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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C.

# FORM 8-K

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

Date of Report (Date of earliest event reported) **August 8, 2006**

# BioScrip, Inc.

(Exact Name of Registrant as Specified in its Charter)

| | | |
|---|---|---|
| **Delaware** | **0-28740** | **05-0489664** |
| (State or Other Jurisdiction of Incorporation) | (Commission File Number) | (IRS Employer Identification No.) |

| | |
|---|---|
| **100 Clearbrook Road, Elmsford, New York** | **10523** |
| (Address of Principal Executive Offices) | (Zip Code) |

Registrant's telephone number, including area code **(914) 460-1600**

(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Section Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12).

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240-14d-2(b)).

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c)).

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**Item 1.01 Entry Into a Material Definitive Agreement.**

On August 8, 2006, BioScrip, Inc. ("BioScrip") entered into a letter agreement with Anthony Zappa, BioScrip's Executive Vice President, providing Mr. Zappa with severance payment protection in the event he is terminated other than for "Cause" (as defined in the agreement) or he terminates his employment for "Good Reason" (as defined in the agreement). If at any time Mr. Zappa is terminated other than for Cause or if he terminates his employment with the Company (or any successor) for "Good Reason," (i) he is entitled to receive severance payments equal to one (1) year of salary at his then current salary level, payable in accordance with BioScrip's then applicable payroll practices and subject to all applicable federal, state and local withholding, and (ii) all outstanding securities contemplated to be issued under the terms of BioScrip's 2001 Incentive Stock Plan granted to him and held by him at the time of termination shall vest and become immediately exercisable and shall otherwise be exercisable in accordance with their terms and conditions. If Mr. Zappa's employment with BioScrip is terminated for any reason whatsoever, whether by BioScrip or him, BioScrip would not be liable for, or obligated to pay him, any stock or cash bonus compensation, incentive or otherwise, or any other compensation contemplated by the letter agreement not already paid or not already accrued as of the date of such termination, and no other benefits shall accrue or vest subsequent to such date.

The foregoing summary is qualified in its entirety by reference to the complete text of the letter agreement, a copy of which is filed with this report as Exhibit 10.1.

**Item 2.02 Results of Operations and Financial Condition.**

On August 8, 2006, BioScrip, Inc. issued a press release reporting its financial results for the three and six months ended June 30, 2006. A copy of that press release is furnished with this Current Report on Form 8-K as Exhibit 99.1 and is incorporated herein by reference.

As provided in General Instruction B.2 to Form 8-K, the information furnished in this Item 2.02 and in Exhibit 99.1 hereto shall not be deemed "filed" for purposes of Section 18 of the Securities and Exchange Act of 1934, as amended, nor shall it be deemed incorporated by reference in any filing with the Securities and Exchange Commission, except as shall be expressly provided by specific reference in such filing.

**Item 9.01 Financial Statements and Exhibits.**

(c) Exhibits. The following information is furnished as an exhibit to this Current Report:

| Exhibit No. | Description of Exhibit |
|---|---|
| 10.1 | Severance Letter Agreement between BioScrip, Inc. and Anthony Zappa. |
| 99.1 | Press Release dated August 8, 2006. |

## 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 duly authorized.

| | |
|---|---|
| Date: August 9, 2006 | BIOSCRIP, INC. |
| | By: /s/ Stanley Rosenbaum |
| | Stanley Rosenbaum, |
| | Chief Financial Officer |

Exhibit 10.1

July 24, 2006

Mr. Anthony Zappa
c/o BioScrip, Inc.
10050 Crosstown Circle
Eden Prairie, MN 55344

**Re: Severance Agreement**

Dear Tony:

This will confirm our agreement that if you are terminated by BioScrip, Inc. (the "Company") (or any successor) other than for "Cause" (as defined below) or if you terminate your employment with the Company (or any successor) for "Good Reason" (as defined below), you will be entitled to receive severance payments equal to one (1) year of salary at your then current salary level, payable in accordance with the Company's then applicable payroll practices and subject to all applicable federal, state and local withholding, and (ii) all outstanding securities contemplated to be issued under the terms of the Company's 2001 Incentive Stock Plan granted to you and held by you at the time of termination shall vest and become immediately exercisable and shall otherwise be exercisable in accordance with their terms and conditions. If your employment with the Company is terminated for any reason whatsoever, whether by you or the Company, the Company would not be liable for, or obligated to pay you any stock or cash bonus compensation, incentive or otherwise, or any other compensation contemplated hereby not already paid or not already accrued as of the date of such termination, and no other benefits shall accrue or vest subsequent to such date.

For purposes of this Agreement, "Cause" shall mean any of the following: (i) commission by you of criminal conduct which involves moral turpitude; (ii) acts which constitute fraud or self-dealing by or on the part of you against the Company or any of its subsidiaries, including, without limitation, misappropriation or embezzlement; (iii) your willful engagement in conduct which is materially injurious to the Company or any of its subsidiaries; (iv) your gross misconduct in the performance of duties as an employee of the Company, including, without limitation, failure to obey lawful written instructions of the Board of Directors of the Company, any committee thereof or any executive officer of the Company or failure to correct any conduct which constitutes a breach of any written agreement between you and the Company or of any written policy promulgated by the Board of Directors of either the Company, any committee thereof or any executive officer of the Company, in either case after not less than ten days' notice in writing to you of the Company's intention to terminate you if such failure is not corrected within the specified period (or after such shorter notice period if the Company in good faith deems such shorter notice period to be necessary due to the possibility of material injury to the Company).

For purposes of this Agreement, "Good Reason" shall mean the existence of any one or more of the following conditions that shall continue for more than 30 days following written notice thereof by you to the Company: (i) the assignment to you of duties materially inconsistent with your position or positions with the Company; (ii) the reduction of your then current annual salary rate, without your consent; or (iii) the relocation of your principal location of employment more than 50 miles from your current location without your consent.

This letter agreement constitutes the entire understanding of the parties with respect to the subject matter hereof. This agreement shall be construed in accordance with, and its interpretation shall otherwise be governed by, the laws of the State of New York, without giving effect to principles of conflicts of law.

This letter supersedes and replaces the change of control severance agreement between the Company and yourself dated as of June 14, 2004 as well as the penultimate paragraph of the employment letter agreement dated July 18, 2005 between the Company and yourself, both of which shall be of no further force and effect.

Kindly signify your agreement to the foregoing by signing below and forward an executed copy to me for our files.

Sincerely,

BioScrip, Inc.

By: /s/ Barry A. Posner
Barry A. Posner, EVP and General Counsel

August 8th, 2006

Agreed and Accepted
on this 28 day of July, 2006:

/s/ Anthony Zappa
Anthony Zappa

Exhibit 99.1

**News Release**

**BIOSCRIP ANNOUNCES SECOND QUARTER 2006 FINANCIAL RESULTS**
***Cost Reduction Program Moving Forward***
***Concentrating on New Product and Infusion Expansion, CAP***

**Elmsford, NY — August 8, 2006 —** BioScrip, Inc. (NASDAQ: BIOS) today reported second quarter 2006 revenue of $279.6 million and a net loss of $5.7 million, or $0.15 per share. Second quarter 2006 operating results include $1.4 million of severance related to the departure of former senior management members, $1.5 million of ongoing sales, general and administrative ("SG&A") expenses related to acquisitions made by the Company since June 30, 2005, $3.1 million of additional bad debt expense and $0.5 million of charges related to the adoption of FAS 123(R), entitled *Share-Based Payment*.

For the six-month period ended June 30, 2006, revenue increased 22% to $579.3 million from $475.0 million reported in the same period of last year. Net loss for the six-month period ended June 30, 2006 was $6.9 million, or $0.18 per share compared to net loss of $1.9 million, or $0.06 per share in the same period a year ago. Operating results for the six-months ended June 30, 2006 and the three-month period ended June 30, 2005 includes the Company's acquisition of Chronimed Inc. in March 2005. Operating results for the six months ended June 30, 2006 include $1.8 million of severance expense, $2.2 million of ongoing SG&A expenses of the combined Company's acquisitions since June 30, 2005, $4.6 million of additional bad debt expense and $1.1 million of expenses related to the adoption of FAS 123(R).

Chairman and CEO, Richard H. Friedman stated, "The quickest way to restore profitability is through cost reductions and improving our collection efforts. We have identified annualized savings opportunities in excess of $7.5 million, which we will begin to realize by September 1. We have reorganized our collections process and implemented new procedures that will aid us in collections. We have already seen improvement in June and July and we expect this trend to continue, ultimately leading to an improved bad debt expense as a percentage of revenue."

"The recently implemented government Competitive Acquisition Program (CAP) provides us with new opportunities," continued Mr. Friedman. "We achieved a substantial increase in the second and most recent physician enrollment period. It is still early, but the trend is encouraging and we anticipate the program to contribute profitably in the fourth quarter."

## Second Quarter Reported Results

Second quarter 2006 revenue declined 2% to $279.6 million, compared to $286.6 million for the same period a year ago. Revenue decreases were primarily the result of the loss of PBM Services business, offset by increases in the Company's other business units, which included approximately $7.0 million of revenues associated with acquisitions since June 30, 2005. Second quarter 2006 Specialty Services revenue was $210.5 million, an increase of $17.4 million, or 9%, due primarily to sales of new biotech drugs, strong growth in infusion sales, the acquisition of Northland

Pharmacy in October 2005 and the acquisition of Intravenous Therapy Services ("ITS") in March 2006. Second quarter 2006 PBM Services revenue was $69.1 million, a decrease of $24.4 million, or 26%, from the prior year's second quarter, primarily due to the loss of PBM Services contracts with Centene Corporation, which was partially offset by increased traditional mail volume.

Gross profit for the second quarter 2006 was $28.8 million, a decrease of $1.7 million from the same period of 2005. Gross profit was 10.3% of revenue in the second quarter 2006 compared to 10.6% in the comparable period of last year. Gross margin declines were the result of program changes associated with the implementation of Medicare Part D on January 1, 2006 and industry-wide reimbursement pressures.

Second quarter 2006 selling, general and administrative expenses ("SG&A") increased to $31.1 million, or 11.1% of total revenue, from $26.3 million, or 9.2% of total revenue over the second quarter 2005. The increase in SG&A was due primarily to the Company's incurrence of $1.4 million in severance expense related to the departure of former senior management members, $1.5 million of ongoing operating expenses associated with acquisitions made by the Company since June 30, 2005, $0.5 million of stock option expense due to the adoption of FAS 123(R) on January 1, 2006, and $0.4 million of finance and IT expenses to improve receivable collections and system infrastructure.

Bad debt expense in the second quarter was $4.4 million, or 1.6%, of revenue, compared to $1.3 million, or 0.4%, of revenue for the same period a year ago, reflecting the increased bad debt reserve rate.

Net loss was $5.7 million, or $0.15 per share, for the second quarter 2006 compared with a net loss of $3.5 million, or $0.10 per share for the second quarter 2005.

"The Specialty Services business is delivering," added Mr. Friedman. "Our IVIG and other products related to our infusion business are performing well. BioScrip's name recognition, coupled with our proven success with new specialty drugs has led to new and expanded relationships with a growing number of pharmaceutical manufacturers."

Mr. Friedman concluded, "The fundamentals of our business and industry remain strong and we expect to achieve significant improvement in our financial results by the fourth quarter."

**Conference Call Information**

BioScrip will host a conference call to discuss second quarter 2006 financial results on Tuesday, August 8, 2006 10:00 a.m. EDT. Interested parties may participate in the conference call by dialing 888-391-0082 (US), or 212-676-5387 (International), 5-10 minutes prior to the start of the call. A replay of the conference call will be available from 12:00 PM EDT on August 8, 2006 through 12:00 PM ET on August 15, 2006, by dialing 800-633-8284 (US), or 402-977-9140 (International), and entering reservation 21300376. A webcast and archive of the conference call will also be available under the Investor Relations section of the BioScrip website, www.bioscrip.com.

**About BioScrip, Inc.**

BioScrip provides comprehensive pharmaceutical care solutions. We partner with healthcare payors, pharmaceutical manufacturers, government agencies, physicians, and patients to deliver cost effective programs that enhance the quality of patient life. We focus our products and services in two core areas: Specialty Medication Distribution and Clinical Management Services, both nationally and community-based, and Pharmacy Benefit Management Services. Our specialty medication distribution capabilities include condition-specific clinical management programs tailored to improve the care of individuals with complex health conditions such as HIV/AIDS, Cancer, Infusion IVIG, Hepatitis C, Rheumatoid Arthritis, Multiple Sclerosis, and Transplantation. Our complete pharmacy benefit management programs include customized benefit plan design, pharmacy network management and sophisticated reporting capabilities that deliver improved clinical and economic outcomes. In addition, we have 36 locations including community and infusion pharmacies in major metropolitan markets across the U.S., providing nationwide access and clinical management capabilities in a high-touch community-based environment.

**Forward Looking Statements**

This press release may contain statements which constitute forward looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including statements regarding the intent, belief or current expectations of the Company, its directors, or its officers with respect to the future operating performance of the Company and our success with respect to the integration and consolidation. Investors are cautioned that any such forward looking statements are not guarantees of future performance and involve risks and uncertainties, and that actual results may differ materially from those in the forward looking statements as a result of various factors. Important factors that could cause such differences are described in the Company’s periodic filings with the Securities and Exchange Commission.

**Contact**

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**FINANCIAL TABLES FOLLOW**

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

| | June 30, 2006 (unaudited) | December 31, 2005 |
|---|---|---|
| **ASSETS** | | |
| **Current assets** | | |
| Cash and cash equivalents | $ 4,075 | $ 1,521 |
| Receivables, less allowance for doubtful accounts of $13,415 and $14,406 at June 30, 2006 and December 31, 2005, respectively | 121,129 | 118,762 |
| Inventory | 29,660 | 25,873 |
| Prepaid expenses and other current assets | 3,810 | 2,054 |
| Deferred taxes | 13,307 | 11,225 |
| Total current assets | 171,981 | 159,435 |
| Property and equipment, net | 11,163 | 9,232 |
| Other assets and investments | 908 | 939 |
| Goodwill | 114,814 | 104,268 |
| Intangible assets, net | 11,952 | 14,713 |
| **Total assets** | $ 310,818 | $ 288,587 |
| **LIABILITIES AND STOCKHOLDERS' EQUITY** | | |
| **Current liabilities** | | |
| Line of credit | $ 38,170 | $ 7,427 |
| Accounts payable | 54,771 | 39,969 |
| Claims payable | 10,366 | 31,402 |
| Payables to plan sponsors | 1,447 | 1,695 |
| Accrued expenses and other current liabilities | 13,659 | 11,454 |
| Total current liabilities | 118,413 | 91,947 |
| Deferred taxes, net | 1,501 | 875 |
| **Total liabilities** | 119,914 | 92,822 |
| **Stockholders' equity** | | |
| Common stock, $.0001 par value; 75,000,000 shares authorized, 37,263,931 shares issued and outstanding at June 30, 2006; 37,094,252 shares issued and outstanding at December 31, 2005 | 4 | 4 |
| Treasury stock, 2,198,076 shares at cost | (8,002) | (8,002) |
| Additional paid-in capital | 236,963 | 234,958 |
| Accumulated deficit | (38,061) | (31,195) |
| **Total stockholders' equity** | 190,904 | 195,765 |
| **Total liabilities and stockholders' equity** | $ 310,818 | $ 288,587 |

**BIOSCRIP, INC**
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**
**(In thousands, except per share data)**
**(unaudited)**

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2006 | 2005 | 2006 | 2005 |
| Revenue | $ 279,585 | $ 286,617 | $ 579,303 | $ 475,015 |
| Cost of revenue | 250,791 | 256,104 | 520,178 | 424,055 |
| Gross profit | 28,794 | 30,513 | 59,125 | 50,960 |
| *% of Revenue* | 10.3% | 10.6% | 10.2% | 10.7% |
| Selling, general and administrative expenses | 31,100 | 26,302 | 59,003 | 41,854 |
| Bad debt expense | 4,355 | 1,285 | 6,654 | 2,018 |
| Amortization of intangibles | 1,639 | 1,956 | 3,261 | 2,847 |
| Goodwill and intangible impairment | — | 5,886 | — | 5,886 |
| Merger related expenses | — | 747 | 114 | 1,134 |
| Total operating expenses | 37,094 | 36,176 | 69,032 | 53,739 |
| *% of Revenue* | 13.3% | 12.6% | 11.9% | 11.3% |
| Loss from operations | (8,300) | (5,663) | (9,907) | (2,779) |
| Interest income (expense), net | (731) | 12 | (1,182) | (141) |
| Loss before benefit from income taxes | (9,031) | (5,651) | (11,089) | (2,920) |
| Tax benefit | (3,321) | (2,111) | (4,223) | (1,047) |
| Net loss | $ (5,710) | $ (3,540) | $ (6,866) | $ (1,873) |
| Basic loss per share | $ (0.15) | $ (0.10) | $ (0.18) | $ (0.06) |
| Diluted loss per share | $ (0.15) | $ (0.10) | $ (0.18) | $ (0.06) |
| Basic weighted-average shares | 37,222 | 36,829 | 37,212 | 31,238 |
| Diluted weighted-average shares | 37,222 | 36,829 | 37,212 | 31,238 |