dated as of March 14, 2019, by and among BioScrip, Inc. and the parties signatory thereto (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on March 15, 2019).
10.2	Amended and Restated Warrant Agreement, dated as of March 14, 2019, by and among BioScrip, Inc. and the Holders (as defined therein) signatory thereto (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on March 15, 2019).
10.3	Form of Letter Agreement, dated March 14, 2019, by and among BioScrip, Inc. and each of the Holders (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed on March 15, 2019).
10.4	Amendment No.1 to Registration Rights Agreement by and between BioScrip, Inc. and the stockholders of the Company signatory thereto (incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K filed on March 15, 2019).
31.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer pursuant to 18 U.S. C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer pursuant to 18 U.S. C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Labels Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
+	Certain schedules attached to the Agreement and Plan of Merger have been omitted pursuant to Item 601(b)(2) of Regulation S-K. The Company will furnish copies of the omitted schedules to the Securities and Exchange Commission upon request by the Commission.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on July 31, 2019.

BIOSCRIP INC.

/s/ Stephen Deitsch

Stephen Deitsch

Chief Financial Officer and Treasurer (Principal Financial Officer and Duly Authorized Officer)

CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Daniel E. Greenleaf, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of BioScrip, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 31, 2019

/s/ Daniel E. Greenleaf

Daniel E. Greenleaf, President, Chief Executive Officer
and Principal Executive Officer

CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Stephen M. Deitsch, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of BioScrip, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 31, 2019

/s/ Stephen M. Deitsch

Stephen M. Deitsch, Chief Financial Officer,
Treasurer and Principal Financial Officer

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of BioScrip, Inc. (the "Company") on Form 10-Q for the quarter ended June 30, 2019, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Daniel E. Greenleaf, Chief Executive Officer of the Company, do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: July 31, 2019

/s/ Daniel E. Greenleaf

Daniel E. Greenleaf, President, Chief Executive Officer
and Principal Executive Officer

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of BioScrip, Inc. (the "Company") on Form 10-Q for the quarter ended June 30, 2019, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Stephen M. Deitsch, Chief Financial Officer of the Company, do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: July 31, 2019

/s/ Stephen M. Deitsch
Stephen M. Deitsch, Chief Financial Officer,
Treasurer and Principal Financial Officer