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, 2007

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: 0-28740

BioScrip, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**05-0489664**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
100 Clearbrook Road, Elmsford, NY	**10523**
(Address of Principal Executive Offices)	(Zip Code)

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

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 is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act (check one):

o Large accelerated filer ☑ Accelerated filer o Non-accelerated filer

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 31, 2007, there were outstanding 37,672,768 shares of the registrant's common stock, $.0001 par value per share.

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PART I
FINANCIAL INFORMATION

Item 1. Financial Statements

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

	September 30, 2007 (unaudited)	December 31, 2006
ASSETS		
Current assets		
Cash and cash equivalents	$ —	$ —
Receivables, less allowance for doubtful accounts of $13,079 and $13,774 at September 30, 2007 and December 31, 2006, respectively	125,297	135,139
Inventory	33,383	33,471
Prepaid expenses and other current assets	1,473	2,090
Total current assets	160,153	170,700
Property and equipment, net	10,287	10,409
Other assets	467	681
Goodwill	114,824	114,991
Intangible assets, net	6,261	8,675
Total assets	$ 291,992	$ 305,456
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Line of credit	$ 36,158	$ 52,895
Accounts payable	54,487	51,724
Claims payable	6,379	9,548
Amounts due to Plan Sponsors	4,617	10,280
Accrued expenses and other current liabilities	12,058	9,230
Total current liabilities	113,699	133,677
Unrecognized tax benefits	4,028	—
Deferred taxes, net	12,097	9,946
Total liabilities	129,824	143,623
Stockholders' equity		
Preferred stock, $.0001 par value; 5,000,000 shares authorized; no shares issued or outstanding	—	—
Common stock, $.0001 par value; 75,000,000 shares authorized; shares issued: 41,028,984 and 40,680,233, respectively; shares outstanding: 37,667,268 and 37,488,257, respectively	4	4
Treasury stock, 2,282,734 and 2,247,150 shares, respectively, at cost	(8,158)	(8,002)
Additional paid-in capital	241,425	239,315
Accumulated deficit	(71,103)	(69,484)
Total stockholders' equity	162,168	161,833
Total liabilities and stockholders' equity	$ 291,992	$ 305,456

See accompanying Notes to the Unaudited Consolidated Financial Statements.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
Revenue	$ 298,133	$ 280,916	$ 889,478	$ 860,219
Cost of revenue	262,451	251,213	787,529	771,391
Gross profit	35,682	29,703	101,949	88,828
Selling, general and administrative expenses	31,278	29,232	88,938	88,350
Bad debt expense	766	2,804	4,805	9,458
Amortization of intangibles	484	1,639	2,414	4,899
Income (loss) from operations	3,154	(3,972)	5,792	(13,879)
Interest expense, net	(728)	(916)	(2,668)	(2,098)
Income (loss) before benefit from income taxes	2,426	(4,888)	3,124	(15,977)
Tax provision (benefit)	760	(1,499)	2,323	(5,723)
Net income (loss)	$ 1,666	$ (3,389)	$ 801	$ (10,254)
Basic income (loss) per share	$ 0.04	$ (0.09)	$ 0.02	$ (0.28)
Diluted income (loss) per share	$ 0.04	$ (0.09)	$ 0.02	$ (0.28)
Weighted average shares used in computing basic income (loss) per share	37,603	37,385	37,532	37,270
Weighted average shares used in computing diluted income (loss) per share	38,480	37,385	37,957	37,270

See accompanying Notes to the Unaudited Consolidated Financial Statements.

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

	Nine Months Ended September 30,	
	2007	2006
Cash flows from operating activities:		
Net income (loss)	$ 801	$ (10,254)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation	3,111	3,153
Amortization	2,414	4,899
Change in deferred income tax	2,151	(3,938)
Tax benefit relating to employee stock compensation	—	456
Excess tax benefits relating to employee stock compensation	(51)	(19)
Stock based compensation	1,899	1,736
Provision for losses on receivables	4,805	9,458
Changes in assets and liabilities, net of acquired assets:		
Receivables	5,037	(5,887)
Inventory	88	(2,452)
Prepaid expenses and other assets	832	(4,412)
Accounts payable	2,763	2,637
Claims payable	(3,169)	(21,257)
Amounts due to Plan Sponsors	(5,663)	(742)
Accrued expenses and other liabilities	4,449	3,426
Net cash provided by (used in) operating activities	19,467	(23,196)
Cash flows from investing activities:		
Purchases of property and equipment, net of disposals	(2,989)	(4,713)
Cost of acquisitions, net of cash acquired	—	(13,082)
Net cash used in investing activities	(2,989)	(17,795)
Cash flows from financing activities:		
(Repayments) borrowings on line of credit, net	(16,737)	38,157
Purchase of treasury stock	(156)	—
Proceeds from exercise of stock options	374	1,525
Excess tax benefits relating to employee stock compensation	51	19
Principal payments on capital lease obligations	(10)	(18)
Net cash (used in) provided by financing activities	(16,478)	39,683
Net decrease in cash and cash equivalents	—	(1,308)
Cash and cash equivalents-beginning of period	—	1,521
Cash and cash equivalents-end of period	**$ —**	**$ 213**
DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the period for interest	$ 2,785	$ 1,856
Cash paid during the period for income taxes	$ 966	$ 2,133

See accompanying Notes to the Unaudited Consolidated Financial Statements.

BIOSCRIP, INC.
NOTES TO THE 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. (the "Company") for the year ended December 31, 2006 (the "Form 10-K") filed with the U.S. Securities and Exchange Commission (the "SEC"). The 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. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements.

In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation of the unaudited consolidated financial position, results of operations and cash flows for the periods presented have been included. Operating results for the three and nine month periods ended September 30, 2007 are not necessarily indicative of the results that may be expected for the full year ending December 31, 2007. The accounting policies followed for interim financial reporting are similar to those disclosed in Note 2 of Notes to Consolidated Financial Statements included in the Form 10-K.

Certain prior period amounts have been reclassified to conform to the current year presentation. Such reclassifications had no material effect on the Company's previously reported consolidated financial position, results of operations or cash flow.

NOTE 2 – EARNINGS PER SHARE

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
Numerator:				
Net income (loss)	$ 1,666	$ (3,389)	$ 801	$ (10,254)
Denominator – Basic:				
Weighted average number of common shares outstanding	37,603	37,385	37,532	37,270
Basic income (loss) per common share	$ 0.04	$ (0.09)	$ 0.02	$ (0.28)
Denominator – Diluted:				
Weighted average number of common shares outstanding	37,603	37,385	37,532	37,270
Common share equivalents of outstanding stock options and restricted stock awards	877	—	425	—
Total diluted shares outstanding	38,480	37,385	37,957	37,270
Diluted income (loss) per common share	$ 0.04	$ (0.09)	$ 0.02	$ (0.28)

Potential common shares related to the Company's outstanding stock options of 5,298 and 8,112 for the three and nine months ended September 30, 2007, respectively, were excluded from the computation of diluted earnings per share. Inclusion of these shares would have been anti-dilutive as the exercise price of these shares exceeded market value. The net loss per common share for the three and nine month periods ended September 30, 2006 excludes the effect of all common stock equivalents, as their inclusion would be anti-dilutive.

NOTE 3 – STOCK-BASED COMPENSATION PLANS

Under the Company's stock-based compensation plans (the "Plans"), it may issue, among other things, incentive stock

options (ISOs), non-qualified stock options (NQSOs), restricted stock, performance units and performance share awards. Options granted under the Plans typically vest over a three-year period and, in certain instances, fully vest upon a change in control of the Company. In addition, such options are generally exercisable for 10 years after the date of grant, subject to earlier termination in certain circumstances, most notably, upon termination of employment. The exercise price of NQSOs is equal to the fair market value on the date of grant. The exercise price of ISOs granted under the Plans will not be less than 100% of the fair market value on the date of grant (110% for ISOs granted to a person who owns more than 10% of the outstanding stock of the Company).

Stock Options

The Company recognized stock option-related compensation expense of $0.5 million for each of the three month periods ended September 30, 2007 and 2006. The Company recognized stock option-related compensation expense of $1.2 million and $1.6 million for the nine months ended September 30, 2007 and 2006, respectively.

The fair value of each stock option award on the date of the grant was calculated by using a binomial option-pricing model and is amortized to expense on a straight line basis over the vesting period with the following weighted average assumptions:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
Expected volatility	54.0%	—	54.7%	52.0%
Risk-free interest rate	4.76%	—	4.76%	4.50%
Expected life of options	6.1 years	—	5.2 years	4.5 years
Dividend rate	-0-	—	-0-	—
Fair value of options	$3.05	—	$1.98	$3.45

No stock options or other equity-based incentive grants were made during the three months ended September 30, 2006.

At September 30, 2007, there was $2.2 million of unrecognized compensation expense related to non-vested stock-based compensation arrangements. That expense is expected to be recognized over a weighted-average period of 2.0 years.

Since the Company records compensation expense for options over the vesting period, the weighted average period over which the expense will be recognized may change. Also, future stock-based compensation expense may be greater as additional options are granted.

Restricted Stock

The Company recognized compensation expense related to restricted stock awards of $0.3 million and less than $0.1 million for the three months ended September 30, 2007 and 2006, respectively. The Company recognized compensation expense related to restricted stock awards of $0.7 million and $0.1 million for the nine months ended September 30, 2007 and 2006, respectively.

As of September 30, 2007, there was $0.9 million of unrecognized compensation expense related to non-vested stock-based compensation arrangements. That expense is expected to be recognized over a weighted-average period of 1.8 years.

Since the Company records compensation expense for restricted stock awards based on the vesting requirements, which include time elapsed and a factor related to stock price, the weighted average period over which the expense will be recognized may change. Also, future stock-based compensation expense may be greater if additional restricted stock awards are made.

Performance Units

Under the Plans, the Company’s Compensation Committee may grant performance units to key employees. The Compensation Committee establishes the terms and conditions of the performance units including the performance goals, the performance period and the value for each performance unit. If the performance goals are satisfied, the Company shall pay the key employee an amount in cash equal to the value of each performance unit at the time of payment. In no event shall a key employee receive an amount in excess of $1.0 million in respect of performance units for any given year. As of September 30, 2007 there have been no performance units granted.

NOTE 4 – OPERATING SEGMENTS

The Company operates in two reportable segments: (1) Specialty Services, which is comprised of specialty pharmacy distribution and clinical management services; and (2) PBM Services, which is comprised of fully integrated pharmacy benefit management and traditional mail services. Corporate overhead is allocated between the two segments based on revenue adjusted for management's assessment of utilization of overhead by each segment.

Segment Reporting Information
(in thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
Results of Operations:				
Revenue:				
Specialty Services	$ 244,485	$ 219,958	$ 717,460	$ 634,068
PBM Services	53,648	60,958	172,018	226,151
Total	$ 298,133	$ 280,916	$ 889,478	$ 860,219
Income (loss) from operations:				
Specialty Services	$ 651	$ (3,122)	$ (2,204)	$ (12,892)
PBM Services	2,503	(850)	7,996	(987)
Income (loss) from operations	3,154	(3,972)	5,792	(13,879)
Interest expense, net	(728)	(916)	(2,668)	(2,098)
Income tax provision (benefit)	760	(1,499)	2,323	(5,723)
Net income (loss):	$ 1,666	$ (3,389)	$ 801	$ (10,254)
Additional information:				
Capital expenditures:				
Specialty Services	$ 1,410	$ 930	$ 2,632	$ 4,192
PBM Services	176	72	357	521
Total	$ 1,586	$ 1,002	$ 2,989	$ 4,713
Depreciation Expense:				
Specialty Services	$ 897	$ 895	$ 2,621	$ 2,594
PBM Services	163	184	490	559
Total	$ 1,060	$ 1,079	$ 3,111	$ 3,153
Total assets:				
Specialty Services			$ 228,613	$ 237,233
PBM Services			63,379	64,100
Total			$ 291,992	$ 301,333

The following table outlines, by segment, contracts with a Plan Sponsor which accounted for revenues that exceeded 10% of the Company's total revenues (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
PBM Services:				
Revenue	$28,495	$29,673	$86,728	$90,684
% of Total Revenue	10%	11%	10%	11%
Specialty Services:				
Revenue	$ 3,626	$ 5,968	$22,301	$18,004
% of Total Revenue	1%	2%	3%	2%

NOTE 5 – ACQUISITIONS

Intravenous Therapy Services, Inc. Acquisition

On March 1, 2006, the Company acquired all of the issued and outstanding capital stock of Intravenous Therapy Services, Inc. ("Infusion West"), now known as BioScrip Infusion Services, Inc., a specialty pharmacy company specializing in home infusion therapies located in Burbank, California, for approximately $13.1 million in cash, which resulted in approximately $10.7 million of goodwill, plus a potential earn-out payment contingent on Infusion West achieving certain future financial performance benchmarks. Had this acquisition taken place on January 1, 2006, the Company's consolidated sales and income would not have been materially different from the reported amounts at September 30, 2006.

NOTE 6 – CONCENTRATION OF CREDIT RISK

The Company provides credit in the normal course of business to its customers. One customer accounted for approximately 11% and 13% of revenues during the nine month periods ended September 30, 2007 and 2006, respectively, and 16% and 17% of accounts receivable as of September 30, 2007 and 2006, respectively.

NOTE 7 – RECENT ACCOUNTING PRONOUNCEMENTS

In February 2007, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities – Including an Amendment of FASB Statement No. 115* ("SFAS 159"), which becomes effective for fiscal years beginning after November 15, 2007. SFAS 159 permits companies to choose to measure many financial instruments and certain other items at fair value on a per instrument basis, with changes in fair value recognized in earnings each reporting period. This will enable some companies to reduce volatility in reported earnings caused by measuring related assets and liabilities differently. SFAS 159 also establishes presentation and disclosure requirements designed to facilitate comparisons between companies that choose different measurement attributes for similar types of assets and liabilities. The Company is currently evaluating the impact, if any, that adopting SFAS 159 will have on its results of operations and its financial condition.

NOTE 8 – INCOME TAXES

The Company adopted the provisions of FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes*, ("FIN 48") effective January 1, 2007. As a result of the adoption of FIN 48, the Company recorded a $2.4 million increase in the liability for unrecognized tax benefits, which was recorded as an adjustment to the opening balance of accumulated deficit on January 1, 2007. As of the adoption date, the Company had gross tax effected unrecognized tax benefits of approximately $4.8 million of which $4.5 million, if recognized, would impact its effective tax rate. Interest and penalties related to unrecognized tax benefits are recorded as income tax expense. As of January 1, 2007, the Company had $0.6 million of accrued interest included in the $4.8 million of unrecognized tax benefits.

The Company files income tax returns, including returns for its subsidiaries, with federal, state and local jurisdictions. The Company's uncertain tax positions are related to tax years that remain subject to examination. As of the date of the Company's adoption of FIN 48, U.S. tax returns for 2003, 2005 and 2006 remain subject to examination by federal tax authorities. Tax returns for the years 2002 through 2006 remain subject to examination by state and local tax authorities for a majority of the Company's state and local filings.

The Company believes it is likely that certain controversies (totaling approximately $0.5 million) with taxing authorities will be resolved through administrative proceedings within the next 12 months.

During the quarter ended September 30, 2007 the Company reached settlement agreements with several state taxing authorities under voluntary disclosure programs offered by the states. As a result of these settlements the Company has agreed to file prior years' returns in certain states where it believed a filing obligation did not exist. As a result of these settlements the Company has reclassified approximately $80,000 from unrecognized tax benefits into current liabilities. In addition, the Company has recorded a reduction of income tax expense of approximately $160,000 which was previously recorded as part of the adoption of FIN 48.

Income tax expense of $0.8 million was recorded on pre-tax income of $2.4 million for the three months ended September 30, 2007. For the nine months ended September 30, 2007, income tax expense of $2.3 million was recorded on

pre-tax income of $3.1 million. The year to date tax provision includes the tax effects of the amortization of certain indefinite-lived assets.

At September 30, 2007 the Company had federal net operating loss carry forwards (“NOLs”) of approximately $22.9 million, of which $11.6 million is subject to an annual limitation, all of which will begin expiring in 2017 and later. If the NOLs are not utilized in the year they are available they may be utilized in a future year to the extent they have not expired. The Company has state NOLs remaining of approximately $18.7 million, the majority of which will begin expiring in 2017 and later.

NOTE 9 – LONG-TERM CONTRACTS

During the second quarter the Company amended its agreement with its primary drug wholesaler to, among other things, provide more favorable pricing and payments terms and extend the term of the agreement until April 2010.

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 fiscal year ended December 31, 2006 (the "Form 10-K") filed with the U.S. Securities and Exchange Commission (the "SEC"), as well as our unaudited consolidated interim financial statements and the related notes thereto included elsewhere in this Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2007 (this "Report").

This 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, hopes, beliefs, intentions or strategies regarding the future. These forward looking statements may include statements relating to our business development activities, sales and marketing efforts, the status of material contractual arrangements, including the negotiation or re-negotiation of such arrangements, future capital expenditures, the effects of regulation and competition on our business, future operating performance and the results, benefits and risks associated with the integration of acquired companies. 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. These factors include, among other things, risks associated with "capitated" contracts, increased government regulation related to the health care and insurance industries in general and more specifically, pharmacy benefit management and specialty pharmaceutical distribution organizations, the existence of complex laws and regulations relating to our business, changes in reimbursement rates from government and private payors, changes in industry pricing benchmarks such as average wholesale price ("AWP"), wholesale acquisition cost ("WAC") and average manufacturer price ("AMP"), which could have the effect of reducing prices and margins, including the impact or a proposed settlement in a class action case involving First DataBank, and AWP reporting service and increased competition from our competitors, including competitors with greater financial, technical, marketing and other resources. This Report contains information regarding important factors that could cause such differences.

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 specialty pharmaceutical health care organization that partners with patients, physicians, health care payors and pharmaceutical manufacturers to provide access to medications and management solutions to optimize outcomes for chronic and other complex health care conditions.

Our specialty pharmaceutical services ("Specialty Services") include the comprehensive support, management, dispensing, distribution and data reporting for medications used to treat patients living with chronic health conditions including potentially life threatening or debilitating diseases or genetic disorders and are provided in various capacities to patients, physicians, payors and pharmaceutical manufacturers. Our pharmacy benefit management ("PBM") services include pharmacy network management, claims processing, benefit design, drug utilization review, formulary management and traditional mail order pharmacy fulfillment. These services are reported under two operating segments: (i) Specialty Services; and (ii) PBM and Traditional Mail Services (collectively, "PBM Services").

Specialty Services and PBM Services revenues are derived from our relationships with a variety of third party payors, including managed care organizations, third party administrators ("TPAs"), self-funded employer groups and government programs (collectively "Plan Sponsors") as well as patients, physicians and pharmaceutical manufacturers.

Our Specialty Services are marketed and sold to patients, physicians, pharmaceutical manufacturers and Plan Sponsors and are focused on chronic health conditions including potentially life threatening or debilitating diseases or genetic disorders which are treated with specialty medications. These services include the distribution of biotech and other high cost injectable, oral and infusible prescription medications and the provision of therapy management services.

We strive to maximize therapy outcomes through strict adherence to clinical guidelines or protocols for particular prescription therapies while at the same time managing the costs of such therapies on behalf of a Plan Sponsor or patient.

We were named the sole vendor for the Centers for Medicare and Medicaid Services' Competitive Acquisition Program ("CAP") and as part of our Specialty Services offering began dispensing Medicare Part B drugs and biologics to CAP enrolled physicians as of July 1, 2006. As a result of the physician election period which occurred from May 1 through June 15, 2007 for enrollments effective August 1, 2007, the total number of enrolled physicians increased 36.8% to approximately 3400.

We were awarded an agreement to serve as one of two national specialty pharmacy providers of HIV/AIDS and Solid Organ Transplant drugs and services to patients insured by United Healthcare and its participating affiliates. This agreement became effective on August 1, 2007, with the initial term of the agreement running through December 31, 2008.

We plan to grow our infused product sales by marketing a broader product offering, including adding new therapies to our current focus on immunological blood products and expanding our geographic service area. We will work with physicians who utilize our services to support their in-office infusion activities and we expect to establish ambulatory infusion centers.

Our PBM Services are offered to Plan Sponsors and are designed to promote a broad range of cost-effective, clinically appropriate pharmacy benefit management services through our network of retail pharmacies and our traditional mail service distribution facilities. Over the past several years we have focused on building our Specialty Services for strategic growth and have lost a significant amount of PBM Services business, including the loss of our contracts with Centene and excelleRx, which has and will continue to negatively impact 2007 revenue as compared to prior periods. As of September 30, 2007, Specialty Services revenues represented approximately 80% of our total revenue.

As part of our PBM Services, we also administer numerous cash card or discount card programs on behalf of program sponsors or TPAs. These are 100% copay programs that provide savings to customers who present a discount card at one of our participating network pharmacies or who order medications through one of our mail order pharmacies. Under such programs we derive revenue on a per claim basis from the dispensing network pharmacy.

Critical Accounting Estimates

Our consolidated financial statements have been prepared in accordance with U.S. 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 revenues and expenses during the reporting period. We evaluate our estimates and assumptions on an ongoing basis. We base our estimates and assumptions 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 that are not readily apparent from other sources. Our actual results may differ from these estimates, and different assumptions or conditions may yield different estimates. The accounting estimates followed for interim financial reporting are similar to those disclosed in Note 2 of Notes to Consolidated Financial Statements included in the Form 10-K. Material updates to estimates disclosed in the Form 10-K are discussed below.

On January 1, 2007, we adopted the provisions of FASB Interpretation No. 48 *Accounting for Uncertainty in Income Taxes* ("FIN 48"). FIN 48 establishes a single model to address accounting for uncertain tax positions. FIN 48 clarifies the accounting for income taxes by prescribing a recognition threshold and measurement attribute that a tax position is required to meet before being recognized in the financial statements and provides guidance on derecognition, measurement, classification, interest and penalties, accounting in interim periods, disclosure and transition. We file income tax returns, including returns for our subsidiaries, as prescribed by federal tax laws and the tax laws of the state and local jurisdictions in which we operate. Our uncertain tax positions are related to tax years that remain subject to examination. Interest and penalties related to unrecognized tax benefits are recorded as income tax expense. See Note 8 - Income Taxes of the Notes to the Unaudited Consolidated Financial Statements for discussion of the effects of our adoption of FIN 48.

Results of Operations

In the following Management's Discussion and Analysis we provide a discussion of reported results for the three and nine month periods ended September 30, 2007 as compared to the same periods a year earlier.

Revenue. Revenue for the third quarter of 2007 was $298.1 million compared to $280.9 million in the third quarter of 2006. Specialty Services revenue for the third quarter of 2007 was $244.5 million, an increase of $24.5 million, or 11.2%, compared to $220.0 million for the same period a year ago, primarily due to additional revenues associated with preferred distribution arrangements for newly approved drugs, increased sales from new payor contracts, the CAP program and growth

in infused products. PBM Services revenue for the third quarter of 2007 was $53.6 million, a decrease of $7.3 million, or 12.0%, from the same period a year ago, primarily attributable to the termination or expiration of certain PBM contracts.

Revenue for the nine months ended September 30, 2007 was $889.5 million compared to $860.2 million for the same period in 2006. Specialty Services revenue for the nine months ended September 30, 2007 was $717.5 million, an increase of $83.4 million, or 13.2%, compared to $634.1 million for the same period a year ago, primarily due to additional revenues associated with preferred distribution arrangements for newly approved drugs, increased sales under the CAP program and growth in infused products. PBM Services revenue for the nine months ended September 30, 2007 was $172.0 million, a decrease of $54.1 million, or 23.9%, from the same period a year ago attributable to the termination or expiration of certain PBM contracts.

Cost of Revenue and Gross Profit. Cost of revenue for the third quarter of 2007 was $262.5 million compared to $251.2 million for the same period in 2006. Gross margin as a percentage of revenue increased from 10.6% in the third quarter of 2006 to 12.0% in the third quarter of 2007. The increase in gross margin rate was primarily due to a favorable contractual settlement and on-going contractual changes with our primary drug supplier, decreased contractual allowances relative to previously reserved amounts and the termination of contracts with certain lower gross profit customers.

Cost of revenue for the nine month period ended September 30, 2007 increased $16.1 million to $787.5 million from $771.4 million for the same period in 2006. Gross profit for the nine months ended September 30, 2007 was $101.9 million, an increase of $13.1 million, or 14.8%, from $88.8 million for the nine months ended September 30, 2006. Gross margin as a percentage of revenue for the nine months ended September 30, 2007 increased to 11.5% compared to gross margin of 10.3% for the same period last year, primarily as a result of a favorable contractual settlement and on-going contractual changes with our primary drug supplier, decreased contractual allowance charges and the termination of certain lower gross profit contracts and revenue growth from higher margin customers throughout the first nine months of 2007.

Selling, General and Administrative Expenses. Selling, general and administrative expenses (“SG&A”) for the third quarter of 2007 increased to $31.3 million, or 10.5% of total revenue, from $29.2 million, or 10.4% of total revenue, for the third quarter of 2006. The increase in SG&A is primarily due to increased employee expenses associated with the growth in our Specialty Services segment along with employee incentives resulting from our improved performance.

SG&A expenses for the nine months ended September 30, 2007 were $88.9 million, or 10.0% of total revenue, compared to $88.3 million, or 10.3% of total revenue for the same period in 2006. The decrease in SG&A as a percentage of revenue is primarily due to $2.2 million in severance obligations that were recognized in the first nine months of 2006 related to the departure of former members of senior management.

Bad Debt Expense. For the third quarter of 2007 bad debt expense was $0.8 million, or 0.3% of revenue, as compared to $2.8 million, or 1.0% of revenue, in the third quarter of 2006. The decrease in bad debt expense is primarily the result of improved billing, cash collection and posting practices. Our overall methodology used for determining our provision for bad debt remains essentially unchanged.

For the nine months ended September 30, 2007, bad debt expense decreased 49.2% to $4.8 million compared to $9.5 million for the same period a year ago. Bad debt expense has decreased due to improved billing, cash collection and posting practices and the favorable settlement of previously reserved doubtful accounts.

Amortization of Intangibles. For the third quarter of 2007 we recorded amortization of intangibles of $0.5 million compared to $1.6 million for the same period in 2006. The decrease in 2007 was primarily the result of certain intangible assets becoming fully amortized in the first quarter of 2007.

The amortization of intangibles for the nine months ended September 30, 2007 was $2.4 million compared to $4.9 million for the same period a year ago. The decrease in 2007 was primarily the result of certain intangible assets becoming fully amortized in the first quarter of 2007.

Net Interest Expense. Net interest expense was $0.7 million for the third quarter of 2007 compared to $0.9 million for the same period a year ago. Interest expense associated with our line of credit decreased during the third quarter of 2007 primarily due to lower average borrowing levels compared to last year. The decreased borrowing level was principally due to decreased working capital requirements as a result of our improved cash flows from operating activities.

Net interest expense was $2.7 million for the nine months ended September 30, 2007 compared to $2.1 million for the nine months ended September 30, 2006. The increase in interest expense associated with our line of credit is a result of a delay in receipt of CAP claims payments in the first quarter of 2007.

Provision for Income Taxes. Income tax expense of $0.8 million was recorded for the second quarter of 2007 on pre-tax net income of $2.4 million, including a reduction of income tax expense of approximately $0.2 million which was previously recorded as part of the adoption of FIN 48. This compares to a $1.5 million tax benefit on a pre-tax net loss of $4.9 million for the same period a year ago which was recorded prior to the establishment of a valuation allowance in the fourth quarter of 2006.

Income tax expense of $2.3 million was recorded for the nine months ended September 30, 2007, on pre-tax income of $3.1 million. This compares to an income tax benefit of $5.7 million on pre-tax loss of $16.0 million for the nine months ended September 30, 2006 which was recorded prior to the establishment of a valuation allowance in the fourth quarter of 2006. The year to date tax provision includes the tax effect of the amortization of certain indefinite-lived assets.

Net Income (Loss) and Income (Loss) Per Share. Net income for the third quarter of 2007 was $1.7 million, or $0.04 per share, compared to a net loss of $3.4 million, or $0.09 per share, for the same period last year. The increase in net income is due to items previously discussed in our Results of Operations.

Net income for the nine months ended September 30, 2007 was $0.8 million, or $0.02 per share. This compares to net loss of $10.3 million, or $0.28 per share, for the nine months ended September 30, 2006.

Liquidity and Capital Resources

Cash provided by operating activities was $19.5 million for the first nine months of 2007, an improvement of $42.7 million over the $23.2 million used in operating activities during the first nine months of 2006. The cash provided by operating activities was largely due to the increase in net income, an increase in accounts payable coupled with decreases in accounts receivable and prepaid expenses partially offset by decreases in claims payable and amounts payable to Plan Sponsors.

Net cash used in investing activities during the nine months ended September 30, 2007 was $3.0 million, primarily due to the purchases of property and equipment. This compares to net cash of $17.8 million used in investing activities in the same period in 2006, primarily for the purchase of property and equipment and the acquisition of Intravenous Therapy Services, Inc. (“Infusion West”).

For the nine months ended September 30, 2007 net cash used in financing activities was $16.5 million compared to net cash provided by financing activities of $39.7 million for the same period in 2006, primarily due to repayments on the line of credit of $16.7 million during the first nine months of 2007 compared to borrowings on the line of credit of $38.2 million in the 2006 period.

At September 30, 2007 there were $36.2 million of bank borrowings outstanding under our revolving credit facility (the “Facility”) with HFG Healthco-4 LLC, an affiliate of Healthcare Finance Group, Inc. (“HFG”), as compared to $45.6 million at September 30, 2006. Outstanding borrowings decreased primarily from improved cash flow from operations.

The Facility was increased in July 2006 to provide for borrowings of up to $75.0 million at the London Inter-Bank Offered Rate (LIBOR) plus the applicable margin. Effective September 30, 2006, the Facility was extended for four years through November 1, 2010. The Facility permits us to request an increase in the amount available for borrowing up to $100.0 million. The borrowing base utilizes receivables balances and other related collateral as security under the Facility.

The weighted average interest rate on the Facility was 7.4% during the third quarter of 2007 compared to 7.8% for the same period a year ago. At October 31, 2007 we had $49.8 million of credit available under the Facility. As a result of the improved financial conditions we expect a lower weighted average interest rate in the fourth quarter of 2007.

The Facility contains various covenants that, among other things, require us to maintain certain financial ratios, as defined in the agreements governing the Facility. We were in compliance with all covenants as of September 30, 2007.

At September 30, 2007 we had working capital of $46.5 million compared to $37.0 million at December 31, 2006. As we continue to grow, we anticipate that our working capital needs will also continue to increase. We believe that cash expected to be generated from operating activities and the funds available under our current Facility will be sufficient to fund our

anticipated working capital, IT systems investments and other cash needs for the next twelve months as our business is currently configured. Growth in National HIV/AIDS and Solid Organ Transplant programs may require an increase in our line of credit to fund additional working capital requirements.

We also may pursue joint venture arrangements, business acquisitions and other transactions designed to expand our business, which we would expect to fund from borrowings under the Facility, other future indebtedness or, if appropriate, the private and/or public sale or exchange of our debt or equity securities.

At September 30, 2007 the Company had federal net operating loss carry forwards ("NOLs") of approximately $22.9 million, of which $11.6 million is subject to an annual limitation, all of which will begin expiring in 2017 and later. If the NOLs are not utilized in the year they are available they may be utilized in a future year to the extent they have not expired. The Company has state NOLs remaining of approximately $18.7 million, the majority of which will begin expiring in 2017 and later.

Other Matters

We make available through our website, *www.bioscrip.com*, access to our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, any amendments to those reports (when applicable), and other reports filed with the SEC. Such access is free of charge and is available as soon as reasonably practicable after such information is filed with the SEC. This information may also be accessed through the SEC website at *www.sec.gov*.

Item 3. Quantitative and Qualitative Disclosure About Market Risk

Exposure to market risk for changes in interest rates relates to our outstanding debt. At September 30, 2007 we did not have any long-term debt. We are exposed to interest rate risk primarily through our borrowing activities under the Facility as discussed in Item 2 of this report. Based upon our average daily borrowings, a 1.0% increase in interest rates would have increased our interest expense for the nine month period ended September 30, 2007 by 12.0%. Interest rate risk on our investments is immaterial due to our level of investment dollars. We do not use financial instruments for trading or other speculative purposes and are not a party to any derivative financial instruments.

At September 30, 2007, the carrying values of cash and cash equivalents, accounts receivable, accounts payable, claims payable, payables to plan sponsors and others and line of credit approximate fair value due to their short-term nature.

Because management does not believe that our exposure to interest rate market risk is material at this time, we have not developed or implemented a strategy to manage this market risk through the use of derivative financial instruments or otherwise. We will assess the significance of interest rate market risk from time to time and will develop and implement strategies to manage that market risk as appropriate.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to reasonably assure that information required to be disclosed by us in reports we file or submit under the Exchange Act is recorded, processed, summarized and reported on a timely basis and that such information is accumulated and communicated to management, including the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") as appropriate, to allow for timely decisions regarding required disclosures.

In connection with the preparation of our 2006 Form 10-K, an evaluation was performed under the supervision and with the participation of management, including our CEO and CFO, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Exchange Act Rules 13d-15(e) and 15d-15(e)). Based on that evaluation, management concluded that our disclosure controls as of December 31, 2006 were not effective as a result of a material weakness in internal control over financial reporting related to information technology. The material weakness was disclosed in Item 9A of the Form 10-K.

Based on its evaluation of the effectiveness of the design and operation of our internal control over financial reporting as of September 30, 2007, management has identified no new material weaknesses other than that previously described in the Form 10-K. Although progress has been made to address the material weakness, management has concluded that the material weakness related to information technology disclosed in the Form 10-K continues to exist as of the quarter ended

September 30, 2007, and therefore, has also concluded that our disclosure controls and procedures were not effective as of September 30, 2007 for the same reason disclosed in the Form 10-K.

Internal Control Over Financial Reporting

In light of the material weakness in internal control over financial reporting which continued to exist as of September 30, 2007, management performed additional analysis and procedures to ensure the consolidated financial statements were prepared in accordance with GAAP. Accordingly, management believes that the consolidated financial statements and schedules included in this Form 10-Q fairly present in all material respects our financial position, results of operations and cash flows for the periods presented.

Management, with oversight from the Audit Committee, is working to remediate the remaining material weakness in internal control over financial reporting disclosed in the Form 10-K. No additional changes in our internal controls over financial reporting were identified during the quarter ended September 30, 2007 that materially affected, or are reasonably likely to materially affect, such internal control over financial reporting other than those remedial actions previously disclosed in Form 10-K.

PART II
OTHER INFORMATION

Item 1. Legal Proceedings

None.

Item 4. Submission of Matters to a Vote of Security Holders

None.

Item 6. Exhibits

(a) Exhibits.

Exhibit 3.1	Third Amended and Restated Certificate of Incorporation of BioScrip, Inc. (Incorporated by reference to Exhibit 3.2 to the Company's Registration Statement on Form S-4 (File No. 333-119098), as amended, which became effective on January 26, 2005)
Exhibit 3.2	Amended and Restated By-Laws of BioScrip, Inc. (Incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the SEC on May 16, 2007, accession No. 0000950123-07-007569)
Exhibit 10.1	Form of Amended and Restated Loan and Security Agreement, dated as of September 26, 2007, among MIM Funding, LLC, BioScrip Pharmacy Services, Inc., BioScrip Infusion Services, Inc., BioScrip Pharmacy (NY), Inc., BioScrip PBM Services, LLC, BioScrip Pharmacy, Inc., Natural Living, Inc. and BioScrip Infusion Services, LLC, as Borrower, and HFG Healthco-4 LLC, as Lender
Exhibit 10.2	Form of Amended and Restated Pledge Agreement among BioScrip, Inc., Chronimed Inc., MIM Funding, LLC, BioScrip Pharmacy Services, Inc., BioScrip Infusion Services, Inc., BioScrip Pharmacy (NY), Inc., BioScrip PBM Services, LLC, BioScrip Pharmacy, Inc., Natural Living, Inc. and BioScrip Infusion Services, LLC, and HFG Healthco-4 LLC
Exhibit 10.3	Form of Refinancing Arrangements Agreement made by MIM Funding, LLC, BioScrip Pharmacy Services, Inc., BioScrip Infusion Services, Inc., BioScrip Pharmacy (NY), Inc., BioScrip PBM Services, LLC, BioScrip Pharmacy, Inc., Natural Living, Inc. and BioScrip Infusion Services, LLC, and consented to by BioScrip, Inc. and HFG Healthco-4 LLC
Exhibit 31.1	Certification of Richard H. Friedman pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
Exhibit 31.2	Certification of Stanley G. Rosenbaum pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
Exhibit 32.1	Certification of Richard H. Friedman pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
Exhibit 32.2	Certification of Stanley G. Rosenbaum pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

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.

BIOSCRIP, INC.

Date: November 5, 2007

/s/ Stanley G. Rosenbaum

Stanley G. Rosenbaum, Chief Financial Officer, Treasurer and Principal Accounting Officer

Exhibit 10.1

AMENDED AND RESTATED

LOAN AND SECURITY AGREEMENT

Dated as of September 26, 2007

Among

MIM FUNDING, LLC,

BIOSCRIP PHARMACY SERVICES, INC.,

BIOSCRIP INFUSION SERVICES, INC.,

BIOSCRIP PHARMACY (NY), INC.,

BIOSCRIP PBM SERVICES, LLC,

BIOSCRIP PHARMACY, INC.,

NATURAL LIVING, INC.,

and

BIOSCRIP INFUSION SERVICES, LLC
as Borrowers,

and

HFG HEALTHCO-4 LLC
as Lender

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AMENDED AND RESTATED LOAN AND SECURITY AGREEMENT, dated as of September 26, 2007, among MIM Funding, LLC, a limited liability company organized under the laws of the State of Delaware ("***MIM Funding***"), BioScrip Pharmacy Services, Inc., a corporation organized under the laws of the State of Ohio ("***Pharmacy Services***"), BioScrip Infusion Services, Inc., a corporation organized under the laws of the State of California ("***Infusion Services Inc***"), BioScrip Pharmacy (NY), Inc., a corporation organized under the laws of the State of New York ("***Pharmacy (NY)***"), BioScrip PBM Services, LLC, a limited liability company organized under the laws of the State of Delaware ("***PBM Services***"), BioScrip Pharmacy, Inc., a corporation organized under the laws of the State of Minnesota ("***Pharmacy***"), Natural Living, Inc., a corporation organized under the laws of the State of New York ("***Natural Living***") and BioScrip Infusion Services, LLC, a limited liability company organized under the laws of the State of Delaware ("***Infusion Services LLC***" and together with MIM Funding, Pharmacy Services, Infusion Services Inc, Pharmacy (NY), PBM Services, Pharmacy and Natural Living, each a "***"Borrower***" and collectively, jointly and severally, the "***Borrowers***") and HFG HEALTHCO-4 LLC, a Delaware limited liability company (together with its successors and assigns, the "***Lender***").

Certain terms that are capitalized and used throughout this Agreement are defined in Exhibit I to this Agreement. References herein, and in the Exhibits and Schedules hereto, to the "Agreement" refer to this Agreement, as amended, restated, modified or supplemented from time to time in accordance with its terms (this "***Agreement***").

Reference is hereby made to that certain Loan and Security Agreement, dated as of November 1, 2000, between MIM Funding and the Lender (as amended, modified or supplemented prior to the date hereof, the "***Original Agreement***"). MIM Funding intends on the Initial Funding Date to restructure and refinance the Original Agreement to add the other Borrowers and restructure the financing terms, including revolving advances to the Borrowers, jointly and severally, on a continuing basis secured by substantially all of the assets of the Borrowers, including their Receivables. The Lender is prepared to make Revolving Loans to the Borrowers, secured by substantially all of the assets of the Borrowers, including their Receivables and guarantied by the Guaranty provided by the Parent, on the terms and subject to the conditions set forth herein.

Accordingly, the parties hereby amend and restate the Original Agreement as follows:

ARTICLE I.
COMMITMENT; AMOUNTS AND TERMS OF THE REVOLVING LOAN

§ 1.01. Revolving Advances. (a) The Lender agrees to lend from time to time to the Borrowers, subject to and upon the terms and conditions herein set forth, on any Funding Date, such amounts as, in accordance with the terms hereof, may be requested by the Borrower Representative on behalf of the Borrowers from time to time (each such borrowing, a "***Revolving Advance***" and the aggregate outstanding principal balance of all Revolving Advances from time to time, the "***Revolving Loan***").

(b) Each Revolving Advance shall be made on the date specified in the Borrower's Certificate, or telephonic notice confirmed in writing, as described in Section 1.03 hereof.

§ 1.02. Revolving Commitment and Borrowing Limit. (a) The Revolving Loan at any time shall not exceed an amount equal to the lesser of (i) $75,000,000 (such amount, or such other amount after giving effect to any increase pursuant to the provisions of Section 1.02(d) hereof, the "***Revolving Commitment***"), and (ii) the Borrowing Base as of such time (the lesser of (i) and (ii) being the "***Borrowing Limit***").

(b) Subject to the limitations herein and of Exhibit II hereof, the Borrowers may borrow, repay (without premium or penalty) and reborrow under the Revolving Commitment from time to time during the term of this Agreement. The Revolving Loan shall not exceed, and the Lender shall not have any obligation to make any Revolving Advance which shall result in the Revolving Loan being in excess of, the Revolving Commitment.

(c) If at any time the Revolving Loan exceeds the Borrowing Limit at such time, the Borrowers shall promptly, in accordance with Article III hereof, eliminate such excess by paying an amount equal to such excess until such excess is eliminated in full.

(d) The Borrowers may request the Lender to increase the Revolving Commitment up to a maximum of $100,000,000 and the Lender, in its sole discretion upon any such request, may decide to increase the Revolving Commitment. Each such increase shall be in an amount equal to $5,000,000 or an integral multiple thereof and the Borrowers shall, upon the effective date of such increase, pay to the Lender a fee in an amount equal to 0.70% of any increase in the Revolving Commitment.

§ 1.03. Notice of Borrowing; Borrower's Certificate. Whenever the Borrowers desire a Revolving Advance be made, the Borrower Representative shall give the Lender, not later than 11:00 a.m. (New York time) on the Business Day of the proposed Funding Date of such Revolving Advance, Written Notice or telephonic notice from an Authorized Representative confirmed promptly by a Written Notice (which notice, in each case, shall be irrevocable) of the desire to make a borrowing of a Revolving Advance. Each notice of borrowing under this Section 1.03 shall (i) be signed by an Authorized Representative of the Borrower Representative, and (ii) be substantially in the form of Exhibit VII-B hereto (each, a "***Borrower's Certificate***") and specify the date on which the Borrowers desire to make a borrowing of a Revolving Advance (which in each instance shall be a Funding Date), the amount of the proposed Revolving Advance and shall have attached to it the most recent Borrowing Base Certificate.

§ 1.04. Termination of Revolving Commitment. On the Maturity Date, the Revolving Commitment shall be cancelled automatically. In addition, prior to the Maturity Date, the Borrowers may terminate the Revolving Commitment pursuant to Section 6.07(b). Upon such cancellation, the Revolving Loan (together with all other Lender Debt) shall become, without further action by any Person, immediately due and payable together with all accrued interest thereon to such date plus any fees (including, as applicable, the Early Termination Fee) premiums, charges or costs provided for hereunder.

§ 1.05. Interest and Fees. (a) Interest. The Borrowers shall, upon demand, pay interest on the Revolving Loan on (i) each Interest Payment Date and (ii) the Maturity Date (whether by acceleration or otherwise), in each case, at an interest rate per annum equal to LIBOR *plus* the Applicable Margin.

(b) Default Interest. Notwithstanding anything to the contrary contained herein, while any Event of Default is continuing, interest on the Revolving Loan shall be payable on demand at a rate *per annum* equal to 4.00% in excess of the rate then otherwise applicable to the Revolving Loan

(c) Non-Utilization Fee. The Borrowers shall pay to the Lender on the first Funding Date of each Month and the Maturity Date a fee (the "***Non-Utilization Fee***") equal to 0.35% *per annum* on the average amount, calculated on a daily basis, by which the Commitment exceeded, during the prior Month, the Revolving Loan.

(d) A/R Fee. The Borrowers shall pay to the Lender the A/R Fee on the first Business Day of each Month.

(e) Payments on Due Date. The Borrowers shall on the date when due and payable make payments of any amounts due hereunder in immediately available funds, and if such amounts are not received on the date when due and payable, the Borrowers shall have been deemed to have requested a Revolving Advance in such amount, which Revolving Advance, to the extent that conditions precedent have been satisfied with respect thereto, shall be applied by the Lender to satisfy in full such payment obligation.

§ 1.06. Voluntary Reductions. The Borrowers may on any Funding Date reduce the outstanding principal amount of the Revolving Loan.

§ 1.07. Computation of Interest; Payment of Fees. (a) Interest on the Revolving Loans and fees and other amounts calculated by the Lender on the basis of a rate per annum shall be computed on the basis of actual days elapsed over a 360-day year.

(b) Whenever any payment to be made hereunder or under any other Document shall be stated to be due and payable on a day which is not a Business Day, such payment shall be made on the next succeeding Business Day and such extension of time shall in such case be included in computing interest on such payment.

§ 1.08. Procedures for Payment. (a) Each payment hereunder and under the other Documents shall be made not later than 12:00 noon (New York City time) on the day when due in lawful money of the United States of America to the Lender without counterclaim, offset, claim or recoupment of any kind and free and clear of, and without deduction for, any present or future withholding or other taxes, duties or charges of any nature imposed on such payments or prepayments by or on behalf of any Governmental Entity thereof or therein, except for Excluded Taxes. If any such taxes, duties or charges are so levied or imposed on any payment to the Lender, the Borrowers will make additional payments in such amounts as may be necessary so that the net amount received by the Lender, after withholding or deduction for or on account of all taxes, duties or charges, including deductions applicable to additional sums payable under this Section 1.08, will be equal to the amount provided for herein.

Whenever any taxes, duties or charges are payable by the Borrowers with respect to any payments hereunder, the Borrowers shall furnish promptly to the Lender information, including certified copies of official receipts (to the extent that the relevant governmental authority delivers such receipts), evidencing payment of any such taxes, duties or charges so withheld or deducted. If the Borrowers fail to pay any such taxes, duties or charges when due to the appropriate taxing authority or fails to remit to the Lender the required information evidencing payment of any such taxes, duties or charges so withheld or deducted, the Borrowers shall indemnify the Lender for any incremental taxes, duties, charges, interest or penalties that may become payable by the Lender as a result of any such failure.

(b) Notwithstanding anything to the contrary contained in this Agreement, the Borrowers agree to pay any present or future stamp or documentary taxes, any intangibles tax or any other sales, excise or property taxes, charges or similar levies now or hereafter assessed that arise from and are attributable to any payment made hereunder or from the execution, delivery of, or otherwise with respect to, this Agreement or any other Documents and any and all recording fees relating to any Documents securing any Lender Debt ("***Other Taxes***").

(c) The Borrowers shall indemnify the Lender for the full amount of any taxes, duties or charges other than Excluded Taxes (including, without limitation, any taxes other than Excluded Taxes imposed by any jurisdiction on amounts payable under this Section 1.08) duly paid or payable by the Lender and any liability (including penalties, interest and expenses) arising therefrom or with respect thereto. Indemnification payments shall be made within 30 days from the date the Lender makes written demand therefor. The Lender shall provide to the Borrowers a statement, supported when applicable by documentary evidence, explaining the amount of any such liability it incurs, which statement shall be conclusive absent manifest error.

(d) Without prejudice to the survival of any other agreement of the Borrowers hereunder, the agreements and obligations of the Borrowers contained in this Section 1.08 shall survive the payment in full of principal and interest hereunder.

§ 1.09. Indemnities. (a) The Borrowers hereby agree to indemnify the Lender on demand against any loss or expense which the Lender or a branch or an Affiliate of the Lender actually incurs as a consequence of: (i) any default in payment or prepayment of the principal amount of any Revolving Advance made to it or any portion thereof or interest accrued thereon, as and when due and payable (at the due date thereof, by irrevocable notice of payment or prepayment, or otherwise); (ii) the effect of the occurrence of any Event of Default upon any Revolving Advance made to it; (iii) the payment or prepayment of the principal amount of any Revolving Advance made to it or any portion thereof, on any day other than a Funding Date; or (iv) the failure by the Borrowers to accept a Revolving Advance after it has requested such borrowing, conversion or renewal; in each case including, but not limited to, any loss or expense sustained or incurred in liquidating or employing deposits from third parties acquired to effect or maintain such Revolving Advance or any portion thereof; provided, however, that so long as no Event of Default is continuing, no payment shall be made with respect to any loss or expense that is being contested in good faith by the Borrower. The Lender shall provide to the Borrowers a statement, supported when applicable by documentary evidence, explaining the amount of any such loss or expense it incurs, which statement shall be conclusive absent manifest error.

(b) The Borrowers hereby agree to indemnify and hold harmless the Lender, the Program Manager and their respective Affiliates, (together with their respective directors, officers, agents, representatives, shareholders, lenders, counsel and employees, each an "***Indemnified Party***"), from and against any and all losses, claims, damages, costs, expenses (including reasonable counsel fees and disbursements) and liabilities which are actually incurred by such Indemnified Party arising out of the commitments hereunder to make the Revolving Advances, or the financings contemplated hereby, the other Documents, the Collateral (including, without limitation, the use thereof by any of such Persons or any other Person, the exercise by the Lender of rights and remedies or any power of attorney with respect thereto, and any action or inaction of the Lender under and in accordance with any Documents), the use of proceeds of any financial accommodations provided hereunder, any investigation, litigation or other proceeding (brought or threatened) relating thereto, or the role of any such Person or Persons in connection with the foregoing, whether or not any Indemnified Party is named as a party to any legal action or proceeding ("***Claims***"). The Borrowers will not, however, be responsible to any Indemnified Party hereunder for any Claims to the extent that a court having jurisdiction shall have determined by a final nonappealable judgment that any such Claim shall have arisen out of or resulted directly and principally from (i)(1) actions taken or omitted to be taken by such Indemnified Party by reason of the bad faith, willful misconduct or gross negligence of any Indemnified Party, or (2) in violation of any law or regulation applicable to such Indemnified Party (except to the extent that such violation is attributable to any breach of any representation, warranty or agreement by or on behalf of any Borrower or any of its designees, in each case, as determined by a final nonappealable decision of a court of competent jurisdiction), or (ii) a successful claim by a Borrower against such Indemnified Party ("***Excluded Claims***"). The Indemnified Party shall give the Borrowers prompt Written Notice of any Claim setting forth a description of those elements of the Claim of which such Indemnified Party has knowledge. The Lender, as an Indemnified Party, shall be permitted hereunder to select counsel to defend such Claim with the consent of the Borrowers, such consent not to be unreasonably withheld, at the expense of the Borrowers and, if such Indemnified Party shall decide to do so, then all such Indemnified Parties shall select the same counsel to defend such Indemnified Parties with respect to such Claim; provided, however, that if any such Indemnified Party shall in its reasonable opinion consider that the retention of one joint counsel as aforesaid shall result in a conflict of interest, such Indemnified Party may, at the expense of the Borrower, select its own counsel to defend such Indemnified Party with respect to such Claim. The Indemnified Parties and the Borrowers and their respective counsel shall cooperate with each other in all reasonable respects in any investigation, trial and defense of any such Claim and any appeal arising therefrom.

§ 1.10. Telephonic Notice. Without in any way limiting the Borrowers' obligation to confirm in writing any telephonic notice of a borrowing, conversion or renewal, the Lender may act without liability upon the basis of telephonic notice believed by the Lender in good faith to be from an Authorized Representative of any Borrower or the Borrower Representative prior to receipt of written confirmation.

§ 1.11. Maximum Interest. (a) No provision of this Agreement shall require the payment to the Lender or permit the collection by the Lender of interest in excess of the maximum rate of interest from time to time permitted (after taking into account all

consideration which constitutes interest) by laws applicable to the Lender Debt and binding on the Lender (such maximum rate being the Lender's "***Maximum Permissible Rate***").

(b) If the amount of interest (computed without giving effect to this Section 1.11) payable on any Interest Payment Date in respect of the preceding interest computation period would exceed the amount of interest computed in respect of such period at the Maximum Permissible Rate, the amount of interest payable to the Lender on such date in respect of such period shall be computed at the Maximum Permissible Rate.

(c) If at any time and from time to time: (i) the amount of interest payable to any Lender on any Interest Payment Date shall be computed at the Maximum Permissible Rate pursuant to the preceding subsection (b); and (ii) in respect of any subsequent interest computation period the amount of interest otherwise payable to the Lender would be less than the amount of interest payable to the Lender computed at the Maximum Permissible Rate, then the amount of interest payable to the Lender in respect of such subsequent interest computation period shall continue to be computed at the Maximum Permissible Rate until the amount of interest payable to the Lender shall equal the total amount of interest which would have been payable to the Lender if the total amount of interest had been computed without giving effect to the preceding subsection (b).

ARTICLE II.
GENERAL PAYMENT MECHANICS; GOVERNMENTAL ENTITIES PAYMENT MECHANICS; MISDIRECTED PAYMENTS

§ 2.01. General Payment Mechanics. (a) On or prior to the Initial Funding Date, each of the Borrower Representative, the applicable Borrowers, the Lender and each Lockbox Bank shall have entered into the Depositary Agreements and shall have caused the Lockbox Banks to establish the Lender Lockboxes and the Lender Lockbox Accounts.

(b) Each Borrower shall prepare, execute and deliver to each non-Governmental Entity who is or is proposed to be a payor of Receivables and that has not previously received such Notice or is not sending payments to a Lender Lockbox or Lender Lockbox Account in the manner required hereunder, with copies to the Lender, on or prior to the Initial Funding Date, a Notice to Obligors addressed to each such non-Governmental Entity, which Notice to Obligors shall state that all present and future Receivables owing to such Borrower are subject to a Lien in favor of the Lender and that all checks from such non-Governmental Entity on account of Receivables shall be sent to a Lender Lockbox and all wire transfers from such non-Governmental Entity on account of Receivables shall be wired directly into a Lender Lockbox Account.

(c) Each Borrower covenants and agrees that, on and after the Initial Funding Date, all invoices (and, if provided by such Borrower, return envelopes) to be sent to non-Governmental Entities shall set forth only the address of a Lender Lockbox as a return address for payment of Receivables, and only a Lender Lockbox Account with respect to wire transfers for payment of Receivables. Each Borrower hereby further covenants and agrees to instruct and notify each of the members of its accounting and collections staff to provide identical information in communications with non-Governmental Entities with respect to Collections.

§ 2.02. Governmental Entities Payment Mechanics. (a) On or prior to the Initial Funding Date, each of the Borrower Representative, the applicable Borrowers, the Lender and each Lockbox Bank shall have entered into the Depositary Agreements, and the Borrowers shall have caused the Lockbox Banks to establish the Borrower Lockboxes and the Borrower Lockbox Accounts. Each Borrower shall prepare, execute and deliver to each Governmental Entity or its fiscal intermediary who is or is proposed to be an Obligor of Receivables and that has not previously received such Notice or is not sending payments to a Borrower Lockboxes or a Borrower Lockbox Account in the manner required hereunder, with copies to the Lender, on or prior to the Initial Funding Date, Notices to Governmental Entities, which Notices to Governmental Entities shall provide that all checks from Governmental Entities on account of Receivables shall be sent to a Borrower Lockbox and all wire transfers on account of Receivables shall be wired directly into a Borrower Lockbox Account.

(b) Each Borrower covenants and agrees that, on and after the Initial Funding Date, all invoices to be sent to Governmental Entities (and, if provided by such Borrower, return envelopes) shall set forth only the address of a Borrower Lockbox as a return address for payment of Receivables, and only a Borrower Lockbox Account with respect to wire transfers for payment of Receivables. Each Borrower further covenants and agrees to instruct and notify each of the members of its accounting and collections staff to provide identical information in communications with Governmental Entities with respect to Collections.

(c) Each Borrower shall maintain its Borrower Lockbox Accounts exclusively for the receipt of payments on account of Receivables from Governmental Entities. Each Borrower shall take all actions necessary to ensure that no payments from any Person other than a Governmental Entity shall be deposited in the Borrower Lockbox Accounts.

§ 2.03. Misdirected Payments; EOB's. (a) In the event that any Borrower receives a Misdirected Payment in the form of a check, such Borrower shall immediately send such Misdirected Payment, in the form received by such Borrower, by overnight delivery service to the appropriate Lender Lockbox or Borrower Lockbox, as the case may be, together with the envelope in which such payment was received. In the event a Borrower receives a Misdirected Payment in the form of cash or wire transfer, such Borrower shall immediately wire transfer the amount of such Misdirected Payment directly to a Lender Lockbox Account. All Misdirected Payments shall be sent promptly upon receipt thereof, and in no event later than the close of business, on the first Business Day after receipt thereof.

(b) [Intentionally Omitted.]

(c) Each Borrower hereby agrees and consents to the Lender taking such actions, solely during the continuation of an Event of Default, as are reasonably necessary to ensure that future payments from the Obligor of a Misdirected Payment shall be made in accordance with the Notice previously delivered to such Obligor, including, without limitation, to the maximum extent permitted by law, (i) the Lender, its assigns or designees, or any member of the Lender Group executing on such Borrower's behalf and delivering to such Obligor a new Notice, and (ii) the Lender, its assigns or designees, or any member of the Lender Group contacting such Obligor by telephone to confirm the instructions previously set forth in the Notice to such Obligor. At any time, upon the Lender's request, a Borrower shall promptly (and

in any event, within two Business Days from such request) take such similar actions as the Lender may request..

§ 2.04. No Rights of Withdrawal. None of the Borrowers nor the Borrower Representative shall have any rights of direction or withdrawal with respect to amounts held in the Lender Lockbox Accounts.

ARTICLE III.
COLLECTION AND DISTRIBUTION

§ 3.01. Collections on the Receivables. The Lender shall be entitled with respect to all Receivables, (i) to receive and to hold as collateral all Receivables and all Collections on Receivables in accordance with the terms of the Depositary Agreements, and (ii) to have and to exercise any and all rights to collect, record, track and, during the continuance of an Event of Default, take all actions to obtain Collections with respect to all Receivables.

§ 3.02. Distribution of Funds. On each Funding Date, and *provided*, that (i) no Event of Default is continuing, and (ii) the Program Manager shall have received all Receivable Information for the period since the immediately prior Funding Date, the Lender shall distribute any and all Collections received in the Collection Account prior to 12:00 p.m. (New York City time) on the immediately prior Funding Date as follows: **FIRST**, to the Lender, an amount in cash equal to the Fee and Interest Shortfall, if any, until such amount has been paid in full; **SECOND**, to the Lender, an amount in cash equal to the Borrowing Base Deficiency, if any, until such amount is paid in full; **THIRD**, to the Lender, an amount in cash equal to the payment, if any, of principal on the Revolving Loan due and payable on such Funding Date, until such amount has been paid in full; **FOURTH**, to the Lender, an amount in cash equal to the payment of any other Lender Debt due and payable on such Funding Date, if any, until such amount has been paid in full; **FIFTH**, to the Borrower Representative on behalf of the Borrowers, all remaining amounts of Collections, as requested.

§ 3.03. Distribution of Funds at the Maturity Date or Upon an Event of Default. At the Maturity Date or upon the occurrence and during the continuance of an Event of Default, subject to the rights and remedies of the Lender pursuant to Section 4.02 hereof, the Lender shall distribute any and all Collections as follows: **FIRST**, to the Lender, an amount in cash equal to any and all accrued fees and collection costs as set forth in Sections 1.05 and 6.05, until such amount has been paid in full; **SECOND**, to the Lender, an amount in cash equal to all accrued and unpaid interest on the Revolving Loan (at the rates established under Section 1.05) until such amount has been paid in full; **THIRD**, to the Lender, an amount in cash equal to the principal amount of the Revolving Loan, until such amount is paid in full; **FOURTH**, to the Lender, an amount in cash equal to the payment of any other Lender Debt due and payable on such date, until such amount has been paid in full; and **FIFTH**, to the Borrower Representative on behalf of the Borrowers, all remaining amounts of Collections.

§ 3.04. Allocation of Servicing Responsibilities. (a) Tracking of Collections and other transactions pertaining to the Receivables shall be administered by the Program Manager in a manner consistent with the terms of this Agreement. The responsibilities

of the Borrowers to the Program Manager have been set forth in Exhibit X attached hereto. Each Borrower shall cooperate fully with the Program Manager in establishing and maintaining the Transmission of the Receivable Information, including, without limitation, the matters described in Exhibit X, and shall provide promptly to the Program Manager such other information necessary or desirable for the administration of Collections on the Receivables as may be reasonably requested from time to time.

(b) Each Borrower hereby agrees to perform the administration and servicing obligations set forth in Exhibit X hereto with respect to its Receivables (the "***Servicing Responsibilities***"). The Lender may, at any time following the occurrence of an Event of Default (and shall, without requirement of notice to any party, upon an Event of Default resulting from the events described in clauses (f) or (m) of Exhibit V hereto) appoint another Person to succeed any Borrower in the performance of the Servicing Responsibilities (which replacement shall be effectuated through the outplacement to a third-party collection firm obligated to use commercially reasonable efforts to maximize collections in accordance with the provisions of Article 9 of the UCC).

§ 3.05. Distributions to the Borrowers Generally. Distributions to the Borrowers on each Funding Date shall be deposited in the Borrower Account.

ARTICLE IV.
REPRESENTATIONS AND WARRANTIES; COVENANTS; EVENTS OF DEFAULT

§ 4.01. Representations and Warranties; Covenants. Each Borrower makes on the Initial Funding Date and on each subsequent Funding Date, the representations and warranties set forth in Exhibit III hereto, and hereby agrees to perform and observe the covenants set forth in Exhibit IV hereto.

§ 4.02. Events of Default; Remedies. (a) If any Event of Default shall occur and be continuing, the Lender may, by Written Notice to the Borrower Representative, take either or both of the following actions: (x) declare the Maturity Date to have occurred, and (y) without limiting any rights hereunder and subject to applicable law, replace any Borrower in the performance of any or all of the Servicing Responsibilities; provided, that with respect to the Event of Default in clause (f) of Exhibit V, the Maturity Date shall be deemed to have occurred automatically and without notice. Upon any such declaration or designation, the Lender shall have, in addition to the rights and remedies which it may have under this Agreement, all other rights and remedies provided after default under the UCC and under other applicable law, which rights and remedies shall be cumulative.

(b) Right of Set-Off. Each Borrower hereby irrevocably authorizes and instructs the Lender to set-off the full amount of any Lender Debt due and payable against (*i*) any Collections, or (*ii*) the principal amount of any Revolving Advance requested on or after such due date. No further notification, act or consent of any nature whatsoever is required prior to the right of the Lender to exercise such right of set-off; *provided*, *however*, a member of the Lender Group shall promptly notify the Borrower Representative: (1) a set-off pursuant to this Section

4.02 occurred, (2) the amount of such set-off and (3) a description of the Lender Debt that was due and payable.

§ 4.03. Attorney-in-Fact. Each Borrower hereby irrevocably designates and appoints the Lender, the Program Manager and each other Person in the Lender Group, to the extent permitted by applicable law and regulation, as such Borrower's attorneys-in-fact, which irrevocable power of attorney is coupled with an interest, with authority, upon the continuance of an Event of Default (and to the extent not prohibited under applicable law and regulations) to (*i*) endorse or sign such Borrower's name to financing statements, remittances, invoices, assignments, checks, drafts, or other instruments or documents in respect of the Collateral, including the Receivables, (*ii*) notify Obligors to make payments on the Receivables directly to the Lender, and (*iii*) bring suit in such Borrower's name and settle or compromise such Receivables as the Lender or the Program Manager may, in its discretion, deem appropriate.

ARTICLE V.
SECURITY

§ 5.01. Grant of Security Interest. (a) As collateral security for the Borrower's joint and several obligations to pay the Lender Debt when due and payable and its indemnification obligations hereunder, each Borrower hereby grants to the Lender a first priority Lien on and security interest in and right of set-off against all of the rights, title and interest of the Borrowers in and to: (i) to the maximum extent permitted by law, the Lockboxes and the Lockbox Accounts; (ii) all Receivables of the Borrowers whether now owned or hereafter acquired; (iii) any and all amounts held in any Accounts maintained at Bank of America, N.A., UMB Bank or any other bank in respect of any of the foregoing or in compliance with any terms of this Agreement; (iv) all shares of capital stock, limited liability company interests, membership interests and all other interests held by a Borrower in a Subsidiary of such Borrower, whether held now or obtained in the future by such Borrower; and (v) all proceeds of the foregoing; (all of the foregoing clauses (i) through (v) inclusive, the "***Collateral***"). This Agreement shall be deemed to be a security agreement as understood under the UCC.

(b) Each Borrower agrees to execute, and hereby authorizes the Lender to file, one or more financing statements or continuation statements or amendments thereto or assignments thereof in respect of the Lien created pursuant to this Section 5.01 which may at any time be required or, in the opinion of the Lender, be desirable, and to do so without the signature of such Borrower where permitted by law.

ARTICLE VI.
MISCELLANEOUS

§ 6.01. Amendments, etc. (a) No amendment or waiver of any provision of this Agreement or consent to any departure therefrom by a party hereto shall be effective unless in a writing signed by the Lender and the Borrowers and then such amendment, waiver or consent shall be effective only in the specific instance and for the specific purpose for which given. No failure on the part of the Lender or the Borrowers to exercise, and no delay in exercising, any right hereunder shall operate as a waiver thereof; nor shall any single or partial

exercise of any right hereunder preclude any other or further exercise thereof or the exercise of any other right.

(b) The parties hereto agree to make any change, modification or amendment to this Agreement as may be requested by Fitch Ratings, Moody's Investors Service, Inc. or any other rating agency then rating the receivables finance program of the Lender, so long as any such change, modification or amendment does not materially adversely affect the parties hereto (each a "***Rating Agency Amendment***").

§ 6.02. Notices, etc. (a) All notices and other communications hereunder shall, unless otherwise stated herein, be in writing (which may include facsimile communication) and shall be faxed or delivered or sent by electronic mail, (i) to the Lender (and the Lender hereby agrees that notices to or for its benefit may be delivered to the Program Manager and such delivery to the Program Manager shall be deemed received by the Lender), at its address set forth under its name on Schedule I hereof or at such other address as shall be designated by such party in a Written Notice to the other parties hereto, and (ii) to any Borrower (and the Borrowers hereby agree that notices to or for their benefit may be delivered to the Borrower Representative and such delivery to the Borrower Representative shall be deemed received by the Borrowers) at the address set forth on Schedule I hereof or at such other address as shall be designated by such party in a Written Notice to the other parties hereto, (iii) to the Program Manager at the addresses set forth on Schedule I attached hereto and as such schedule may be amended from time to time by the Lender. Notices and communications by facsimile shall be effective when sent and confirmation received (and shall be promptly followed by hard copy), and notices and communications sent by other means shall be effective when received. Notices delivered through electronic communications to the extent provided in paragraph (b) below, shall be effective as provided in said paragraph (b).

(b) Notices and other communications hereunder may be delivered or furnished by electronic communication pursuant to commercially reasonable procedures mutually approved by the Borrower Representative, the Program Manager and the Lender; provided that the foregoing shall not apply to any notices or other communications to any party if such party has notified the other parties that it is incapable of receiving or does not wish to receive notices and other communications by electronic communication. Such electronic communications may be limited by the Program Manager or the Lender to particular notices or communications. All notices and other communications sent to an e-mail address shall be deemed received upon the sender's receipt of an acknowledgement from the intended recipient (such as by the "return receipt requested" function, as available, return e-mail or other written acknowledgement); provided that if such notice or other communication is not sent during the normal business hours of the recipient, such notice or communication shall be deemed to have been sent at the opening of business on the next business day for the recipient.

§ 6.03. Assignability. (a) This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective permitted successors and assigns.

(b) The Borrowers may not assign their rights or obligations hereunder or any interest herein without the prior written consent of the Lender.

§ 6.04. Further Assurances. Each Borrower shall, at its cost and expense, upon the reasonable request of the Lender, duly execute and deliver, or cause to be duly executed and delivered, to the Lender such further instruments and do and cause to be done such further acts as may be necessary or proper in the reasonable opinion of the Lender to carry out more effectively the provisions and purposes of this Agreement.

§ 6.05. Costs and Expenses; Collection Costs. (a) The Borrowers jointly and severally agree to pay (i) on the Initial Funding Date and (ii) with respect to costs and expenses incurred thereafter, within seven days of invoicing therefor and after reasonable verification by the Borrowers of such costs and expenses, which shall in no event exceed such seven-day period, all reasonable costs and expenses in connection with the preparation, execution and delivery of this Agreement and any waiver, modification, supplement or amendment hereto, including, without limitation, the reasonable fees and out-of-pocket expenses of counsel for the Lender and its Affiliates and all costs and expenses, if any (including reasonable counsel fees and expenses), of the Lender and its Affiliates in connection with the waiver, amendment and enforcement of this Agreement.

(b) The Borrowers jointly and severally further agree to pay on the Initial Funding Date (and with respect to costs and expenses incurred following the Initial Funding Date, within seven days of invoicing therefor) (i) all reasonable costs and expenses incurred by the Lender or its agent in connection with (x) semi-annual audits of the Receivables, (y) all audits conducted in connection with any material change in the Receivables or a change in the Credit and Collection Policy (z) and all audits conducted during the continuance of an Event of Default, (ii) all reasonable costs and expenses incurred by the Program Manager to accommodate any significant coding or data system changes necessitated by the Borrowers that would affect the transmission or interpretation of data received through the interface, and (iii) all reasonable costs and expenses incurred by the Lender for additional time and material expenses of the Program Manager resulting from a lack of either cooperation or responsiveness of the Borrowers to agreed-upon protocol and schedules with the Program Manager; provided, that the Borrowers have been informed of the alleged lack of cooperation or responsiveness and has been provided the opportunity to correct such problems.

(c) In the event that the Lender shall retain an attorney or attorneys to collect, enforce, protect, maintain, preserve or foreclose its interests with respect to this Agreement, any other Documents, any Lender Debt, any Receivable or the Lien on any Collateral or any other security for the Lender Debt or under any instrument or document delivered pursuant to this Agreement, or in connection with any Lender Debt, the Borrowers shall jointly and severally pay all of the reasonable costs and expenses of such collection, enforcement, protection, maintenance, preservation or foreclosure, including reasonable attorneys' fees, which amounts shall be part of the Lender Debt, and the Lender may take judgment for all such amounts. The attorneys' fees arising from such services, including those of any appellate proceedings, and all reasonable out-of-pocket expenses, charges, costs and other fees incurred by such counsel in any way or with respect to or arising out of or in connection with or relating to any of the events or actions described in this Section 6.05 shall be payable by the Borrowers, on an a joint and several basis, to the Lender on demand (with interest accruing from the eighth day following the date of such demand, and shall be additional obligations under this Agreement). Without limiting the generality of the foregoing, such expenses, costs, charges and fees may include:

recording costs, appraisal costs, paralegal fees, costs and expenses; accountants' fees, costs and expenses; court costs and expenses; photocopying and duplicating expenses; court reporter fees, costs and expenses; long distance telephone charges; air express charges; telegram charges; telecopier charges; secretarial overtime charges; and expenses for travel, lodging and food paid or incurred in connection with the performance of such legal services.

§ 6.06. Confidentiality. (a) Each of the Borrowers and the Lender hereby acknowledge that this Agreement, the other Documents and documents delivered hereunder, thereunder or in connection with, including, without limitation, any information relating to the Borrowers or any member of the Lender Group contain confidential and proprietary information. Unless otherwise required by applicable law, the Borrowers and the Lender each hereby agrees to maintain the confidentiality of this Agreement (and all drafts, memos and other documents delivered in connection therewith including, without limitation, any information relating to the Borrowers or any member of the Lender Group delivered hereunder or under the other Documents) in communications with third parties and otherwise and to take all reasonable actions to prevent the unauthorized use or disclosure of and to protect the confidentiality of such confidential information; provided, that, such confidential information may be disclosed to a third party (i) subject to an agreement to keep same confidential (1) the Borrowers' legal counsel, accountants, auditors, investors and creditors, (2) the Program Manager, the Parent, the Person then fulfilling the "Servicing Responsibilities" hereunder, each member of the Lender Group, investors in and creditors of the Lender, appropriate rating agencies with respect to the Lender, and each of their respective legal counsel, accountants, advisers and auditors, (3) to any other Person with the written consent of the applicable other party hereto, which consent shall not be unreasonably withheld; (ii) subject to reasonable prior notice to the extent practicable and not prohibited by law, (1) pursuant to subpoena or other court or legal process and (2) to the extent reasonably required in connection with any litigation or proceeding to which any party hereto is a party; (iii) to any Person if such information otherwise becomes available to such Person or publicly available through no fault of any party governed by this Section 6.06; (iv) to any Governmental Entity requesting such information; and (v) in compliance with any law, rule, regulation or order applicable to one of the parties hereto.

(b) The parties hereto understand and agree that the other parties may suffer irreparable harm if any party breaches its obligations under this Section 6.06 and that monetary damages shall be inadequate to compensate the injured party for such breach. Accordingly, each party agrees that, in the event of a breach by such party of Section 6.06(a), the injured party, in addition and not in limitation of its rights and remedies under law, shall be entitled to a temporary restraining order, preliminary injunction and permanent injunction to prevent or restrain any such breach.

(c) The Lender and the Borrowers each hereby agrees to, and the Lender shall take reasonable steps to cause each member of the Lender Group to, comply with all applicable state or federal statutes or regulations relating to patient medical record confidentiality.

Notwithstanding anything to the contrary described herein, from the commencement of discussions with respect to the transactions, each of the Borrowers and the Lender, and each of their respective employees, representatives or other agents, are, and hereby confirm that they have been, permitted to disclose to any and all persons, without limitations of any kind, the tax

treatment and tax structure of the transactions and all materials of any kind (including opinions or other tax analyses) that are or have been provided to such parties related to such tax treatment and tax structure; provided, however, that the foregoing permission to disclose the tax treatment and tax structure does not permit the disclosure of the identity of the parties to the transactions or the amounts paid in connection with the transactions; and provided further, that the tax treatment and tax structure shall be kept confidential to the extent necessary to comply with federal or state securities laws.

§ 6.07. Term and Termination; Early Termination Fee; Prepayment Fee. (a) This Agreement shall have an initial term commencing on the Initial Funding Date and expiring on November 1, 2010 (the "***Initial Term***"). Thereafter, the term of this Agreement shall be automatically extended for annual successive terms (each, a "***Renewal Term***") commencing on the first day following the Initial Term or a Renewal Term, as the case may be, and expiring on the date twelve months thereafter, unless the Lender or the Borrower Representative provides Written Notice not less than 90 days prior to the expiration of the Initial Term or a Renewal Term, as the case may be, that such Person does not intend to extend the term of this Agreement; provided, however, that if an Event of Default shall have occurred and be continuing at the end of the Initial Term or a Renewal Term, as the case may be, this Agreement will not automatically be extended without the prior written consent of the Lender. Any Borrower shall pay to the Lender on the first day of each Renewal Term a fee equal to 0.20% of the Commitment then in effect. Upon the payment in full of all Lender Debt, the Lender shall take all actions and deliver all assignments, certificates, releases, notices and other documents, at the Borrowers' expense, as the Borrowers may reasonably request to effect such termination.

(b) The Borrowers may terminate this Agreement at any time prior to the Maturity Date upon (i) lapse of not less than ten days' prior Written Notice (which shall be irrevocable) to the Lender and (ii) payment in full of all Lender Debt, including, without limitation, all applicable accrued and unpaid fees, charges and costs, all as provided hereunder, and in such occurrence of clauses (i) and (ii) the commitment hereunder shall be deemed to be terminated.

(c) Upon the termination of this Agreement (for any reason other than the default hereof by the Lender or a Rating Agency Amendment that the Borrowers, in their reasonable judgment and in good faith determines is unacceptable) prior to the Scheduled Maturity Date, the Borrowers shall jointly and severally pay to the Lender an early termination fee in an amount equal to the Early Termination Fee.

(d) The termination of this Agreement shall not affect any rights of the Lender or any obligations of the Borrowers arising on or prior to the effective date of such termination, and the provisions hereof shall continue to be fully operative until all Lender Debt incurred on or prior to such termination has been paid and performed in full.

(e) Upon the giving of notice that an Event of Default has occurred and is continuing under this Agreement, all Lender Debt shall be due and payable on the date of such Event of Default specified in such notice. Upon the (i) the termination of all commitments and obligations of the Lender, and (ii) the payment in full of all Lender Debt, the Lender shall, at the Borrowers' request and sole cost and expense, execute and deliver to the Borrower

Representative such documents as the Borrower Representative shall reasonably request to evidence such termination.

(f) The Liens and rights granted to the Lender hereunder with respect to the Collateral shall continue in full force and effect, notwithstanding the termination of this Agreement, until all of the Lender Debt has been indefeasibly paid in full in cash.

(g) Notwithstanding the foregoing, if after receipt of any payment of all or any part of the Lender Debt, the Lender is for any reason compelled to surrender such payment to any Person or entity because such payment is determined to be void or voidable as a preference, an impermissible setoff, a diversion of trust funds or for any other reason, this Agreement shall continue in full force (except that the Revolving Commitment of the Lender shall have been terminated), and the Borrowers shall be jointly and severally liable to, and shall indemnify and hold the Lender harmless for the amount of such payment surrendered until the Lender shall have been finally and irrevocably paid in full. The provisions of the foregoing sentence shall be and remain effective notwithstanding any contrary action which may have been taken by the Lender in reliance upon such payment, and any such contrary action so taken shall be without prejudice to the Lender's rights under this Agreement and shall be deemed to have been conditioned upon such payment having become final and irrevocable.

§ 6.08. No Liability of Lender. (a) Neither this Agreement nor any document executed in connection herewith shall constitute an assumption by the Lender of any obligation to any Obligor or any plan participant of the Obligor, or any obligation of the Borrowers.

(b) Notwithstanding any other provision herein, no recourse under any obligation, covenant, agreement or instrument of the Lender contained herein or with respect hereto shall be had against any Related Person whether arising by breach of contract, or otherwise at law or in equity (including any claim in tort), whether express or implied, it being understood that the agreements and other obligations of the Lender herein and with respect hereto are solely its corporate obligations; provided, however, nothing herein above shall operate as a release of any liability which may arise as a result of such Related Person's gross negligence or willful misconduct. The provisions of this Section 6.08 shall survive the termination of this Agreement.

§ 6.09. Joint and Several Liability; Designation and Appointment of Borrower Representative. (a) Each Borrower agrees that each reference to "the Borrowers" in this Agreement shall be deemed to refer to each such Borrower, jointly and severally with the other Borrowers. Each Borrower (i) shall be jointly and severally liable for the obligations, duties and covenants of each other such Borrower under this Agreement and the acts and omissions of each other such Borrower including, without limitation, under Article VI hereof, and (ii) jointly and severally makes each representation and warranty for itself and each other such Borrower under this Agreement. Notwithstanding the foregoing, if, in any action to enforce the Lender Debt against any Borrower or any proceeding to allow or adjudicate a claim hereunder, a court of competent jurisdiction determines that enforcement of the joint and several obligations of all of the Borrowers against such Borrower for the full amount of the Lender Debt is not lawful under, or would be subject to avoidance under Section 548 of the United States

Bankruptcy Code or any applicable provision of Federal or state law, the liability of such Borrower hereunder shall be limited to the maximum amount lawful and not subject to avoidance under such law.

(b) Each Borrower hereby irrevocably designates and appoints BioScrip Pharmacy Services, Inc. as its exclusive representative under this Agreement (the "***Borrower Representative***") to deliver and receive all notices and Written Notices on behalf of such Borrower and to receive on behalf of such Borrower and distribute all distributions of the Borrowers in accordance with the respective interests of the Borrowers and to take such other actions as are set forth in this Agreement. Each Borrower hereby unconditionally releases the Lender, the Program Manager and any member of the Lender Group with respect to any claims, obligations or duties that such Persons may otherwise have been deemed to possess absent the designation and appointment contained in this Section 6.09(b)

§ 6.10. Entire Agreement; Severability. (a) This Agreement, including all exhibits and schedules hereto and the documents referred to herein, embody the entire agreement and understanding of the parties concerning the subject matter contained herein. This Agreement supersedes any and all prior agreements and understandings between the parties, whether written or oral.

(b) If any provision of this Agreement shall be declared invalid or unenforceable, the parties hereto agree that the remaining provisions of this Agreement shall continue in full force and effect.

§ 6.11. **GOVERNING LAW. THIS AGREEMENT SHALL, IN ACCORDANCE WITH SECTION 5-1401 OF THE GENERAL OBLIGATIONS LAW OF THE STATE OF NEW YORK, BE GOVERNED BY THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO ANY CONFLICT OF LAWS PRINCIPLES THEREOF THAT WOULD CALL FOR THE APPLICATION OF THE LAWS OF ANY OTHER JURISDICTION, EXCEPT TO THE EXTENT THAT THE VALIDITY OR PERFECTION OF THE SECURITY INTEREST GRANTED HEREUNDER, OR REMEDIES RELATED THERETO, IN RESPECT OF ANY PARTICULAR COLLATERAL ARE GOVERNED BY THE LAWS OF A JURISDICTION OTHER THAN THE STATE OF NEW YORK.**

§ 6.12. **WAIVER OF JURY TRIAL, JURISDICTION AND VENUE. EACH OF THE PARTIES HERETO HEREBY WAIVES ALL RIGHTS TO A TRIAL BY JURY IN THE EVENT OF ANY LITIGATION WITH RESPECT TO ANY MATTER RELATED TO THIS AGREEMENT, AND HEREBY IRREVOCABLY CONSENTS TO THE JURISDICTION OF THE STATE AND FEDERAL COURTS LOCATED IN NEW YORK COUNTY, NEW YORK CITY, NEW YORK IN CONNECTION WITH ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT. IN ANY SUCH LITIGATION, EACH OF THE PARTIES HERETO WAIVES PERSONAL SERVICE OF ANY SUMMONS, COMPLAINT OR OTHER PROCESS AND AGREES THAT SERVICE THEREOF MAY BE MADE BY CERTIFIED OR REGISTERED MAIL DIRECTED TO THE**

PARTIES HERETO AT THEIR ADDRESSES SET FORTH ON THE SIGNATURE PAGE HEREOF.

§ 6.13 Execution in Counterparts. This Agreement may be executed in counterparts, each of which when so executed shall be deemed to be an original and all of which when taken together shall constitute one and the same agreement.

§ 6.14 No Proceedings. The Borrowers hereby agree that they will not institute against the Lender any proceeding of the type referred to in clause (f) of Exhibit V so long as any senior indebtedness issued by the Lender shall be outstanding or there shall not have elapsed one year plus one day since the last day on which any such senior indebtedness shall have been outstanding.

§ 6.15 Survival of Termination. All indemnities contained herein shall survive the termination hereof unless otherwise provided. In addition, the provisions of Sections 4.02(b), 6.05, 6.06, 6.08, 6.09, 6.14 and this Section 6.15 shall survive any termination of this Agreement.

§ 6.16 Addition or Removal of Borrowers. (a) Subject to the conditions set forth below, upon 30-days' prior written request from time to time of the Borrower Representative, the Lender hereby agrees to the adding of other Persons designated by the Borrower Representative as additional Borrowers hereunder (each such event, an "***Addition***"); provided, that, in the reasonable commercial judgment of the Lender and its designees and assignees):

(i) the Lender, in its commercially reasonable discretion, shall have agreed in writing to such Addition;

(ii) no Event of Default is existing and the proposed Addition shall not cause, or not reasonably be expected to cause, an Event of Default unless waived in writing by the Lender;

(iii) as of the effective date of such Addition, such applicable conditions precedent set forth in Exhibit II hereto shall have been fulfilled with respect to such Person;

(iv) as of the effective date of such Addition, each applicable representation and warranty set forth in Exhibit III hereto shall be true and correct in all material respects with respect to such Person;

(v) the Lender shall have received a certificate from the Program Manager stating that all computer linkups and interfaces necessary or desirable, in the sole discretion of the Program Manager, to effectuate the transactions and information transfers under this Agreement with respect to the Addition are fully operational to the satisfaction of the Program Manager and the Program Manager shall have received an interface fee for each additional computer interface;

(vi) such Person shall execute such agreements, instruments and documents as the Purchaser may reasonably request, in form and substance satisfactory to the Purchaser to effectuate the Addition, including without limitation (x) the appropriate subscription agreement in the form of Exhibit XV attached (the "***Subscription Agreement***") to this Agreement whereby such Person agrees to be bound by the terms of this Agreement, and (y) financing statements covering Collateral, including Receivables, of such Person; and

(vii) the Lender shall have been provided with such information (whether financial or otherwise) and time necessary and desirable (in the sole discretion of the Lender) to make the assessments hereunder; and

(b) Subject to the conditions set forth below, upon 30-days' prior written request from time to time of the Borrower Representative, the Lender hereby agrees to the removal of any Borrower designated by the Borrower Representative from time to time (each such event, a "***Removal"***); provided, that, in the reasonable commercial judgment of the Lender:

(i) the Lender, in its sole discretion, shall have agreed in writing to such Removal;

(ii) no Event of Default is existing and the proposed Removal shall not cause, or not reasonably be expected to cause, an Event of Default;

(iii) after giving effect to such Removal, the aggregate minimum Tangible Net Worth of the remaining Borrowers hereunder shall (x) equal at least $5,000,000, and (y) not have decreased as a result of the Removal (combined with all other Removals) by greater than 25%;

(iv) such Person shall execute such agreements, instruments and documents as the Lender may reasonably request, in form and substance satisfactory to the Lender to effectuate the Removal, including without limitation an amendment to this Agreement effectuating such Removal;

(v) the Lender, have been provided with such information (whether financial or otherwise) and time necessary and desirable (in the sole discretion of the Lender) to make the assessments hereunder; and

(vi) the Lender shall have received all Collections with respect to Eligible Receivables (that have not become Denied Receivables) attributable to such Person.

(c) Notwithstanding any Removal of a Person as a Borrower made in accordance with the provisions of Section 6.16(b), the provisions of Article IV (and the representations and warranties with respect thereto) and Sections 1.08, 1.09, 6.05, 6.06. 6.08 and 6.14 shall, with respect to such Person, survive such Removal.

§ 6.17 USA PATRIOT ACT. Each Borrower acknowledges and consents that, in accordance with the reporting requirements of the USA PATRIOT Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)) (the "***Act***"), the Lender may require

information to obtain, verify and record information that identifies such Borrower, which information includes the name and addresses of such Borrower and its principals, as well as any other information that will allow the Lender to identify such Borrower and its principals in accordance with, and otherwise comply with the requirements of, the Act.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their respective officers thereunto duly authorized, as of the date first above written.

HFG HEALTHCO-4 LLC,
as Lender

By: HFG Healthco-4, Inc.,
a member

By: _____
Name:
Title:

BIOSCRIP INFUSION SERVICES, INC.

By: _____
Name:
Title:

MIM FUNDING, LLC

By: _____
Name:
Title:

BIOSCRIP PBM SERVICES, LLC

By: _____
Name:
Title:

BIOSCRIP PHARMACY SERVICES, INC.

By: _____
Name:
Title:

NATURAL LIVING, INC.

By: _____
Name:
Title:

BIOSCRIP PHARMACY (NY), INC.

By: _____
Name:
Title:

BIOSCRIP INFUSION SERVICES, LLC

By: _____
Name
Title

BIOSCRIP PHARMACY, INC.

By: _____
Name:
Title:

EXHIBIT I

DEFINITIONS

As used in the Agreement (including its Exhibits and Schedules), the following terms shall have the following meanings (such meanings to be equally applicable to both the singular and plural forms of the terms defined):

"***Accounts***" means all accounts (including, without limitation, all Receivables), all general intangibles, related goodwill and all other obligations for the payment of money arising out of a Borrower's sale of merchandise or rendition of services in the ordinary course of business, whether now existing or hereafter arising, including all rights to reimbursement under any agreements with and payments from Obligors and all proceeds of any of the foregoing.

"***Accounts Receivable Turnover***" means, at any date, for the 12-month period then most recently ended, the product obtained by multiplying (a) the quotient obtained by dividing (i) the average of the Receivables of the Borrowers over the three month period ending on such date, *by* (ii) average revenue of the Borrowers generated from Receivables over the three month period ending on such date, *by* (b) 365 days.

"***Accrued Amounts***" means, as at any date, the aggregate amount of accrued but unpaid (whether or not due and payable) (a) interest, (b) Non-Utilization Fees, and (c) A/R Fees.

"***Acquisition***" means the acquisition by a Borrower of a business or of businesses through asset purchase, stock purchase, assumption of obligations, merger, consolidation or similar business combination.

"***Addition***" has the meaning set forth in Section 6.16(a).

"***Affiliate***" means, as to any Person, any other Person that, directly or indirectly, is in control of, is controlled by or is under common control with such Person or is a director or officer of such Person. For the purposes of this definition, "control", when used with respect to any specified Person, means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise.

"***Agreement***" has the meaning set forth in the preamble hereto.

"***Applicable Margin***" for any Interest Period, means the relevant amount, based on the Debt/EBITDA Ratio for the fiscal quarter ended immediately prior to the commencement of such Interest Period, set forth in the table below as the "Applicable Margin":

Debt/EBITDA Ratio is:	Applicable Margin:
< 1.00:1.00	1.00%
³ 1.00:1.00 but <1.50:1.00	1.45%
> 1.50:1.00 but < 2.00:1.00	1.75%
³ 2.00:1.00	2.00%

"***A/R Fee***" means the account receivable tracking fee, due on the first Business Day of each Month, in an amount equal to:

$$\frac{\text{AORA x TD x 0.25\%}}{360}$$

where:

AORA = The average outstanding amount of the Revolving Loan for the prior Month, calculated as the arithmetic average of all daily balances

TD = The actual amount of days in such prior Month.

"***Authorized Representative"*** means each Person designated from time to time, as appropriate, in a Written Notice by the Borrowers to the Lender for the purposes of giving notices of borrowing, conversion or renewal of Revolving Advances, which designation shall continue in force and effect until terminated in a Written Notice to the Lender.

"***Availability"*** means, at any date of determination, the amount of the difference between (i) the Borrowing Limit and (ii) the Lender Debt.

"***Borrower***" and "***Borrowers***" has the meaning set forth in the preamble hereto.

"***Borrower Account***" means initially account # 000009069730 at Bank of America, N.A., ABA # 011500010, or, thereafter, such other bank account designated by the Borrower Representative by Written Notice to the Lender and the Program Manager from time to time.

"***Borrower Lockbox***" means the lockboxes set forth on Schedule IV hereto to receive checks with respect to Receivables payable by Governmental Entities.

"***Borrower Lockbox Account***" means the accounts set forth on Schedule IV hereto in the name of the Borrowers and associated with the Borrower Lockbox established and controlled by the Borrowers to deposit Collections from Governmental Entities, including Collections received in the Borrower Lockbox and Collections received by wire transfer directly from Governmental Entities, all as more fully set forth in the Depositary Agreement.

"***Borrower Representative***" has the meaning set forth in Section 6.09(b).

"***Borrower's Certificate***" has the meaning set forth in Section 1.03.

"***Borrowing Base***" means, as of any time, an amount equal to (i) 85% of the Expected Net Value of Eligible Receivables as of such time (subject to adjustment upward to 90% upon the request of the Borrower Representative and the approval of the Lender based upon mutually acceptable terms, such approval not to be unreasonably withheld) in each case and at all times as determined by reference to and as set forth in the most recent Borrowing Base Certificate delivered to the Lender by the Borrowers as of such time pursuant to Exhibit IV, clause (k)(*i*) *minus* (ii) Accrued Amounts and unpaid expenses under Sections 1.05 and 6.05 as of such time.

"***Borrowing Base Certificate***" means a certificate (which may be sent by Transmission) signed by the Borrowers and the Borrower Representative, substantially in the form of Exhibit VII-A hereto, which shall provide the most recently available information (including updated information) with respect to the Eligible Receivables of the Borrowers (segregated by the classes set forth in Schedule V attached hereto) that is set forth in the general trial balance of each of the Borrowers.

"***Borrowing Base Deficiency***" means, as of any date, the positive difference, if any, between (x) the Revolving Loan, *minus* (y) the Borrowing Base indicated on the most recent Borrowing Base Certificate.

"***Borrowing Limit***" has the meaning set forth in Section 1.02.

"***Business Day***" means any day on which banks are not authorized or required to close in New York City, New York.

*" **Capital Expenditures**"* means, with respect to any Person for any period, the aggregate of all expenditures (including, without limitation, obligations created under Capital Leases in the year in which created but excluding payments made thereon) of any Person in respect of the purchase or other acquisition of fixed or capital assets.

"***Capital Lease***" means, as applied to any Person, any lease of any Property (whether real, personal or mixed) by that Person as lessee, the obligations of which are required, in accordance with GAAP, to be capitalized on the balance sheet of that Person.

"***Chief Financial Officer***" means the Chief Financial Officer or the Vice President — Finance of the Borrowers.

"***Change of Control***" means any Borrower shall have consummated or have entered into any transaction or agreement which shall result in the consummation of (a) the sale, lease, transfer, assignment or other disposition of all or substantially all of the assets or Property of a Borrower to any Person or group (as such term is defined in Section 13(d)(3) of the Securities Exchange Act of 1934, as amended); (b) the liquidation or dissolution of (or the adoption of a plan of liquidation by) a Borrower; (c) the merger or consolidation of any Borrower into or with another Person; (d) the acquisition of all or a substantial portion of the assets of any Person; or (e) any transaction the result of which is that any Person or group (as such term is defined in Section 13(d)(3) of the Securities Exchange Act of 1934, as amended)

beneficially owns, directly or indirectly, more of the voting stock of a Borrower than is owned on the date hereof, other than a Permitted Acquisition.

"***Claims***" has the meaning set forth in Section 1.09(b).

"***CMS***" means the Centers for Medicare and Medicaid Services of the United States Department of Health and Human Services.

"***Collateral***" has the meaning set forth in Section 5.01(a).

"***Collection Account***" means the Lender's account maintained at The Bank of New York, ABA # 021000018, GLA 111565, For Further Credit to Account #205779, Ref: HEALTHCO-4/LCHI, Attn: Scott Tepper, or such other bank account designated by the Lender from time to time.

"***Collections***" means all cash collections, wire transfers, electronic funds transfers and other cash proceeds of Receivables deposited in or transferred to the Collection Account, including, without limitation, all cash proceeds thereof.

"***Consolidated Capital Expenditure***" means, for any period, the Capital Expenditures of the Parent and its Subsidiaries for such period, determined on a consolidated basis in accordance with GAAP.

"***Consolidated EBITDA***" means, for any period, the EBITDA of the Parent and its Subsidiaries for such period, determined on a consolidated basis in accordance with GAAP.

"***Consolidated Fixed Charge Coverage Ratio***" for any period, means the ratio of (x) Consolidated EBITDA of the Parent and its Subsidiaries for such period, to (y) the sum of each of the following items to the extent paid or payable by the Borrowers in cash during such period: (i) the current portion long-term Debt, plus (ii) the current portion of Capital Leases, plus (iii) Consolidated Capital Expenditures (to the extent not funded by or being acquired under permitted purchase money loans or capital leases), plus (iv) Consolidated Interest Expense, plus (v) taxes, plus (vi) payment of dividends, distributions, advances, and loans to officers, Affiliates, and shareholders.

"***Consolidated Interest Expense***" means, for any period, the Interest Expense of the Parent and its Subsidiaries for such period, determined on a consolidated basis in accordance with GAAP.

"***Consolidated Liquidity***" means, at any date of determination, the positive difference, if any, between (x) the Borrowing Base (without regard to the Revolving Commitment), and (y) the principal amount then outstanding under the Revolving Loan.

"***Consolidated Net Worth***" means, at any date of determination, an amount equal to (a) the total assets of the Parent and its Subsidiaries on a consolidated basis minus (b) the Total Liabilities.

"Consolidated Tangible Net Worth" means with respect to the Parent and its Subsidiaries determined on a consolidated basis, at any date of determination, (i) the sum of capital stock, capital in excess of par or stated value of shares of its capital stock, retained earnings and any other account which, in accordance with GAAP constitutes stockholder's equity, less (ii) treasury stock and any minority interest in subsidiaries, less (iii) the amount of any write-up subsequent to the date of the Original Agreement in the value of any asset above the cost or depreciated cost thereof and less (iv) all intangible assets, including, without limitation, goodwill, which would be classified as such in accordance with GAAP.

"***Consolidated Total Net Income***" means, for any period, the total Net Income of the Parent and its Subsidiaries for such period, determined on a consolidated basis.

"Consolidated Working Capital" means at any date of determination, an amount equal to Current Assets minus Current Liabilities.

"***Credit and Collection Policy***" means those receivables credit and collection policies and practices of the Borrowers in effect on the date of the Agreement and attached as Schedule II hereto.

"Current Assets" means, at any date of determination, the aggregate amount of all assets of the Parent and its Subsidiaries on a consolidated basis that would be classified as current assets at such date, computed and calculated in accordance with GAAP, adjusted for prepaid expenses and "other current assets".

"Current Liabilities" means, at any date of determination, the aggregate amount of all liabilities of the Parent and its Subsidiaries on a consolidated basis (including tax and other proper accruals) which would be classified as current liabilities at such date, computed and calculated in accordance with GAAP and shall exclude any borrowings under the Agreement.

"***Debt***" means as to any Person (without duplication): (i) all obligations of such party for borrowed money, (ii) all obligations of such party evidenced by bonds, notes, debentures, or other similar instruments, (iii) all obligations of such party to pay the deferred purchase price of property or services (other than trade payables in the ordinary course of business), (iv) all Capital Leases of such party, (v) all Debt of others directly or indirectly Guaranteed (which term shall not include endorsements in the ordinary course of business) by such party, (vi) all obligations secured by a Lien existing on property owned by such party, whether or not the obligations secured thereby have been assumed by such party or are non-recourse to the credit of such party (but only to the extent of the value of such property), and (vii) all reimbursement obligations of such party (whether contingent or otherwise) in respect of letters of credit, bankers' acceptance and similar instruments.

"***Debt/EBITDA Ratio***" means the ratio, as determined as at the end of each fiscal quarter of the Parent, of (x) Debt of the Borrowers to (y) Consolidated EBITDA for the immediately prior fiscal quarter period considered on an annualized basis (by multiplying such amount by 4); *provided that* restructuring charges not exceeding the positive difference, if any, between (i) $5,000,000 minus (ii) restructuring charges excluded from the calculation of the

Debt/EBITDA Ratio in the three immediately prior fiscal quarters, shall be added back to Consolidated EBITDA to the extent that such charges had reduced Consolidated EBITDA.

"***Default***" means an event, act or condition which with the giving of notice or the lapse of time, or both, would constitute an Event of Default.

"***Defaulted Receivable***" means a Receivable (i) as to which the Obligor thereof or any other Person obligated thereon has taken any action, or suffered any event to occur, of the type described in paragraph (f) of Exhibit V, or (ii) which, consistent with the Credit and Collection Policy, would be written off the applicable Borrower's books as uncollectible.

"***Delinquent Receivable***" means a Receivable (a) that has not been paid in full on or following the 180th day following the date of original invoicing thereof, or (b) that is a Denied Receivable.

"***Denied Receivable***" means any Receivable as to which any related representations or warranties have been discovered at any time to have been breached.

"***Depositary Agreements***" means those certain Depositary Account Agreements, dated the date hereof, among the applicable Borrowers, the Lender, and each Lockbox Bank, in substantially the form attached hereto as Exhibit XIII, as such agreement may be amended, modified or supplemented from time to time in accordance with its terms.

"***Documents***" means this Agreement, the Depositary Agreement, each Borrower's Certificate, each Borrowing Base Certificate, and each other document or instrument now or hereafter executed and delivered to the Lender by or on behalf of any Borrower pursuant to or in connection herewith or therewith.

"***Early Termination Fee***" as a percentage of the Commitment, means (i) from September 26, 2007 until and including November 1, 2007, 1.50%, (ii) from November 2, 2007 until and including November 1, 2008, 1.00%, (iii) from November 2, 2008 until and including November 1, 2009, 0.50%, and (iv) from November 2, 2009 until November 1, 2010, 0.25%.

"***EBITDA***" means, for any period, the sum (determined without duplication on a consolidated basis) for the Borrowers and Subsidiaries of (a) net income (or net loss) of the Borrowers and Subsidiaries (calculated before extraordinary items), *plus* (b) Consolidated Interest Expense for such period deducted in the determination of such net income (or net loss) *plus* (c) depreciation, amortization and other non-cash items for such period to the extent included in the determination of net income (or net loss) (which shall include, to the extent included in the determination of net income (or net loss), non-cash option expenses in accordance with GAAP under Financial Accounting Standards Board Section 123(R)) *plus or minus* (d) all taxes accrued for such period on or measured by income to the extent deducted or credited in determining such net income (or net loss) *minus or plus* (e) gains (or losses) from asset dispositions or liquidations outside of the normal course of business to the extent included in determining such net income (or net loss) *plus* (f) losses due to asset impairment.

"***Eligibility Criteria***" means the criteria and basis for determining whether a

Receivable qualifies as an Eligible Receivable, all as set forth in Exhibit VIII hereto, as such Eligibility Criteria may be modified from time to time by the Lender in its good faith discretion and based on historical performance and other Borrower-related or Obligor-related factually-based credit criteria upon Written Notice to the Borrower Representative.

"***Eligible Investments***" means one or more of the following:

(a) direct obligations of, and obligations fully guaranteed by, the United States of America, or any agency or instrumentality of the United States of America the obligations of which are backed by the full faith and credit of the United States of America, that are non-callable, that have a fixed dollar amount of principal due at maturity that cannot vary or change, and, if rated by Standard & Poor's, do not have an 'r' highlighter affixed to its rating; or

(b) securities bearing interest or sold at a discount issued by any corporation incorporated under the laws of the United States of America or any State thereof which have a long-term unsecured debt rating in the highest rating category of at least two rating agencies; and, in the case of Standard & Poor's rating, that such securities do not have an 'r' highlighter affixed to its rating; or

(c) commercial paper with (i) an original maturity of less than 270 days, (ii) a rating in the highest rating category of at least two rating agencies, and (iii) if rated by Standard & Poor's, no 'r' highlighter affixed to its rating; or

(d) certificates of deposit of, banker's acceptances issued by, or federal funds sold by, any depository institution or trust company (including any bank incorporated under the laws of the United States of America or any State thereof and subject to supervision and examination by federal and/or state authorities) so long as at the time of such investment or contractual commitment providing for such investment such depository institution or trust company has a short-term unsecured debt rating in the highest rating category (without regard to modifiers such as "+" or "-") of at least two rating agencies and *provided*, that each such investment has an original maturity of less than 365 days, and *provided*, *further* that in the case of a Standard & Poor's rating, that such investment does not have an 'r' highlighter affixed to its rating; or

(e) repurchase agreements governing direct general obligations of the United States of America having a maturity of not more than 60 days from the date of acquisition with an obligor having the highest rating category of at least two rating agencies at the time of such investment *provided*, that in the case of a Standard & Poor's rating, that such investment does not have an 'r' highlighter affixed to its rating; or

(f) shares of no-load money market funds (i) rated in the highest rating category by at least two rating agencies or (ii) the assets of which are invested solely in investments of the type specified in clauses (a), (b), (c) or (d) of the definition of Eligible Investments.

"***Eligible Receivables***" means Receivables that satisfy the Eligibility Criteria.

"***Employee Benefit Plan***" means any employee benefit plan within the meaning of § 3(3) of ERISA maintained by any Borrower, any of its respective ERISA Affiliates, or with respect to which any of them have any liability.

"***ERISA***" means the Employee Retirement Income Security Act of 1974, as amended.

"***ERISA Affiliate***" means any entity which is under common control with any Borrower within the meaning of ERISA or which is treated as a single employer with such Borrower under the Internal Revenue Code of 1986, as amended.

"***Event of Default***" means any of the events specified in Exhibit V hereto.

"***Excluded Claims***" has the meaning set forth in Section 1.09(b).

"***Excluded Taxes***" means taxes upon or determined by reference to the Lender's net income imposed by the jurisdiction in which such Lender is organized or has its principal or registered office.

"***Expected Net Value***" means, with respect to any Eligible Receivable, the gross unpaid amount of such Receivable on date of creation thereof, times the Net Value Factor.

"***Fee and Interest Shortfall***" as of any Funding Date, shall mean the amount, if any, of fees or interest that is due and payable and has not otherwise been paid in full by the Borrower.

"***Funding Date***" means, at the sole discretion of the Lender, each Business Day after the Initial Funding Date until the Maturity Date or such other dates as the Lender may establish from time to time, *provided* that there shall be a minimum of one Funding Date per week for the Borrowers to be able to borrow.

"***GAAP***" means generally accepted accounting principles in the United States of America, applied on a consistent basis as set forth in Opinions of the Accounting Principles Board of the American Institute of Certified Public Accountants or in statements of the Financial Accounting Standards Board or the rules and regulations of the Securities and Exchange Commission or their respective successors and which are applicable in the circumstances as of the date in question.

"***Governmental Entity***" means the United States of America, any state, any political subdivision of a state and any agency or instrumentality of the United States of America or any state or political subdivision thereof and any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government. Payments from Governmental Entities shall be deemed to include payments governed under the Social Security Act (42 U.S.C. §§ 1395 *et seq.*), including payments under Medicare, Medicaid and TRICARE/CHAMPUS, and payments administered or regulated by CMS.

"***Guaranty***" by any Person means any obligation, contingent or otherwise, of such

Person directly or indirectly guaranteeing any Debt or other obligation of any other Person and, without limiting the generality of the foregoing, any obligation, direct or indirect, contingent or otherwise, of such Person (i) to purchase or pay (or advance or supply funds for the purchase or payment of) such Debt or other obligation (whether arising by virtue of partnership arrangements, by agreement to keep-well, to purchase assets, goods, securities or services, to take-or-pay), or (ii) entered into for the purpose of assuring in any other manner the obligee of such Debt or other obligation of the payment thereof or to protect the obligee of such Debt or other obligation of the payment thereof or to protect the obligee against loss in respect thereof (in whole or in part), *provided* that the term Guaranty shall not include endorsements for collection or deposit in the ordinary course of business. The term "Guarantee" used as a verb has a corresponding meaning.

"***Indemnified Party***" has the meaning set forth in Section 1.09.

"***Initial Funding Date***" means the date of the initial Revolving Advance hereunder.

"***Initial Term***" has the meaning set forth in Section 6.07(a).

"***Interest Expense***" means, with respect to any Person for any period, the gross interest expense of such Person (exclusive of interest income) during such period as determined in accordance with GAAP.

"***Interest Payment Date***" means the last day of each Interest Period, or if such day is not a Business Day, the next succeeding Business Day.

"***Interest Period***" means, with respect to a Revolving Advance, the period commencing on, as the case may be, the borrowing or conversion date with respect to such Revolving Advance and ending one month thereafter; *provided*, that no Interest Period may be selected that expires later than the Scheduled Maturity Date; and *provided*, *further*, that any Interest Period that begins on the last Business Day of a Month (or on a day for which there is no numerically corresponding day in the Month at the end of the Interest Period) shall, subject to the foregoing proviso, end on the last Business Day of a Month.

"***Invoice Date***" means, with respect to any Receivable, the date set forth on the related invoice or statement.

"***Last Service Date***" means, with respect to any Receivable that is not a Rebate Receivable, the earlier of (i) the date on which the applicable Borrower has received the data required to bill such Receivable and (ii) the last day for submission of the related claim under any related contracts.

"***Lender***" has the meaning set forth in the preamble hereto.

"***Lender Debt***" means, without duplication, and includes any and all amounts due, whether now existing or hereafter arising, under the Agreement, including, without limitation, any and all principal, interest, penalties, fees, charges, premiums, indemnities and costs owed or owing to the Lender, the Program Manager or the Program Manager by any Borrower, or any

Affiliate of a Borrower, arising under or in connection with this Agreement or the Depositary Agreement, in each instance, whether absolute or contingent, direct or indirect, secured or unsecured, due or not, arising by operation of law or otherwise, and all interest and other charges thereon, including, without limitation, post-petition interest whether or not such interest is an allowable claim in a bankruptcy.

"***Lender Group***" means (i) the Lender, the Program Manager and the Program Manager, and (ii) the Lender's agents and delegates identified from time to time to effectuate this Agreement.

"***Lender Lockbox***" means the lockboxes located at the address set forth on Schedule IV to receive checks with respect to Receivables payable by Insurers.

"***Lender Lockbox Account***" means the accounts at the Lockbox Bank as set forth on Schedule IV as associated with the Lender Lockbox and established by the Borrowers to deposit Collections, including Collections received in the Lender Lockbox and Collections received by wire transfer directly from Insurers, all as more fully set forth in the Depositary Agreement.

"***LIBOR***" for any Interest Period, means the rate per annum established by the Program Manager two Business Days prior to the first day of each Interest Period based on an annualized 30-day interest rate (calculated on the basis of actual days elapsed over a 360-day year) equal to the offered rate for deposits in U.S. dollars in the London interbank market which is published by the British Bankers' Association and currently appears on the Reuters Screen LIBO Page (or any successor page) as of 11:00 a.m. (London time) on such day, provided that if more than one rate is specified on Reuters Screen LIBO Page, LIBOR shall be a rate per annum equal to the arithmetic mean of all such rates

"***Lien***" means any lien, mortgage, security interest, tax lien, pledge, hypothecation, assignment, preference, priority, other charge or encumbrance, or any other type of preferential arrangement of any kind or nature whatsoever by or with any Person (including, without limitation, any conditional sale or title retention agreement), whether arising by contract, operation of law, or otherwise.

"***Lockbox***" means either the Borrower Lockbox or the Lender Lockbox, as the context requires.

"***Lockbox Account***" means either the Borrower Lockbox Account or the Lender Lockbox Account, each associated with the respective Lockbox to deposit Collections, including Collections received by wire transfer directly, all as more fully set forth in the Depositary Agreement.

"***Lockbox Banks***" means each of Bank of America, N.A. and UMB Bank as lockbox bank under the applicable Depositary Agreement

"***Material Adverse Effect***" means any event, condition, change or effect that (a) has a materially adverse effect on the business, Properties, operations or financial condition of (i) the Borrowers on a consolidated basis, (ii) any Borrower, or the Parent on a consolidated basis,

(b) materially impairs the ability of the Borrowers on a consolidated basis or any Borrower to perform their respective obligations under this Agreement or any other Document, (c) materially impairs the validity or enforceability of, or materially impairs the rights, remedies or benefits available to the Lender under this Agreement or any other Document

"***Maturity Date***" means the earlier of (a) the Scheduled Maturity Date, and (b) the occurrence of an Event of Default unless such event is waived by the Lender in writing.

"***Maximum Permissible Rate***" has the meaning set forth in Section 1.11(a).

"***Misdirected Payment***" means any form of payment in respect of a Receivable made by an Obligor in a manner other than as provided in the Notice sent to such Obligor.

"***Month***" means a calendar month.

"***Multiemployer Plan***" means a plan, within the meaning of § 3(37) of ERISA, as to which any Borrower or any ERISA Affiliate contributed or was required to contribute within the preceding five years.

Net Income" means, for any period, for any Person, the net income (loss) of such Person for such period determined in accordance with GAAP.

"***Net Value Factor***" means, initially, the percentages set forth on Schedule V attached hereto, as such percentages may be adjusted, upwards or downwards on a prospective basis with Written Notice to the Borrower, in the good faith discretion of the Lender but in consultation with the Borrowers, based on (i) the historical actual final collections received on the Receivables within 180 days of the Invoice Date of such Receivables (without regard to the factors set forth in the definition of "Defaulted Receivable"), divided by (ii) the gross value of such Receivables.

"***Non-Utilization Fee***" has the meaning set forth in Section 1.05(c).

"***Notice to Governmental Entities***" means a notice letter on a Borrower's corporate letterhead in substantially the form attached hereto as Exhibit IX-A.

"***Notice to non-Governmental Entities***" means a notice letter on a Borrower's corporate letterhead in substantially the form attached hereto as Exhibit IX-B.

"***Notice to Obligors***" means either a Notice to Governmental Entities or a Notice to non-Governmental Entities, as the context requires.

"***Obligor***" means each Person who is responsible for the payment of all or any portion of a Receivable.

"***Original Agreement***" has the meaning set forth in the preamble.

"***Other Taxes***" has the meaning set forth in Section 1.08.

"***Parent***" means BioScrip, Inc.

"***PBGC***" means the Pension Benefit Guaranty Corporation or any entity succeeding to all or any of its functions under ERISA.

"***Permitted Acquisition***" means an Acquisition; *provided* that (1) both before and immediately after giving effect to such proposed Acquisition (including without limitation, compliance with the financial covenants on a *pro forma* basis after giving effect to the proposed Acquisition), no Default or Event of Default has or will occur or be continuing, (2) the proposed Acquisition is of a business or businesses involving the rendition of pharmacy benefit (including specialty pharmacy products and services) and/or formulary management services or rebate administration services, the sale of medical and/or pharmaceutical products or the rendition of medical services, (3) the proposed Acquisition is accretive to both (x) EBITDA and (y) the sum of Net Income plus the amortization of goodwill related to the Acquisition of the acquiring Borrower, (4) the proposed Acquisition is not subject to, and is not reasonably likely to subject any Borrower to, any governmental investigation, material litigation or other material liabilities for which adequate reserves are not available or have not been taken, (5) the applicable Borrower is the surviving Person, (6) such surviving Person shall have a Tangible Net Worth that is no less than the Tangible Net Worth of such Borrower, (7) the applicable Borrower has delivered to the Lender and Healthco-4 financial statements for the trailing 12 month period prior to the Acquisition on a *pro forma* basis giving effect to the proposed Acquisition and such financial statements show that the Acquisition would not cause and would not be reasonably likely to cause an Event of Default, (8) with respect to any single Acquisition (i) the Total Consideration (as hereinafter defined) does not exceed $50,000,000 and (ii) the cash paid in connection with such Acquisition, together with any liabilities assumed in connection therewith, does not exceed $25,000,000, and (9) with respect to any two or more Acquisitions in a 12-month period (i) the aggregate Total Consideration does not exceed $70,000,000 and (ii) the aggregate cash paid in connection with such Acquisitions, together with any liabilities assumed in connection therewith, does not exceed $55,000,000. For the purposes hereof, the "***Total Consideration***" of an Acquisition shall mean the aggregate of all cash paid, liabilities assumed and the fair market value of any equity interests issued as consideration for such Acquisition.

"***Permitted Lien***" means a Lien that is expressly subordinated in writing to the Lien created hereunder in a manner acceptable to the Lender, in its sole discretion, and, with respect to any such Lien existing on the Initial Funding Date, is described on Schedule III hereto.

"***Person***" means an individual, partnership, corporation (including a business trust), limited liability company, joint stock company, trust, unincorporated association, joint venture or other entity, or a government or any political subdivision or agency thereof.

"***Pledge Agreement***" means that certain Pledge Agreement, dated as of December 29, 2006 made by Parent and each Borrower in favor of the Lender, as such agreement may be amended, modified or supplemented from time to time in accordance with its terms.

"***Program Manager***" means (i) Healthcare Finance Group, Inc. or (ii) any other Person then identified by the Lender to the Borrower Representative as being authorized to

provide administrative services with respect to the Lender and the Lender's finance, funding and collection of healthcare-related receivables.

"***Property***" means property of all kinds, movable, immovable, corporeal, incorporeal, real, personal or mixed, tangible or intangible (including, without limitation, all rights relating thereto), whether owned or acquired on or after the date of this Agreement.

"***Rating Agency Amendment***" has the meaning set forth in Section 6.01(b).

"***Rebate Receivable***" means a Receivable, the Obligor of which is a manufacturer or distributor of pharmaceutical products.

"***Receivable Information***" means the information listed on Exhibit ViI hereto (as such Exhibit may be modified by the Lender from time to time).

"***Receivables***" means all accounts receivable or general intangibles (including health care insurance receivables), owing (or in the case of Unbilled Receivables, to be owing) to the Borrower, including those arising out of the rendition of pharmacy benefit and formulary management or rebate administration services provided to any Person (including the provision of market information) or the sale of medical and/or pharmaceutical products by a Borrower and any medical services rendered in connection therewith, including, without limitation, all amounts due from manufacturers or distributors of pharmaceutical products based on contractual payments and all rights to reimbursement under any agreements with and payments from Obligors, together with, to the maximum extent permitted by law, all accounts receivable and general intangibles related thereto, all rights, remedies, guaranties, security interests and Liens in respect of the foregoing, all books, records and other Property evidencing or related to the foregoing, and all proceeds of any of the foregoing.

"***Related Person***" means any incorporator, stockholder, Affiliate (other than the Program Manager), agent, attorney, officer, director, member, manager, employee or partner of the Lender or its members or its stockholders.

"***Removal***" has the meaning set forth in Section 6.16(b).

"***Renewal Term***" has the meaning set forth in Section 6.07(a).

"***Revolving Advance***" has the meaning set forth in Section 1.01(a).

"***Revolving Commitment***" has the meaning set forth in Section 1.02.

"***Revolving Loan***" has the meaning set forth in Section 1.01(a).

"***Scheduled Maturity Date***" means November 1, 2010, as such date may be extended pursuant to Section 6.07(a) hereof.

"***Servicing Responsibilities***" has the meaning set forth in Section 3.04(b) hereto.

"***Subscription Agreement***" has the meaning set forth in Section 6.16(a).

"***Subsidiary***" means, with respect to any Borrower, any corporation or entity of which at least a majority of the outstanding shares of stock or other ownership interests having by the terms thereof ordinary voting power to elect a majority of the board of directors (or Persons performing similar functions) of such corporation or entity (irrespective of whether or not at the time, in the case of a corporation, stock of any other class or classes of such corporation shall have or might have voting power by reason of the happening of any contingency) is at the time directly or indirectly owned or controlled by such Borrower.

"***Tangible Net Worth***" with respect to the Borrower, means, at any time, the excess of (i) the Expected Net Value of all Receivables owned by the Borrowers and not financed by the Lender, plus cash, plus investments, plus amounts which are owing from the Lender to the Borrowers *minus* (ii) the sum of all accrued unpaid monetary obligations and accrued unpaid fees and expenses payable hereunder or otherwise owed by the Borrower.

"***Total Liabilities***" means, at any date of determination, the total liabilities of the Parent and its Subsidiaries on a consolidated basis which would be classified as liabilities at such date (including, without limitation, Current Liabilities and long-term liabilities), computed and calculated in accordance with GAAP, *excluding, however*, borrowings under the Agreement

"***Transmission***" means, upon establishment of computer interface between the Borrowers and the Program Manager in accordance with the specifications established by the Program Manager, the transmission of Receivable Information through computer interface to the Program Manager in a manner satisfactory to the Program Manager**.**

"***TRICARE/CHAMPUS***" means the Civilian Health and Medical Program of the Uniformed Service, a program of medical benefits covering former and active members of the uniformed services and certain of their dependents, financed and administered by the United States Departments of Defense, Health and Human Services and Transportation and established pursuant to 10 USC §§ 1071-1106, and all regulations promulgated thereunder including without limitation (a) all federal statutes (whether set forth in 10 USC §§ 1071-1106 or elsewhere) affecting TRICARE/CHAMPUS; and (b) all rules, regulations (including 32 CFR 199), manuals, orders and administrative, reimbursement and other guidelines of all Governmental Entities (including, without limitation, the Department of Health and Human Services, the Department of Defense, the Department of Transportation, the Assistant Secretary of Defense (Health Affairs), and the Office of TRICARE/CHAMPUS, or any Person or entity succeeding to the functions of any of the foregoing) promulgated pursuant to or in connection with any of the foregoing (whether or not having the force of law) in each case as may be amended, supplemented or otherwise modified from time to time.

"***UCC***" means the Uniform Commercial Code as from time to time in effect in the specified jurisdiction.

"***Unbilled Receivable***" means a Receivable in respect of which the goods have been shipped, or the services rendered, and rights to payment thereon have accrued, but the invoice has not been rendered to the applicable Obligor.

"***Written Notice***" and "***in writing***" means any form of written communication or a communication by means of telex, telecopier device, telegraph or cable as provided in Section 6.02.

Other Terms. All accounting terms not specifically defined herein shall be construed in accordance with GAAP. All terms used in Article 9 of the UCC in the State of New York, and not specifically defined herein, are used herein as defined in such Article 9.

EXHIBIT II

CONDITIONS OF REVOLVING ADVANCES

1. Conditions Precedent to the Effectiveness. The effectiveness of this Agreement as an amendment and restatement of the Original Agreement is subject to the conditions precedent that the Lender shall have received on or before such date the following, each (unless otherwise indicated) dated such date, in form and substance reasonably satisfactory to the Lender:

(a) For each Borrower and Parent, certified copies of all documents evidencing necessary company action and governmental approvals, if any, with respect to the Agreement.

(b) Acknowledgment or time stamped receipt copies of proper amendments to financing statements duly filed on or before the date hereof under the UCC of all jurisdictions that the Lender may deem necessary or reasonably desirable in order to perfect the security interests contemplated by the Agreement.

(c) Duly executed amendments to the Depositary Agreements with each of Bank of America, N.A. and UMB Bank.

(d) Proof of payment of all reasonable attorneys' fees and disbursements incurred by the Lender and the Lender Group.

(e) Copies of all Notices to Obligors required pursuant to Article II of the Agreement, if any, together with evidence satisfactory to the Lender that such Notices to Obligors have been or will be delivered to the addressees thereof.

(f) Duly executed Guaranty by the Parent in substantially the form attached hereto as Exhibit XIV.

(g) A duly executed amendment to the Pledge Agreement.

(h) A duly executed termination agreement relating to the Receivables Purchase and Transfer Agreement, dated as of November 1, 2000 (as amended and modified as of the date hereof), and related documents, together with UCC financing statement terminations relating thereto.

(i) Originally executed copies of all other Documents and related documentation required to be delivered with respect to this Agreement and the other Documents, all in form and substance satisfactory to the Administrative Agent, which agreements shall be in full force and effect and enforceable in accordance with their respective terms.

2. Conditions Precedent All Funding Dates. Each Revolving Advance on a Funding Date (including the Initial Funding Date) shall be subject to the further conditions precedent that the Borrowers and the Lender shall have agreed upon the terms of such Revolving Advance and also that:

(a) the Borrower Representative shall have delivered to the Lender, by 10:00 a.m. New York City time, at least one Business Day prior to such Funding Date, in form and substance satisfactory to the Lender a completed Borrower's Certificate and a Borrowing Base Certificate, together with such additional information as may reasonably be requested by the Lender or the Program Manager;

(b) to the extent not previously provided, executed Notice to Obligors to each Obligor responsible for the payment of any of the Receivables, directing such Obligors to make payment to the addresses and accounts designated in such Notice to Obligors, as set forth in Article II hereof, together with evidence that such Notice to Obligors has been delivered to such Obligors.

(c) on such Funding Date the following statements shall be true (and acceptance of the proceeds of such Revolving Advance shall be deemed a representation and warranty by the Borrowers that such statements are then true):

(i) the representations and warranties contained in Exhibits III and VII are true and correct in all material respects on and as of the date of such Revolving Advance as though made on and as of such date (except any representation or warranty that expressly indicates that it is being made as of a specific date, in which case such representation or warranty shall be correct on and as of such date), and

(ii) no event has occurred and is continuing, or would result from such Revolving Advance or any actions connected therewith, that constitutes a Default or an Event of Default;

(d) the Lender shall have received such other approvals, opinions or documents as it may reasonably request.

EXHIBIT III
REPRESENTATIONS AND WARRANTIES

Each Borrower represents and warrants as follows:

(a) It is a corporation or limited liability company, as applicable, duly organized, validly existing and in good standing under the laws of its state of its incorporation, and is duly qualified to do business, and is in good standing, in every jurisdiction where the nature of its business requires it to be so qualified, except in any jurisdiction other than that of its chief executive offices where the failure to be so qualified would not have a Material Adverse Effect.

(b) The execution, delivery and performance by it of the Agreement and the other documents to be delivered by it thereunder, (i) are within its corporate or limited liability company powers, (ii) have been duly authorized by all necessary organizational action, (iii) do not contravene (1) its charter or by-laws or certificate of formation or operating agreement, as applicable, (2) any material law, rule or regulation applicable to it, (3) any material contractual restriction binding on or affecting it or its Property, or (4) any order, writ, judgment, award, injunction or decree binding on or affecting it or its Property, and (iv) do not result in or require the creation of any Lien upon or with respect to any of its Properties, other than the security interests created by the Agreement. The Agreement has been duly executed and delivered by it. It has furnished to the Lender a correct and complete copy of its charter or by-laws or certificate of formation or operating agreement, as applicable, including all amendments thereto.

(c) Except for financing statements, financing statement amendments or termination statements that have been delivered to the Lender for filing in accordance with subsections 1(c) and (j) of Exhibit II, no authorization or approval or other action by, and no notice to or filing with, any Governmental Entity is required for the due execution, delivery and performance by it of the Agreement or any other document to be delivered hereunder.

(d) The Agreement constitutes the legal, valid and binding obligation of it, enforceable against it in accordance with its terms, except as limited by bankruptcy, insolvency, moratorium, fraudulent conveyance or other laws relating to the enforcement of creditors' rights generally and general principles of equity (regardless of whether enforcement is sought at equity or law).

(e) Except as disclosed on Schedule III hereto, it has all power and authority, and has all permits, licenses, accreditations, certifications, authorizations, approvals, consents and agreements of all Obligors, Governmental Entities, accreditation agencies and any other Person (including without limitation, accreditation by the appropriate Governmental Entities and industry accreditation agencies and accreditation and certifications necessary to receive payment and compensation and to participate under Medicare, Medicaid, TRICARE/CHAMPUS, Blue Cross/Blue Shield and other equivalent programs relevant to any Borrower), necessary or required for it (i) to own the assets (including Receivables) that it now owns, (ii) to carry on its business as now conducted, except where failure to have such permits, licenses, authorizations, approvals, consents, agreements with third-party payors, accreditation and certifications (including, without limitation, accreditation by the appropriate Governmental Entities and industry accreditation agencies and accreditation and certifications necessary to receive payment

and compensation and to participate under Medicare, Medicaid, TRICARE/CHAMPUS, Blue Cross/Blue Shield and other equivalent programs) would not have a Material Adverse Effect, (iii) to execute, deliver and perform the Agreement and any other document to be delivered hereunder. and (iv) to receive payments from the Obligors in the manner contemplated in the Agreement.

(f) Except as disclosed on Schedule III hereto, it has not been notified by any Obligor, Governmental Entity or instrumentality, accreditation agency or any other Person, during the immediately preceding 24 month period, that such party has rescinded or not renewed, or is reasonably likely to rescind or not renew, any such material permit, license, accreditation, certification, authorization, approval, consent or agreement granted to it or to which it is a party.

(g) As of the Initial Funding Date, all conditions precedent set forth in Exhibit II have been fulfilled or waived in writing by the Lender, and as of each Funding Date, the conditions precedent set forth in paragraph 2 of such Exhibit II shall have been fulfilled or waived in writing by the Lender.

(h) The balance sheets of the Parent and its Subsidiaries as at December 31, 2006 and the related statements of income and expense, cash flows and retained earnings of the Parent and its Subsidiaries for the fiscal periods then ended, copies of which have been furnished to the Lender, fairly present the financial condition of the Parent and its Subsidiaries as at such date and the results of the operations of the Parent and its Subsidiaries for the period ended on such date, all in accordance with GAAP, and since December 31, 2006 there has been no change resulting in a Material Adverse Effect.

(i) Except as disclosed on Schedule III hereto, there is no pending or, to its knowledge, threatened action or proceeding or injunction, writ or restraining order affecting any Borrower or any Subsidiary before any court, Governmental Entity or arbitrator which could reasonably be expected to result in a Material Adverse Effect or which purports to affect the legality, validity or enforceability of the Agreement or any other Document, and no Borrower nor any Subsidiary is currently the subject of, or has any present intention of commencing, an insolvency proceeding or petition in bankruptcy. Furthermore, to its knowledge, there are no pending civil or criminal investigations by any Governmental Entity involving it or its officers or directors and neither it nor any of its officers or directors has been involved in, or is the subject of, any civil or criminal investigation by any Governmental Entity.

(j) It is the legal and beneficial owner of its Collateral (including its Receivables) free and clear of any Lien (other than Permitted Liens); the Lender has acquired, or, upon the effectiveness of this Agreement shall acquire, a valid security interest in the Collateral, including the Receivables and in the Collections with respect thereto, subject to no third-party claims of interest thereon. No effective financing statement or other instrument similar in effect covering any Collateral, Receivables or the Collections with respect thereto or any proceeds thereof, is on file in any recording office, except those filed in accordance with the terms of the Original Agreement and no competing notice or notice inconsistent with the transactions contemplated in the Agreement remains in effect with respect to any Obligor.

(k) All Receivable Information, information provided in the application for the program effectuated by the Agreement, and each other document, report and Transmission provided by any Borrower to the Lender Group is or shall be accurate in all material respects as of its date and as of the date so furnished, and no such document contains or will contain any untrue statement of a material fact or omits or will omit to state a material fact necessary in order to make the statements contained therein, in the light of the circumstances under which they were made and when taken as a whole, not misleading.

(l) The principal place of business and chief executive office of each Borrower and the office where such Borrower keeps its records concerning the Receivables are located at the respective address referred to on Schedule I hereof and, except as disclosed on Schedule III hereto, there have been no other such locations for the four immediately prior months.

(m) Each Receivable identified in the Borrowing Base Certificate is, as of the date of such Borrowing Base Certificate, an Eligible Receivable.

(n) The provisions of the Agreement create, on the Initial Funding Date, legal and valid Liens in all of the Collateral (including the Receivables) owned or held by each Borrower in the Lender's favor, and when all proper filings and other actions necessary to perfect such Liens have been completed, will constitute a perfected and continuing Lien on all of such Collateral, having priority over all other Liens on such Collateral, enforceable against each Borrower and all third parties.

(o) All required Notices have been prepared and delivered to each Obligor, and all invoices now bear only the appropriate remittance instructions for payment direction to the applicable Lockbox or Lockbox Account, as the case may be.

(p) Except as disclosed on Schedule III hereto, no Borrower has changed its principal place of business or chief executive office in the last five years.

(q) The exact name of each Borrower is as set forth on the signature pages of the Agreement and, except as set forth on Schedule III, such Borrower has not changed its name in the last five years and, except as set forth opposite such Borrower's name on Schedule III, during such period such Borrower has not used, nor does such Borrower now use, any other fictitious, assumed or trade name.

(r) With respect to itself or any of its Subsidiaries taken as a whole, there exists no event which could reasonably be expected to result in a Material Adverse Effect.

(s) It is not in violation under any applicable statute, rule, order, decree or regulation of any court, arbitrator or governmental body or agency having jurisdiction over it which has or is reasonably likely to have a Material Adverse Effect.

(t) It has filed on a timely basis all tax returns (federal, state and local) required to be filed and has paid, or made adequate provision for payment of, all taxes, assessments and other governmental charges due from it, unless contested in good faith by appropriate proceedings. No tax Lien has been filed and is now effective against it or any of its Properties, except any Lien in respect of taxes and other charges not yet due or contested in good faith by

appropriate proceedings. To its knowledge, there are no pending investigations of it by any taxing authority or any pending but unassessed tax liability of it. It does not have any obligation under any tax sharing agreement.

(u) It is solvent and will not become insolvent after giving effect to the transactions contemplated by the Agreement; it has not incurred debts or liabilities beyond its ability to pay; it will, after giving effect to the transaction contemplated by the Agreement, have an adequate amount of capital to conduct its business in the foreseeable future; the grant of a security interest in the Receivables is made in good faith and without intent to hinder, delay or defraud its present or future creditors.

(v) The Lockboxes are the only post office boxes and the Lockbox Accounts are the only lockbox accounts maintained for Receivables; and no direction of any Borrower is in effect directing Obligors to remit payments on Receivables other than to the Lockboxes or Lockbox Accounts.

(w) Each pension plan or profit sharing plan to which it is a party has been fully funded in accordance with its obligations as set forth in such plan.

(x) The primary business of each Borrower is the provision of independent pharmacy benefit and formulary management services, the sale of medical and/or pharmaceutical products and the rendition of medical services in connection therewith (other than MIM Funding, the primary business of which is as provided in its organizational documents).

(y) There are no pending civil or criminal investigations by any Governmental Entity involving it or any of its respective officers or directors and none of the Borrowers or any of their respective officers or directors has been involved in, or the subject of, any civil or criminal investigation by any Governmental Entity.

(z) Its assets are free and clear of any Liens in favor of the Internal Revenue Service, any Employee Benefit Plan, any Multiemployer Plan or the PBGC other than inchoate tax Liens resulting from an assessment of a Borrower.

(aa) With respect to each Employee Benefit Plan of it, including to its knowledge as to any Multiemployer Plan, such Employee Benefit Plan has complied and been administered in accordance with its terms and in substantial compliance with all applicable provisions of ERISA and the Internal Revenue Code of 1986, as amended; neither it nor any ERISA Affiliate has been notified by the sponsor of a Multiemployer Plan that such Multiemployer Plan is in reorganization or has been terminated, within the meaning of Title IV of ERISA; and it has no material unpaid liability for any Employee Benefit Plan.

(bb) None of the Receivables constitutes or has constituted an obligation of any Person which is an Affiliate of the Borrower.

(cc) The Obligor of each Eligible Receivable has not been the Obligor of any Defaulted Receivables in the past 12 months (other than, for the purpose of this clause, as a result of good faith disputes).

(dd) No transaction contemplated under this Agreement requires compliance with any bulk sales act or similar law.

(ee) It is not engaged principally, or as one of its important activities, in the business of extending credit for the purpose of purchasing or carrying margin stock (within the meaning of Regulation T, U, or X of the Board of Governors of the Federal Reserve System), and no part of the proceeds of any extension of credit under this Agreement will be used to purchase or carry any such margin stock or to extend credit to others for the purpose of purchasing or carrying margin stock.

(ff) It has no Debt except hereunder.

(gg) Each Receivable that is an Unbilled Receivable will be, or has been, billed to the Obligor of such Receivable within 30 days of the Last Service Date, or in the case of a Rebate Receivable, will be, or has been, billed to the Obligor of the Rebate Receivable within 60 days after the end of the fiscal quarter in which such Rebate Receivable became due and payable.

(hh) It is not in violation of any applicable material patient confidentiality law.

EXHIBIT IV

COVENANTS

Until the payment in full of all Lender Debt and the termination of the Revolving Commitment hereunder, each Borrower agrees as follows:

(a) Compliance with Laws, etc. It will comply in all material respects with all applicable laws, rules, regulations and orders and preserve and maintain its corporate existence, rights, franchises, qualifications, and privileges except to the extent that the failure so to comply with such laws, rules and regulations or the failure so to preserve and maintain such existence, rights, franchises, qualifications, and privileges would not result in a Material Adverse Effect.

(b) Offices, Records and Books of Account. It will keep its principal place of business and chief executive office and the office where it keeps its records concerning the Receivables and the Collateral at the address set forth under its name on the signature page to the Agreement or, upon 30 days' prior Written Notice to the Lender, at any other locations in jurisdictions where all actions reasonably requested by the Lender or otherwise necessary to protect, perfect and maintain the Lender's interest in the Collateral (including the Receivables) and all proceeds thereof have been taken and completed. The Borrower shall keep its books and accounts in accordance with GAAP and shall not make any notation on its books and records, including any computer files, that is inconsistent with the assignment of the Receivables to the Lender. The Borrower shall maintain and implement administrative and operating procedures (including, without limitation, an ability to recreate records evidencing Receivables and related contracts in the event of the destruction of the originals thereof), and keep and maintain all documents, books, records and other information reasonably necessary or advisable for collecting all Receivables (including, without limitation, records adequate to permit the daily identification of each Receivable and all Collections of and adjustments to each existing Receivable) and for providing the Receivable Information.

(c) Performance and Compliance With Contracts and Credit and Collection Policy. It will, at its expense, timely and fully perform and comply with all material provisions, covenants and other promises required to be observed by it under the contracts and other documents related to the Receivables and other Collateral, and timely and fully comply in all material respects with the Credit and Collection Policy in regard to each Receivable and the related contract, and it shall maintain, at its expense, in full operation each of the Lockbox Accounts and Lockboxes. It shall do nothing, nor suffer or permit any other Person, to impede or interfere with the collection by the Lender, or the Program Manager on behalf of the Lender, of the Receivables.

(d) Notice of Breach of Representations and Warranties. It shall promptly (and in no event later than five Business Days following actual knowledge thereof) inform the Lender and the Program Manager of any breach of covenants or representations and warranties hereunder and under any other Document, including, without limitation, upon discovery of a breach of the Eligibility Criteria set forth in Exhibit VI hereof and thereof.

(e) Debt, Sales, Liens, etc. It will not incur or assume any Debt or issue any securities except for (i) the Debt created hereunder; (ii) Debt existing on the date hereof and set forth in Schedule III, and (iii) Debt of any Borrower or any Subsidiary incurred to finance the acquisition, construction or improvement of any fixed or capital assets, including obligations with respect to Capital Leases and any Debt assumed in connection with the acquisition of any such assets or secured by a Lien on any such assets prior to the acquisition thereof, and extensions, renewals and replacements of any such Debt that do not increase the outstanding principal amount thereof; provided, that (1) such Debt is incurred prior to or within 90 days after such acquisition or the completion of such construction or improvement, (2) the aggregate principal amount of Debt permitted by this clause (iii) shall not exceed $1,000,000 at any time and (3) no such Debt shall be assumed or otherwise incurred if a Default has occurred and is then continuing or would result therefrom. It will not sell, assign (by operation of law or otherwise) or otherwise dispose of, or create or suffer to exist any Liens upon or with respect to, its Receivables or any other Collateral, or upon or with respect to any account to which any Collections are sent, or assign any right to receive income in respect thereof except (i) Permitted Liens and (ii) those Liens in favor of the Lender or any assignee of the Lender relating to the Agreement,

(f) [Intentionally Omitted.]

(g) Extension or Amendment of Receivables. It shall not amend, waive or otherwise permit or agree to any material deviation from the terms or conditions of any Receivable except in accordance with the Credit and Collection Policy.

(h) Change in Business or Credit and Collection Policy. It will not make any change in the Credit and Collection Policy or make any change in the character of its business that, in either event, could reasonably be expected to result in a Material Adverse Effect, and it will not make any other material changes in the Credit and Collection Policy without the prior written consent of the Lender; *provided*, *however*, that if an Event of Default has occurred and is continuing, it will not make any material change in the Credit and Collection Policy.

(i) Audits and Visits. It will, at any time and from time to time during regular business hours as requested by the Lender, permit the Lender, or its agents or representatives (including the Program Manager), upon reasonable notice and without interfering with the Borrowers' businesses or operations and subject to compliance with applicable law in the case of review of plan participant/patient/customer information, or its agents or representatives (including the Master Sevicer), (i) on a confidential basis, to examine and make copies of and abstracts from all books, records and documents (including, without limitation, computer tapes and disks) in its possession or under its control relating to Receivables including, without limitation, the related contracts, and (ii) to visit its offices and properties for the purpose of examining and auditing such materials described in clause (i) above, and to discuss matters relating to Receivables or its performance hereunder or under the contracts with any of its officers or employees having knowledge of such matters. It shall permit the Program Manager to have at least one agent or representative physically present in its administrative office during normal business hours to assist it in performing its obligations under the Agreement, including its obligations with respect to the collection of Receivables pursuant to Article I of the Agreement. Notwithstanding the foregoing, and provided that no Event of Default or event

which, with the giving of notice or lapse of time, or both, would constitute an Event of Default shall have occurred and be continuing, all visits and examinations shall be scheduled at mutually convenient times.

(j) Change in Payment Instructions. It will not terminate any Lockbox or any Lockbox Account, or make any change or replacement in the instructions contained in any invoice, Notice or otherwise, or regarding payments with respect to Receivables to be made to the Lockboxes or the Lockbox Accounts except upon the prior and express written consent of the Program Manager or the Lender.

(k) It will provide or make available to the Lender (in multiple copies, if requested by the Lender) the following:

(i) [Intentionally Omitted.]

(ii) as soon as available and in any event within 45 days after the end of each of the first three quarters of each fiscal year of the Parent, (x) consolidated and consolidating balance sheets of the Parent and its Subsidiaries as of the end of such quarter and consolidated and consolidating statements of income, cash flows and retained earnings of the Parent and its Subsidiaries for the period commencing at the beginning of the current fiscal year and ending with the end of such quarter or (y) a copy of the Parent's quarterly reports on Form 10-Q for such quarters as filed with the Securities and Exchange Commission, in either case, certified by the Chief Financial Officer of the Parent and accompanied by a certificate of an Authorized Representative of each Borrower stating that, as of such date, (i) no Event of Default or event which, with the giving of notice or lapse of time, or both, would constitute an Event of Default has occurred and is continuing, (ii) all representations and warranties set forth in the Agreement are true and correct in all material respects (except any representation or warranty that expressly indicates that it is being made as of a specific date, in which case such representation or warranty shall be true and correct on and as of such date) and (iii) the conditions precedent set forth in paragraph 2 of Exhibit II have been fulfilled or waived in writing by the Lender, and detailing such Borrower's compliance for such fiscal period with all financial covenants contained in the Agreement, and to the extent any Event of Default or other event or non-compliance exists, a description of the steps being taken by such Borrower to address such Event of Default, other event or non-compliance;

(iii) as soon as available and in any event within 90 days after the end of each fiscal year of the Parent, (x) a copy of the audited consolidated financial statements (together with explanatory notes thereon) and the auditor's report letter for such year for the Parent and its Subsidiaries, containing financial statements for such year audited by independent public accountants of recognized national standing acceptable to the Lender or (y) a copy of the Parent's annual report on Form 10-K as filed with the Securities and Exchange Commission, in either case, accompanied by a certificate of an Authorized Representative of each Borrower stating that, as of such date, no Event of Default or event which, with the giving of notice or lapse of time, or both, would constitute an Event of Default has occurred and is continuing, (ii) all representations and

warranties set forth in the Agreement are true and correct in all material respects (except any representation or warranty that expressly indicates that it is being made as of a specific date, in which case such representation or warranty shall be true and correct on and as of such date) and (iii) the conditions precedent set forth in paragraph 2 of Exhibit II have been fulfilled or waived in writing by the Lender, and detailing such Borrower's compliance for such fiscal period with all the financial covenants contained in the Agreement, and to the extent any Default or Event of Default exists, a description of the steps being taken by such Borrower to address such Default or Event of Default;

(iv) on or before the 25th day of each month, monthly and year-to-date statistical and financial reports, in substantially the form attached hereto as Schedule VI;

(v) promptly and in any event within five Business Days following actual knowledge thereof by a Borrower of an Event of Default or an event which, with the giving of notice or lapse of time, or both, would constitute an Event of Default, a statement of the Chief Financial Officer of the Borrowers setting forth details of such Event of Default or event, and the action that it has taken and proposes to take with respect thereto;

(vi) promptly after the sending or filing thereof, if any, copies of all reports and registration statements that the Parent, any Borrower or any Subsidiary files with the Securities and Exchange Commission or any national securities exchange and official statements that any Borrower or any Subsidiary files with respect to the issuance of tax-exempt indebtedness and after an Event of Default, copies of all reports (if any) that any Borrower or any Subsidiary sends to any of its security holders;

(vii) promptly after the filing or receiving thereof, copies of all reports and notices that any Borrower or any of its Affiliates files under ERISA with the Internal Revenue Service or the PBGC or the U.S. Department of Labor or that any Borrower or any of its Affiliates receives from any of the foregoing or from any Multiemployer Plan to which any Borrower or any of its Affiliates is or was, within the preceding five years, a contributing employer, in each case in respect of the assessment of withdrawal liability or an event or condition which could, in the aggregate, result in the imposition of liability on any Borrower or any such Affiliate in excess of $100,000;

(viii) at least ten Business Days prior to any change in any Borrower's name or any implementation of a new trade/assumed name, a Written Notice setting forth the new name or trade name and the proposed effective date thereof and copies of all documents required to be filed in connection therewith;

(ix) promptly (and in no event later than five Business Days following actual knowledge or receipt thereof), Written Notice in reasonable detail, of (x) any Lien asserted or claim made against a Receivable, (y) the occurrence of any other event which could have a Material Adverse Effect on the value of a Receivable or on the interest of the Lender in a Receivable or (z) the results of any material cost report, investigation or similar audit being conducted by any federal, state or county Governmental Entity or its agents or designees;

(x) promptly upon approval by the Board of Directors, and in no event later than March 31st in each year, a consolidated and consolidating operating plan (together with a complete statement of the assumptions on which such plan is based) of the Parent and its Subsidiaries approved by its Board of Directors, which shall include monthly budgets for the prospective year in reasonable detail acceptable to the Lender and will integrate operating profit and cash flow projections and personnel, capital expenditures, and facilities plans;

(xi) promptly upon receipt thereof (and solely to the extent actually prepared and delivered), a copy of any management letter or written report submitted to the Parent by independent certified public accountants with respect to the Subsidiaries, business, condition (financial or otherwise), operations, prospects, or Properties of the Borrowers;

(xii) no later than five Business Days after the commencement thereof, Written Notice of all actions, suits, and proceedings before any Governmental Entity or arbitrator affecting any Borrower which, if determined adversely to any Borrower, could have a Material Adverse Effect;

(xiii) promptly after the furnishing thereof, copies of any statement or report furnished by a Borrower to any other party pursuant to the terms of any indenture, loan, or credit or similar agreement in excess of $1,000,000 and not otherwise required to be furnished to the Lender pursuant to this Agreement;

(xiv) except as otherwise required to be furnished to the Lender pursuant to this Agreement, as soon as available, (A) one copy of each financial statement, report, notice or proxy statement sent by the Parent or any Borrower to its stockholders generally, (B) and one copy of each regular, periodic or special report, registration statement, or prospectus filed by any Borrower or any of its Subsidiaries with any securities exchange or the Securities and Exchange Commission or any successor agency or the Bankruptcy Court, and (C) all press releases and other statements made available by any Borrower to the public concerning developments in the business of any Borrower;

(xv) within the sixty (60) day period prior to the end of each fiscal year of each Borrower, a report satisfactory in form to the Lender, listing all material insurance coverage maintained as of the date of such report by such Borrower and all material insurance planned to be maintained by such Borrower in the subsequent fiscal year; and

(xvi) such other information respecting the Receivables or the other Collateral or the condition or operations, financial or otherwise, of any Borrower or any Subsidiary or Affiliate as the Lender may from time to time reasonably request.

(1) Notice of Proceedings; Overpayments. The Borrower Representative shall promptly notify the Program Manager (and modify the next Borrowing Base Certificate to be delivered hereunder) in the event of any action, suit, proceeding, dispute, set-off, deduction, defense or counterclaim involving in excess of $100,000 that is or has been threatened to be

asserted by an Obligor with respect to any Receivable. Each applicable Borrower shall make any and all payments to the Obligors necessary to prevent the Obligors from offsetting any earlier overpayment to any Borrower against any amounts the Obligors owe on any Receivables.

(m) Officer's Certificate. On the dates the financial statements referred to in clause (k) above are to be delivered after the Initial Funding Date, the Chief Financial Officer of each Borrower shall deliver a certificate to the Lender, stating that, as of such date, (i) all representations and warranties are true and correct in all material respects (except any representation or warranty that expressly indicates that it is being made as of a specific date, in which case such representation or warranty shall be true and correct as of such specific date), (ii) the conditions precedent set forth in paragraph 2 of Exhibit II have been fulfilled or waived in writing by the Lender, and (iii) no Event of Default exists and is continuing.

(n) Further Instruments, Continuation Statements. Each Borrower shall, at its expense, promptly execute and deliver all further instruments and documents, and take all further action that the Program Manager or the Lender may reasonably request, from time to time, in order to perfect, protect or more fully evidence the assignment as security of the Receivables and the other Collateral, or to enable the Lender or the Program Manager to exercise or enforce the rights of the Lender hereunder or under the Receivables or the other Collateral. Without limiting the generality of the foregoing, each Borrower will upon the request of the Program Manager execute and file such UCC financing or continuation statements, or amendments thereto or assignments thereof, and such other instruments or notices, as may be, in the opinion of the Program Manager, necessary or appropriate. Each Borrower hereby authorizes the Program Manager or its designees, upon two Business Days' notice, to file one or more financing or continuation statements and amendments thereto and assignments thereof, relative to all or any of the Receivables and other Collateral now existing or hereafter arising without the signature of such Borrower where permitted by law. If a Borrower fails to perform any of its agreements or obligations under the Agreement, the Program Manager may (but shall not be required to) itself perform, or cause performance of, such agreement or obligation, and the expenses of the Program Manager incurred in connection therewith shall be payable by the Borrowers.

(o) Taxes. The Borrowers shall pay any and all taxes (excluding the Lender's income, gross receipts, franchise, doing business or similar taxes) relating to the transactions contemplated under the Agreement, including but not limited to the assignment of each Receivable except for any such taxes being contested in good faith by appropriate proceedings and the applicable Borrower shall have set aside on its books adequate reserves in accordance with GAAP with respect thereto, and such contest operates to suspend collection of the contested tax and enforcement of a Lien.

(p) Lender's Lien in the Collateral. It shall not prepare or permit to be prepared any financial statements which shall account for the transactions contemplated hereby in a manner which is, or in any other respect account for the transactions contemplated hereby in a manner which is, inconsistent with the Lender's first priority Lien on the Collateral.

(q) No "Instruments". It shall not take any action which would allow, result in or cause any Receivable to be evidenced by an "instrument" within the meaning of the UCC of the applicable jurisdiction.

(r) Implementation of New Invoices. It shall take all reasonable steps to ensure that all invoices rendered or dispatched on or after the Initial Funding Date contain only the remittance instructions required under Article II of this Agreement.

(s) Notice of Termination or Suspension of Contracts. It shall promptly (and in no event later than one Business Day following actual knowledge thereof) inform the Lender and the Program Manager of any termination or suspension of any of its contracts which could reasonably be expected to reduce revenue by 3% or more.

(t) Maintain Properties. It shall maintain, keep, and preserve all of its Properties necessary or useful in the proper conduct of its business in good repair, working order, and condition (ordinary wear and tear excepted) and make all necessary repairs, renewals, replacements, betterments, and improvements thereof.

(u) Payment of Taxes, etc. It shall pay or discharge at or before maturity or before becoming delinquent (i) all taxes, levies, assessments, and governmental charges imposed on it or its income or profits or any of its Property, except any taxes, levies, assessments, and governmental charges contested in good faith by appropriate proceedings and (ii) all lawful claims for labor, material, and supplies, which, if unpaid, might become a Lien upon any of its Property.

(v) Merger, Consolidation. It shall not merge with or into, consolidate with or into, or enter into any agreement to merge or consolidate with or into, another Person, or convey, transfer, lease or otherwise dispose of all or substantially all of its assets (whether now owned or hereafter acquired), except that, if at the time thereof and immediately after giving effect thereto no Default shall have occurred and be continuing (i) any Borrower may merge into any other Borrower in a transaction in which a Borrower is the surviving corporation (including the merger of MIM Funding with and into Pharmacy Services as required under clause (z) below), (ii) any wholly-owned domestic Subsidiary of any Borrower may merge into a Borrower in a transaction in which a Borrower is the surviving corporation, (iii) any wholly-owned domestic Subsidiary of any Borrower may merge into any wholly-owned domestic Subsidiary of any Borrower in a transaction in which the surviving entity is a wholly-owned domestic Subsidiary of any Borrower, and (iv) any wholly-owned domestic Subsidiary of any Borrower may sell, transfer, lease or otherwise dispose of its assets to a Borrower or to another wholly-owned domestic Subsidiary of any Borrower.

(w) Preservation of Corporate Existence. It shall preserve and maintain its corporate existence, rights, franchises and privileges in the jurisdiction of its organization, and qualify and remain qualified in good standing as a foreign corporation in each jurisdiction where the failure to preserve and maintain such existence, rights, franchises, privileges and qualification would materially adversely affect the interests of the Lender or the Program Manager or their ability to perform their respective obligations hereunder.

(x) Acquisitions. It shall provide in a timely manner such information to the Lender with respect to any proposed Acquisition as the Lender may reasonably request. Further, it shall, in connection with any such proposed Acquisition, provide a representation to the Lender as to whether any such Acquisition constitutes a Permitted Acquisition.

(y) Liquidity. The Consolidated Liquidity of the Borrowers at all times shall be greater than $10,000,000; provided, that for purposes of this clause (v), the remedy period for the failure to comply with this clause (v) referred to in clause (c) of Exhibit V hereto shall be "one Business Day."

(z) Within forty-five (45) days of the Initial Funding Date, MIM Funding shall merge with and into Pharmacy Services with Pharmacy Services as the surviving entity of such merger.

EXHIBIT V

EVENTS OF DEFAULT

Each of the following shall be an "***Event of Default***":

(a) The Borrower shall default in the due and punctual payment of the principal of the Revolving Loan, when and as the same shall become due and payable (except that the Borrowers shall have up five (5) Business Days to cure such a default with respect to a Borrowing Base Deficiency) whether pursuant to Article III of this Agreement, at maturity, by acceleration or otherwise.

(b) The Borrower shall default in the due and punctual payment of any installment of interest on the Revolving Loan or any other Lender Debt, including, without limitation, any fee or expense owing to the Lender pursuant to any of the Documents, when and as such amount of interest, fee or expense shall become due and payable and such default shall continue unremedied for three (3) Business Days.

(c) The Borrower shall default in the performance or observance of any covenant, agreement or provision (other than as described in clause (a) or (b) above) contained in this Agreement or any other Document or in any instrument or document evidencing or creating any obligation, guaranty or Lien in favor of the Lender in connection with or pursuant to this Agreement or any Lender Debt, including the Servicing Responsibilities, and, except in the case of the agreements and covenants contained in any Document as to each of which no notice or grace period shall apply, such default continues for a period of 10 Business Days (or, in the case where agreements and covenants contained in any Document provide for a grace period that is less than 10 Business Days days, continuance of a default for such shorter period) after the earlier of (i) there has been given Written Notice of such default to either of the Borrowers or the Borrower Representative on behalf of the Borrowers by the Lender or (ii) discovery thereof by the Borrower; or if this Agreement or any other Document or any such other instrument or document shall terminate, be terminated or become void or unenforceable for any reason whatsoever without the written consent of the Lender.

(d) Any representation or warranty made or deemed made by the Borrowers (other than with respect to the eligibility of Receivables as Eligible Receivables hereunder) under or in connection with the Agreement or any information or report delivered by any Borrower pursuant to the Agreement shall prove to have been incorrect or untrue in any material respect when made or deemed made or delivered.

(e) This Agreement shall for any reason (other than pursuant to the terms hereof) fail or cease to create, or the security interest created by this Agreement fails or ceases to be, a valid and perfected security interest in the Receivables and the Collections with respect thereto or the other Collateral free and clear of all Liens (other than Permitted Liens).

(f) Any Borrower or Parent shall generally not pay its debts as such debts become due, or shall admit in writing its inability to pay its debts generally, or shall make a general assignment for the benefit of creditors; or any proceeding shall be instituted by or against any

Borrower seeking to adjudicate it a bankrupt or insolvent, or seeking liquidation, winding up, reorganization, arrangement, adjustment, protection, relief, or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors, or seeking the entry of an order for relief or the appointment of a receiver, trustee, custodian or other similar official for it or for any substantial part of its Property and, in the case of any such proceeding instituted against it (but not instituted by it), either such proceeding shall remain undismissed or unstayed for a period of 45 days, or any of the actions sought in such proceeding (including, without limitation, the entry of an order for relief against, or the appointment of a receiver, trustee, custodian or other similar official for, it or for any substantial part of its Property) shall occur; or any Borrower shall take any action to authorize any of the actions set forth above in this paragraph (i).

(g) There shall have occurred any Material Adverse Effect since December 31, 2006.

(h) The Borrower shall fail to discharge within a period of 30 days after the commencement thereof any attachment, sequestration, forfeiture, or similar proceeding or proceedings involving an aggregate amount in excess of $500,000 against any of its Properties.

(i) The Borrower sells, leases, assigns, transfers, or otherwise disposes of any of its Receivables or other Collateral, except as permitted or contemplated under the Agreement.

(j) Any Borrower shall fail to perform or observe in any material respect any term, covenant or agreement included in the Servicing Responsibilities and such failure shall remain unremedied for 15 days or any Borrower shall fail to make when due any payment or deposit to be made by it under the Agreement.

(k) Any Borrower (i) fails to transfer in a timely manner any servicing rights and obligations with respect to the Receivables to any successor designated pursuant to Section 3.04(b) of the Agreement, (ii) fails to make any payment required under the Agreement (unless such payment obligation has been fulfilled in full pursuant to the Lender's set-off rights under Section 4.02 of the Agreement) or (iii) sends a "Revocation Order" (as defined in the Depositary Agreement) or makes any change or replacement in the "Standing Revocable Instruction" (as defined in the Depositary Agreement).

(l) Any Borrower shall fail to pay any principal of or premium or interest on any of its Debt which individually or in the aggregate exceeds $500,000 when the same becomes due and payable (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise), and such failure shall continue after the applicable grace period, if any, specified in the agreement or instrument relating to such Debt; or any other event shall occur or condition shall exist under any agreement or instrument relating to any such Debt and shall continue after the applicable grace period, if any, specified in such agreement or instrument, if the effect of such event or condition is to accelerate, or to permit the acceleration of, the maturity of such Debt; or any such Debt shall be declared to be due and payable, or required to be prepaid (other than by a regularly scheduled required prepayment), redeemed, purchased or defeased, or an offer to repay, redeem, purchase or defease such Debt shall be required to be made, in each case prior to the stated maturity thereof.

(m) A Change of Control shall occur without Lender consent.

(n) Judgments or orders for payment of money (other than judgments or orders in respect of which adequate insurance is maintained for the payment thereof) against the Borrowers in excess of $500,000 in the aggregate remain unpaid, unstayed on appeal, undischarged, unbonded or undismissed for a period of 45 days or more.

(o) Any governmental authority (including, without limitation, the Internal Revenue Service or the PBGC) files a notice of a Lien against the assets of a Borrower other than a Lien (i) that is limited by its terms to assets other than Receivables and all proceeds thereof, and (ii) that does not result in a Material Adverse Effect.

(p) Any Borrower does not keep insured by financially sound and reputable insurers all Property of a character usually insured by corporations engaged in the same or similar business similarly situated against loss or damage of the kinds and in the amounts customarily insured against by such corporations and carry such other insurance as is usually carried by such corporations. Each policy referred to in this clause (x) shall provide that the interests of the Lender shall not be invalidated by any act or negligence of the Borrower. Any Borrower does not advise the Lender promptly of any policy cancellation, reduction, or amendment. Any insurance policy for property, casualty, liability and business interruption coverage for a Borrower does not name the Lender as assignee of the Borrowers and as loss payee (as the Lender's interests may appear) or an additional insured, as appropriate.

(q) Any Borrower does not maintain proper books of record and account in which full, true and correct entries in conformity with GAAP are made of all dealings and transactions in relation to its business and activities and such failure remains unremedied for 10 days.

(r) Any Borrower does not comply with all minimum funding requirements and all other material requirements of ERISA, if applicable, so as not to give rise to any liability thereunder.

(s) Any Borrower engages in any line or lines of business activity that is materially different from the businesses in which it is engaged on the date hereof.

(t) Consolidated Net Worth. The Consolidated Net Worth, calculated as at the end of each fiscal quarter of the Parent, is less (i) $177,500,000, plus (ii) 50% of the positive Net Income (if any and excluding from such positive Net Income the positive effects to Net Income as a result of the items described in (iii) and (iv) of this clause (cc)) for such quarter, plus (iii) any increase to Consolidated Net Worth resulting from any reversals in such fiscal quarter of (x) bad debt reserves or other reserves or asset write offs (other than those contained in clause (y) below) previously taken prior to the quarter ended September 30, 2006 by Parent (on a consolidated basis) and (y) deferred tax asset write-offs taken at any time by Parent (on a consolidated basis), plus (iv) any increase to Consolidated Net Worth resulting from any extraordinary item for such quarter, minus (v) any decrease in Consolidated Net Worth resulting from any and all write offs of goodwill, deferred tax assets and intangible assets as reflected in the Parent's financial statements for such quarter

(u) Current Ratio. The ratio of (i) Current Assets plus Availability to (ii) Current Liabilities for each Fiscal Quarter during which the principal amount of the Revolving Loan exceeded 50% of the Borrowing Limit at any time, is less 1.625:1.00 (without consideration, in making such calculation, of balance sheet accruals for restructuring charges).

(v) Debt/EBITDA Ratio. The Debt/EBITDA Ratio exceeds 3.00:1.00 as at the end of any fiscal quarter of the Parent.

(w) Negative Pledge. The Parent or any Borrower pledges or grants a Lien in the stock or other equity interests in any Borrower or any other subsidiary for the benefit of any Person, except in connection with the Documents and with the consent of the Program Manager and Lender.

(x) Accounts Receivable Turnover. The Accounts Receivable Turnover, calculated as of the end of each fiscal quarter of the Parent for the four fiscal quarters of the Borrowers then most recently ended, is more than 75 days.

(y) Fixed Charge Coverage Ratio. Commencing with the first fiscal quarter after the fiscal quarter ended September 30, 2007 in which the average Revolving Loan for any single Month in such fiscal quarter exceeds 65% of the Expected Net Value of Eligible Receivables, the Consolidated Fixed Charge Coverage Ratio in any fiscal quarter of the Parent is less than 1.00:1.00.

(z) Any Borrower is unable to maintain the Transmission interface described in Exhibit XII to the satisfaction of the Program Manager, or the electronic information servicing capabilities of any Borrower are not functioning for a period of more than three consecutive Business Days for any reason other than force majeure.

(aa) Any Borrower has sent multiple Transmissions to the Program Manager in a manner that is not in compliance with the specifications set forth in Exhibit XII hereof

EXHIBIT VI

ELIGIBILITY CRITERIA

The following shall constitute the eligibility criteria for acceptance of Receivables for financing and inclusion in the Borrowing Base under the Agreement (the "***Eligibility Criteria***"):

(a) The information provided by the Borrowers with respect to each such Receivable is complete and correct and all documents, attestations and agreements relating thereto that have been delivered to the Lender are true and correct, and, other than with respect to Unbilled Receivables, the applicable Borrower has billed the applicable Obligor and has delivered to such Obligor all requested supporting claim documents with respect to such Receivable and no amounts with respect to such Receivable have been paid as of the date and time of the inclusion of such Receivable in the Borrowing Base. All information set forth in the bill and supporting claim documents with respect to such Receivable is true, complete and correct; if additional information is requested by the Obligor, the Borrowers (or the applicable Borrower) has or will promptly provide the same, and if any error has been made with respect to such information, the Borrowers will promptly correct the same and, if necessary, rebill such Receivable.

(b) Each such Receivable (i) is payable, in an amount not less than its Expected Net Value, by the Obligor identified by the applicable Borrower as being obligated to do so, (ii) is based on an actual and *bona fide* rendition of services to the Obligor or sale of goods to an Obligor or a plan participant of the Obligor in the ordinary course of business, (iii) is denominated and payable only in U.S. dollars in the United States, and (iv) is an account receivable or general intangible within the meaning of the UCC of the state in which the applicable Borrower has its principal place of business, or is a right to payment under a policy of insurance or proceeds thereof, and is not evidenced by any instrument or chattel paper. There is no payor other than the Obligor identified by the Borrowers as the payor primarily liable on such Receivable.

(c) Each such Receivable (i) is not the subject of any action, suit, proceeding or dispute (pending or threatened), setoff, counterclaim, defense, abatement, suspension, deferment, deductible, reduction or termination by the Obligor (except for statutory rights of Governmental Entities that are not pending or threatened), (ii) is not past, or within 60 days of, the statutory limit for collection applicable to the Obligor or is not aged more than 180 days from its Invoice Date, (iii) in the case of a Receivable that is not a Rebate Receivable, was not billed to the Obligor on a date more than 30 days after the Last Service Date, and (iv) in the case of a Rebate Receivable, was not billed to the Obligor on a date more than 60 days after the end of the fiscal quarter in which such Rebate Receivable became due and payable.

(d) Each such Receivable is not due from any Governmental Entity other than Medicare, Medicaid, TRICARE/CHAMPUS, Ryan White programs, 340B drug pricing programs, the State Children's Health Insurance Program (Title XXI of the Social Security Act) or any similar state or federally funded program.

(e) No Borrower has any guaranty of, letter of credit providing credit support for, or collateral security for, such Receivable, other than any such guaranty, letter of credit or collateral security as has been assigned to the Lender, and any such guaranty, letter of credit or collateral security is not subject to any Lien in favor of any other Person.

(f) The Obligor with respect to each such Receivable is (i) not currently the subject of any bankruptcy, insolvency or receivership proceeding, nor is it unable to make payments on its obligations when due, (ii) located in the United States of America, (iii) one of the following: (x) a Person which in the ordinary course of its business or activities agrees to pay for healthcare services received by individuals, including, without limitation, commercial insurance companies and non-profit insurance companies (such as Blue Cross and Blue Shield) issuing health, personal injury, worker's compensation or other types of insurance, employers or unions which self-insure for employee or member health insurance, prepaid healthcare organizations, preferred provider organizations, health maintenance organizations, commercial hospitals, physician's groups or any other similar person or (y) an individual, (iv) not a Subsidiary, parent or other Person that is an Affiliate of any Borrower and (v) not the Obligor of any Receivable that was a Defaulted Receivable in the past 12 months.

(g) The financing of such Receivables hereunder is made in good faith and without actual intent to hinder, delay or defraud present or future creditors of the Borrower.

(h) The insurance policy, contract or other instrument obligating an Obligor to make payment with respect to such Receivable (i) does not contain any provision prohibiting the grant of a security interest in such payment obligation from the applicable Borrower to the Lender, (ii) has been duly authorized and, together with such Receivable, constitutes the legal, valid and binding obligation of the Obligor in accordance with its terms, (iii) together with such Receivable, does not contravene in any material respect any requirement of law applicable thereto, and (iv) was in full force and effect and applicable to the Obligor at the time the goods or services constituting the basis for such Receivable were sold or performed.

(i) No consents by any third party to the assignment of such Receivable are required other than consents previously obtained in writing by the Borrower, a copy of each such consent having been provided to the Lender.

(j) The inclusion of each such Receivable in the Borrowing Base would not increase the fraction expressed as a percentage where (i) the numerator is the sum of the then outstanding principal amount of Eligible Receivables for any obligor (or group of obligors) listed below included in the Borrowing Base, and (ii) the denominator is the Borrowing Base for all Eligible Receivables, above the corresponding maximum percentage listed below:

Obligor	Maximum Percentage
Health Maintenance Organizations	100%
Managed Care Organizations	100%
Long-Term Care Facilities	20%
Employer Plans	50%
any single AAA rated Obligor	10%
any single AA rated Obligor	6%
any single A rated Obligor	4%
any single BBB rated Obligor	3%
any single unrated Obligor	3%

With respect to any Receivables that fail to satisfy the Eligibility Criteria set forth in this clause (j), such Receivables shall be deemed Eligible Receivables (provided they otherwise satisfy the Eligibility Criteria set forth in this Exhibit VI) until shall time that the Lender, in its sole discretion, determines that such Receivables (or any portion thereof) shall not be Eligible Receivables as a result of their failure to satisfy the Eligibility Criteria set forth in this clause (j).

(l) Unless specifically verified and accepted by the Program Manager or Program Manager, no single Eligible Receivable that is not a Rebate Receivable has an Expected Net Value greater than $800,000.

(m) No prior sale or assignment of security interest which is still in effect on the applicable Funding Date has been made with respect to or granted in any such Receivable.

EXHIBIT VII-A

FORM OF BORROWING BASE CERTIFICATE

HFG Healthco-4 LLC

Borrowing Base Report

VII-A-1

EXHIBIT VII-B

FORM OF BORROWER'S CERTIFICATE

EXHIBIT VIII

RECEIVABLE INFORMATION

The following information shall, as appropriate, be provided by each Borrower to the Program Manager with respect to each Receivable, together with such other information and in such form as may reasonably be requested from time to time by the Program Manager and as, in accordance with applicable law, may be disclosed or released to the Program Manager (the "***Receivable Information***"):

(i) Cash Receipts Report – Cash receipt transaction data containing:

- Transaction date
- Transaction number
- Customer number
- Cash receipt amount

(ii) Invoices Report – Invoice transaction data containing:

- Transaction date
- Transaction number
- Customer number
- Invoice amount

(iii) Adjustments Report – Adjustment transaction data containing:

- Transaction date
- Transaction number
- Customer number
- Amount of adjustment

EXHIBIT IX-A

FORM OF NOTICE TO GOVERNMENTAL ENTITIES

[Letterhead of the applicable Borrower]

[Name and Address
of Governmental Entity] [Date]

Re: Change of Account and Address [for Medicare Supplier No.]

To Whom it May Concern:

Please be advised that we have opened a new bank account at [Bank of America, N.A.] [UMB Bank] and a post-office box with respect to such bank account. Accordingly, effective immediately and until further notice, we hereby request that:

(1) All wire transfers be made directly into our account at:

[_____]

(2) All remittance advices and other forms of payment, including checks, be made to our post office box located at:

[_____]

As provided in the Medicare Carriers Manual § 3060.11, the undersigned hereby certifies that this payment arrangement will continue in effect only so long as the following requirements are met:

a) [Bank of America, N.A.] [UMB Bank] does not provide financing to the undersigned nor acts on behalf of another party in connection with the provision of such financing; and

b) The undersigned has sole control of the account, and [Bank of America, N.A.] [UMB Bank] is subject only to the instructions of the undersigned (or its agents) regarding the account.

Thank you for your cooperation in this matter. Title:

EXHIBIT IX-B
FORM OF NOTICE TO NON-GOVERNMENTAL ENTITIES

[Letterhead of the Applicable Borrower]

[Name and Address of Obligor] [Date]

Re: Change of Account and Address

To Whom it May Concern:

We are pleased to announce that we have entered into a new long-term financing arrangement with the Healthcare Finance Group, Inc. This financing arrangement will allow us to continue to provide you with new and innovative services and products. As part of this arrangement, we will be assigning all of our existing and future receivables payable by you to us as collateral to our lender — HFG Healthco-4 LLC ("Healthco-4"). Accordingly, you are hereby directed to make:

(1) All wire transfers directly to the following account:

[_____]

(2) All remittance advices and other forms of payment, including checks, to the following address:

[_____]

Please note that this is the same remittance name, address and account to which you. currently send payment.

The foregoing directions shall apply to all existing receivables payable to us and (until further written notice) to all receivables arising in the future and may not be revoked except by a writing executed by us and Healthco-4.

Please acknowledge your receipt of this notice by signing the enclosed copy of this letter and returning it in the enclosed envelope.

Thank you for your cooperation in this matter.

EXHIBIT X

SERVICING RESPONSIBILITIES

Each Borrower shall be responsible for the following administration and servicing obligations (the "***Servicing Responsibilities***") which shall be performed by each Borrower until such time as a successor servicer shall be designated and shall accept appointment pursuant to Section 3.04(b) of the Agreement:

(a) Servicing Standards and Activities. Each Borrower agrees to administer and service its Receivables (i) within the parameters of services set forth in paragraph (b) of this Exhibit X, as such parameters may be modified by mutual written agreement of the Lender and the Borrowers, (ii) in compliance at all times with applicable law and with the agreements, covenants, objectives, policies and procedures set forth in the Agreement, and (iii) in accordance with industry standards for servicing healthcare receivables unless such standards conflict with the procedures set forth in paragraph (b) of this Exhibit X in which case the provisions of paragraph (b) shall control. The Borrowers shall establish and maintain electronic data processing services for monitoring, administering and collecting the Receivables in accordance with the foregoing standards and shall, within three Business Days of the deposit of any checks, other forms of cash deposits, or other written matter into a Lockbox, post such information to its electronic data processing services.

(b) Parameters of Primary Servicing. The Servicing Responsibilities shall be performed within the following parameters:

(i) Subject to the review and authority of the Lender and the Program Manager and except as otherwise provided herein, each Borrower shall have full power and authority to take all actions that it may deem necessary or desirable, consistent in all material respects with its existing policies and procedures with respect to the administration and servicing of accounts receivable, in connection with the administration and servicing of its Receivables. Without limiting the generality of the foregoing, each Borrower shall, in the performance of its servicing obligations hereunder, act in accordance with all legal requirements and subject to the terms and conditions of the Agreement.

(ii) During the continuance of an Event of Default, at the Lender's or Program Manager's request, all enforcement and collection proceedings with respect to the Receivables shall, unless prohibited by applicable law, be instituted and prosecuted in the name of the Lender.

(iii) No Borrower shall change in any material respect its existing policies and procedures with respect to the administration and servicing of accounts receivable (including, without limitation, the amount and timing of write-offs) without the prior written consent of the Lender.

(iv) The Borrowers will be responsible for monitoring and collecting the Receivables, including, without limitation, contacting Obligors that have not made

payment on their respective Receivables within the customary time period for such Obligor, and resubmitting any claim rejected by an Obligor due to incomplete information.

(v) If any Borrower determines that a payment with respect to a Receivable has been received directly by a pharmacy or any other Person, the Borrowers shall promptly advise the Lender, and the Lender shall be entitled to presume that the reason such payment was made to such pharmacy or other Person was because of a breach of representation or warranty in the Agreement with respect to such Receivable (such as, by way of example, the forms related to such Receivable not being properly completed so as to provide for direct payment by the Obligor to the applicable Borrower), unless such Borrower shall demonstrate that such is not the case. In the case of any such Receivable which is determined not to be a Denied Receivable, the Borrowers shall promptly demand that such pharmacy or other Person remit and return such funds. If such funds are not promptly received by the applicable Borrower, the Borrowers shall take all reasonable steps to obtain such funds.

(vi) Notwithstanding anything to the contrary contained herein, no Borrower may amend, waive or otherwise permit or agree to any deviation from the terms or conditions of any Receivable in any material respect without the prior consent of the Lender.

(c) Termination of Servicing Responsibilities; Cooperation. Upon the occurrence of an Event of Default the Lender may, by written notice, terminate the performance of the Servicing Responsibilities by any Borrower, in which event such Borrower shall immediately transfer to a successor servicer designated by the Lender all records, computer access and other information as shall be necessary or desirable, in the reasonable judgment of such successor servicer, to perform such responsibilities. The Borrowers shall otherwise cooperate fully with such successor servicer.

EXHIBIT XII

INTERFACE WITH PROGRAM MANAGER

1. The Program Manager will convey appropriate data requirements and instructions to the Borrower Representative to establish a computer interface between the Borrowers' systems and the Program Manager's receivables monitoring system. The interface will permit the Program Manager to receive electronically each Borrower's accounts receivable data, including the Receivable Information, billing data and collection and other transaction data relating to the Receivables.

2. Each Borrower shall give the Program Manager and the Lender at least ten Business Days' notice of any coding changes or electronic data processing system modifications made by such Borrower which could affect the Program Manager's processing or interpretation of data received through the interface.

3. The Program Manager shall have no responsibility to return to any Borrower any information which the Program Manager receives pursuant to the computer interface.

4. Each Borrower will prepare weekly accounts receivable data files of all transaction types for such Borrower's sites that are included in the program. The weekly cutoff will occur at a predetermined time each week, and the weekly cutoff date for all of the sites must occur at exactly the same time. The cutoff date that will be selected will be at the end of business for a specific day of the week, or in other words, at the end of such Borrower's transaction posting process for that day. Each Borrower will temporarily maintain a copy of the accounts data files in the event that the data is degraded or corrupted during transmission, and needs to be re-transmitted.

5. The Program Manager will be responsible for the management of the hardware, communications and software used in the program.

6. The Program Manager's data center will receive the Receivable files, and immediately confirm that the files have been passed without degradation or corruption of data by balancing the detailed items to the control totals that accompany the files. Any problems in this process will be immediately reported to the Borrower Representative so that the Receivable file can be re-transmitted, if necessary.

7. Once the receipt of the Receivable data has been confirmed, the Program Manager will perform certain tests and edits to ensure that each Receivable meets the specified eligibility criteria. Compliance with concentration limits will be verified and the Program Manager will notify the Program Manager that the Eligible Receivables have been determined.

8. Each Borrower's sites will continue to post daily transactions to their respective Receivable files. Each Borrower's Receivable files for each of the eligible sites will include all transactions posted through that day. Each Borrower will create a transaction report and a Receivable file for each of the eligible sites. The transaction report will contain all

transactions posted to the respective site Receivable file for the specified period (and will indicate the respective site and the number of items and total dollars on each transaction report for control purposes). The Receivable file will contain balances that reflect the transactions posted on the Borrowers' systems through the end of business of the specified period.

9. Each Borrower will transmit the billing, transaction, and the most current Receivable data files to the Program Manager's data center according to the established schedule. The Borrowers should, again, maintain the backup of each of these files in the event that a re-transmission is necessary.

10. The Program Manager's data center will confirm that the files have been received intact, and will immediately communicate any problems to the Borrower Representative in order to initiate a re-transmission. The Program Manager will then post the transaction files to the accounts receivable for accounts that the Program Manager is maintaining, and consequently update the affected balances. Upon completion of the posting process, the Program Manager will generate summary reports of the posting process that the Program Manager will use to complete various funding activities. The Program Manager summary reports will reference the Borrowers' transaction codes and activity to codes that are common to the funding program.

11. The Program Manager will then compare the updated accounts balances on the Program Manager's system to the corresponding account balances reflected on the Receivable file. The Program Manager expects that the balances for the funded Receivables will be congruent, and any discrepancies will be immediately examined and resolved through the cooperative effort of the Program Manager and the Borrowers. The Program Manager shall produce discrepancy reports (e.g., "Funding Only" or "Out of Balance" reports) and the Borrowers shall respond promptly to such reports.

12. Once the reconciliation process has been completed and any discrepancies between the Program Manager and the Borrowers' Receivable files resolved through the discrepancy report process described in paragraph 9 above, the Program Manager will then process the Receivable file and advise the Lender. The Program Manager will then proceed through exactly the same process described in paragraph 6 above.

EXHIBIT XII

FORM OF DEPOSITARY AGREEMENT

EXHIBIT XV

FORM OF SUBSCRIPTION AGREEMENT

SCHEDULE I

ADDRESSES FOR NOTICE

If to the Revolving Agent:	HFG Healthco-4 LLC 48 Wall Street New York, New York 10005
If to the Revolving Lender:	HFG Healthco-4 LLC 48 Wall Street New York, New York 10005
If to the Program Manager or Program Manager	Healthcare Finance Group Inc. 199 Water Street, 20th Floor New York, New York 10038 Attention: Chief Credit Officer Tel: (212) 785-9212 Fax: (212) 785 8501 e-mail:
If to the Borrowers:	10050 Crosstown Circle Suite 300 Eden Prairie, MN 55344 Attention: Barry A. Posner Tel: (952) 979-3750 Fax: (952) 674-5783 e-mail: bposner@bioscrip.com and 100 Clearbrook Road Elmsford, NY 10523 Attention: Barry A. Posner Tel: 914-460-1638 Fax: [_____] e-mail: bposner@bioscrip.com

SCHEDULE II

CREDIT AND COLLECTION POLICY

SCHEDULE III

DISCLOSURES

SCHEDULE IV

LOCKBOX INFORMATION

SCHEDULE V

NET VALUE FACTORS

Rebate Receivables: Initially 99%

Receivables that are not Rebate Receivables:

PBM Services	Mail Order	New Jersey	Roslyn	Comm Pharm	Bronx	SF Mail	Burbank	BioScrip Consolidated
95%	95%	95%	90%	92%	92%	95%	95%	94%

SCHEDULE VI

MONTHLY FINANCIAL REPORTING

Sch. V-2

Exhibit 10.2

AMENDED AND RESTATED PLEDGE AGREEMENT

AMENDED AND RESTATED PLEDGE AGREEMENT dated as of November 1, 2007 (this "***Pledge Agreement***") among BioScrip, Inc., a Delaware corporation (f/k/a MIM Corporation) (together with its corporate successors and assigns, "***BioScrip***"), Chronimed Inc., a Minnesota corporation (together with its corporate successors and assigns, "***Chronimed***"), each of the Borrowers under the LSA (as defined below) (the "***Borrowers***" and together with BioScrip and Chronimed, each a "***Grantor***" and collectively, the "***Grantors***"), and HFG HEALTHCO-4 LLC, a Delaware limited liability company (the "***Lender***").

The Borrowers and the Lender have entered into that certain Amended and Restated Loan and Security Agreement, dated as of September 26, 2007 (as amended, restated, modified or supplemented from time to time, the "***LSA***"; capitalized terms used herein and not defined herein shall have the meanings attributed thereto in the LSA).

Each of BioScrip and Chronimed is benefiting from the transactions described in the LSA and is a beneficiary thereof and has entered into an Amended and Restated Guaranty (the "***Guaranty***"), pursuant to which it is jointly and severally guarantying the obligations of the Borrowers under the LSA.

Each Grantor and the Lender would like to amend and restate the Pledge Agreement, dated as of December 29, 2006, among the Grantors (other than Chronimed) and the Lender (the "***Original Pledge Agreement***") to, among other things, add Chronimed as a Grantor and restate the obligations being secured.

It is a condition precedent to the effectiveness of the LSA and the making of any financial accommodations under the LSA that the Grantors execute and deliver a pledge agreement in the form hereof to secure the following (collectively, the ***"Obligations"***): (a) the payment in full of the Lender Debt under the LSA and (b) all obligations of each Grantor at any time and from time to time under this Pledge Agreement, including without limitation any and all reasonable costs and expenses (including reasonable counsel fees and expenses) paid or incurred in enforcing any rights under this Pledge Agreement.

NOW, THEREFORE, the Grantors and the Lender hereby agree to amend and restate the Original Pledge Agreement as follows:

1. Pledge. As security for the payment and performance in full of the Obligations, each Grantor hereby transfers, grants, bargains, sells, conveys, hypothecates, pledges, sets over, endorses over, and delivers unto the Lender, and grants to the Lender, for its own benefit, a security interest in (a) the shares of capital stock, limited liability company interests and membership interests listed in Schedule I annexed hereto next to such Grantor's name (the "***Initial Pledged Equity***"), any additional shares of common stock, limited liability company interests and membership interests of the issuers listed in Schedule I annexed hereto obtained in the future by such Grantor and any capital stock, limited liability

company interests and membership interests of the issuers listed in Schedule I annexed hereto obtained in the future by such Grantor and any capital stock, limited liability company interests and membership interests in any entity acquired in the future by such Grantor (collectively, the Initial Pledged Equity together with all such additional shares pledged in the future, the "***Pledged Equity***") and (b) subject to Section 5 below, all proceeds of the Pledged Equity, including, without limitation, all cash, securities or other property at any time and from time to time receivable or otherwise distributed in respect of or in exchange for any of or all such Pledged Equity (the items referred to in clauses (a) and (b) being collectively called the "***Collateral***"). Upon delivery to the Lender, any securities now or hereafter included in the Collateral including, without limitation, the Pledged Equity (the "***Pledged Securities***") shall be accompanied by undated stock powers duly executed in blank or other instruments of transfer reasonably satisfactory to the Lender. Each delivery of Pledged Securities shall be accompanied by a schedule showing a description of the securities theretofore and then being pledged hereunder, which schedule shall be annexed to Schedule I hereto and made a part hereof. Each schedule so delivered shall supersede any prior schedules so delivered.

2. Delivery of Collateral.

(a) Each Grantor agrees to deliver or cause to be delivered to the Lender all original certificates, instruments and other documents evidencing or representing the Initial Pledged Equity concurrently with the execution and delivery of this Pledge Agreement and the original certificates, instruments or other documents evidencing or representing all other Pledged Equity within ten days after such Grantor's receipt thereof, in each case accompanied by duly executed undated instruments of transfer or assignment in blank, all in form and substance reasonably satisfactory to the Lender.

(b) If any Pledged Security (whether now owned or hereafter acquired) are "uncertificated securities" within the meaning of the Uniform Commercial Code or are otherwise not evidenced by any certificate or instrument, the applicable Grantor shall promptly take and cause to be taken all actions required under Articles 8 and 9 of the Uniform Commercial Code and any other applicable law, to enable the Lender to acquire "control" (within the meaning of such term under Section 8-106 (or its successor provision) of the Uniform Commercial Code) of such uncertificated securities and as may be otherwise necessary or deemed appropriate by the Lender to perfect the security interest of the Lender therein, including, without limitation, the filing of UCC-1 financing statements in the appropriate jurisdictions.

3. Representations, Warranties and Covenants. Each Grantor hereby represents, warrants and covenants to and with the Lender that:

(a) except for the security interest granted to the Lender, such Grantor (i) is and, subject to the provisions of the LSA, will at all times (except to the extent the obligations of such Grantor under this Pledge Agreement are terminated solely as provided in Section 14(b) hereto) continue to be the direct owner, beneficially and of record, of the Pledged Securities that it is pledging hereunder, (ii) holds the Collateral that it is

pledging hereunder, (ii) holds the Collateral that it is pledging hereunder free and clear of all Liens, charges, encumbrances and security interests of every kind and nature, and the Pledged Equity is subject to no options to purchase or any similar or other rights of any person and such Grantor has not granted "control" (within the meaning of such term under Section 8-106 (or its successor provision) of the Uniform Commercial Code) over any portion of the Collateral to any other person, (iii) will make no assignment, pledge, hypothecation or, subject to the provisions of the LSA, transfer of, or create any security interest in, the Collateral that it is pledging hereunder including, without limitation, by virtue of becoming bound by any agreement which restricts in any manner the rights of any present or future holder of any Pledged Equity with respect thereto, and (iv) subject to Section 5 below, will cause any and all Pledged Securities and other certificates, instruments or documents evidencing or representing any of the Collateral, whether for value paid by such Grantor or otherwise, to be forthwith deposited with the Lender and pledged or assigned hereunder;

(b) such Grantor (i) has the right and legal authority to pledge the Collateral it is pledging hereunder in the manner hereby done or contemplated, (ii) will not amend, modify or supplement any Pledged Security without the prior written consent of the Lender, not to be unreasonably withheld, and (iii) will defend its title or interest thereto or therein against any and all attachments, Liens, claims, encumbrances, security interests or other impediments of any nature, however arising, of all persons whomsoever;

(c) no consent or approval of any governmental body or regulatory authority or any securities exchange is necessary for the pledge effected hereby to be valid;

(d) by virtue of the execution and delivery by such Grantor of this Pledge Agreement, when the certificates, instruments or other documents representing or evidencing the Collateral are delivered to the Lender in accordance with this Pledge Agreement and Uniform Commercial Code financing statements in the form attached hereto as Exhibit A are filed in the appropriate jurisdictions, the Lender will obtain a valid and perfected first Lien upon and security interest in such Collateral as security for the repayment of the Obligations, prior to all other Liens and encumbrances thereon and security interests therein;

(e) the pledge effected hereby is effective to vest in the Lender the rights in the Collateral as set forth herein;

(f) all of the Pledged Equity has been duly authorized and validly issued and as at the date hereof, the Initial Pledged Equity constitutes all of the issued and outstanding shares of capital stock, limited liability company interests or membership interests, as applicable, of the issuers listed on Schedule I annexed hereto; and

(g) except for the Pledged Equity consisting of capital stock in a corporation, the Pledged Equity is not and will not in the future be certificated.

All representations, warranties and covenants of each Grantor contained in this Pledge Agreement shall survive the execution, delivery and performance of this Pledge Agreement until the termination of this Pledge Agreement pursuant to Section 14 hereof.

4. Registration in Nominee Name; Denominations. Upon the occurrence and during the continuance of an Event of Default, the Lender shall have the right (in its sole and absolute discretion with subsequent notice to the Grantors) to transfer to or to register the Pledged Securities in its own name or the name of its nominee. In addition, the Lender shall at all times have the right to exchange the certificates representing Pledged Securities for certificates of smaller or larger denominations for any purpose consistent with this Pledge Agreement.

5. Voting Rights; Dividends; etc. (a) Unless and until an Event of Default under the LSA shall have occurred and be continuing:

(i) The Grantors shall be entitled to exercise any and all voting and/or consensual rights and powers accruing to an owner of Pledged Securities or any part thereof for any purpose not inconsistent with the terms of this Pledge Agreement and the LSA provided that such action would not adversely affect the rights inuring to the Lender under this Pledge Agreement or the LSA or adversely affect the rights and remedies of the Lender under this Pledge Agreement or the LSA or the ability of the Lender to exercise the same.

(ii) The Lender shall execute and deliver to the Grantors, or cause to be executed and delivered to the Grantors, all such proxies, powers of attorney, and other instruments as the Grantors may reasonably request for the purpose of enabling the Grantors to exercise the voting and/or consensual rights and powers which they are entitled to exercise pursuant to subparagraph (i) above.

(iii) The Grantors shall be entitled to receive and retain any and all cash dividends and distributions paid on the Pledged Securities only to the extent that such cash dividends and distributions are permitted by, and otherwise paid in accordance with the terms and conditions of, the LSA and applicable laws. Any and all

a. noncash dividends and distributions,

b. stock or dividends and other distributions paid or payable in cash or otherwise in connection with a partial or total liquidation or dissolution, and

c. instruments, securities, other distributions in property, return of capital, capital surplus or paid-in surplus or other distributions made on or in respect of Pledged Securities (other than dividends permitted by this Section 5(a)(iii)), whether paid or payable in cash or otherwise, whether resulting from a subdivision, combination or reclassification of the outstanding capital stock, limited liability company interests or membership interests of the

issuer of any Pledged Securities or received in exchange for Pledged Securities or any part thereof, or in redemption thereof, as a result of any merger, consolidation, acquisition or other exchange of assets to which such issuer may be a party or otherwise, shall be and become part of the Collateral, and, if received by the Grantors, shall not be commingled by the Grantors with any of its other funds or property but shall be held separate and apart therefrom, shall be held in trust for the benefit of the Lender and shall be forthwith delivered to the Lender in the same form as so received (with any necessary endorsement).

(b) Upon the occurrence and during the continuance of an Event of Default, all rights of the Grantors to receive any dividends, stock, instruments, securities and other distributions which the Grantors are authorized to receive pursuant to paragraph (a)(iii) of this Section 5 shall cease, and all such rights shall thereupon become vested in the Lender, which shall have the sole and exclusive right and authority to receive and retain such dividends. All dividends and distributions which are received by the Grantors contrary to the provisions of this Section 5(b) shall be received in trust for the benefit of the Lender, shall be segregated from other property or funds of the Grantors and shall be forthwith delivered to the Lender as Collateral in the same form as so received (with any necessary endorsement). Any and all money and other property paid over to or received by the Lender pursuant to the provisions of this Section 5 (b) shall be retained by the Lender in an account to be established by the Lender upon receipt of such money or other property and shall be applied in accordance with the provisions of Section 8 hereof.

(c) Upon the occurrence and during the continuance of an Event of Default, all rights of the Grantors to exercise the voting and consensual rights and pursuant to the irrevocable proxy granted herein, powers which it is entitled to exercise pursuant to Section 5(a)(i) shall cease, and all such rights shall thereupon become vested in the Lender, which shall have the sole and exclusive right and authority to exercise such voting and consensual rights and powers.

(d) In order to permit the Lender to exercise the voting and other consensual rights which it may be entitled to exercise pursuant to Section 5(c) and to receive all dividends and other distributions which it may be entitled to receive under Section 5(a)(iii) or Section 5(b), each Grantor shall promptly execute and deliver (or cause to be executed and delivered) to the Lender all such proxies, dividend payment orders and other instruments as the Lender may from time to time reasonably request.

Without limiting the effect of the foregoing, each Grantor does hereby constitute and appoint the Lender as its proxy, and the Lender shall have the right, upon the occurrence and during the continuance of an Event of Default, to exercise all rights, benefits, privileges and powers accruing to such Grantor, as owner of the Pledged Securities, including, without limitation, giving or withholding consent, calling and attending shareholders' meetings to be held from time to time with full power to vote and act for and in the name, place, and stead of such Grantor and in the same manner, to the same extent, and with the same effect that such Grantor would if personally present at such meetings, giving to the Lender full power of substitution and

revocation, which proxy shall be effective, automatically and without the necessity of any action (including any transfer of any Pledged Equity on the record books of the issuer thereof) by any person (including the issuer of the Pledged Equity or any officer or agent thereof).

THIS PROXY IS IRREVOCABLE

Any proxy or proxies heretofore given by any Grantor to any person or persons with respect to the Pledged Equity owned by such Grantor are hereby revoked. This proxy shall continue in full force and effect until such time as all Obligations are paid and satisfied in full in accordance with the terms of the LSA.

6. Issuance of Additional Stock. Each Grantor agrees that it will cause each of its subsidiaries not to issue any stock, limited liability company interests, membership interests or other securities, whether in addition to, by stock dividend or other distribution upon, or in substitution for, the Pledged Securities or otherwise.

7. Remedies upon Event of Default If an Event of Default shall have occurred and be continuing, the Lender may sell or otherwise dispose of all or any part of the Collateral, at public or private sale or at any broker's board or on any securities exchange, for cash, upon credit or for future delivery as the Lender shall deem appropriate. Each such purchaser at any such sale shall hold the property sold absolutely, free from any claim or right on the part of any Grantor, and such Grantor hereby waives (to the extent permitted by law) all rights of redemption, stay and appraisal which such Grantor now has or may at any time in the future have under any rule of law or statute now existing or hereafter enacted.

The Lender shall give the Grantors 10 days' written notice (which the Grantors agree is reasonable notice within the meaning of Section 9-611 of the Uniform Commercial Code as in effect in New York) of the Lender's intention to make any sale of Collateral. Such notice, in the case of a public sale, shall state the time and place for such sale and, in the case of a sale at a broker's board or on a securities exchange, shall state the board or exchange at which such sale is to be made and the day on which the Collateral, or portion thereof, will first be offered for sale at such board or exchange. Any such public sale shall be held at such time or times within ordinary business hours and at such place or places as the Lender may fix and state in the notice (if any) of such sale. At any such sale, the Collateral, or portion thereof, to be sold may be sold in one lot as an entirety or in separate parcels, as the Lender may (in its sole and absolute discretion) determine. The Lender shall not be obligated to make any sale of any Collateral if it shall determine not to do so, regardless of the fact that notice of sale of such Collateral shall have been given. The Lender may, without notice or publication, adjourn any public or private sale or cause the same to be adjourned from time to time by announcement at the time and place fixed for sale, and such sale may, without further notice, be made at the time and place to which the same was so adjourned. In case any sale of all or any part of the Collateral is made on credit or for future delivery, the Collateral so sold may be retained by the Lender until the sale price is paid by the purchaser or purchasers thereof, but the Lender shall not incur any liability in case

any such purchaser or purchasers shall fail to take up and pay for the Collateral so sold and, in case of any such failure, such Collateral may be sold again upon like notice. At any public sale made pursuant to this Section 7, the Lender may bid for or purchase, free (to the extent permitted by law) from any right of redemption, stay or appraisal on the part of any Grantor (all said rights being also hereby waived and released to the extent permitted by law), with respect to the Collateral or any part thereof offered for sale and the Lender may make payment on account thereof by using any claim then due and payable to the Lender from any Grantor as a credit against the purchase price, and the Lender may, upon compliance with the terms of sale, hold, retain and dispose of such property without further accountability to such Grantor therefor. For purposes hereof, a written agreement to purchase the Collateral or any portion thereof shall be treated as a sale thereof; the Lender shall be free to carry out such sale and purchase pursuant to such agreement, and such Grantor shall not be entitled to the return of the Collateral or any portion thereof subject thereto, notwithstanding the fact that after the Lender shall have entered into such an agreement all defaults under the LSA shall have been remedied and the Obligations paid in full. The Grantors shall remain liable for any deficiency. As an alternative to exercising the power of sale herein conferred upon it, the Lender may proceed by a suit or suits at law or in equity to foreclose this Pledge Agreement and to sell the Collateral or any portion thereof pursuant to a judgment or decree of a court or courts having competent jurisdiction or pursuant to a proceeding by a court-appointed receiver.

8. Application of Proceeds of Sale. The proceeds of any sale of Collateral, as well as any Collateral consisting of cash, shall be applied by the Lender promptly as follows:

FIRST, to the payment of all reasonable costs and expenses reasonably incurred by the Lender in connection with such sale or otherwise in connection with this Pledge Agreement or any of the Obligations, including, but not limited to, all court costs and the reasonable fees and expenses of the Lender and its legal counsel, the repayment of all advances made by the Lender on behalf of the Grantors and as specified to the Grantors and any other reasonable costs or expenses incurred in connection with the exercise of any right or remedy hereunder;

SECOND, to the Lender to the payment in full of all Obligations (other than those referred to above) owed to the Lender to be applied to the Lender's outstanding obligations under the LSA in the manner set forth therein; and

LAST, to the Grantors, their successors or assigns, or as a court of competent jurisdiction may otherwise direct.

9. The Lender Appointed Attorney-in-Fact. Each Grantor hereby appoints the Lender its attorney-in-fact for the purpose of carrying out the provisions of this Pledge Agreement and taking any action and executing any instrument which the Lender may deem necessary or advisable to accomplish the purposes hereof, which appointment is irrevocable and coupled with an interest. Without limiting the generality of the foregoing, the Lender shall have

the right, upon the occurrence and during the continuance of an Event of Default, with full power of substitution either in the Lender's name or in the name of any Grantor, to ask for, demand, sue for, collect, receive receipt and give acquittance for any and all moneys due or to become due and under and by virtue of any Collateral, to endorse checks, drafts, orders and other instruments for the payment of money payable to such Grantor representing any interest or dividend, or other distribution payable in respect of the Collateral or any part thereof or on account thereof and to give full discharge for the same, to settle, compromise, prosecute or defend any action, claim or proceeding with respect thereto, and to sell, assign, endorse, pledge, transfer and make any agreement respecting, or otherwise deal with, the same; provided, however, that nothing herein contained shall be construed as requiring or obligating the Lender to make any commitment or to make any inquiry as to the nature or sufficiency of any payment received by the Lender, or to present or file any claim or notice, or to take any action with respect to the Collateral or any part thereof or the moneys due or to become due in respect thereof or any property covered thereby, and no action taken by the Lender, or omitted to be taken with respect to the Collateral or any part thereof shall give rise to any defense, counterclaim or offset in favor of such Grantor or to any claim or action against the Lender in the absence of the gross negligence or willful misconduct of the Lender.

10. No Waiver. No failure on the part of the Lender to exercise, and no delay in exercising, any right, power or remedy hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right, power or remedy by the Lender preclude any other or further exercise thereof or the exercise of any other right, power or remedy. All remedies hereunder are cumulative and are not exclusive of any other remedies provided by law. The Lender shall not be deemed to have waived any rights hereunder or under any other agreement or instrument unless such waiver shall be in writing and signed by the Lender.

11. Registration, etc. Each Grantor agrees that, upon the occurrence and during the continuance of an Event of Default, if for any reason the Lender desires to sell any of the Pledged Securities at a public sale, it will, at any time and from time to time, upon the written request of the Lender, take or to cause the issuer of such Pledged Securities to take such action and to prepare, distribute and/or file such documents, as are required or advisable in the opinion of counsel for the Lender to permit the public sale of such Pledged Securities. The Grantors further agrees to indemnify, defend and hold harmless the Lender, any member of the Lender Group and any underwriter and their respective officers, directors, affiliates and controlling persons (within the meaning of Section 20 of the Securities Exchange Act of 1934) from and against all loss, liability, expenses, costs, fees and disbursements of counsel (including, without limitation, a reasonable estimate of the cost to the Lender of legal counsel), and claims (including the costs of investigation) which they may incur insofar as such loss, liability, expense or claim arises out of or is based upon any untrue statement of a material fact contained in any prospectus (or any amendment or supplement thereto) or in any notification or offering circular, or arises out of or is based upon any omission to state a material fact required to be stated therein or necessary to make the statements in any thereof not misleading, except insofar as the same arises out of any untrue statement or omission based upon information furnished in writing to the

Grantors or the issuer of such Pledged Securities by the Lender, any member of the Lender Group or the underwriter expressly for use therein. The Lender (with respect to such information furnished by it) shall indemnify, defend and hold harmless each Grantor or the issuer of such Pledged Securities and their respective officers, directors, affiliates and controlling persons (within the meaning of Section 20 of the Securities Exchange Act of 1934) upon the same terms as are applicable to such Grantor pursuant hereto. The Grantors further agrees to use its best efforts to qualify, file or register, or cause the issuer of such Pledged Securities to qualify, file or register, any of the Pledged Securities under the Blue Sky or other securities laws of such states as may be requested by the Lender and keep effective, or cause to be kept effective, all such qualifications, filings or registrations. The Grantors will bear all costs and expenses of carrying out its obligations under this Section 11. Each Grantor acknowledges that there is no adequate remedy at law for failure by it to comply with the provisions of this Section 11 and that such failure would not be adequately compensable in damages, and therefore agrees that its agreements contained in this Section 11 may be specifically enforced. The Lender agrees to utilize only the services of underwriters and brokers unaffiliated with any member of the Lender Group, and no remuneration shall be paid to any member of the Lender Group, in effecting the public sale of the Pledged Securities.

12. Security Interest Absolute. All rights of the Lender hereunder, the grant of a security interest in the Collateral and all obligations of each Grantor hereunder, shall be absolute and unconditional irrespective of (i) any lack of validity or enforceability of the LSA, the Guaranty, any agreement with respect to any of the Obligations or any other agreement or instrument relating to any of the foregoing, (ii) any change in time, manner or place of payment of, or in any other term of, all or any of the Obligations, or any other amendment or waiver of or any consent to any departure from the LSA, the Guaranty, or any other agreement or instrument, (iii) any exchange, release or nonperfection of any other collateral, or any release or amendment or waiver of or consent to or departure from any guarantee, for all or any of the Obligations or (iv) any other circumstance which might otherwise constitute a defense available to, or a discharge of, such Grantor in respect of the Obligations or in respect of this Pledge Agreement.

13. Lender’s Fees and Expenses. The Grantors shall be obligated to, upon demand, pay to the Lender the amount of any and all reasonable expenses, including the reasonable fees and expenses of its respective counsel and of any experts or agents which the Lender may incur in connection with (i) the administration of this Pledge Agreement, (ii) the custody or preservation of, or the sale of, collection from, or other realization upon, any of the Collateral, (iii) the exercise or enforcement of any of the rights of the Lender hereunder or (iv) the failure by either Grantor to perform or observe any of the provisions hereof. In addition, the Grantors agree to indemnify and hold the Lender harmless from and against any and all liability incurred by the Lender hereunder or in connection herewith, unless such liability shall be due to the gross negligence or willful misconduct of the Lender, as the case may be. Any such amounts payable as provided hereunder or thereunder shall be additional Obligations secured hereby.

14. Termination. (a) This Pledge Agreement shall terminate when (i) all of the Obligations have been fully paid in immediately available funds and (ii) the Lender has no further commitment to make any advances under the LSA, at which time the Lender shall reassign and deliver to the Grantors, or to such person or persons as the Grantors shall designate, against receipt, such of the Collateral (if any) as shall not have been sold or otherwise still be held by it hereunder, together with appropriate instruments of reassignment and release, including delivery of Uniform Commercial Code termination statements and similar documents reasonably requested by the Grantors; provided, however, that all indemnities of the Grantors contained in this Pledge Agreement shall survive, and remain operative and in full force and effect regardless of, the termination of this Pledge Agreement. Any such reassignment shall be without recourse to or warranty by the Lender and at the expense of the Grantors.

(b) In the event that (i) (1) a Removal of a Grantor occurs in accordance with the terms of the LSA or (2) the Guaranty of a Grantor is terminated (in accordance with the terms of such Guaranty and the other Documents) and (ii) such Grantor shall no longer have any liability with respect to the Obligations (either directly or as a guarantor thereof), then this Pledge Agreement shall terminate with respect to such Grantor in accordance with the terms of Section 14(a) hereto.

15. Notices. All communications and notices hereunder shall be in writing and given as provided in the LSA.

16. Further Assurances. Each Grantor agrees to do such further acts and things, and to execute and deliver such additional conveyances, assignments, agreements and instruments, as the Lender may at any time reasonably request in connection with the administration and enforcement of this Pledge Agreement or with respect to the Collateral or any part thereof or in order better to assure and confirm unto the Lender their rights and remedies hereunder.

17. Binding Agreement; Assignments. This Pledge Agreement, and the terms, covenants and conditions hereof, shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns, except that the Grantors shall not be permitted to assign this Pledge Agreement or any interest herein or in the Collateral, or any part thereof, or otherwise pledge, encumber or grant any option with respect to the Collateral, or any part thereof, or any cash or property held by the Lender as Collateral under this Pledge Agreement.

18. GOVERNING LAW. THIS PLEDGE AGREEMENT SHALL, IN ACCORDANCE WITH SECTION 5-1401 OF THE GENERAL OBLIGATION LAW OF THE STATE OF NEW YORK, BE GOVERNED BY THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO ANY CONFLICTS OF LAWS PRINCIPLES THEREOF.

19. Severability. In case any one or more of the provisions contained in this Pledge Agreement should be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired.

20. Counterparts. This Pledge Agreement may be executed in two or more counterparts, each of which shall constitute an original, but all of which, when taken together, shall constitute but one instrument. This Pledge Agreement shall be effective when a counterpart which bears the signature of the Grantors shall have been delivered to the Lender.

21. Section Headings. Section headings used herein are for convenience only and are not to affect the construction of, or be taken into consideration in interpreting, this Pledge Agreement.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the parties hereto have duly executed this Pledge Agreement as of the day and year first above written.

GRANTORS:

BIOSCRIP PBM SERVICES, LLC

By: _____
Name:
Title:

BIOSCRIP, INC.

By: _____
Name:
Title:

BIOSCRIP PHARMACY SERVICES, INC.

By: _____
Name:
Title:

BIOSCRIP INFUSION SERVICES, INC.

By: _____
Name:
Title:

BIOSCRIP PHARMACY (NY), INC.

By: _____
Name:
Title:

BIOSCRIP PHARMACY, INC.

By: _____
Name:
Title:

NATURAL LIVING, INC.

By: _____
Name:
Title:

BIOSCRIP INFUSION SERVICES, LLC

By: _____
Name:
Title:

CHRONIMED INC.

By: _____
Name:
Title:

LENDER:

HFG HEALTHCO-4, LLC

By: HFG Healthco-4, Inc., a member

By: _____
Name:
Title:

SCHEDULE I
to Pledge Agreement

Grantor	Equity Issuer	Class of Equity	Certificate No(s).	Par Value	Number of Shares/Interests	Percentage of Outstanding Shares/Interests
BioScrip, Inc.	BioScrip Infusion Services, Inc. (f/k/a Intravenous Therapy Services, Inc.)	Common Shares	2	$ 0.00	1,000	100%
BioScrip, Inc.	BioScrip Pharmacy Services, Inc.	Common Shares	2	$ 0.00	204	100%
BioScrip, Inc.	MIM IPA, Inc.	Common Shares	2	$ 0.01	1,000	100%
BioScrip, Inc.	MIM Investment Corporation	Common Shares	2	$ 0.01	1,000	100%
BioScrip, Inc.	BioScrip PBM Services, LLC	limited liability company interests	uncertificated interest			100%
BioScrip, Inc.	BioScrip Pharmacy (NY), Inc. (f/k/a Vitality Home Infusion Services, Inc.)	Common Shares	8	$ 0.00	100	100%
BioScrip, Inc.	Chronimed Inc.	Common Shares	1	$ 0.01	100	100%
BioScrip, Inc. (f/k/a MIM Corporation)	MIM Health Plans of Puerto Rico, Inc.	Common Shares	1	$100.00	100	50%
BioScrip PBM Services, LLC (f/k/a Scrip Solutions, LLC)	Natural Living, Inc.	Common Shares	2	$ 0.00	100	100%
BioScrip PBM Services, LLC	BioScrip Infusion Services, LLC	limited liability company interests	uncertificated interest			100%
BioScrip Infusion Services, LLC	New York ADIMA, LLC	limited liability company interests	uncertificated interest			100%

Grantor	Equity Issuer	Class of Equity	Certificate No(s).	Par Value	Number of Shares/Interests	Percentage of Outstanding Shares/Interests
BioScrip Infusion Services, LLC	BioScrip Infusion Management, LLC	limited liability company interests				100%
Chronimed Inc.	Los Feliz Inc.					100%
Chronimed Inc.	BioScrip Pharmacy, Inc.					100%

EXHIBIT A

UCC Financing Statements

Exhibit 10.3

REFINANCING ARRANGEMENTS AGREEMENT

BIOSCRIP PHARMACY SERVICES, INC., a corporation organized under the laws of the State of Ohio (**"*Pharmacy Services*"**), BIOSCRIP INFUSION SERVICES, INC., a corporation organized under the laws of the State of California ("***Infusion Services Inc***"), BIOSCRIP PHARMACY (NY), INC., a corporation organized under the laws of the State of New York ("***Pharmacy (NY)***"), BIOSCRIP PBM SERVICES, LLC, a limited liability company organized under the laws of the State of Delaware ("***PBM Services***"), BIOSCRIP PHARMACY, INC., a corporation organized under the laws of the State of Minnesota ("***Pharmacy***"), NATURAL LIVING, INC., a corporation organized under the laws of the State of New York ("***Natural Living***") and BIOSCRIP INFUSION SERVICES, LLC, a limited liability company organized under the laws of the State of Delaware ("***Infusion Services LLC***" and together with Pharmacy Services, Infusion Services Inc, Pharmacy (NY), PBM Services, Pharmacy and Natural Living, each a "***Provider***" and collectively, jointly and severally, the "***Providers***" and PBM Services in its capacity as primary servicer hereunder, the "***Primary Servicer***") and MIM FUNDING LLC, a limited liability company organized under the laws of the State of Delaware (together with its corporate successors and assigns, the "***Purchaser***") agree as follows:

The Providers and the Purchaser entered into a Receivables Purchase and Transfer Agreement, dated as of November 1, 2000, as amended, restated, modified or supplemented from time to time in accordance with its terms (the "***RPTA***"). Pursuant to the RPTA, the Providers agreed to sell or contribute, and the Purchaser agreed to purchase or accept the contribution, on a continuing basis all of the Providers receivables. Certain terms that are capitalized and used throughout this Agreement are defined in the RPTA.

The Purchaser and HFG HEALTHCO-4 LLC ("***Assignee***") entered into an Assignment of Receivables Purchase and Transfer Agreement as Collateral Security, dated as of November 1, 2000 pursuant to which the Purchaser granted a security interest in and assigned and transferred to the Assignee all of its rights, title and interest under the RPTA.

In connection with the execution of an Amended and Restated Loan and Security Agreement among the Providers[, the other borrowers party thereto] and Purchaser as borrowers and the Assignee as the lender (the "***Amended and Restated Loan Agreement***") on the date hereof the parties agree as follows:

1. Termination. Simultaneously with the execution of the Amended and Restated Loan Agreement the RPTA shall be deemed to have terminated. The final Transfer Date shall be deemed to have occurred on September 26, 2007 (the "***Purchase Termination Date***"). On the Purchase Termination Date (i) the obligations of the Providers to sell to the Purchaser, or contribute to the capital of Purchaser, all Receivables as provided in Section 1.03 of the RPTA shall terminate and (ii) the obligations of the Purchaser under the RPTA with respect to purchases and contributions of Receivables shall terminate including any obligation (x) to pay an amount equal to the Purchase Price to the Primary Servicer for the benefit of the Providers, as set

forth in Section 1.03 of the RPTA and (y) to record on its books and records the capital contribution of the Providers with respect to Receivables.

2. Governing Law. This Agreement shall, in accordance with Section 5-1401 of the General Obligations Law of the State of New York, be governed by the laws of the State of New York, without regard to any conflicts of laws principles thereof that would call for the application of the laws of any other jurisdiction.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their respective officers thereunto duly authorized, as of _____, 2007.

PROVIDERS:

BIOSCRIP PBM SERVICES, LLC (as successor to MIM Health Plans, Inc.)
By: _____
Name:
Title:

BIOSCRIP PHARMACY SERVICES, INC.

By: _____
Name:
Title:

BIOSCRIP INFUSION SERVICES, INC.

By: _____
Name:
Title:

BIOSCRIP PHARMACY (NY), INC.

By: _____
Name:
Title:

BIOSCRIP PHARMACY, INC.

By: _____
Name:
Title:

NATURAL LIVING, INC.

By: _____
Name:
Title:

BIOSCRIP INFUSION SERVICES, LLC

By: _____
Name:
Title:

PURCHASER: MIM FUNDING LLC

By: _____
Name:
Title:

PRIMARY SERVICER: BIOSCRIP PBM SERVICES, LLC (as successor to MIM Health Plans, Inc.)
By: _____
Name:
Title:

CONSENTED TO:

BIOSCRIP, INC. (f/ka/ MIM CORPORATION)

By: _____
Name:
Title:

HFG HEALTHCO-4 LLC
By: HFG Healthco-4, Inc., a member

By: _____
Name:
Title:

Exhibit 31.1

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

I, Richard H. Friedman, 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 5, 2007

/s/ Richard H. Friedman

Richard H. Friedman, Chief Executive Officer

Exhibit 31.2

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

I, Stanley G. Rosenbaum, 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 5, 2007

/s/ Stanley G. Rosenbaum

Stanley G. Rosenbaum, Chief Financial Officer
Treasurer and Principal Accounting 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, 2007, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Richard H. Friedman, 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 5, 2007

/s/ Richard H. Friedman
Richard H. Friedman, Chief 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, 2007, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Stanley Rosenbaum, 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 5, 2007

/s/ Stanley G. Rosenbaum

Stanley G. Rosenbaum, Chief Financial Officer
Treasurer and Principle Accounting Officer