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 September 30, 2017

OR

o **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	**05-0489664**
(State of incorporation)	*(I.R.S. Employer Identification No.)*
1600 Broadway, Suite 700, Denver, Colorado	**80202**
(Address of principal executive offices)	*(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 o

Indicate by check mark whether the registrant has submitted electronically and posted to its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes ☑ No o

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 o Accelerated filer ☑ Non-accelerated filer o Smaller reporting company o Emerging growth company o

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. o

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

On October 30, 2017, there were 127,515,573 shares of the registrant's Common Stock outstanding.

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PART I
FINANCIAL INFORMATION

Item 1. *Financial Statements*

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

	September 30, 2017	December 31, 2016
	(unaudited)	
ASSETS		
Current assets		
Cash and cash equivalents	$ 33,013	$ 9,569
Restricted cash	4,950	—
Receivables, less allowance for doubtful accounts of $46,820 and $44,730 as of September 30, 2017 and December 31, 2016, respectively	89,215	111,811
Inventory	27,775	36,165
Prepaid expenses and other current assets	15,222	18,507
Total current assets	**170,175**	**176,052**
Property and equipment, net	28,726	32,535
Goodwill	367,198	365,947
Intangible assets, net	21,734	31,043
Other non-current assets	2,415	2,163
Total assets	**$ 590,248**	**$ 607,740**
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities		
Current portion of long-term debt	$ 1,828	$ 18,521
Accounts payable	42,691	59,134
Amounts due to plan sponsors	4,890	3,799
Accrued interest	3,198	6,705
Accrued expenses and other current liabilities	36,419	42,191
Total current liabilities	**89,026**	**130,350**
Long-term debt, net of current portion	476,753	433,413
Deferred taxes	4,150	2,281
Other non-current liabilities	18,879	1,257
Total liabilities	**588,808**	**567,301**
Series A convertible preferred stock, $.0001 par value; 825,000 shares authorized; 21,645 shares issued and outstanding as of September 30, 2017 and December 31, 2016; and $2,833 and $2,603 liquidation preference as of September 30, 2017 and December 31, 2016, respectively	2,732	2,462
Series C convertible preferred stock, $.0001 par value; 625,000 shares authorized; 614,177 shares issued and outstanding as of September 30, 2017 and December 31, 2016; and $82,173 and $75,491 liquidation preference as of September 30, 2017 and December 31, 2016, respectively	76,706	69,540
Stockholders' deficit		
Preferred stock, $.0001 par value; 5,000,000 shares authorized; no shares issued and outstanding as of September 30, 2017 and December 31, 2016, respectively	—	—
Common stock, $.0001 par value; 250,000,000 shares authorized; 127,520,628 and 117,682,543 shares issued and outstanding as of September 30, 2017 and December 31, 2016, respectively	13	12
Treasury stock, 5,106 and no shares outstanding, at cost, as of September 30, 2017 and December 31, 2016	(16)	—
Additional paid-in capital	626,567	611,844
Accumulated deficit	(704,562)	(643,419)
Total stockholders' deficit	**(77,998)**	**(31,563)**
Total liabilities and stockholders' deficit	**$ 590,248**	**$ 607,740**

See accompanying Notes to Unaudited Consolidated Financial Statements.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Net revenue	**$ 198,692**	**$ 224,542**	**$ 634,608**	**$ 695,466**
Cost of revenue (excluding depreciation expense)	**131,516**	**161,957**	**433,538**	**504,485**
Gross profit	**67,176**	**62,585**	**201,070**	**190,981**
Other operating expenses	38,325	42,729	125,169	123,006
Bad debt expense	6,600	7,727	19,987	19,598
General and administrative expenses	9,784	9,948	29,287	30,413
Restructuring, acquisition, integration, and other expenses, net	4,037	2,368	11,171	9,326
Change in fair value of equity linked liabilities	1,080	—	1,080	—
Depreciation and amortization expense	6,552	4,166	20,329	12,956
Interest expense	13,175	9,331	38,635	28,212
Loss on extinguishment of debt	—	—	13,453	—
(Gain) loss on dispositions	(33)	(3,015)	652	(3,954)
Loss from continuing operations, before income taxes	**(12,344)**	**(10,669)**	**(58,693)**	**(28,576)**
Income tax expense	60	421	1,397	593
Loss from continuing operations, net of income taxes	**(12,404)**	**(11,090)**	**(60,090)**	**(29,169)**
(Loss) income from discontinued operations, net of income taxes	(113)	(174)	(1,053)	134
Net loss	**$ (12,517)**	**$ (11,264)**	**$ (61,143)**	**$ (29,035)**
Accrued dividends on preferred stock	(2,394)	(2,138)	(6,911)	(6,192)
Deemed dividends on preferred stock	(175)	(173)	(525)	(518)
Loss attributable to common stockholders	**$ (15,086)**	**$ (13,575)**	**$ (68,579)**	**$ (35,745)**
Loss per common share:				
Loss from continuing operations, basic and diluted	$ (0.12)	$ (0.12)	$ (0.55)	$ (0.42)
Loss from discontinued operations, basic and diluted	—	—	(0.01)	—
Loss per common share, basic and diluted	**$ (0.12)**	**$ (0.12)**	**$ (0.56)**	**$ (0.42)**
Weighted average common shares outstanding, basic and diluted	**127,488**	**114,826**	**122,519**	**85,701**

See accompanying Notes to Unaudited Consolidated Financial Statements.

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

	Nine Months Ended September 30,	
	2017	**2016**
Cash flows from operating activities:		
Net loss	$ (61,143)	$ (29,035)
Less: (Loss) income from discontinued operations, net of income taxes	(1,053)	134
Loss from continuing operations, net of income taxes	(60,090)	(29,169)
Adjustments to reconcile net loss from continuing operations, net of income taxes to net cash used in operating activities:		
Depreciation and amortization	20,329	12,956
Amortization of deferred financing costs and debt discount	4,612	3,005
Change in fair value of contingent consideration	—	(4,597)
Change in fair value of equity linked liabilities	1,080	—
Change in deferred income tax	1,869	536
Compensation under stock-based compensation plans	1,573	3,347
Loss (gain) on dispositions	652	(3,954)
Loss on extinguishment of debt	13,453	—
Changes in assets and liabilities:		
Receivables, net of bad debt expense	22,596	6,720
Inventory	6,997	12,802
Prepaid expenses and other assets	3,033	9,161
Accounts payable	(17,292)	(31,248)
Amounts due to plan sponsors	1,091	461
Accrued interest	(3,507)	(4,629)
Accrued expenses and other liabilities	(739)	(7,841)
Net cash used in operating activities from continuing operations	(4,343)	(32,450)
Net cash used in operating activities from discontinued operations	(6,553)	(6,088)
Net cash used in operating activities	**(10,896)**	**(38,538)**
Cash flows from investing activities:		
Cash consideration paid for acquisition, net of cash acquired	—	(67,516)
Purchases of property and equipment	(5,045)	(8,044)
Proceeds from dispositions	—	4,177
Investment in restricted cash	(4,950)	—
Net cash used in investing activities	**(9,995)**	**(71,383)**
Cash flows from financing activities:		
Proceeds from priming credit agreement, net of expenses	23,060	—
Capitalized fees attributable to extinguishment of debt	(980)	—
Net proceeds from issuance of equity, net of issuance costs	20,776	83,267
Borrowings on long-term debt, net of expenses	294,446	—
Borrowings on revolving credit facility	563	84,000
Repayments on revolving credit facility	(55,863)	(60,000)
Principal payments of long-term debt	(236,770)	(9,411)
Repayments of capital leases	(792)	(525)
Other	(105)	(152)
Net cash provided by financing activities	**44,335**	**97,179**
Net change in cash and cash equivalents	23,444	(12,742)
Cash and cash equivalents - beginning of period	9,569	15,577
Cash and cash equivalents - end of period	**$ 33,013**	**$ 2,835**
DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the period for interest	$ 38,454	$ 30,128
Cash paid during the period for income taxes	$ 327	$ 260
DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Capital lease obligations incurred to acquire property and equipment	$ 1,825	$ —
Issuance of 3,750,000 shares in connection with Home Solutions acquisition	—	9,938

See accompanying Notes to Unaudited Consolidated Financial Statements.

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

NOTE 1 — 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, 2016 (the "Annual Report") filed with the U.S. Securities and Exchange Commission ("SEC"). These Unaudited 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 information furnished in these Unaudited 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 three months and nine months ended September 30, 2017 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 ending December 31, 2017.

The Unaudited 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

Prior period financial statement amounts have been reclassified to conform to current period presentation.

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and Cash Equivalents and Restricted Cash

Highly liquid investments with a maturity of three months or less when purchased are classified as cash equivalents. Restricted cash consists of cash balances held by financial institutions as collateral for letters of credit. These balances are reclassified to cash and cash equivalents when the underlying obligation is satisfied, or in accordance with the governing agreement. Restricted cash balances expected to become unrestricted during the next twelve months are recorded as current assets. As of September 30, 2017, the Company had a restricted cash balance, in a money market account, of approximately $5.0 million to cash collateralize outstanding letters of credit.

Collectability of Accounts Receivable

The following table sets forth the aging of our net accounts receivable (net of allowance for contractual adjustments, and prior to allowance for doubtful accounts), aged based on date of service and categorized based on the three primary overall types of accounts receivable characteristics (in thousands):

	September 30, 2017			December 31, 2016		
	0 - 180 days	Over 180 days	Total	0 - 180 days	Over 180 days	Total
Government	$ 18,566	$ 7,897	$ 26,463	$ 19,891	$ 8,278	$ 28,169
Commercial	72,744	22,603	95,347	97,744	19,848	117,592
Patient	3,440	10,785	14,225	3,955	6,825	10,780
Gross accounts receivable	**$ 94,750**	**$ 41,285**	**136,035**	**$ 121,590**	**$ 34,951**	**156,541**
Allowance for doubtful accounts			(46,820)			(44,730)
Net accounts receivable			**$ 89,215**			**$ 111,811**

Recent Accounting Pronouncements

In July 2017, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("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. 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 effective date for ASU 2017-11 is for annual or any interim periods beginning after December 15, 2018. Early adoption is permitted. The adoption of this standard is not expected to have a material impact on the Company's consolidated financial statements.

In May 2017, the FASB issued ASU 2017-09—Compensation–Stock Compensation (Topic 718): Scope of Modification Accounting. ASU 2017-09 modifies when a change to the terms or conditions of a share-based payment award must be accounted for as a modification. The new guidance requires modification accounting if the fair value, vesting condition or the classification of the award is not the same immediately before and after a change to the terms and conditions of the award. The effective date for ASU 2017-09 is for annual or any interim periods beginning after December 15, 2017. Early adoption is permitted. The adoption of this standard is not expected to have a material impact on the Company's consolidated financial statements.

In January 2017, the FASB issued ASU 2017-04—Intangibles–Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment. ASU 2017-04 modifies the accounting for goodwill impairment. The guidance removes Step 2 of the goodwill impairment test, which requires a hypothetical purchase price allocation. A goodwill impairment will now be the amount by which a reporting unit's carrying value exceeds its fair value, not to exceed the carrying amount of goodwill. The effective date for ASU 2017-04 is for annual or any 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 consolidated financial statements.

In November 2016, the FASB issued ASU 2016-18—Statement of Cash Flows (Topic 230): Restricted Cash. ASU 2016-18 requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The effective date for ASU 2016-18 is for annual or any interim periods beginning after December 15, 2017. Early adoption is permitted. The adoption of this standard is not expected to have a material impact on the Company's consolidated financial statements.

In August 2016, the FASB issued ASU 2016-15—Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments. ASU 2016-15 provides guidance for eight specific cash flow issues with respect to how cash receipts and cash payments are classified in the statements of cash flows, with the objective of reducing diversity in practice. The effective date for ASU 2016-15 is for annual periods beginning after December 15, 2017, and interim periods within those fiscal years. Early adoption is permitted. The adoption of this standard is not expected to have a material impact on the Company's consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02—Leases (Topic 842), requiring lessees to recognize a right-of-use asset and a lease liability on the balance sheet for all leases with the exception of short-term leases. For lessees, leases will continue to be classified as either operating or finance leases in the income statement. The effective date of the new standard for public companies is for fiscal years beginning after December 15, 2018 and interim periods within those fiscal years. Early adoption is permitted. The new standard must be adopted using a modified retrospective transition and requires application of the new guidance at the beginning of the earliest comparative period presented. The Company is evaluating the effect that the updated standard will have on its consolidated financial statements.

In May 2014, the FASB issued ASU 2014-09—Revenue from Contracts with Customers (Topic 606). The guidance requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The FASB delayed the effective date to annual reporting periods beginning after December 15, 2017, including interim reporting periods within that reporting period. Earlier application is permitted only as of annual reporting periods beginning after December 15, 2016, including interim reporting periods within that reporting period. In addition, in March and April 2016, the FASB issued new guidance intended to improve the operability and understandability of the implementation guidance on principal versus agent considerations. Both amendments permit the use of either a full or modified retrospective transition method and are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017, with early application permitted. The Company has not elected early adoption and will apply the modified retrospective approach upon adoption which would apply the new guidance only to contracts that are not completed at the adoption date and would not adjust prior reporting periods. The Company continues to evaluate and refine its estimate of the impact of the adoption of the new revenue standard on its consolidated financial statements, with emphasis on evaluation of the nature of multi-parties involved in health care services transactions, variable consideration arising from third party payer settlements, implicit rate concessions, customer acquisition costs, the impact of new disclosures required by the standard, and finalization of appropriate processes and procedures.

NOTE 3 — 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 stocks, stock appreciation rights, warrants and Series A and Series C Preferred Stock (as defined below). 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 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 for per share amounts):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Numerator:				
Loss from continuing operations, net of income taxes	$ (12,404)	$ (11,090)	$ (60,090)	$ (29,169)
Income (loss) from discontinued operations, net of income taxes	(113)	(174)	(1,053)	134
Net loss	**$ (12,517)**	**$ (11,264)**	**$ (61,143)**	**$ (29,035)**
Accrued dividends on preferred stock	(2,394)	(2,138)	(6,911)	(6,192)
Deemed dividend on preferred stock	(175)	(173)	(525)	(518)
Loss attributable to common stockholders	**$ (15,086)**	**$ (13,575)**	**$ (68,579)**	**$ (35,745)**
Denominator - Basic and Diluted:				
Weighted average common shares outstanding	**127,488**	**114,826**	**122,519**	**85,701**
Loss per Common Share:				
Loss from continuing operations, basic and diluted	$ (0.12)	$ (0.12)	$ (0.55)	$ (0.42)
Loss from discontinued operations, basic and diluted	—	—	(0.01)	—
Loss per common share, basic and diluted	**$ (0.12)**	**$ (0.12)**	**$ (0.56)**	**$ (0.42)**

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 September 30, 2017 and 2016 excludes the effect of 12.5 million and 14.0 million shares, respectively, and the computation of the diluted shares for the nine months ended September 30, 2017 and 2016 excludes the effect of 16.2 million and 15.5 million shares, respectively, issued in connection with the PIPE Transaction and the Rights Offering, as well as the 2017 Warrants (see Note 4 - Stockholders' Deficit), stock options and restricted stock awards, as their inclusion would be anti-dilutive to loss attributable to common stockholders.

NOTE 4 — STOCKHOLDERS' DEFICIT

Carrying Value of Series A Preferred Stock

As of September 30, 2017, the following values were accreted pursuant to the terms of the Exchange Agreement, dated as of June 10, 2016, among the Company and the signatories thereto and recorded as a reduction of additional paid in capital in Stockholders' Deficit and a deemed dividend on the Unaudited Consolidated Statements of Operations. In addition, dividends were accrued at 11.5% from the date of issuance to September 30, 2017. The following table sets forth the activity recorded during the nine months ended September 30, 2017 related to the Series A Preferred Stock (in thousands):

Series A Preferred Stock carrying value at December 31, 2016	**$**	**2,462**
Accretion of discount related to issuance costs		40
Dividends recorded through September 30, 2017 [1]		230
Series A Preferred Stock carrying value September 30, 2017	**$**	**2,732**

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

Carrying Value of Series C Preferred Stock

As of September 30, 2017, the following values were accreted pursuant to the terms of the Exchange Agreement, dated as of June 16, 2016, among the Company and the signatories thereto and recorded as a reduction of additional paid in capital in Stockholders' Deficit and a deemed dividend on the Unaudited Consolidated Statements of Operations. In addition, dividends were accrued at 11.5% from the date of issuance to September 30, 2017. The following table sets forth the activity recorded during the nine months ended September 30, 2017 related to the Series C Preferred Stock (in thousands):

Series C Preferred Stock carrying value at December 31, 2016	**$**	**69,540**
Accretion of discount related to issuance costs		485
Dividends recorded through September 30, 2017 [1]		6,681
Series C Preferred Stock carrying value September 30, 2017	**$**	**76,706**

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

As of September 30, 2017, the Liquidation Preference of the Series A Preferred Stock and Series C Preferred Stock was $2.8 million and $82.2 million, respectively.

First Quarter 2017 Private Placement

On March 1, 2017, the Company entered into a Stock Purchase Agreement (the "First Quarter Stock Purchase Agreement") with Venor Capital Master Fund Ltd., Map 139 Segregated Portfolio of LMA SPC, Venor Special Situations Fund II LP and Trevithick LP (the "First Quarter Stockholders"). Pursuant to the First Quarter Stock Purchase Agreement, the Company sold an aggregate of 3.3 million shares of its common stock (the "First Quarter Shares") for aggregate gross proceeds of approximately $5.1 million in a private placement transaction (the "First Quarter 2017 Private Placement"). The purchase price for each Share was $1.5366, which was negotiated between the Company and the First Quarter Stockholders based on the volume-weighted average price of the Company's common stock on the NASDAQ Global Market on March 1, 2017.

In connection with the First Quarter 2017 Private Placement, the Company entered into a Registration Rights Agreement (the "First Quarter 2017 Registration Rights Agreement") with the First Quarter Stockholders. Pursuant to the First Quarter 2017 Registration Rights Agreement, the Company agreed to prepare and file a registration statement with the SEC within ten days of the date it files its annual report on Form 10-K for the fiscal year ended December 31, 2016, for purposes of registering the resale of the First Quarter Shares and any shares of common stock issued as a dividend or other distribution with respect to the First Quarter Shares.

As provided under the First Quarter 2017 Registration Rights Agreement, the Company, on March 13, 2017, filed a shelf registration statement on Form S-3 under the Securities Act to register the First Quarter Shares and it was declared effective April 18, 2017.

Proceeds from the First Quarter 2017 Private Placement were used for working capital and general corporate purposes.

2017 Warrants

In connection with the Second Lien Note Facility (as defined below), the Company issued warrants (the "2017 Warrants") to the purchasers of the Second Lien Notes (as defined below) 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 (as defined below) (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 is 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 balance sheet 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, subsequent to a remeasurement adjustment of $1.1 million, is $18.0 million at September 30, 2017.

Second Quarter 2017 Private Placement

On June 29, 2017, the Company entered into a Stock Purchase Agreement (the "Second Quarter Stock Purchase Agreement") with a fund managed by Ares Management L.P. ("Ares" or the "Second Quarter Stock Purchaser"). Pursuant to the terms of the Second Quarter Stock Purchase Agreement, the Company issued and sold to the Second Quarter Stock Purchaser in a private placement (the "Second Quarter 2017 Private Placement") 6,359,350 shares of Common Stock (the "Second Quarter Shares") at a price of $2.50 per share, for proceeds of approximately $15.9 million, net of $0.2 million in associated costs.

Second Quarter Registration Rights Agreement

In connection with the 2017 Warrants and the Second Quarter 2017 Private Placement, the Company entered into a Registration Rights Agreement (the "Second Quarter 2017 Registration Rights Agreement") with the holders of the 2017 Warrants and the Second Quarter Stock Purchaser. Pursuant to the Second Quarter 2017 Registration Rights Agreement, subject to certain exceptions, the Company is required, upon the request of the Second Quarter Stock Purchaser and holders of the 2017 Warrants, to register the resale of the Second Quarter Shares and the shares of Common Stock issuable upon exercise of the 2017 Warrants. Pursuant to the terms of the Second Quarter 2017 Registration Rights Agreement, these registration rights will not become effective until twelve months after the Closing Date, and the costs incurred in connection with such registrations will be borne by the Company.

NOTE 5 — ACQUISITIONS

On September 9, 2016, the Company completed the acquisition of substantially all of the assets and assumed certain liabilities of HS Infusion Holdings, Inc. ("Home Solutions") and its subsidiaries (the "Home Solutions Transaction") pursuant to an Asset Purchase Agreement dated June 11, 2016 (as amended, the "Home Solutions Agreement"), by and among Home Solutions, a Delaware corporation, certain subsidiaries of Home Solutions, the Company and HomeChoice Partners, Inc., a Delaware corporation. The aggregate consideration paid by the Company in the transaction was equal to (i) $67.5 million in cash; plus (ii) (a) 3,750,000 shares of Company common stock and (b) the right to receive contingent equity securities of the Company, in the form of restricted shares of Company common stock (the "RSUs"), issuable in two tranches, Tranche A and Tranche B, with different vesting conditions. The number of shares of Company common stock in Tranche A is 3.1 million and the number of shares of Company common stock in Tranche B is 4.0 million, each subject to vesting conditions. Upon close of the transaction, the RSUs had no intrinsic value, but are reported in our consolidated financial statements at their estimated fair value at the date

of issuance. Upon approval of the Charter Amendment, as defined below, on November 30, 2016, the date at which sufficient shares were available should the RSUs vest and become issuable, the liability was remeasured to its then-current fair value and reclassified to equity.

The following table sets forth the consideration transferred in connection with the acquisition of Home Solutions as of September 9, 2016 (in thousands):

Cash	$	67,516
Equity issued at closing		9,938
Capital lease obligation assumed		301
Fair value of contingent consideration		15,400
Total consideration	$	93,155

The following table sets forth the fair value of the assets acquired and liabilities assumed upon acquisition of Home Solutions (in thousands):

Accounts receivable	$	11,956
Inventories		3,199
Prepaids and other assets		852
Total current assets	$	16,007
Property and equipment		4,350
Goodwill		58,468
Managed care contracts		24,600
Licenses		5,400
Trade name		1,800
Non-compete agreements		200
Other non-current assets		891
Total assets	$	111,716
Accounts payable		14,575
Accrued liabilities		3,986
Current liabilities	$	18,561
Total fair value of cash and contingent consideration	$	93,155

The excess of the purchase price over the fair value of the tangible and identifiable intangible assets acquired and liabilities assumed in the acquisition was allocated to goodwill. The value of the goodwill represents the value the Company expects to be created by combining the operations of the companies, including the ability to cross-sell its services on a national basis with an expanded footprint in home infusion and the opportunity to focus on higher margin therapies.

In accordance with ASC Topic 805 *Business Combinations* (“ASC 805”), the allocation of the purchase price is subject to adjustment during the measurement period after the closing date (September 9, 2016) when additional information on assets and liability valuations becomes available. The Company has finalized its valuation of certain assets and liabilities recorded pursuant to the acquisition including intangible assets and contingent consideration.

Under the Home Solutions Agreement, the Company did not purchase, among other things, any accounts receivable associated with governmental payors. However, the Home Solutions Agreement stipulates that collections of government receivables, as of the first anniversary of the closing date, in an amount less than the amount estimated as government receivables in the Closing Certificate (such difference, the “Shortfall Amount”), must be paid to the seller. On October 4, 2017, the Company and Home Solutions agreed to defer the measurement of the Shortfall Amount from the first anniversary of the closing date to December 31, 2017 in exchange for a payment by the Company of $500,000, which would be credited toward any amount ultimately owed to Home Solutions. The Company continues to evaluate the collectability of the government receivables and, as of September 30, 2017, has recognized a liability of $0.9 million, reflected in current liabilities and allocated in the purchase price, in anticipation of a shortfall in actual collections.

NOTE 6 — RESTRUCTURING, ACQUISITION, INTEGRATION, AND OTHER EXPENSES, NET

Restructuring, acquisition, integration and other expenses include non-operating costs associated with restructuring, acquisition, and integration initiatives such as employee severance costs, certain legal and professional fees, training costs, redundant wage costs, impacts recorded from the change in contingent consideration obligations, and other costs related to contract terminations and closed branches/offices.

Restructuring, acquisition, integration, and other expenses, net in the Unaudited Consolidated Statements of Operations for the three months and nine months ended September 30, 2017 and 2016 consisted of the following (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Restructuring and other expenses	$ 3,791	$ 2,372	$ 10,643	$ 6,304
Acquisition and integration expense	246	4,695	528	7,619
Change in fair value of contingent consideration	—	(4,699)	—	(4,597)
Total restructuring, acquisition, integration, and other expense, net	**$ 4,037**	**$ 2,368**	**$ 11,171**	**$ 9,326**

NOTE 7 — DEBT

As of September 30, 2017 and December 31, 2016, the Company's debt consisted of the following (in thousands):

	September 30, 2017	December 31, 2016
Senior Credit Facilities	$ —	$ 265,507
First Lien Note Facility, net of unamortized discount	198,163	—
Second Lien Note Facility, net of unamortized discount	84,129	—
2021 Notes, net of unamortized discount	197,184	196,670
Capital leases	3,242	2,209
Less: Deferred financing costs	(4,137)	(12,452)
Total Debt	**478,581**	**451,934**
Less: Current portion	(1,828)	(18,521)
Long-term debt, net of current portion	**$ 476,753**	**$ 433,413**

Debt Facilities

The Company was previously obligated under (i) a senior secured first-lien revolving credit facility in an aggregate principal amount of $75.0 million (the "Revolving Credit Facility"), (ii) a senior secured first-lien term loan B in an aggregate principal amount of $250.0 million (the "Term Loan B Facility") and (iii) a senior secured first-lien delayed draw term loan B in an aggregate principal amount of $150.0 million (the "Delayed Draw Term Loan Facility" and, together with the Revolving Credit Facility and the Term Loan B Facility, the "Senior Credit Facilities") with SunTrust Bank ("SunTrust"), Jefferies Finance LLC and Morgan Stanley Senior Funding, Inc., originally entered on July 31, 2013 and amended from time to time.

On January 6, 2017, the Company entered into a credit agreement (the "Priming Credit Agreement" and, together with the Senior Credit Facilities, the "Prior Credit Agreements") with certain existing lenders under the Senior Credit Facilities and SunTrust, as administrative agent for itself and the lenders. The Priming Credit Agreement provided an aggregate borrowing commitment of $25.0 million, which was fully drawn at closing.

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) has the ability to draw upon the Second Lien Note Facility and issue second lien delayed draw senior secured notes in an aggregate initial principal amount of $10.0 million for a period of 18 months after the Closing Date, subject to certain terms and conditions (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 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 Second Quarter 2017 Private Placement 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 will 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 will be guaranteed by joint and several guarantees from the Company's subsidiaries.

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 will be 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. 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 the 2017 Warrants to the purchasers of the Second Lien Notes pursuant to the Warrant Purchase Agreement. The 2017 Warrants entitle the purchasers of the 2017 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. The 2017

Warrants, considered a derivative and subject to remeasurement at each reporting period, are reflected in other non-current liabilities in the unaudited consolidated balance sheet. The 2017 Warrants, subsequent to a remeasurement adjustment of $1.1 million, are carried at a fair value of $18.0 million at September 30, 2017.

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 will be 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 will be secured by second priority liens on, and security interests in, substantially all of the assets of the Company and its subsidies.

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 September 30, 2017, 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.

Fair Value of Financial Instruments

The following details the carrying value and the fair value of our financial instruments (in thousands):

Financial Instrument	Carrying Value as of September 30, 2017	Markets for Identical Item (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
First Lien Note Facility	$ 198,163	$ —	$ —	$ 199,122
Second Lien Note Facility	84,129	—	—	$ 100,187
2017 Warrants	17,988	—	17,988	—
2021 Notes	197,184	—	184,138	—
Total	$ 497,464	$ —	$ 202,126	$ 299,309

The fair value hierarchy for disclosure of fair value measurements is as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2: Quoted prices, other than quoted prices included in Level 1, which are observable for the assets or liabilities, either directly or indirectly.
Level 3: Inputs that are unobservable for the assets or liabilities.

Financial assets with carrying values approximating fair value include cash and cash equivalents and accounts receivable. Financial liabilities with carrying values approximating fair value include accounts payable, and capital leases. The carrying value of these financial assets and liabilities approximates fair value due to their short maturities.

NOTE 8 — COMMITMENTS AND CONTINGENCIES

Legal Proceedings

Breach of Contract Litigation in the Delaware Court of Chancery

On November 3, 2015, Walgreen Co. and various affiliates ("Walgreens") filed a lawsuit in the Delaware Court of Chancery against the Company and certain of its subsidiaries (collectively, the "Defendants"). The complaint alleges that the Company breached certain non-compete provisions contained in the Community Pharmacy and Mail Business Purchase Agreement dated as of February 1, 2012, by and among Walgreens and certain subsidiaries and the Company and certain subsidiaries. The complaint seeks both money damages and injunctive relief. On December 7, 2015, the Defendants filed a motion to dismiss the case. Walgreens filed an answering brief on January 11, 2016, and the Defendants filed a reply on January 25, 2016. On March 11, 2016, the Court held oral argument on the Company's motion to dismiss and granted the motion, holding that Walgreens' breach of contract claims for money damages must be resolved in accordance with the 2012 Purchase Agreement's alternative dispute resolution procedure. On March 15, 2016, Walgreens informed the Court that it would not be pursuing any claims for injunctive relief in the Court at that time, but instead would engage in the required alternative dispute resolution procedure. Walgreens requested that the Court keep the case open pending the results of that process. On March 16, 2016, the Court stayed the lawsuit and removed the trial from its calendar, but did not grant Walgreens any other relief or enjoin the Company from taking any action. On December 8, 2016, the parties submitted the dispute to an arbitrator. On December 28, 2016, the arbitrator rendered its decision, finding that the Company had not violated the non-compete, except for certain limited sales of oral oncology, HIV and transplant pharmaceuticals, constituting approximately 3 percent of the total sales that Walgreens claimed were made in violation of the agreement. The arbitrator also concluded that Walgreens was not entitled to recover its lost profits or lost revenues as a result of any such sales. Despite that ruling, the arbitrator awarded Walgreens $5.8 million in damages, or approximately 20 percent of the total amount requested. On January 13, 2017, the Company filed a motion to vacate the arbitration award. On February 10, 2017, Walgreens opposed the Company's motion and filed a motion to confirm the arbitration award and for other relief. On July 19, 2017, the Court confirmed the arbitration award and denied Walgreens' request for injunctive relief. Following that decision, the parties entered into a global settlement of all disputes related to the non-compete provisions and the lawsuit was dismissed. The Company paid the settlement amount in August.

Derivative Lawsuit in the Delaware Court of Chancery

On May 7, 2015, a derivative complaint was filed in the Delaware Court of Chancery (the "Derivative Complaint") by the Park Employees' & Retirement Board Employees' Annuity & Benefit Fund of Chicago (the "Derivative Plaintiff"). The Derivative Complaint names as defendants certain current and former directors of the Company, consisting of Richard M. Smith, Myron Holubiak, Charlotte Collins, Samuel Frieder, David Hubers, Richard Robbins, Stuart Samuels and Gordon Woodward (collectively,

the "Director Defendants"), certain current and former officers of the Company, consisting of Kimberlee Seah, Hai Tran and Patricia Bogusz (collectively the "Officer Defendants"), Kohlberg & Co., L.L.C., Kohlberg Management V, L.L.C., Kohlberg Investors V, L.P., Kohlberg Partners V, L.P., Kohlberg TE Investors V, L.P., KOCO Investors V, L.P., and Jefferies LLC. The Company is also named as a nominal defendant in the Derivative Complaint. The Derivative Complaint was filed in the Delaware Court of Chancery as *Park Employees and Retirement Board Employees' Annuity and Benefit Fund of Chicago v. Richard M. Smith, Myron Z. Holubiak, Charlotte W. Collins, Samuel P. Frieder, David R. Huber, Richard L. Robbins, Stuart A. Samuels, Gordon H. Woodward, Kimberlee C. Seah, Hai V.Tran, Patricia Bogusz, Kohlberg & Co., L.L.C., Kohlberg Management V, L.L.C., Kohlberg Investors V, L.P., Kohlberg Partners V, L.P., Kohlberg TE Investors V, L.P., KOCO Investors V, L.P., Jefferies LLC and BioScrip, Inc., C.A. No. 11000-VCG (Del. Ch. Ct., May 7, 2015).*

The Derivative Complaint alleges generally that certain defendants breached their fiduciary duties with respect to the Company's public disclosures, oversight of Company operations, secondary stock offerings and stock sales. The Derivative Complaint also contends that certain defendants aided and abetted those alleged breaches. The damages sought are not quantified but include, among other things, claims for money damages, restitution, disgorgement, equitable relief, reasonable attorneys' fees, costs and expenses, and interest. The Derivative Complaint incorporates the same factual allegations from *In re BioScrip, Inc., Securities Litigation* (described below). On June 16, 2015, all defendants moved to dismiss the case. Briefing for the motion to dismiss was completed on November 30, 2015, and the court heard oral argument on the motion to dismiss on January 12, 2016. During the hearing, the court requested additional briefing, which was completed on February 12, 2016. On May 31, 2016, the court determined that the Derivative Plaintiff's claims could not proceed as pled but granted the Derivative Plaintiff thirty days in which to make a motion to amend the Derivative Complaint. The court reserved decision on the motion to dismiss and on June 29, 2016, the Derivative Plaintiff filed a motion for leave to file an amended complaint. On October 10, 2016, all defendants moved to dismiss the amended complaint and the Court heard oral argument on January 19, 2017. On April 18, 2017, the Court granted the defendants' motion to dismiss. Plaintiffs filed a notice of appeal on May 12, 2017 and the matter was fully briefed as of August 24, 2017.

The Company, Director Defendants and the Officer Defendants deny any allegations of wrongdoing in this lawsuit. The Company and those persons believe all of the claims in this lawsuit are without merit and intend to vigorously defend against these claims. However, there is no assurance that the defense will be successful or that insurance will be available or adequate to fund any settlement, judgment or litigation costs associated with this action. Certain of the defendants have sought indemnification from the Company pursuant to certain indemnification agreements, for which there may be no insurance coverage. Additional similar lawsuits may be filed. The Company is unable to predict the outcome or reasonably estimate a range of possible loss at this time. While no assurance can be given as to the ultimate outcome of this matter, the Company believes that the final resolution of this action is not likely to have a material adverse effect on results of operations, financial position, liquidity or capital resources.

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 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.

NOTE 9 — CONCENTRATION OF RISK

Customer and Credit Concentration Risk

The Company provides trade credit to its customers in the normal course of business. One commercial payor, United Healthcare, accounted for approximately 18.1% and 24.1% of revenue during the three months ended September 30, 2017 and 2016, respectively, and approximately 21.0% and 24.8% of revenue during the nine months ended September 30, 2017 and 2016, respectively. This contract, exclusive of certain provisions, terminated effective September 30, 2017. In addition, Medicare accounted for approximately 9.9% and 7.6% of revenue during the three months ended September 30, 2017 and 2016, respectively, and 7.9% and 7.7% of revenue during the nine months ended September 30, 2017 and 2016.

Therapy Revenue Concentration Risk

The Company sells products related to the Immune Globulin therapy, which represented 21.3% and 19.1% of revenue for the three months ended September 30, 2017 and 2016, respectively, and 21.5% and 17.8% of revenue for the nine months ended September 30, 2017 and 2016.

NOTE 10 — INCOME TAXES

The Company's federal and state income tax provision from continuing operations for the three months and nine months ended September 30, 2017 and 2016 is summarized in the following table (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	**2016**	**2017**	**2016**
Current				
Federal	$ (925)	$ —	$ (925)	$ —
State	378	118	528	143
Total current	**(547)**	**118**	**(397)**	**143**
Deferred				
Federal	515	268	1,523	393
State	92	35	271	57
Total deferred	**607**	**303**	**1,794**	**450**
Total income tax expense	**$ 60**	**$ 421**	**$ 1,397**	**$ 593**

The income tax expense recognized for the three months and nine months ended September 30, 2017 is a result of an increase in the deferred tax liability, partially offset by a receivable recognized upon the acceleration of an existing Alternative Minimum Tax credit.

The Company's reconciliation of the statutory rate from continuing operations to the effective income tax rate for the three months and nine months ended September 30, 2017 and 2016 is summarized as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	**2016**	**2017**	**2016**
Tax benefit at statutory rate	$ (4,307)	$ (3,730)	$ (20,543)	$ (10,002)
State tax expense, net of federal taxes	378	131	528	134
Alternative minimum tax receivable	(925)	—	(925)	—
Valuation allowance changes affecting income tax provision	4,876	4,967	22,194	10,282
Non-deductible transaction costs and other	38	(947)	143	179
Income tax expense	**$ 60**	**$ 421**	**$ 1,397**	**$ 593**

At September 30, 2017, the Company had Federal net operating loss ("NOL") carry forwards of approximately $389.1 million, of which $13.6 million is subject to an annual limitation, which will begin expiring in 2026 and later. The Company has post-apportioned state NOL carry forwards of approximately $432.8 million, the majority of which will begin expiring in 2017 and later.

NOTE 11 — STOCK-BASED COMPENSATION

BioScrip Equity Incentive Plans

Under the Company's Amended and Restated 2008 Equity Incentive Plan (the "2008 Plan"), the Company may issue, among other things, incentive stock options, non-qualified stock options, stock appreciation rights ("SARs"), restricted stock grants, restricted stock units, performance shares and performance units to key employees and directors. While SARs are authorized under the 2008 Plan, they may also be issued outside of the plan. The 2008 Plan is administered by the Company's Management Development and Compensation Committee (the "Compensation Committee"), a standing committee of the Board of Directors.

On November 30, 2016, at a special meeting, the stockholders approved (i) an amendment to the Company's Second Amended and Restated Certificate of Incorporation to increase the number of shares of Common Stock that the Company is authorized to issue from 125 million shares to 250 million shares (the "Charter Amendment"); (ii) an amendment to the 2008 Plan to (a) increase the number of shares of Common Stock in the aggregate that may be subject to awards by 5,250,000 shares, from 9,355,000 to 14,605,000 shares and (b) increase the annual grant caps under the Company's 2008 Plan from 500,000 Options, 500,000 Stock Appreciation Rights and 350,000 Stock Grants and Restricted Stock Units that are intended to comply with the requirements of Section 162(m) of the Code to a cap of no more than a total of 3,000,000 Options, Stock Appreciation Rights, Stock Grants and Restricted Stock Units that are intended to comply with the requirements of Section 162(m) of the Code combined; and (iii) if necessary, an adjournment of the Stockholders' Meeting if there were insufficient votes in favor of the Charter Amendment.

As of September 30, 2017, 4,524,890 shares remain available for grant under the 2008 Plan.

Stock Options

The Company recognized compensation expense related to stock options of $0.1 million and $1.0 million during the three months ended September 30, 2017 and 2016, respectively, and $0.8 million and $2.7 million during the nine months ended September 30, 2017 and 2016, respectively.

Restricted Stock

The Company recognized $0.4 million of compensation expense related to restricted stock awards during the three months ended September 30, 2017 and 2016 and $0.6 million and $0.4 million of compensation expense during the nine months ended September 30, 2017 and 2016, respectively.

Stock Appreciation Rights and Market Based Cash Awards

The Company recognized nominal amounts of compensation expense related to stock appreciation rights during the three months ended September 30, 2017 and 2016, and nominal and $0.1 million of compensation expense during the nine months ended September 30, 2017 and 2016, respectively.

The Company recognized nominal compensation expense related to market based cash awards during the three months ended September 30, 2017 and 2016 and $0.1 million of compensation expense during nine months ended September 30, 2017 and 2016.

Employee Stock Purchase Plan

On May 7, 2013, the Company's stockholders approved the BioScrip, Inc. Employee Stock Purchase Plan (the "ESPP"). The ESPP is administered by the Compensation Committee. 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. The Company filed a Registration Statement on Form S-8 to register 750,000 shares of Common Stock, par value $0.0001 per share, for issuance under the ESPP.

As of September 30, 2017, 101,969 shares remained available for grant under the ESPP. Since inception, the ESPP's third-party service provider has purchased 648,031 shares on the open market and delivered these shares to the Company's employees pursuant to the ESPP. The Company incurred nominal expense during the three months ended September 30, 2017 and 2016, and just over $0.1 million during the nine months ended September 30, 2017 and 2016, related to the ESPP.

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, 2016 (the "Annual Report") filed with the U.S. Securities and Exchange Commission ("SEC"), as well as our Unaudited 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 successfully integrate the HS Infusion Holdings, Inc. ("Home Solutions") business into our existing businesses;
- our ability to make principal and interest payments on our debt and satisfy the other covenants contained in our debt agreements;
- 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 potential legislative and regulatory changes impacting the level of reimbursement received from the Medicare and state Medicaid programs;
- periodic reviews and billing audits from governmental 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 acquisition and growth strategy; and
- our ability to successfully integrate other 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 increased 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 Facility (as defined below) and unsecured notes indenture;
- risks associated with our issuance of Preferred Stock and warrants to Coliseum Capital Partners L.P., Coliseum Capital Partners II, L.P., and Blackwell Partners, LLC;
- risks associated with the exchanges of our Preferred Stock;
- risks associated with our issuance of the 2017 Warrants (as defined below);
- risks associated with the First Quarter 2017 Private Placement and the Second Quarter 2017 Private Placement (each as defined below);
- risks associated with the Notes Facilities (as defined below);
- risks associated with our issuance of common stock in the 2016 Equity Offering (as defined below);
- 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;
- reductions in federal and state reimbursement for our products and services;
- delays or suspensions of Federal and state payments for services provided;
- efforts to reduce healthcare costs and alter health care financing;
- effects of the 21st Century Cures Act (the "Cures Act"), the Patient Protection and Affordable Care Act ("PPACA"), any repeal or amendment thereof, and the Health Care and Education Reconciliation Act of 2010, which amended PPACA, and the related accountable care organizations;
- existence of complex laws and regulations relating to our business;
- 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;
- the UnitedHealthcare contract termination, including potential accounting charges and impacts on other contract provisions and their associated revenue;
- introduction of new drugs, which can cause prescribers to adopt therapies for existing 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 solutions. We partner with physicians, hospital systems, skilled nursing facilities, and healthcare payors to provide patients access to post-acute care services. We operate with a commitment to bring customer-focused 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. As of the filing of this Quarterly Report, we have a total of 66 service locations in 27 states.

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 our 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, and accordingly, we do not present disaggregated segment information.

Strategic Assessment and Transactions

We regularly examine our business operations, assess our market strengths, and compare our position to that of our competitors. As a result, we have focused our growth on investments in the Infusion Services business, which remains the primary driver of our growth strategy. Transactions executed to further strengthen our position in the Infusion Services business include:

- On August 27, 2015, we completed the sale of substantially all of our pharmacy benefit management services segment (the "PBM Business") pursuant to an Asset Purchase Agreement dated as of August 9, 2015 (the "PBM Asset Purchase

Agreement"), by and among the Company, BioScrip PBM Services, LLC and ProCare Pharmacy Benefit Manager Inc. (the "PBM Buyer"). Under the PBM Asset Purchase Agreement, the PBM Buyer agreed to acquire substantially all of the assets used solely in connection with the PBM Business and to assume certain PBM Business liabilities (the "PBM Sale"). On the closing date, pursuant to the terms of the PBM Asset Purchase Agreement, we received total cash consideration of approximately $24.6 million, including an adjustment for estimated closing date net working capital. On October 20, 2015, we finalized working capital adjustment negotiations in relation to the PBM Sale whereby we agreed to repay approximately $1.0 million to the PBM Buyer. We used the net proceeds from the PBM Sale to pay down a portion of our outstanding debt.

- On September 9, 2016, we acquired substantially all of the assets and assumed certain liabilities of Home Solutions and its subsidiaries (the "Home Solutions Transaction") pursuant to an Asset Purchase Agreement dated June 11, 2016 (as amended, the "Home Solutions Agreement"), by and among Home Solutions, a Delaware corporation, certain subsidiaries of Home Solutions, the Company and HomeChoice Partners, Inc., a Delaware corporation. Home Solutions, a privately held company, provides home infusion and home nursing products and services to patients suffering from chronic and acute medical conditions.

Regulatory Matters Update

Approximately 19.2% and 14.0% of revenue for the three months ended September 30, 2017 and 2016, respectively, and approximately 17.1% and 16.1% of revenue for the nine months ended September 30, 2017 and 2016 was derived directly from Medicare, state Medicaid programs and other government payors. We also provide services to beneficiaries of Medicare, Medicaid and other government-sponsored healthcare programs indirectly 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 nine months ended September 30, 2017, 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.

Given the reimbursement pressures, we continue 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.

States are also in the process of determining whether to expand their Medicaid programs as permitted by the Patient Protection and Affordable Care Act, or PPACA. We cannot predict the impact of these decisions, but they may have a material impact on net revenues or income from continuing operations.

Medicare

There have been recent federal efforts to reduce Medicare spending. Congress passed the PPACA, followed by the Health Care and Education Reconciliation Act of 2010, which amended PPACA. In August 2011, Congress passed a deficit reduction agreement that created a committee tasked with proposing legislation to reduce the federal deficit by November 23, 2011. Because the committee did not act, automatic Medicare cuts were scheduled to go into effect January 1, 2013. However, Congress passed legislation extending the time for such cuts by three months. Thus, Medicare reimbursement to providers was reduced overall by 2% (as part of sequestration) beginning April 1, 2013. In addition, the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 established requirements for a competitive bidding program for determining Medicare reimbursement rates for certain items of durable medical equipment, prosthetics, orthotics and supplies ("DMEPOS"), including enteral nutrients, supplies and equipment, certain respiratory therapy and home medical equipment products and external infusion pumps and supplies.

We are contract suppliers under the Round 1 Recompete, which included nine competitive bidding areas ("CBAs") and six product categories, including external infusion pumps, and expired on December 31, 2016, and Round 2 of competitive bidding, which was conducted in 100 additional CBAs for eight product categories, including enteral nutrition, and expired on June 30,

2016. We have entered into strategic relationships in the CBAs in which we were not awarded contracts for such periods. We were not awarded any contracts in Round 2 Recompete, which went into effect July 1, 2016 and includes 117 CBAs, comprising the same geographic area as the second round of competitive bidding, and seven product categories, including enteral nutrition. Our revenue may decrease unless and until we are able to provide Medicare beneficiaries with competitively bid items in the applicable CBAs but any negative impact has been immaterial.

Medicare currently covers home infusion therapy for selected therapies primarily through the durable medical equipment benefit. The Cures Act, enacted by Congress in December of 2016, creates a new payment system for certain home infusion therapy services paid under Medicare Part B. The Cures Act significantly reduces the amount paid by Medicare for the drug costs, and also provides for the implementation of a clinical services payment. That services payment does not take effect until 2021.

Approximately 9.9% and 7.9% of revenue for the three months and nine months ended September 30, 2017 was derived from Medicare, respectively.

Critical Accounting Estimates

Our Unaudited Consolidated Financial Statements have been prepared in accordance with United States generally accepted accounting principles ("GAAP"). In preparing our financial statements, we are required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. As a result, actual results could differ from these estimates.

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 changes to critical accounting estimates in the nine months ended September 30, 2017. For a full description of our accounting policies please refer to Management's Discussion and Analysis of Financial Condition and Results of Operations in the Annual Report.

Collectability of Accounts Receivable

The following table sets forth the aging of our net accounts receivable (net of allowance for contractual adjustments, and prior to allowance for doubtful accounts), aged based on date of service and categorized based on the three primary overall types of accounts receivable characteristics (in thousands):

	September 30, 2017			**December 31, 2016**		
	0 - 180 days	**Over 180 days**	**Total**	**0 - 180 days**	**Over 180 days**	**Total**
Government	$ 18,566	$ 7,897	$ 26,463	$ 19,891	$ 8,278	$ 28,169
Commercial	72,744	22,603	95,347	97,744	19,848	117,592
Patient	3,440	10,785	14,225	3,955	6,825	10,780
Gross accounts receivable	**$ 94,750**	**$ 41,285**	**136,035**	**$ 121,590**	**$ 34,951**	**156,541**
Allowance for doubtful accounts			(46,820)			(44,730)
Net accounts receivable			**$ 89,215**			**$ 111,811**

Results of Operations

The following consolidated statements have been derived from our unaudited consolidated financial statements included in this Quarterly Report on Form 10-Q. The discussion set forth below compares our results of operations for the three months and nine months ended September 30, 2017 with the results of operations for the corresponding periods in 2016.

Three months ended September 30, 2017 compared to three months ended September 30, 2016

	Three Months Ended September 30, (in thousands)		As a Percentage of Revenue	
	2017	**2016**	**2017**	**2016**
Net revenue	$ 198,692	$ 224,542	100.0 %	100.0 %
Gross profit, excluding depreciation expense	67,176	62,585	33.8 %	27.9 %
Other operating expenses	38,325	42,729	19.3 %	19.0 %
Bad debt expense	6,600	7,727	3.3 %	3.4 %
General and administrative expenses	9,784	9,948	4.9 %	4.4 %
Restructuring, acquisition, integration, and other expenses, net	4,037	2,368	2.0 %	1.1 %
Depreciation and amortization expense	6,552	4,166	3.3 %	1.9 %
Interest expense	13,175	9,331	6.6 %	4.2 %
Change in fair value of equity linked liabilities	1,080	—	0.5 %	— %
Gain on dispositions	(33)	(3,015)	— %	(1.3)%
Loss from continuing operations, before income taxes	(12,344)	(10,669)	(6.2)%	(4.8)%
Income tax expense	60	421	— %	0.2 %
Loss from continuing operations, net of income taxes	(12,404)	(11,090)	(6.2)%	(4.9)%
(Loss) income from discontinued operations, net of income taxes	(113)	(174)	(0.1)%	(0.1)%
Net loss	$ (12,517)	$ (11,264)	(6.3)%	(5.0)%

Net Revenue. Net revenue for the three months ended September 30, 2017 decreased $25.9 million, or 11.5%, to $198.7 million, compared to net revenue of $224.5 million for the same period in 2016. The decrease in net revenue primarily reflects the Company's shift in strategy to focus on growing its core revenue mix, the impact of the Cures Act, and the impact of the UnitedHealthcare contract transition.

Gross Profit, Excluding Depreciation Expense. Gross profit consists of revenue less cost of revenue. The cost of revenue primarily includes the costs of prescription medications, supplies, nursing services, shipping and other direct and indirect costs. The increase in gross profit of $4.6 million or 7.3% for the three months ended September 30, 2017 as compared to the same period in 2016 was primarily driven by an improved mix of higher margin core therapy revenues versus lower margin non-core therapy revenues, including the impact of the United Healthcare transition, coupled with decreased cost of prescription medicines as a result of improved supply chain management. Gross profit as a percentage of revenue improved by 5.9% for the three months ended September 30, 2017 as compared to the same period in 2016.

Other Operating Expenses. Other 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. Other operating expenses for the three months ended September 30, 2017 decreased $4.4 million or 10.3% compared to the same period in 2016 as a result of decreased wage, benefit, and other employee costs associated with operational restructuring and workforce optimization.

Bad Debt Expense. The $1.1 million decrease in bad expense during the three months ended September 30, 2017 as compared to the same period in 2016 is the result of lower revenue during the current period. Bad debt expense as a percentage of revenue was 3.3% for the three months ended September 30, 2017 as compared to 3.4% during the same period in 2016.

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 decrease of $0.2 million or 1.6% in general and administrative expenses during the three months ended September 30, 2017 as compared to the same period in 2016, resulted from decreases in variable compensation expenses and professional service fees.

Restructuring, Acquisition, Integration, and Other Expenses, Net. The restructuring, acquisition, integration, and other expenses, net, excluding the impact of the reversal of the contingent consideration liability during the three months ended September 30, 2016 of $4.7 million, decreased by $3.0 million or 42.9% during the three months ended September 30, 2017 as the acquisition of Home Solutions during the three months ended September 30, 2016 resulted in significantly higher acquisition costs. The 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 including actions addressing the UnitedHealthcare contract transition which was completed during the three months ended September 30, 2017.

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. During the three months ended September 30, 2017 and 2016, we recorded depreciation expense of $3.7 million and $3.4 million, respectively, and amortization expense of intangibles of $2.8 million and $0.7 million, respectively. The increase in depreciation expense in the three months ended September 30, 2017 as compared to the same period in 2016 is the result of the acquisition Home Solutions' property and equipment. The increase in amortization expense is attributable to the corresponding increase in intangible assets associated with the acquisition of Home Solutions in the third quarter of 2016.

Interest Expense. Interest expense consists of interest expense and deferred financing costs net of interest income. During the three months ended September 30, 2017 and 2016, we recorded interest expense of $13.2 million and $9.3 million, respectively, including $1.7 million and $1.0 million of amortization of deferred financing costs, respectively. The increase in interest expense during the three months ended September 30, 2017 as compared to the same period in 2016 is the result of the changes in debt structure attributable to the now extinguished Sixth Amendment to the Senior Credit Facilities (see Note 7 - Debt).

Loss (Gain) on Dispositions. Gain on dispositions is nominal during the three months ended September 30, 2017. Gain on dispositions during the three months ended September 30, 2016 includes $3.0 million related to the sale of our Hepatitis C business.

Change in Fair Value of Equity Linked Liabilities. The change in the fair value of equity linked liabilities of $1.1 million during the three months ended September 30, 2017 represents the mark to market adjustment associated with the issuance of the 2017 Warrants in connection with the Second Lien Note Facility (see Note 7 - Debt).

Income Tax Expense. The 2017 income tax expense includes a federal tax benefit of $4.3 million and a $0.9 million receivable recognized upon the acceleration of an existing Alternative Minimum Tax credit, partially offset by a $4.9 million adjustment related to deferred tax asset valuation allowances, inclusive of a deferred tax liability for an indefinite-lived asset of $0.7 million, and state tax expense of $0.4 million. The income tax benefit of $0.4 million for the three months ended September 30, 2016 includes a federal tax benefit of $3.7 million, partially offset by other permanent items of $0.9 million, a $5.0 million adjustment to deferred tax asset valuation allowances and insignificant state tax expense.

Nine months ended September 30, 2017 compared to nine months ended September 30, 2016

	Nine Months Ended September 30, (in thousands)		As a Percentage of Revenue	
	2017	2016	2017	2016
Net revenue	$ 634,608	$ 695,466	100.0 %	100.0 %
Gross profit, excluding depreciation expense	201,070	190,981	31.7 %	27.5 %
Other operating expenses	125,169	123,006	19.7 %	17.7 %
Bad debt expense	19,987	19,598	3.1 %	2.8 %
General and administrative expenses	29,287	30,413	4.6 %	4.4 %
Restructuring, acquisition, integration, and other expenses, net	11,171	9,326	1.8 %	1.3 %
Depreciation and amortization expense	20,329	12,956	3.2 %	1.9 %
Interest expense	38,635	28,212	6.1 %	4.1 %
Change in fair value of equity linked liabilities	1,080	—	0.2 %	— %
Loss on extinguishment of debt	13,453	—	2.1 %	— %
(Gain) loss on dispositions	652	(3,954)	0.1 %	(0.6)%
Loss from continuing operations, before income taxes	(58,693)	(28,576)	(9.2)%	(4.1)%
Income tax expense	1,397	593	0.2 %	0.1 %
Loss from continuing operations, net of income taxes	(60,090)	(29,169)	(9.5)%	(4.2)%
(Loss) income from discontinued operations, net of income taxes	(1,053)	134	(0.2)%	— %
Net loss	$ (61,143)	$ (29,035)	(9.6)%	(4.2)%

Net Revenue. Net revenue for the nine months ended September 30, 2017 decreased $60.9 million, or 8.8%, to $634.6 million, compared to net revenue of $695.5 million for the same period in 2016. The decrease in net revenue primarily reflects the Company's shift in strategy to focus on growing its core revenue mix, the impact of the Cures Act, and the impact of the UnitedHealthcare contract transition.

Gross Profit, Excluding Depreciation Expense. Gross profit consists of revenue less cost of revenue. The cost of revenue primarily includes the costs of prescription medications, supplies, nursing services, shipping and other direct and indirect costs. The increase in gross profit of $10.1 million or 5.3% for the nine months ended September 30, 2017 as compared to the same period in 2016 was primarily driven by an improved mix of higher margin core therapy revenues versus lower margin non-core therapy revenues, including the impact of the United Healthcare transition, coupled with decreased cost of prescription medicines as a result of improved supply chain management. Gross profit as a percentage of revenue improved by 4.2% for the nine months ended September 30, 2017 as compared to the same period in 2016.

Other Operating Expenses. Other 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. Other operating expenses for the nine months ended September 30, 2017 increased $2.2 million or 1.8% compared to the same period in 2016 due to increased wage, benefit, and other employee costs associated with the Home Solutions Transaction on September 9, 2016, partially offset by decreased wage, benefit, and other employee costs as a result of integration, restructuring, and other workforce optimization efforts.

Bad Debt Expense. Bad debt expense increase $0.4 million during the nine months ended September 30, 2017 as compared to the same period in 2016, despite a revenue decrease during the current period. The increase was the result of a change in estimate for the allowance for doubtful accounts during the nine months ended September 30, 2016 due to improved collection experience. Bad debt expense as a percentage of revenue was 3.1% for the nine months ended September 30, 2017 as compared to 2.8% during the same period in 2016.

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 decrease in general and administrative expenses of $1.1 million or 3.7% resulted from reductions in the number of corporate personnel and their associated wage and benefits costs, as well as decreases in professional service fees.

Restructuring, Acquisition, Integration, and Other Expenses, Net. The restructuring, acquisition, integration, and other expenses, net, excluding the impact of reversal of the contingent consideration liability during the nine months ended September 30, 2016 of $4.6 million, decreased by $2.8 million or 19.8% during the nine months ended September 30, 2017 as the acquisition of Home Solutions during the nine months ended September 30, 2016 resulted in significantly higher acquisition costs. The 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, including actions addressing the UnitedHealthcare contract transition which was completed during the nine months ended September 30, 2017.

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. During the nine months ended September 30, 2017 and 2016, we recorded depreciation expense of $11.1 million and $10.6 million, respectively, and amortization expense of intangibles of $9.2 million and $2.3 million, respectively. The increase in depreciation expense during the nine months ended September 30, 2017 as compared to the same period in 2016 is attributable to increases in property and equipment associated with the Home Solutions Transaction. The increase in amortization expense is attributable to the corresponding increase in intangible assets associated with the acquisition of Home Solutions in the third quarter of 2016.

Interest Expense. Interest expense consists of interest expense and amortization of deferred financing costs, net of interest income. During the nine months ended September 30, 2017 and 2016, we recorded interest expense of $38.6 million and $28.2 million, respectively, including $4.6 million and $2.9 million of amortization of deferred financing costs, respectively. The increase in interest expense during the nine months ended September 30, 2017 as compared to the same period in 2016 is the result of the changes in debt structure attributable to the now extinguished Sixth Amendment to the Senior Credit Facilities (see Note 7 - Debt).

Change in Fair Value of Equity Linked Liabilities. The change in the fair value of equity linked liabilities of $1.1 million during the nine months ended September 30, 2017 represents the mark to market adjustment associated with the issuance of the 2017 Warrants in connection with the Second Lien Note Facility (see Note 7 - Debt).

Loss on Extinguishment of Debt. The loss on extinguishment of debt of $13.5 million during the nine months ended September 30, 2017 is attributable to the Company's entry into the Notes Facilities and the associated extinguishment of the Senior Credit Facilities and the Prior Credit Agreements (see Note 7 - Debt).

Loss (Gain) on Dispositions. Loss on dispositions of $0.7 million during the nine months ended September 30, 2017 is the result of the Company's write-off of certain assets associated with a software system no longer used in operations. Gain on dispositions during the nine months ended September 30, 2016 consists of $3.0 million related to the sale of our Hepatitis C business and $0.9 million related to the sale of the Infusion Services center in Pittsburgh, Pennsylvania in the first quarter of 2016.

Income Tax Expense (Benefit). The 2017 income tax expense of $1.4 million includes a federal tax benefit of $20.5 million and a $0.9 million receivable recognized upon the acceleration of an existing Alternative Minimum Tax credit, offset by $0.5 million state tax expense, a $22.2 million adjustment related to deferred tax asset valuation allowances, inclusive of a deferred tax liability for an indefinite-lived asset of $1.8 million, and other permanent items of $0.1 million. The nominal income tax expense for the nine months ended September 30, 2016 includes a federal tax benefit of $10.0 million and an insignificant state tax benefit, partially offset by a $10.3 million adjustment to deferred tax asset valuation allowances and transaction costs of $0.2 million.

Non-GAAP Measures

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

Consolidated 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 Non-GAAP 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 September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
	(in thousands)		(in thousands)	
Loss from continuing operations, net of income taxes	(12,404)	(11,090)	(60,090)	(29,169)
Interest expense	(13,175)	(9,331)	(38,635)	(28,212)
Change in fair value of equity linked liabilities	(1,080)	—	(1,080)	—
Gain (loss) on dispositions	33	3,015	(652)	3,954
Loss on extinguishment of debt	—	—	(13,453)	—
Income tax expense	(60)	(421)	(1,397)	(593)
Depreciation and amortization expense	(6,552)	(4,166)	(20,329)	(12,956)
Stock-based compensation expense	(545)	(1,358)	(1,573)	(3,347)
Restructuring, acquisition, integration, and other expenses, net	(4,037)	(2,368)	(11,171)	(9,326)
Consolidated Adjusted EBITDA	**$ 13,012**	**$ 3,539**	**$ 28,200**	**$ 21,311**

Consolidated Adjusted EBITDA increased during the three months and nine months ended September 30, 2017 compared to the same period of the prior year primarily due to increased gross profit resulting from improved gross profit margins driven by increased core revenue mix and supply chain management, as well as restructuring efforts which optimized operations.

Liquidity and Capital Resources

Sources and Uses of Funds

Net cash used in operating activities from continuing operations totaled $4.3 million during the nine months ended September 30, 2017 compared to $32.5 million during the nine months ended September 30, 2016, a $28.1 million improvement. Excluding interest payments, which increased by $8.3 million, operational cash flow improved by $36.4 million as a result of improved operating performance and working capital management.

Net cash used in investing activities from continuing operations during the nine months ended September 30, 2017 was $10.0 million compared to $71.4 million in cash used during the same period in 2016. The decrease occurred as the nine months ended September 30, 2016 saw the acquisition of Home Solutions, while the nine months ended September 30, 2017 saw restrictions on cash required to collateralize letters of credit issued under the Senior Credit Facilities totaling $5.0 million.

Net cash provided by financing activities from continuing operations during the nine months ended September 30, 2017 was $44.3 million compared to $97.2 million in cash provided by financing activities during the same period in 2016. The cash provided

by financing activities during the nine months ended September 30, 2017, includes the net proceeds of approximately $20.8 million from the First Quarter 2017 Private Placement and Second Quarter 2017 Private Placement (each defined below), $23.1 million from the Priming Credit Agreement, $294.4 million from the Notes Facilities, and advances on the Revolving Credit Facility (as defined below) of $0.6 million, offset by repayments of $55.9 million on our Revolving Credit Facility and by $236.8 million of principal payments made on the Term Loan Facility and the Priming Credit Agreement.

At September 30, 2017, we had working capital of $81.1 million, including $33.0 million of cash on hand, compared to working capital of $45.7 million at December 31, 2016. The $35.4 million increase in working capital results primarily from the increase in our cash and cash equivalents and restricted cash of $28.4 million attributable to operating cash flow improvements, the net proceeds received from the Notes Facilities, the First Quarter 2017 Private Placement and the Second Quarter 2017 Private Placement. Additional liquidity of $10.0 million is provided by the delayed draw capacity in our Second Lien Note Facility described below. At September 30, 2017, we had outstanding letters of credit totaling $4.8 million, collateralized by restricted cash of $5.0 million.

Debt Facilities

The Company was previously obligated under (i) a senior secured first-lien revolving credit facility in an aggregate principal amount of $75.0 million (the "Revolving Credit Facility"), (ii) a senior secured first-lien term loan B in an aggregate principal amount of $250.0 million (the "Term Loan B Facility") and (iii) a senior secured first-lien delayed draw term loan B in an aggregate principal amount of $150.0 million (the "Delayed Draw Term Loan Facility" and, together with the Revolving Credit Facility and the Term Loan B Facility, the "Senior Credit Facilities") with SunTrust Bank, Jefferies Finance LLC and Morgan Stanley Senior Funding, Inc., originally entered on July 31, 2013 and amended from time to time.

On January 6, 2017, the Company entered into a credit agreement (the "Priming Credit Agreement" and, together with the Senior Credit Facilities, the "Prior Credit Agreements") with certain existing lenders under the Senior Credit Facilities and SunTrust, as administrative agent for itself and the lenders. The Priming Credit Agreement provides an aggregate borrowing commitment of $25.0 million, which was fully drawn at closing.

On June 29, 2017, 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) has the ability to draw upon the Second Lien Note Facility and issue second lien delayed draw senior secured notes in an aggregate initial principal amount of $10.0 million for a period of 18 months after the Closing Date, subject to certain terms and conditions (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 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 pursuant to the Note Facilities to repay in full all amounts outstanding under the Prior Credit Agreements. Each of the Prior Credit Agreements was terminated following such repayment. The Company used the remaining proceeds of $15.9 million of the Notes Facilities, net of $0.2 million in associated costs, and the Second Quarter 2017 Private Placement 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 will 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 will be guaranteed by joint and several guarantees from the Company's subsidiaries.

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 will be 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. 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.

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 will be 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 will be secured by second priority liens on, and security interests in, substantially all of the assets of the Company and its subsidies.

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.

First Quarter 2017 Private Placement

On March 1, 2017, the Company entered into a Stock Purchase Agreement (the "First Quarter Stock Purchase Agreement") with Venor Capital Master Fund Ltd., Map 139 Segregated Portfolio of LMA SPC, Venor Special Situations Fund II LP and Trevithick LP (the "First Quarter Stockholders"). Pursuant to the First Quarter Stock Purchase Agreement, the Company sold an aggregate of 3.3 million shares of its common stock (the "First Quarter Shares") for aggregate gross proceeds of approximately $5.1 million in a private placement transaction (the "First Quarter 2017 Private Placement"). The purchase price for each Share was $1.5366, which was negotiated between the Company and the Stockholders based on the volume-weighted average price of the Company's common stock on the NASDAQ Global Market on March 1, 2017. Proceeds from the First Quarter 2017 Private Placement will be used for working capital and general corporate purposes.

2017 Warrants

In connection with the Second Lien Note Facility (as defined below), the Company will also issue warrants (the "2017 Warrants") to the purchasers of the Second Lien Notes (as defined below) pursuant to a Warrant Purchase Agreement dated as of June 29, 2017 (the "2017 Warrant Purchase Agreement"). The 2017 Warrants entitle the purchasers of the 2017 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 "2017 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 (as defined below) (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 is subject to adjustments 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 Warrant, 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 unaudited consolidated balance sheet 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, subsequent to a remeasurement adjustment of $1.1 million, is $18.0 million at September 30, 2017.

Second Quarter 2017 Private Placement

On June 29, 2017, the Company entered into a Stock Purchase Agreement (the "Second Quarter Stock Purchase Agreement") with a fund managed by Ares Management L.P. ("Ares" or the "Second Quarter Stock Purchaser"). Pursuant to the terms of the Second Quarter Stock Purchase Agreement, the Company issued and sold to the Second Quarter Stock Purchaser in a private placement (the "Second Quarter 2017 Private Placement") 6,359,350 shares of Common Stock (the "Second Quarter Shares") at a price of $2.50 per share, for proceeds of approximately $15.9 million, net of $0.2 million in associated costs.

Second Quarter Registration Rights Agreement

In connection with the 2017 Warrants and the Second Quarter 2017 Private Placement, the Company entered into a Registration Rights Agreement (the "Second Quarter 2017 Registration Rights Agreement") with the holders of the 2017 Warrants and the Second Quarter Stock Purchaser. Pursuant to the Second Quarter 2017 Registration Rights Agreement, subject to certain exceptions, the Company is required, upon the request of the Second Quarter Stock Purchaser and holders of the 2017 Warrants, to register the resale of the Second Quarter Shares and the shares of Common Stock issuable upon exercise of the 2017 Warrants. Pursuant to the terms of the Second Quarter 2017 Registration Rights Agreement, these registration rights will not become effective until twelve months after the Closing Date, and the costs incurred in connection with such registrations will be borne by the Company.

Income Taxes

At September 30, 2017, we had Federal net operating loss ("NOL") carry forwards of approximately $389.1 million, of which $13.6 million is subject to an annual limitation, which will begin expiring in 2026 and later. We have post-apportioned state NOL carry forwards of approximately $432.8 million, the majority of which will begin expiring in 2017 and later.

Future Cash Requirements

Net cash used in operating activities from continuing operations totaled $4.3 million during the nine months ended September 30, 2017. Our working capital increased $35.4 million as of September 30, 2017 compared to December 31, 2016, primarily as a result of an increase in our cash and cash equivalents of $23.4 million attributable to the net proceeds received from the 2017 Private Placement and the Priming Credit Agreement. At September 30, 2017, we had $33.0 million of unrestricted cash on hand and, until December 2018, $10.0 million of delayed draw capacity under the Second Lien Notes Facility to supplement our working capital needs.

If we cannot successfully execute our strategic plans we will likely require additional or alternative sources of liquidity, including additional borrowings.

On June 29, 2017, we entered into the Notes Facilities pursuant to which we issued new senior secured notes and refinanced our existing senior secured credit facilities. Please refer to "Debt Facilities" in this section.

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, the sale of assets or refinancing all or a portion of our indebtedness. However, there is no assurance that, if necessary, we would be able to raise capital to provide required liquidity.

Additionally, we will pursue our operational and strategic plan and will also review a range of strategic alternatives, which could include, among other things, transitioning chronic therapies to alliance partners, a potential sale or merger of our company, or continuing to pursue our operational and strategic plan. Additionally, we may pursue joint venture arrangements, additional business acquisitions and other transactions designed to expand our business.

As of the filing of this Quarterly Report, we expect that our cash on hand and cash from operations 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 are not required until September 30, 2019.

The accompanying unaudited consolidated financial statements have been prepared on a going concern basis, which contemplates realization of assets and satisfaction of liabilities in the ordinary course of business. As such, they do not include any adjustments to the recoverability and reclassification of recorded amounts that might be necessary should we be unable to continue as a going concern.

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

There have been no material changes to our exposure to market risk since the 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 September 30, 2017. Based on that evaluation, the Company's Chief Executive Officer and its Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective as of September 30, 2017.

Changes in Internal Control Over Financial Reporting

There have been no changes in our internal control over financial reporting that occurred during the three months ended September 30, 2017 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 7 within the financial statements section of this document.

Item 1A. ***Risk Factors***

The risk factors disclosed in "Item 1A. Risk Factors" included in our Annual Report on Form 10-K for the year ended December 31, 2016 are hereby incorporated by reference.

Item 5. ***Other Information***

None.

Item 6. ***Exhibits***

(a) Exhibits.

Exhibit Number	Description
2.1+	Asset Purchase Agreement, dated June 11, 2016, by and among HS Infusion Holdings, Inc., the direct and indirect subsidiaries of HS Infusion Holdings, Inc. set forth on the signature pages, the Company and HomeChoice Partners, Inc. (the "Home Solutions Agreement") (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed on June 13, 2016, SEC File Number 000-28740).
2.2	First Amendment, dated June 16, 2016, to the Home Solutions Agreement (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K/A filed on June 20, 2016, SEC File Number 000-28740).
2.3	Second Amendment, dated September 2, 2016, to the Home Solutions Agreement (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed on September 7, 2016, SEC File Number 001-11993).
2.4	Third Amendment, dated September 9, 2016, to the Home Solutions Agreement (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed on September 12, 2016, SEC File Number 001-11993).
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 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).
3.4	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).
3.5	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).
3.6	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).
3.7	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).
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 *	The following financial information from BioScrip, Inc.'s Quarterly Report on Form 10-Q for the period ended September 30, 2017, formatted in XBRL (eXtensible Business Reporting Language): (i) Unaudited Consolidated Statements of Operations for the three and nine months ended September 30, 2017 and 2016, (ii) Consolidated Balance Sheets as of September 30, 2017 and December 31, 2016, (iii) Unaudited Consolidated Statements of Cash Flows for the nine months ended September 30, 2017 and 2016, and (iv) Notes to Unaudited Consolidated Financial Statements.

* Pursuant to Rule 406T of Regulation S-T, these interactive data files are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933 or Section 18 of the Securities Exchange Act of 1934 and otherwise are not subject to liability under those sections.

\+ Certain schedules attached to the Home Solutions Agreement have been omitted pursuant to Item 601(b)(2) of Regulation S-K. The Company will furnish 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 November 2, 2017.

BIOSCRIP INC.

/s/ Stephen Deitsch
Stephen Deitsch
Senior Vice President, Chief Financial Officer, and Treasurer
(Principal Financial and Accounting Officer)

EXHIBIT 31.1

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: November 2, 2017

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

EXHIBIT 31.2

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: November 2, 2017

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

EXHIBIT 32.1

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 September 30, 2017, 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: November 2, 2017

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

EXHIBIT 32.2

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 September 30, 2017, 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: November 2, 2017

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