UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K

(Mark One)
[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2002

OR

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

For the transition period from _____to _____

Commission file number: 1-11993

MIM CORPORATION
(Exact name of registrant as specified in its charter)

DELAWARE	05-0489664
(State of incorporation)	(IRS Employer Identification No.)

100 Clearbrook Road, Elmsford NY	10523
(Address of principal executive offices)	(Zip Code)

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

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to section 12(g) of the Act: Common Stock, $.0001 par value

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 twelve 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 [X] No ___

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

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act). Yes [X] No ___

The aggregate market value of the registrant's Common Stock held by non-affiliates of the registrant as of March 6, 2003, was approximately $140.3 million. *

On March 20, 2003, there were outstanding 22,967,531 shares of the registrant's Common Stock.

Documents Incorporated by Reference

Portions of the registrant's definitive proxy statement for its 2003 Annual Meeting of Stockholders to be filed with the Commission within 120 days after the close of the registrant's fiscal year are incorporated by reference into Part III of this Form 10-K.

* Without acknowledging that any individual director or executive officer of the registrant is an affiliate, the shares over which they have voting control have been included as owned by affiliates solely for purposes of this calculation.

PART I

Item 1. Business

Overview

MIM Corporation (the "Company" or "MIM") is a pharmaceutical healthcare organization delivering innovative pharmacy benefit management, specialty pharmaceutical management and distribution and other pharmacy-related healthcare solutions. The Company combines its clinical management expertise, sophisticated data management and therapeutic fulfillment capabilities to serve the particular needs of each of its customers and respective pharmacy benefit recipients. The Company provides a broad array of pharmacy benefits and pharmacy products and services to individual enrollees ("Members") receiving health benefits, principally through health insurers, including managed care organizations ("MCOs") and other insurance companies, and, to a lesser extent, labor unions, self-funded employer groups, government agencies, and other self-funded plan sponsors, directly or indirectly through third party administrators (collectively, "Plan Sponsors"). These services are organized under two reportable operating segments: pharmacy benefit management and mail services

(collectively, "PBM Services") and specialty pharmacy distribution and clinical management services ("Specialty Management and Distribution Services").

The Company's Specialty Management and Distribution Services programs are offered to the chronically ill and genetically impaired, directly through Plan Sponsors of all sizes, and include the distribution of biotech and other prescription medications and the provision of pharmacy-related clinical management services and disease state programs. Specialty services are also offered to physicians (in group practice and hospital settings) on behalf of their patients, in conjunction with Plan Sponsors. These physicians are typically affiliated with Plan Sponsors which in turn have a provider relationship with the Company.

The Company offers Plan Sponsors a broad range of PBM Services designed to promote the cost-effective delivery of clinically appropriate PBM Services through its network of retail pharmacies and its own dedicated mail service distribution facility.

Depending on the goals and objectives of the Plan Sponsors with which the Company does business, the Company provides some or all of the following clinical services as part of its PBM and/or Specialty Management and Distribution Services, all of which are described below in greater detail: pharmacy case management, therapy assessment, compliance monitoring, health risk assessment, patient education, drug usage and interaction evaluation, pharmacy claims processing, mail service and related prescription distribution, benefit design consultation, drug utilization review, formulary management and consultation, drug data analysis, drug interaction management, patient compliance, program management and pharmaceutical rebate administration.

Specialty Management and Distribution Services

Through its BioScrip(R) specialty injectable and infusion therapy programs, the Company distributes high-cost pharmaceuticals and provides clinically focused case and disease management programs to Members afflicted with chronic illnesses or genetic impairments. The disease states or conditions for which the Company has such programs include HIV/AIDS, oncology, hemophilia, multiple sclerosis, growth hormone deficiency, Gaucher's disease, rheumatoid arthritis, infertility, respiratory syncytial virus (RSV), hepatitis C, Crohn's disease and transplants. The specialty drugs distributed through the BioScrip(R) programs are dispensed and serviced from the Company's various dispensing locations in Columbus, Ohio; Livingston, New Jersey; and Roslyn Heights, New York. The Roslyn Heights facility has been utilized since January 2002, the acquisition date of Vitality Home Infusion Services, Inc. ("Vitality"), a New York-based provider of specialty pharmaceutical injectable therapy services. The Livingston location has been utilized since August 2000, the acquisition date of American Disease Management Associates, LLC ("ADIMA"), a New Jersey-based provider of specialty injectable and infusion therapy services.

The Company's specialty injectable and infusion therapy programs are marketed principally to Plan Sponsors and physicians in order to control the high cost trends associated with medications for the chronically ill and genetically impaired. As part of a bundled offering, the Company distributes prescription products to Plan Sponsors' Members and clinically manages each Member's condition from a pharmacoeconomic perspective.

Unlike many of the Company's competitors, which focus on particular pharmaceutical products within a limited number of chronic disease states, the

Company offers numerous products within a larger number of disease states since it is attempting to control a Plan Sponsor's overall pharmacy and medical expenditures in the most clinically appropriate manner. In contrast, many of the Company's competitors focus on increasing the market share of a particular product and increasing profitability through its relationship with the manufacturer of that particular product. Viewed another way, the Company considers its ultimate customer(s) Plan Sponsors and their respective Members.

The following services are available through the Company's specialty programs:

Pharmacy Case Management. The Company provides Plan Sponsors' Members with access to its BioScrip(R) pharmacy case management team ("PCM Team"), which is a specialized unit of skilled professionals including Pharmacists, Registered Nurses, Certified Pharmacy Technicians, Insurance Verification and Reimbursement Specialists, and Customer Service Representatives. The PCM Team is available via phone to both providers and patients, 24 hours per day, seven days per week. Each PCM Team member is cross trained in case management as well as individual disease states, in order to provide Plan Sponsors and its Members with a variety of basic services, including:

Prior Authorizations. The Company assists its Plan Sponsors in developing formal criteria and protocols for the effective management of specialty pharmaceutical care. Criteria are reviewed prior to the onset of therapy to minimize incorrect prescribing, thereby reducing unnecessary costs.

Infusion Therapy. The Company also distributes and administers high cost specialty infusion therapies to patients requiring principally immunosuppression blood products, parenteral nutrition products, and infused antibiotic therapies. Hence, the Company attempts to maximize Member patient outcomes through strict adherence to the clinical guidelines or protocols for a particular prescription therapy while at the same time managing the costs of such therapies on behalf of the Plan Sponsor. In adhering to the guidelines, the Company also attempts to minimize or control the costs associated with a Member's condition. Unlike the Company's other specialty programs, infusion patients have their therapies administered intravenously by IV certified nurses.

Therapy Assessment. The PCM Team monitors on an on-going basis each patients therapy to assure adherence to that therapy, desired response to therapy and any necessary interventions to improve patient care.

Patient Enrollment. The PCM Team is the main point of contact for both physicians and patients during the enrollment process. PCM Team members are responsible for identifying immediate patient needs, triggering important patient and physician mailings and following through on the enrollment process and delivery of the initial prescription.

Risk Assessment. The PCM Team initially assesses all new patients to determine the patient's knowledge level, self-care ability and non-compliance risk. Depending on the results of this assessment, patients are classified and an appropriate monitoring program is selected and administered. Patients are reassessed at appropriate times during their treatment as determined by the PCM Team.

Education. Each PCM Team member is trained in disease state management and treatment issues and serves as a valuable resource for both patients and physicians in answering treatment questions pertaining to such topics as side effects, self-administration and compliance issues.

Compliance Monitoring. The PCM Team collectively tracks the patient's progress and initiates reminders, reinforcements and non-compliance alerts to both physicians and the patient. The PCM Team is responsible for understanding compliance risks and coordinating the support necessary to maximize the patient's treatment.

Coordinated Medication Delivery. The Company's pharmacies provide express delivery of medications to the patient's point of service, whether that is his or her home or a physician's office. Special handling techniques and/or refrigeration (including shipping with dry-ice packing) are utilized in compliance with a manufacturer's specified requirements. In addition to the injectable medication, the Company also provides Sharps containers, syringes and ancillary materials needed for administration of the product. Express delivery via overnight courier is provided without additional charge to the patient or physician.

Pharmacy Data Services. The Company utilizes claims, medical and laboratory data to analyze and evaluate pharmaceutical utilization and cost trends to support Plan Sponsors' understanding of such information through the generation of reports for management and Plan Sponsor use, and presentation of information vital to the Plan Sponsors' understanding of their particular pharmaceutical utilization and cost trends. These services include drug utilization review, quality assurance and claims and laboratory analysis. The Company has developed proprietary systems to provide Plan Sponsors with real-time access to pharmacy, financial, claims, prescriber and dispensing data.

Disease Management. The Company designs and administers programs to maximize the benefits of pharmaceutical utilization as a tool in achieving therapy goals for certain targeted diseases. Programs focus on preventing high-risk events, such as asthma exacerbation or stroke, through appropriate use of pharmaceuticals while eliminating unnecessary or duplicate therapies. Key components of these programs include health care provider training, integration of care between pharmacy and medical health disciplines, monitoring of patient compliance, measurement of care process and quality, and providing feedback for continuous improvement in achieving therapy goals.

The Company offers its specialty programs to Plan Sponsors as a comprehensive pharmaceutical service that manages all aspects of a Plan Sponsor's pharmaceutical needs, including the specialty pharmacy services described above. Alternatively, the Company may limit the number of products and/or therapeutic categories which it manages. The Company believes that its ability to offer a full line of services, including its specialty pharmacy products and services, provides it an advantage over its competition, many of which focus on a limited number of disease states and/or products. Likewise, the Company believes that the implementation of a broad-based specialty pharmacy program affords Plan Sponsors greatest overall Member outcomes as well as the greatest degree of cost control or savings. The Company has also been successful in contracting to provide specialty pharmacy services, typically on a non-exclusive or preferred basis to Plan Sponsors, clinics, hospitals and physician groups not previously contracted with the Company for PBM Services.

The Company markets its specialty pharmaceutical programs to MCOs without regard to the size of a plan's enrollment, third party administrators, physician practice groups and hospitals. Unlike many of its competitors, the Company also markets these programs to other pharmacy benefit managers, which may not have the same resources as the Company or which otherwise have determined not to develop independent specialty pharmacy operations.

PBM Services

The Company's PBM Services offer Plan Sponsors a broad range of services designed to ensure the cost-effective delivery of clinically appropriate pharmacy benefits. PBM Services available to the Company's customers include the following:

Formulary and Benefit Design. The Company advises its Plan Sponsors with respect to the development of customized, flexible formulary and benefit plan designs to meet its specific program requirements. Formulary design may assist in controlling program costs by focusing, to the extent consistent with accepted medical and pharmacy practices and applicable law, primarily on two areas: (i) generic substitution, which involves the selection of generic drugs as a cost-effective alternative to their bio-equivalent brand name drugs within a therapeutic category, and/or (ii) therapeutic interchange, which involves the selection of a lower cost brand name drug as an alternative to a higher priced brand name drug within a therapeutic category. After a formulary has been established by a Plan Sponsor, rebates on brand name drugs are typically negotiated with drug manufacturers and are often shared with Plan Sponsors.

Many Plan Sponsors do not restrict coverage to a specific list of pharmaceuticals and are said to have "no" formulary or an "open" formulary that generally covers all FDA-approved drugs except certain classes of excluded pharmaceuticals (such as certain vitamins and cosmetics, experimental, investigative or over-the-counter drugs). As a result of rising pharmacy program costs, however, the Company believes that both public and private health plans have become increasingly receptive to controlling pharmacy costs by restricting the availability of certain drugs within a given therapeutic class, other than in cases of medical necessity or other pre-established prior authorization guidelines, to the extent clinically appropriate. Once a Plan Sponsor decides to utilize a "restricted" or "closed" formulary, the Company actively involves its clinical staff with a Plan Sponsor's Pharmacy and Therapeutics Committees ("P&T Committee")(which typically consists of local Plan Sponsors, prescribers, pharmacists and other health care professionals) to assist that P&T committee in its design of clinically appropriate formularies in order to control pharmacy costs. The composition of the formulary is the responsibility and, ultimately approved by of the Plan Sponsor.

The primary method for assuring formulary compliance on behalf of a Plan Sponsor is by controlling pharmacy reimbursement to ensure that non-formulary drugs are not dispensed to a Member, subject to certain limited exceptions. Benefit design and formulary parameters are managed through a point-of-sale ("POS") claims processing system through which real-time electronic messages are transmitted to pharmacists to ensure compliance with specified benefit design and formulary parameters before services are rendered and prescriptions are dispensed. Over utilization of medication is monitored and managed through quantity limitations based upon nationally recognized standards and guidelines regarding maintenance versus non-maintenance therapy. Step protocols, which are procedures requiring that preferred therapies be tried and shown ineffective

before more expensive therapies are covered are also established by the Company in conjunction with the Plan Sponsor P&T Committee to control improper utilization of certain high-risk or high-cost medications.

Clinical Services. Plan Sponsors' formularies typically identify a limited number of drugs for preferred status within each therapeutic class to be the covered drugs in order to treat most medical conditions appropriately. Provision is also made, however, for coverage of non-formulary or non-preferred drugs (other than certain excluded products) when documented to be clinically appropriate for a particular patient. Since non-formulary drugs ordinarily are automatically rejected for coverage by the real-time POS system, the Company employs procedures to override restrictions on non-formulary medications for a particular patient and period of treatment. Similarly, restrictions on the use of certain high-risk or high-cost formulary drugs may be overridden through prior authorization procedures. Non-formulary overrides and prior authorizations are processed on the basis of documented, clinically supported medical information and typically are granted or denied within 48 hours after request. Requests for, and appeals of denials, of coverage in those cases are handled by the Company through its staff of trained pharmacists and board certified pharmacotherapy specialists, subject to a Plan Sponsor's ultimate authority over all such requests and appeals. Further, in the case of a medical emergency, as determined by the dispensing network pharmacist, the Company authorizes, without prior approval, short-term supplies of all medication unless specifically excluded by a Plan Sponsor.

Drug Usage Evaluation. Drug usage is evaluated on a concurrent, prospective and retrospective basis utilizing the real-time POS system and proprietary information systems for multiple drug interactions, drug-health condition interactions, duplication of therapy, step therapy protocol enforcement, minimum/maximum dose range edits, compliance with prescribed utilization levels and early refill notification. The Company also maintains a drug utilization review program in which select medication therapies are reviewed and data is collected, analyzed and reported for management applications.

Pharmacy Data Services. The Company utilizes claims data to analyze and evaluate pharmaceutical utilization and cost trends to support Plan Sponsors' understanding of such information through the generation of reports for management and Plan Sponsor use, and presentation of information vital to the Plan Sponsors' understanding of its particular pharmaceutical utilization and cost trends. These services include drug utilization review, quality assurance review, claims analysis and rebate contract administration. The Company has developed proprietary systems to provide Plan Sponsors with real-time access to pharmacy, financial, claims, prescriber and dispensing data.

Disease Management. The Company designs and administers programs to maximize the benefits of pharmaceutical utilization as a tool in achieving therapy goals for certain targeted diseases, such as diabetes and asthma. Programs focus on preventing high-risk events, such as asthma exacerbation or stroke, through appropriate use of pharmaceuticals, while eliminating unnecessary or duplicate therapies. Key components of these programs include health care provider training, integration of care between medical and pharmacy disciplines, monitoring of patient compliance, and providing feedback for continuous improvement in achieving therapy goals. As described more fully above under "Specialty Management and Distribution Services," many of these same tools are used by the Company in delivering specialty pharmaceutical services and products to patients afflicted with the disease states managed by the Company.

Behavioral Health Pharmacy Services. In recent years, Plan Sponsors, particularly MCOs, have recognized the specialized behavioral health needs of certain of their Members. As a result, many MCOs have "carved out" those afflicted with behavioral health issues into separately managed programs. The Company provides pharmaceutical-related services that encourage the proper and cost-effective utilization of behavioral health medication to enrollees within the segregated population within separate behavioral health organizations ("BHOs"), which are traditionally (but not always) affiliated with that MCO. Through the development of provider education programs, utilization protocols and prescription dispensing evaluation tools, the Company is able to integrate pharmaceutical behavioral or mental health therapies with other medical therapies to enhance patient compliance and minimize unnecessary or sub optimal prescribing practices. These services are integrated into the Plan Sponsor's package of behavioral health care products for marketing to private insurers, public managed care programs and other health providers.

Pharmacy Dispensing Facility. The Company believes that pharmacy benefit program costs may also be reduced through the distribution of pharmaceutical products directly to Plan Sponsors' Members by the use of mail service programs through its own proprietary pharmacy dispensing facility. The Company provides these mail service dispensing services from a fully automated fulfillment facility in Columbus, Ohio. Mail service is typically provided to Members who receive maintenance medications. The use of mail service affords the Company and its Plan Sponsors with the ability to reduce cost as compared to the more costly retail distribution of prescription products.

Capitated Billing Arrangements. In addition to traditional fee-for-service billing arrangements, the Company has historically offered capitated fee billing arrangements to its MCO customers. A capitated fee arrangement permits a Plan Sponsor to incur a fixed fee per Member (a "capitated" program), which allows for cost shifting to the Company where aggregate PBM costs exceed pre-established per Member amounts and a premium, or greater financial benefit to the Company where costs are less than pre-established per Member amounts. For 2003, the Company has two remaining material capitated arrangements with an MCO. For the year ended December 31, 2002, 12.9% of the Company's PBM Services revenues were generated from capitated contracts compared to 23.3% in 2001, while non-capitated business (including mail services) represented 87.1% and 76.7% for 2002 and 2001, respectively.

Sales and Marketing

In late 2002 and early 2003, the Company consolidated its sales force and structured its resources on a regional basis in order to more effectively focus on specific opportunities. The Company believes that this consolidation will enhance its ability to market PBM Services and Specialty Management and Distribution Services. In addition, the Company believes that a consolidated sales force will increase the cross selling opportunities that exist within the Company's customer base, specifically, and within the healthcare market, generally.

The TennCare(R) Program

Historically, a majority of the Company's revenues were derived from providing services in the State of Tennessee to MCOs participating in the State of Tennessee's TennCare(R) program and BHOs participating in the State of Tennessee's TennCare(R) Partners program. Revenues generated from MCOs and BHOs participating in TennCare(R), as a percentage of the Company's revenue, is decreasing and is expected to continue to decrease given the Company's growth in the specialty area.

The TennCare(R) program operates under a demonstration waiver from The United States Center for Medicare and Medicaid Services ("CMS"). That waiver is the basis of the Company's ongoing service to those MCOs in the TennCare(R) program. The waiver expires on December 31, 2004. While the Company believes that pharmacy benefits will continue to be provided to Medicaid and other eligible TennCare(R) enrollees through MCOs in one form or another through at least December 31, 2004, should the funding sources and/or conditions for the TennCare(R) program change significantly, the TennCare(R) program's ability to pay the MCOs, and in turn the MCO's ability to pay the Company, could materially and adversely affect the Company's financial position and results of operations.

Competition

The Company faces substantial competition within the pharmaceutical healthcare services industry. This industry includes a number of large, well-capitalized companies with nationwide operations, such as AdvancePCS Inc., Caremark Rx, Inc., Express Scripts, Inc., Medco Health Solutions, Inc., MedImpact Healthcare Systems, Inc. and WellPoint Pharmacy Management, as well as many smaller organizations typically operating on a local or regional basis. The Company also competes with several national and regional specialty pharmaceutical distribution companies that have substantial financial resources and which also provide products and services to the chronically ill and genetically impaired. These competitors include Accredo Health Inc., Chronimed, Inc. and Priority Healthcare Corporation, as well as a number of the pharmacy benefit managers mentioned above. Some of the Company's competitors are under common control with, or ownership, by, brand name drug manufacturers or retail pharmacy chains and may be better positioned with respect to the cost-effective distribution of pharmaceuticals and/or the pricing of PBM Services. Some of the Company's primary competitors have a substantially larger market share than the Company's existing market share. Moreover, some of the Company's competitors may have secured long-term supply or distribution arrangements for prescription pharmaceuticals necessary to treat certain chronic disease states on price terms substantially more favorable than the terms currently available to the Company. As a result of such advantageous pricing, the Company may be less price competitive than some of these competitors with respect to certain pharmaceutical products. However, as it relates to its specialty programs, the Company does not believe that it competes strictly on the selling price of particular products; rather, it offers customers the opportunity to lower overall pharmaceutical and medical costs while providing high quality care.

Financial Information about Segments

The following table presents revenue and income from operations by segments. In 2002, the Company began operating in two segments. For comparative purposes, 2001 and 2000 have been reclassified to those segments, since the Company had only one operating segment prior to 2002. Operating segment financial information is provided in Note 3 of Notes to Consolidated Financial Statements.

Segment Financial Information
(in thousands)

	2002	2001	2000
Revenues:			
PBM Services	$407,093	$415,099	$ 320,317
Specialty Management and Distribution Services	169,503	41,547	17,854
Total	$576,596	$456,646	$ 338,171
Income from operations:			
PBM Services	$ 8,372	$ 11,422	$ (262)
Specialty Management and Distribution Services	15,776	3,768	83
Total	$ 24,148	$ 15,190	$ (179)

Government Regulation

General. As a participant in the healthcare industry, the Company's operations and relationships are subject to federal and state laws and regulations and enforcement by federal and state governmental agencies. Various federal and state laws and regulations govern the purchase, dispensing or distribution and management of prescription drugs and related services and may affect the Company. The Company believes that it is in compliance with all legal requirements material to its operations.

In the second quarter of 2000, the Company entered into a global settlement agreement with the Office of Inspector General (the "OIG"), within the U.S. Department of Health and Human Services ("HHS"), and the State of Tennessee relating to certain civil and criminal charges brought against former officers of the Company's predecessor. The Company did not admit any wrongdoing in the global settlement agreement but agreed to enter into a corporate integrity agreement in order to ensure ongoing compliance with the requirements of Medicare, Medicaid and all other Federal health care programs. Under the terms of that agreement, the Company is required to, among other things, implement a corporate compliance program, conduct ongoing educational programs to inform employees regarding compliance with relevant laws and regulations and institute a formal reporting procedure to disclose possible violations of law to the OIG. In addition to these requirements, the Company must submit annual reports with respect to the status of its compliance activities. Although compliance with the corporate integrity agreement is designed to reduce the risk of violations of laws and regulations relevant to our business, the Company is required to report any such potential violations to the OIG and the U.S. Department of Justice. The Company is therefore subject to increased regulatory scrutiny and, if the Company commits legal or regulatory violations, it may be subject to an increased risk of sanction or penalty, including exclusion from participation in the Medicare or Medicaid programs.

On October 1, 2002, the OIG released its Draft Compliance Program Guidance for Pharmaceutical Manufacturers (the "Draft Guidance") designed to provide voluntary, nonbinding guidance to assist pharmaceutical manufacturers in devising effective legal compliance programs. The Draft Guidance identifies in general terms certain areas of potential legal risk that the OIG encourages pharmaceutical manufacturers to consider in structuring compliance programs. The OIG has solicited public comment on the Draft Guidance and will at some time in the future publish final guidance along with a discussion of relevant comments. The Company currently maintains a compliance program that includes many of the key compliance program elements described in the Draft Guidance. We do not believe that the Draft Guidance, if adopted in its current form, would have a material effect on our business operations or financial results. However, it is possible that the Draft Guidance could be changed prior to publication of the final version, and any such changes could impact our business operations, possibly materially. However, the Company does not believe that any such changes could have a material adverse effect on the Company's financial performance, results of operation, or liquidity.

Among the various Federal and state laws and regulations which may govern or impact the Company's current and planned operations are the following:

Mail Service Pharmacy Regulation. Many of the states into which the Company delivers pharmaceuticals have laws and regulations that require out-of-state mail service pharmacies to register with, or be licensed by, the boards of pharmacy or similar regulatory bodies in those states. These states generally permit the dispensing pharmacy to follow the laws of the state within which the dispensing pharmacy is located.

However, various states have enacted laws and adopted regulations directed at restricting or prohibiting the operation of out-of-state pharmacies by, among other things, requiring compliance with all laws of the states into which the out-of-state pharmacy dispenses medications, whether or not those laws conflict with the laws of the state in which the pharmacy is located. To the extent that such laws or regulations are found to be applicable to the Company's operations, the Company would be required to comply with them. In addition, to the extent that any of the foregoing laws or regulations prohibit or restrict the operation of mail service pharmacies and are found to be applicable to the Company, they could have an adverse effect on the Company's prescription mail service operations.

Other statutes and regulations may also affect the Company's mail service operations. The Federal Trade Commission requires mail order sellers of goods generally to engage in truthful advertising, to stock a reasonable supply of the products to be sold, to fill mail orders within 30 days, and to provide clients with refunds when appropriate.

Licensure Laws. Many states have licensure or registration laws governing certain types of ancillary healthcare organizations, including preferred provider organizations, third party administrators, and companies that provide utilization review services. The scope of these laws differs significantly from state to state, and the application of such laws to the activities of pharmacy benefit managers often is unclear. The Company has registered under such laws in those states in which the Company has concluded that such registration or licensure is required.

The Company dispenses prescription drugs pursuant to orders received through its ScripPharmacy.com Web site, as well as other affiliated private label Web sites. Accordingly, the Company may be subject to laws affecting on-line pharmacies. Several states have proposed laws to regulate on-line pharmacies and require on-line pharmacies to obtain state pharmacy licenses. Additionally, federal regulation by the United States Food and Drug Administration (the "FDA"), or another federal agency, of on-line pharmacies that dispense prescription drugs has been proposed. To the extent that such state or federal regulation could apply to the Company's operations, certain of the Company's operations could be adversely affected by such licensure legislation. Management does not believe that the adoption of any of these internet related laws would have a material adverse effect on the Company's business or operations.

Other Laws Affecting Pharmacy Operations. The Company is subject to state and federal statutes and regulations governing the operation of pharmacies, repackaging of drug products, wholesale distribution, dispensing of controlled substances, medical waste disposal, and clinical trials. Federal statutes and regulations govern the labeling, packaging, advertising and adulteration of prescription drugs and the dispensing of controlled substances. Federal controlled substance laws require the Company to register its pharmacies and repackaging facilities with the United States Drug Enforcement Administration and to comply with security, recordkeeping, inventory control and labeling standards in order to dispense controlled substances.

State controlled substance laws require registration and compliance with state pharmacy licensure, registration or permit standards promulgated by state's pharmacy licensing authority. Such standards often address the qualification of an applicant's personnel, the adequacy of its prescription fulfillment and inventory control practices and the adequacy of its facilities. In general, pharmacy licenses are renewed annually. Pharmacists and pharmacy technicians employed at each of the Company's dispensing locations must also satisfy applicable state licensing requirements.

FDA Regulation. The FDA generally has authority to regulate drug promotional information and materials that are disseminated by a drug manufacturer or by other persons on behalf of a drug manufacturer. In January 1998, the FDA issued Draft Guidance regarding its intent to regulate certain drug promotion and switching activities of pharmaceutical manufacturers that control, directly or indirectly, a PBM. The FDA effectively withdrew the Draft Guidance and has indicated that it would not issue a new draft guidance. However, there can be no assurance that the FDA will not assert jurisdiction over certain aspects of the Company's PBM business, including the internet sale of prescription drugs.

Network Access Legislation. A majority of states now have some form of legislation affecting the ability of the Company to limit access to a pharmacy provider network or remove network providers. Such legislation may require the Company or its client to admit any retail pharmacy willing to meet the plan's

price and other terms for network participation ("any willing provider" legislation), or may prohibit the removal of a provider from a network except in compliance with certain procedures ("due process" legislation) or may prohibit days' supply limitations or co-payment differentials between mail and retail pharmacy providers. Many states with any willing provider statutes also permit a Member suspected of substance abuse or who otherwise need oversight by a pharmacist to be "locked into" one particular pharmacy for the purchase of his or her prescription medication. Many states have exceptions to the applicability of these statutes for managed care arrangements or other government benefit programs, including Tennessee.

Legislation Imposing Plan Design Mandates. Some states have enacted legislation that prohibits Plan Sponsors from implementing certain restriction design features, and many states have introduced legislation to regulate various aspects of managed care plans. Including legislation that prohibits or restricts therapeutic substitution, requires coverage of all drugs approved by the FDA, or prohibits denial of coverage for non-FDA approved uses. For example, some states provide that Members may not be required to use network providers, but that they must instead be provided with benefits even if they choose to use non-network providers ("freedom of choice" legislation), or provide that a Member may sue his or her health plan if care is denied. Some states have enacted, and other states have introduced, legislation regarding plan design mandates. Some states mandate coverage of certain benefits or conditions. Such legislation does not generally apply to the Company, but it may apply to certain of the Company's customers (generally, HMOs and health insurers). If any such legislation was to become widespread and broad in scope, it could have the effect of limiting the economic benefits achievable through pharmacy benefit management. To the extent that such legislation is applicable and is not preempted by the Employee Retirement Income Security Act of 1974, as amended ("ERISA") (as to plans governed by ERISA), certain operations of the Company could be adversely affected.

Other states have enacted legislation purporting to prohibit health plans from requiring or offering Members financial incentives for use of mail order pharmacies.

Anti-Kickback Laws. Subject to certain statutory and regulatory exceptions (including exceptions relating to certain managed care, discount, group purchasing and personal services arrangements), Federal law prohibits the payment or receipt of remuneration to induce, arrange for or recommend the purchase of health care items or services paid for in whole or in part by Medicare or state health care programs (including Medicaid programs and Medicaid waiver programs). Certain state laws may extend the prohibition to items or services that are paid for by private insurance and self-pay patients. Management carefully considers the importance of such "anti-kickback" laws when structuring its operations, and believes the Company is in compliance therewith. Violation of the Federal anti-kickback statute could subject the Company to criminal and/or civil penalties, including suspension or exclusion from Medicare and Medicaid (including TennCare(R)) programs or state-funded programs in the case of state enforcement.

The federal anti-kickback law has been interpreted broadly by courts, the OIG and administrative bodies. Because of the broad scope of those statutes, federal regulations establish certain safe harbors from liability. Safe harbors exist for certain properly reported discounts received from vendors, certain investment interests held by a person or entity, and certain properly disclosed payments made by vendors to group purchasing organizations, as well as for other transactions or relationships. Nonetheless, a practice that does not fall within a safe harbor is not necessarily unlawful, but may be subject to scrutiny and challenge. In the absence of an applicable exception or safe harbor, a violation of the statute may occur even if only one purpose of a payment arrangement is to induce patient referrals or purchases. Among the practices that have been identified by the OIG as potentially improper under the statute are certain "product conversion programs" in which benefits are given by drug manufacturers to pharmacists or physicians for changing a prescription (or recommending or requesting such a change) from one drug to another. Anti-kickback laws have been cited as a partial basis, along with state consumer protection laws discussed below, for investigations and multi-state settlements relating to financial incentives provided by drug manufacturers to retail pharmacies in connection with such programs.

Certain governmental entities have commenced investigations of PBM companies and other companies having dealings with the PBM industry and have identified issues concerning selection of drug formularies, therapeutic substitution programs and discounts or rebates from prescription drug manufacturers and whether best pricing requirements are being complied with. Additionally, at least one state has filed a lawsuit concerning similar issues against a health plan. To date, the Company has not been the subject of any such investigation or suit and has not received subpoenas or been requested to produce documents for any such investigation or suit. However, there can be no assurance that the Company will not receive subpoenas or be requested to produce documents in pending investigations or litigation in the future.

The Company believes that it is in compliance with the legal requirements imposed by the anti-remuneration laws and regulations, and the Company believes that there are material and substantial differences between drug switching programs that have been challenged under these laws and the therapeutic interchange practices and formulary management programs offered by the Company to Plan Sponsors. However, there can be no assurance that the Company will not be subject to scrutiny or challenge under such laws or regulations, or that any such challenge would not have a material adverse effect upon the Company.

The Stark Laws. The federal law known as "Stark II" became effective in 1995 and was a significant expansion of an earlier federal physician self-referral law commonly known as "Stark I". Stark II prohibits physicians from referring Medicare or Medicaid patients for "designated health services" to an entity with which the physician, or an immediate family member of the physician, has a financial relationship. Possible penalties for violation of the Stark laws include denial of payment, refund of amounts collected in violation of the statute, civil monetary penalties and program exclusion. The Stark laws standards contain certain exceptions for physician financial arrangements.

Management carefully considers the importance of Stark II in structuring its sales and marketing arrangements and its operations and believes the Company is in compliance therewith. Violation of the Stark II laws could subject the Company to civil and/or criminal penalties, including suspension or exclusion from Medicare and Medicaid (including TennCare) programs or state-funded programs in the case of state enforcement.

State Self-Referral Laws. The Company is subject to state statutes and regulations that prohibit payments for referral of patients and referrals by physicians to healthcare providers with whom the physicians have a financial relationship. Some state statutes and regulations apply to services reimbursed by governmental as well as private payors. Violation of these laws may result in prohibition of payment for services rendered, loss of pharmacy or health provider licenses, fines and criminal penalties. The laws and exceptions or safe harbors may vary from the federal Stark laws and vary significantly from state to state. The laws are often vague, and in many cases, have not been widely interpreted by courts or regulatory agencies; however, the Company believes it is in compliance with such laws.

Statutes Prohibiting False Claims and Fraudulent Billing Activities. A range of federal civil and criminal laws target false claims and fraudulent billing activities. One of the most significant is the Federal False Claims Act, which prohibits the submission of a false claim or the making of a false record or statement in order to secure a reimbursement from a government-sponsored program. In recent years, the federal government has launched several initiatives aimed at uncovering practices which violate false claims or fraudulent billing laws. Claims under these laws may be brought either by the government or by private individuals on behalf of the government, through a "whistleblower" or "qui tam" action.

Reimbursement. Approximately 40% of the Company's revenues are derived directly from Medicare or Medicaid or other government-sponsored healthcare programs subject to the federal anti-kickback laws and/or the Stark laws. Also, the Company indirectly provides benefits to managed care entities that provide services to beneficiaries of Medicare, Medicaid and other government-sponsored healthcare programs. Should there be material changes to federal or state reimbursement methodologies, regulations or policies, the Company's reimbursements from government-sponsored healthcare programs could be adversely affected. In addition, certain state Medicaid programs only allow for reimbursement to pharmacies residing in the state or in a border state. While the Company believes that it can service its current Medicaid patients through existing pharmacies, there can be no assurance that additional states will not enact in-state dispensing requirements for their Medicaid programs. To the extent such requirements are enacted, certain therapeutic pharmaceutical reimbursements could be adversely affected.

Legislation and Other Matters Affecting Drug Prices. Some states have adopted legislation providing that a pharmacy participating in the state Medicaid program must give the state the best price that the pharmacy makes available to any third party plan ("most favored nation" legislation). Such legislation may adversely affect the Company's ability to negotiate discounts in the future from network pharmacies. At least one state has enacted "unitary pricing" legislation, which mandates that all wholesale purchasers of drugs within the state be given access to the same discounts and incentives. Such legislation has not yet been enacted in the states where the Company's mail service pharmacies are located. Such legislation, if enacted in other states, could adversely affect the Company's ability to negotiate discounts on its purchase of prescription drugs to be dispensed by its Mail Service pharmacies.

Confidentiality. Most of the Company's activities involve the receipt, use and disclosure by the Company of confidential medical, pharmacy or other health-related information concerning individual Members, including the disclosure of the confidential information to the Member's health benefit plan. In addition, the Company uses aggregated and blinded (anonymous) data for research and analysis purposes.

In December 2000, HHS issued final regulations regarding the privacy of individually identifiable health information pursuant to the Health Insurance Portability and Accountability Act of 1996 ("HIPAA"). On August 14, 2002, HHS published final changes to the HIPAA privacy regulations (the "Privacy Regulations"). The Company will be required to comply with the Privacy Regulations by April 14, 2003.

The Privacy Regulations are designed to protect the medical information of a health care patient or health plan enrollee that could be used to identify the individual. The Company refers to this information as "protected health information". The Privacy Regulations apply directly to certain entities known as "covered entities," which include Plan Sponsors and most health care providers. In addition, the Privacy Regulations require covered entities to enter into contracts requiring their "business associates" to agree to certain restrictions regarding the use and disclosure of protected health information. The Privacy Regulations apply to protected health information maintained in any format, including both electronic and paper records, and impose extensive restrictions on the way in which covered entities (and indirectly their business associates) may use and disclose protected health information. In addition, the Privacy Regulations also give patients significant rights to understand and control how their protected health information is used and disclosed. Often, use and disclosure of protected health information must be limited to the minimum amount necessary to achieve the purpose of the use or disclosure. Certain of the Company's businesses will be covered entities directly subject to the Privacy Regulations, and other of the Company's businesses will be "business associates" of covered entities, such as Plan Sponsors.

Also in 2000, HHS published a final rule on transaction standards and code sets pursuant to HIPAA (the "Transactions Standards"). The Transactions Standards establish uniform standards to be utilized by covered entities in the electronic transmission of health information in connection with certain common health care financing transactions, such as health care claims. The compliance deadline for the Transactions Standards was October 16, 2002; however, HHS granted the Company and all other entities that applied on a timely basis a one-year extension of the compliance deadline to October 16, 2003.

In addition, in February 2003, HHS issued final regulations governing the security of PHI pursuant to HIPAA (the "Security Standards"). The Security Standards impose substantial requirements on covered entities and their business associates regarding the storage, utilization of, and access to and transmission of PHI. The Security Standards must be complied with beginning on April 21, 2005.

Sanctions for failing to comply with standards issued pursuant to HIPAA can include possible jail time, criminal penalties of up to $250,000 and civil fines of up to $25,000.

The requirements imposed by the Privacy Regulations, the Transactions Standards, and the Security Standards are extensive and have required substantial cost and effort by MIM to assess and implement. MIM will take the steps it believes are reasonable to ensure that its policies and procedures are in compliance with the Privacy Rule, the Transactions Standards and the Security Standards. The requirements imposed by HIPAA will likely increase our burden and costs of regulatory compliance (including with respect to our health improvement programs and other information-based products), alter our reporting to Plan Sponsors and may reduce the amount of information we can use or disclose if patients and health plan enrollees do not authorize such uses or disclosures.

Consumer Protection Laws. Most states have consumer protection laws that have been the basis for investigations and multi-state settlements relating to financial incentives provided by drug manufacturers to pharmacies in connection with drug switching programs. No assurance can be given that the Company will not be subject to scrutiny or challenge under one or more of these laws.

Disease Management Services Regulation. All states regulate the practice of medicine. To the Company's knowledge, no PBM has been found to be engaging in the practice of medicine by reason of its disease management services. However, there can be no assurance that a federal or state regulatory authority will not assert that such services constitute the practice of medicine, thereby subjecting such services to federal and state laws and regulations applicable to the practice of medicine.

Comprehensive PBM Regulation. Although no state has passed legislation regulating PBM activities in a comprehensive manner, such legislation has been introduced in the past in several states. Such legislation, if enacted in a state in which the Company conducts a significant amount of business, could have a material adverse impact on the Company's operations.

Antitrust Laws. Numerous lawsuits have been filed throughout the United States by retail pharmacies against drug manufacturers challenging certain brand drug pricing practices under various state and Federal antitrust laws. A settlement in one such suit would require defendant drug manufacturers to provide the same types of discounts on pharmaceuticals to retail pharmacies and buying groups as are provided to managed care entities to the extent that their respective abilities to affect market share are comparable, a practice which, if generally followed in the industry, could increase competition from pharmacy

chains and buying groups and reduce or eliminate the availability to the Company of certain discounts, rebates and fees currently received in connection with its drug purchasing and formulary administration programs. In addition, to the extent that the Company or an associated business appears to have actual or potential market power in a relevant market, business arrangements and practices may be subject to heightened scrutiny from an anti-competitive perspective and possible challenge by state or Federal regulators or private parties.

While management believes that the Company is in substantial compliance with all existing laws and regulations stated above, such laws and regulations are subject to rapid change and often are uncertain in their application. As controversies continue to arise in the health care industry (for example, regarding the efforts of Plan Sponsors and pharmacy benefit managers to limit formularies, alter drug choice and establish limited networks of participating pharmacies), Federal and state regulation and enforcement priorities in this area may increase, the impact of which on the Company cannot be predicted. There can be no assurance that the Company will not be subject to scrutiny or challenge under one or more of these laws or that any such challenge would not be successful. Any such challenge, whether or not successful, could have a material adverse effect upon the Company's business and results of operations.

Employees

At February 28, 2003, the Company employed a total of 390 people, including 51 licensed pharmacists. The Company's employees are not represented by any union and, in the opinion of management, the Company's relations with its employees are satisfactory.

Available Information

The Company files annual, quarterly and special reports, proxy statements and other information with the SEC. You may read and copy any reports, statements and other information filed by the Company at the SEC's Public Reference Room at 450 Fifth Street, N.W., Washington, D.C. 20549. Please call (800) SEC-0330 for further information on the Public Reference Room. The SEC maintains an Internet web site that contains reports, proxy and information statements and other information regarding issuers that file electronically with the SEC. The Company's filings are also available to the public at the web site maintained by the SEC, http://www.sec.gov.

The Company makes available, free of charge, through its web site its reports on Forms 10-K, 10-Q and 8-K, and amendments to those reports, as soon as reasonably practicable after they are filed with the SEC. The URL for the Company's web site is www.mimcorporation.com

Item 2. Properties

The Company's corporate headquarters are located in leased office space in Elmsford, New York. The Company also leases commercial office space for its above-described operations in South Kingstown, Rhode Island; Columbus, Ohio; Livingston, New Jersey; Roslyn Heights, New York; and Nashville, Tennessee.

Item 3. Legal Proceedings

The Company is not a party to any material legal proceedings.

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

There were no matters submitted to a vote of Security Holders for the fourth quarter of the fiscal year reported on in this Form 10-K.

PART II

Item 5. Market For Registrant's Common Equity and Related Stockholder Matters

The Company's common stock, par value $0.0001 per share ("Common Stock"), is traded on the National Market System of The Nasdaq Stock Market, Inc. under the symbol "MIMS." The following table represents the range of high and low sales prices for the Company's Common Stock for the last eight quarters. Such prices reflect interdealer prices, without retail markup, markdown or commissions and may not necessarily represent actual transactions.

		High	Low
2001:	First Quarter	$ 2.56	$ 0.81
	Second Quarter	$ 6.65	$ 2.16
	Third Quarter	$ 12.58	$ 5.93
	Fourth Quarter	$ 18.33	$ 9.46
2002:	First Quarter	$ 21.59	$ 13.25
	Second Quarter	$ 22.95	$ 9.21
	Third Quarter	$ 12.71	$ 7.30
	Fourth Quarter	$ 9.75	$ 5.08

As of March 15, 2003, there were 92 stockholders of record in addition to approximately 10,489 stockholders whose shares were held in nominee name.

The Company has never paid cash dividends on its Common Stock and does not anticipate doing so in the foreseeable future.

During the three months ended December 31, 2002, the Company did not sell any securities without registration under the Securities Act of 1933, as amended (the "Securities Act").

Item 6. Selected Consolidated Financial Data

The selected consolidated financial data presented below should be read in conjunction with, and is qualified in its entirety by reference to, Management's Discussion and Analysis and the Company's Consolidated Financial Statements and the Notes thereto appearing elsewhere in this Report.

	YEAR ENDED DECEMBER 31, (IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)				
STATEMENT OF OPERATIONS DATA	2002	2001	2000	1999	1998
Revenues (1)	$576,596	$ 456,646	$ 338,171	$ 350,693	$432,609
Special charges and TennCare(R)reserve	(851)(2)	(2,476)(2)	--	6,029	3,700(3)
Net income (loss) (2,4,5)	18,685	14,202	(1,823)	(3,785)	4,271
Net income (loss) per basic share	0.83	0.67	(0.09)	(0.20)	0.28
Net income (loss) per diluted share (6)	0.79	0.64	(0.09)	(0.20)	0.26
Weighted average shares outstanding used in computing basic income (loss) per share	22,616	21,273	19,930	18,660	15,115
Weighted average shares outstanding used in computing diluted income (loss) per share	23,563	22,289	19,930	18,660	16,324

	AS OF DECEMBER 31, (IN THOUSANDS)				
BALANCE SHEET DATA	2002	2001	2000	1999	1998
Cash and cash equivalents	$ 5,751	$ 12,487	$ 1,290	$ 15,306	$ 4,495
Investment securities	--	--	--	5,033	11,694
Working (deficit) capital	5,101	9,307	(11,184)	8,995	19,823
Total assets	182,231	139,819	120,401	115,683	110,106
Capital lease obligations, net of current portion	430	1,031	1,621	718	598
Long-term debt, net of current portion	--	--	--	2,279	6,185(7)
Stockholders' equity	94,208	60,296	39,505	35,187	39,054

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(1) Beginning in 2001, as required by EITF No. 00-22, the Company adopted a new method of recording rebates received from manufacturers as a reduction of cost of revenue and rebates shared with Plan Sponsors as a reduction of revenue. Prior to 2001 the Company recorded the difference between rebates billed and the rebates shared with customers as a reduction of cost of revenue. For comparative purposes, the years 2000, 1999 and 1998 have all been reclassified to give effect to this new methodology. In 2002, the Company changed the terms with certain of its PBM clients, whereby the Company no longer assumes credit risk. Revenue for these clients is recorded net.

(2) In 1999, the Company recorded $6,029 of TennCare reserve adjustments for estimated losses on contract receivables relating to Tennessee Health Partnership ("THP"), Preferred Health Plans and Xantus Health Plans of Tennessee, Inc. ("Xantus"), as further described in Note 12 of Notes to Consolidated Financial Statements. During the first quarter of 2001, the Company recorded a reserve adjustment credit of $980 to reflect a favorable settlement with THP relative to the amount initially reserved in 1999. In the third quarter of 2001 and the first quarter of 2002, the Company recorded TennCare reserve adjustments of $1,496 and $851, respectively, as a result of the collection of receivables from Xantus, which were previously reserved in 1999. The remaining reserve is $357.

(3) In 1998, the Company recorded charges of $1,500 in connection with the negotiated termination of a vendor contract and $2,200 paid in settlement of a Federal and State of Tennessee investigation of the conduct of two former officers of the Company.

(4) Net income (loss) includes legal expenses advanced for the defense of two former officers for the years 2000, 1999, and 1998 in the amounts of $2,700, $1,400, and $ 1,300, respectively.

(5) In the fourth quarter of 2000, the Company recorded a provision for loss of $2,300 on its investment in Wang Healthcare Information Systems.

(6) The historical loss per common share for the years 2000 and 1999 excludes the effect of common stock equivalents, as their inclusion would be antidilutive.

(7) This amount represents long-term debt assumed by the Company in connection with its acquisition of Continental Managed Pharmacy Services, Inc. and its subsidiaries.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjuction with the Consolidated Financial Statements of MIM Corporation and subsidiaries (collectively, the "Company") including the Notes thereto, included elsewhere in 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, and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), including statements regarding the Company's expectations, hopes, beliefs, intentions or strategies regarding the future. These forward looking statements may include statements relating to the Company's 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 the Company's business, future operating performance of the Company and the results, benefits and risks associated with integration of acquired companies. Investors are cautioned that any such forward-looking statements are not guarantees of future performance and involve risks and uncertainties, 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 risk-based or "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 the Company's business, increased competition from the Company's competitors, including competitors with greater financial, technical, marketing and other resources. This Report contains information regarding important factors that could cause such differences. The Company does not undertake any obligation to supplement these forward-looking statements to reflect any future events and circumstances.

Business Overview

The Company is a pharmaceutical healthcare organization delivering innovative pharmacy benefit management, specialty pharmaceutical management and distribution, and other pharmacy-related healthcare solutions. The Company combines its clinical management expertise, sophisticated data management and therapeutic fulfillment capabilities to serve the particular needs of each of its customers and respective pharmacy benefit recipients covered by a customer's pharmacy-related health benefits. These services are organized under two reportable operating segments: PBM Services and Specialty Management and Distribution Services.

The Company offers Plan Sponsors a broad range of PBM Services designed to promote the cost-effective delivery of clinically appropriate pharmacy benefits through its network of retail pharmacies and its own mail service distribution facility.

Through its BioScrip(R) specialty injectable and infusion therapy programs, the Company distributes high-cost pharmaceuticals and provides clinically focused case and disease management programs to Members afflicted with chronic illnesses or genetic impairments. The disease states or conditions for which the Company has such programs include HIV/AIDS, oncology, hemophilia, multiple sclerosis, growth hormone deficiency, Gaucher's disease, rheumatoid arthritis, infertility, respiratory syncytial virus (RSV), hepatitis C, Crohn's disease and transplants. The specialty drugs distributed through the BioScrip(R) programs are dispensed and serviced from the Company's various dispensing locations in Columbus, Ohio; Livingston, New Jersey; and Roslyn Heights, New York. The Roslyn Heights facility has been utilized since January 2002, the acquisition date of Vitality Home Infusion Services, Inc. ("Vitality"), a New York-based provider of specialty pharmaceutical injectable therapy services. The Livingston location has been utilized since August 2000, the acquisition date of American Disease Management Associates, LLC ("ADIMA"), a New Jersey-based provider of specialty injectable and infusion therapy services.

Recent Developments

On February 27, 2003, the Executive Committee of the Board of Directors approved a stock repurchase program pursuant to which the Company is authorized to repurchase up to an aggregate of $10 million of its Common Stock in open market or private transactions. As of March 25, 2003, the Company has repurchased 799,893 shares of its Common Stock in the open market at an aggregate purchase price of $5.1 million.

Critical Accounting Policies

Revenue Recognition

Revenues consist principally of sales of prescription drugs to Members, either through the Company's own pharmacies or through the Company's network of contractually affiliated retail pharmacies, and are recognized when those prescriptions are dispensed. Revenue is primarily derived from the following types of arrangements:

Fee-For-Service. Approximately 91% of revenues are generated from fee-for-service contracts. Under these contracts, revenues from orders dispensed by the retail pharmacy networks are recognized when the pharmacy services are reported to the Company by the dispensing pharmacist through the POS claims processing systems and the drug is dispensed.

The Company evaluates each contract using the indicators of Emerging Issues Task Force No. 99-19 "Reporting Gross Revenue as a Principal vs. Net as an Agent" ("EITF 99-19") to determine whether the Company acts as a principal or as an agent in the fulfillment of prescriptions through the retail pharmacy network. When the Company independently has a contractual obligation to pay a network pharmacy provider for benefits provided to its Plan Sponsors Members, and has other indicators of risk and reward, the Company includes payments from these Plan Sponsors as revenue and payments to the network pharmacy providers as cost of revenue ('gross') in accordance with EITF 99-19, as these transactions require the Company to assume credit risk and act as a principal. If the Company was merely administering Plan Sponsors' network pharmacy contracts in which the Company does not assume credit risk, but acts as an agent, the Company records only the administrative or dispensing fees as revenue ('net').

Capitated Agreements. Approximately 9% of revenues are generated from capitated contracts. The Company's capitated contracts with Plan Sponsors require the Company to provide covered pharmacy services to Plan Sponsor Members in return for a fixed fee per Member per month paid by the Plan Sponsor. Capitated contracts have terms varying from six months to one year. These contracts are subject to rate adjustment or termination upon the occurrence of certain events. At such time as management estimates that a contract will sustain losses over its remaining contractual life, a reserve is established for these estimated losses. There are currently no expected loss contracts.

Co-payments. When prescriptions are filled and the Company is the participating pharmacy, the Company is entitled to receive co-payments from Members and record these co-payments as revenue when the amounts are deemed collectible and reasonably estimable. When prescriptions are filled through its retail pharmacy networks, the Company is not entitled to these amounts and does not account for co-payments in its financial statements as these amounts are never billed or collected by the Company and it has no legal right or obligation to co-payments collected by the retail pharmacies.

Allowance for Doubtful Accounts

Allowances for doubtful accounts are based on estimates of losses related to customer receivable balances. Estimates are developed by using standard quantitative measures based on historical losses, adjusting for current economic conditions and, in some cases, evaluating specific customer accounts for risk of loss. The establishment of reserves requires the use of judgment and assumptions regarding the potential for losses on receivable balances.

Rebates

Manufacturers' rebates are recorded as estimates until such time as the rebate monies are received. These estimates are based on historical results and trends as well as the Company's forecasts. In January 2001, the Company adopted Emerging Issues Task Force Issue No. 00-22, "Accounting for 'Points' and Certain Other Time-Based or Volume-Based Sales Incentive Offers, and Offers for Free Products or Services to Be Delivered in the Future" ("EITF 00-22"). EITF 00-22, states, among other things, that rebates received from pharmaceutical manufacturers should be recognized as a reduction of cost of revenue and rebates shared with Plan Sponsors as a reduction of revenue.

Accounting for Stock-Based Compensation

The Company accounts for employee stock-based compensation plans and non-employee director stock incentive plans in accordance with APB Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25"). Stock options granted to non-employees are accounted for in accordance with SFAS No. 123, "Accounting for Stock-Based Compensation" (See Note 14 of Notes to Consolidated Financial Statements). Stock options granted to

non-employees are also accounted for in accordance with SFAS No. 123, "Accounting for Stock-Based Compensation", as well as Emerging Issues Task Force No. 96-18 "Accounting for Equity Instruments That Are Issued To Other Than Employees for Acquiring, or In Conjunction with Selling, Goods or Services("EITF 96-18")."

Purchase Price Allocation

The Company accounts for its acquisitions under the purchase method of accounting and, accordingly, the acquired assets and liabilities assumed are recorded at their respective fair values. The recorded values of assets and liabilities are based on estimates and independent valuations when available. The remaining values are based on management's judgments and estimates and, accordingly, the Company's financial position or results of operations may be affected by changes in estimates and judgments.

Income Taxes

As part of the process of preparing the Company's consolidated financial statements, management is required to estimate income taxes. The process involves estimating actual current tax expense along with assessing temporary differences resulting from differing treatment of items for book and tax purposes. These timing differences result in deferred tax assets, which are included in the Company's consolidated balance sheet.

Deferred Tax Assets

Deferred tax assets are recognized based on temporary differences between book and tax basis of assets and liabilities. A valuation allowance is recorded against these assets when, in the opinion of the Company, it is uncertain that the Company will realize the benefit from its deferred tax assets.

Impairment of Long Lived Assets

The Company evaluates whether events and circumstances have occurred that indicate the remaining estimated useful life of long lived assets, including intangible assets, may warrant revision or that the remaining balance of an asset may not be recoverable. The measurement of possible impairment is based on the ability to recover the balance of assets from expected future operating cash flows on an undiscounted basis. Impairment losses, if any, would be determined based on the present value of the cash flows using discount rates that reflect the inherent risk of the underlying business. It is the Company's belief that no such impairment existed as of December 31, 2002 and 2001.

Results of Operations

Specialty Management and Distribution Services

The following table provides details for the segment for the years ended December 31, 2002, 2001 and 2000.

Specialty Management and Distribution Services
($ in thousands)

	2002	Inc/(Dec)	2001	Inc/(Dec)	2000
Revenues	$169,503	308%	$41,547	133%	$17,854
Cost of revenues	130,990		28,398		11,211
Gross profit	$ 38,513		$13,149		$ 6,643
Gross profit percentage	22.7%		31.7%		37.2%

Year ended December 31, 2002 vs. year ended December 31, 2001

Revenues increased $128 million to $169.5 million in 2002 compared to $41.5 million in 2001. This increase was primarily the result of the revenue generated from the Vitality business purchased on January 31, 2002 (see Note 4 of Notes to Consolidated Financial Statements) and continued growth in the Company's BioScrip(R) injectable and infusion therapy programs.

Cost of revenue increased $102.6 million to $131 million in 2002 compared to $28.4 million in 2001. This increase is commensurate with the business generated from the Vitality business purchased on January 31, 2002 and the growth in the Company's BioScrip(R) programs from 2001.

Gross profit increased $25.4 million to $38.5 million in 2002 compared to $13.1 million in 2001. This is a result of the business generated from the Vitality business purchased on January 31, 2002 as well as increases from the BioScrip(R) programs, reflecting their revenue growth from 2001.

The gross profit percentage declined in 2002 compared to 2001 as a result of increases in the lower margin BioScrip(R) injectable therapy programs. The current gross profit percentages now reflect a higher proportion of injectable therapy programs compared to 2001. Infusion therapy historically has yielded a higher gross profit percentage.

Year ended December 31, 2001 vs. year ended December 31, 2000

Revenues increased $23.6 million to $41.5 million in 2001, compared to $17.9 million in 2000. The year 2001 included a full year of revenue generated from the ADIMA business purchased in August 2000.

Cost of revenue increased $17.2 million to $28.4 million in 2001 compared to $11.2 million in 2000. This increase is commensurate with the increase in revenues discussed above.

Gross profit increased $6.5 million to $13.1 million in 2001 compared to $6.6 million in 2000. This is a result of the same changes in revenue discussed above. The gross profit percentage declined from 2001 to 2000 as a result of an increase in the BioScrip(R) injectable therapy revenue which has a lower gross profit percentage than infusion therapy.

PBM Services

The following table provides details for the segment for the years ended December 31, 2002, 2001 and 2000:

PBM Services
($ in thousands)

	2002	Inc/(Dec)	2001	Inc/(Dec)	2000
Revenues	$407,093	(2%)	$415,099	30%	$320,317
Cost of revenues	375,008		374,845		291,780
Gross profit	$ 32,085		$ 40,254		$ 28,537
Gross profit percentage	7.9%		9.7%		8.9%

Year ended December 31, 2002 vs. year ended December 31, 2001

Revenues decreased $8 million to $407.1 million in 2002 compared to $415.1 million in 2001. In the second quarter of 2002 the Company changed the terms of some of its PBM customers so that the Company no longer accepted financial or credit risk for these customers. Those changes resulted in the Company recording revenue from these customers on a net basis where previously it was recorded on a gross basis. This change reduced gross revenue and cost of revenue by $53.5 million for the twelve months ended December 31, 2002, with no resulting effect on reported gross profit. Revenue was also reduced in 2002 as a result of the Company's termination of certain unprofitable PBM clients and the liquidation of Access MedPLUS in the fourth quarter of 2001. These decreases were partially offset by increases in the Company's retail network and mail service contracts. For 2002, approximately 13% of the Company's PBM Services revenues were derived from capitated contracts compared to approximately 23% in 2001.

Cost of revenue increased slightly to $375 million in 2002 from $374.8 million in 2001. This change is a result of the same reasons discussed above.

Gross profit for the PBM Services segment decreased $8.2 million to $32.1 million in 2002 compared to $40.3 million in 2001. This is a result of the Company's termination of certain less profitable PBM accounts and the liqudation of a former TennCare MCO customer. These decreases were partially offset by increases from continued growth in the Company's retail network and mail services.

The gross profit percentage decreased to 7.9% in 2002 from 9.7% in 2001 as result of the liquidation of a former TennCare MCO customer, the change in the mix of PBM clients from 2001 as well as new growth in the Company's retail network and mail services for 2002 which generated lower gross profit percentages.

Year ended December 31, 2001 vs. year ended December 31, 2000

Revenues increased $94.8 million in 2001 to $415.1 million compared to $320.3 million in 2000. This increase is primarily due to growth in new PBM and mail services clients as well as increased member utilization and eligibility for existing PBM clients. For 2001, approximately 23% of PBM Services revenues were derived from capitated contracts compared to approximately 32% in 2000.

In the first quarter of 2001 the Company adopted a new method of recording pharmaceutical manufacturers' rebates that are shared with some of the Company's PBM customers. As a result, the Company has recorded rebates shared with its customers as a reduction of revenue and rebates billed to manufacturers as a reduction to cost of revenue. Prior to this, the Company recorded the net difference between rebates billed and rebates shared with customers as a reduction of cost of revenue.

Cost of revenue increased $83.0 million to $374.8 million in 2001 compared to $291.8 million in 2000. This increase is the result of increased business in the retail network and mail services, as discussed above.

Gross profit increased $11.8 million to $40.3 million in 2001 compared to $28.5 million in 2000. This is a result of the same reasons discussed above.

CONSOLIDATED RESULTS

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased $7.4 million, or 19%, to $45.9 million in 2002 compared to $38.5 million in 2001. This increase is principally the result of the inclusion of Vitality's business since February 2002, additional expenses incurred to support the growth of the Company's businesses and higher insurance premiums. Selling, general and administrative expenses as a percentage of revenue decreased to 8% in 2002 from 8.4% in 2001.

Selling, general and administrative expenses increased $4.6 million, or 13.6%, to $38.5 million in 2001 compared to $33.9 million in 2000. This increase was primarily the result of the inclusion of ADIMA's business and increases related to the Company's general growth, including the hiring of additional key management in support of the Company's Specialty Management and Distribution Services and PBM Services businesses. These increases were partially offset by the termination of the legal defense costs associated with two former officers of the Company. As a percentage of revenue, selling, general and administrative expenses decreased to 8.4% in 2001 from 10% in 2000.

TennCare(R) Reserve Adjustments

In 1999, the Company recorded $6.0 million of TennCare(R) reserve adjustments for estimated losses on contract receivables relating to Tennessee Health Partnership ("THP"), Preferred Health Plans and Xantus Health Plans of Tennessee, Inc. ("Xantus"), as further described in Note 12 of Notes to Consolidated Financial Statements. There were no reserve adjustments in 2000. During the first quarter of 2001, the Company recorded a reserve adjustment credit of $1.0 million to reflect a favorable settlement with THP relative to the amount initially reserved in 1999. In the third quarter of 2001 and the first quarter of 2002, the Company recorded reserve adjustment credits of $1.5 million and $0.9 million, respectively, as a result of the collection of receivables from Xantus, which were previously reserved in 1999.

Amortization of Intangibles

In 2002 and 2001 the Company recorded amortization of intangibles of $1.4 million and $2.2 million, respectively. The decrease of $0.8 million in 2002 is a result of the adoption of SFAS No. 142 (see Note 5 of Notes to Consolidated Financial Statements), partially offset by increased amortization of intangibles acquired from Vitality on January 31, 2002.

In 2001, the Company recorded amortization of goodwill and other intangibles of $2.2 million compared to $1.5 million in 2000. This increase is due to the inclusion of a full year of goodwill amortization for ADIMA in 2001.

Net Interest Expense

Net interest expense was $0.8 million and $0.06 million for 2002 and 2001, respectively. Interest expense for 2002 is primarily a result of increased borrowings under the Company's revolving credit facility to fund the $35 million cash portion of purchase price for the Vitality acquisition.

Net interest expense was $0.06 million for 2001 compared to net interest income of $0.8 million for 2000.

Provision for Income Taxes

Tax expense for 2002 and 2001 was $4.7 million and $0.9 million, respectively. The effective tax rate for 2002 was 20% compared to 6.2% for 2001. The Company was able to fully offset 2001 taxable income with its Federal net operating loss carry forwards ("NOLs"), but was only able to partially offset 2002 taxable income with NOLs. At December 31, 2002, the Company has remaining NOLs of approximately $21.5 million which will begin expiring in 2009. As opposed to the Company's NOLs that reduced the effective tax rate in 2002 and 2001, the remaining NOLs will be recorded directly in Stockholders' Equity when utilized rather than as a reduction of tax expense as they were generated primarily as a result of the exercise of stock options in prior years. However, the Company will receive the cash flow benefit from the reduction in its income tax liability when the remaining NOLs are utilized. For 2003, the Company believes that its effective tax rate will be approximately 40%. The Company did not have tax expense in 2000 because it did not have any taxable income.

As of January 1, 2003, certain of the NOLs described above were subject to limitation and may be utilized in a future year upon release of the limitation and recorded directly in Stockholders' Equity as discussed above. 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.

Net Income and Earnings Per Share

Net income for 2002 increased 32% to $18.7 million, or $0.79 per diluted share, compared to net income of $14.2 million, or $0.64 per diluted share, for 2001. Excluding 2002 and 2001 gains associated with TennCare(R) reserve adjustments of $0.03 and $0.10 per diluted share, respectively, and the $0.08 impact of amortization of goodwill in 2001, net income for 2002 was $18.0 million, or $0.76 per diluted share, compared to net income of $13.6 million, or $0.61 per diluted share, for 2001.

For 2001, the Company recorded net income of $14.2 million, or $0.64 per diluted share, including gains associated with the TennCare(R) reserve adjustment of $0.10 per diluted share, compared with a net loss of $1.8 million, or $0.09 per share, for 2000, which included charges of $5.4 million relating to the legal defense costs of two former officers and the write off of a non-operating investment.

Liquidity and Capital Resources

The Company utilizes both funds generated from operations and available credit under its Facility (as defined below) for acquisitions, capital expenditures and its general working capital needs.

For 2002, net cash provided to the Company from operating activities totaled $20.8 million compared to $10.9 million for 2001. This improvement is the result of continued growth in the Company's businesses resulting in increased cash earnings.

As a percentage of accounts receivable, the allowance for doubtful accounts was 4.4% and 7.3% at December 31, 2002 and 2001, respectively. The decrease in 2002 is due primarily to the reduction in reserves associated with the TennCare(R) reserve adjustment in the first quarter of 2002 (see "TennCare(R) Reserve Adjustments" discussion above).

Net cash used in investing activities in 2002 was $33.3 million compared to $3.7 million used in 2001. This increase reflects approximately $35 million of the Facility used for the cash portion of the purchase price for the Vitality acquisition (see Note 4 of Notes to Consolidated Financial Statements), partially offset by the repayment in full, in March 2002, of a $2.1 million officer loan (see Note 7 of Notes to Consolidated Financial Statements).

Net cash provided by financing activities in 2002 was $5.7 million compared to $3.9 million in 2001. The increase reflects $4.6 million currently outstanding under the Facility after repaying most of the borrowings used to pay the cash portion of the purchase price for the Vitality acquisition, offset by a $5.6 million decrease in proceeds from the exercise of stock options and $2.6 million less of treasury stock purchases in 2001.

At December 31, 2002, the Company had working capital of $5.1 million compared to $9.3 million at December 31, 2001. This change is primarily the result of the acquisition of Vitality for $45 million, of which $35 million was paid in cash. Goodwill and intangible assets, classified as non-current, increased $39.4 million and the $4.6 million current unpaid balance under the Facility was classified as a current liability. Amortizable intangibles are amortized over 2 to 10 years.

On November 1, 2000, the Company entered into a $45 million secured revolving credit facility (the "Facility") with HFG Healthco-4 LLC, an affiliate of Healthcare Finance Group, Inc. ("HFG"). The Facility has a three-year term and is secured by the Company's receivables. Interest is payable monthly and provides for borrowing of up to $45 million at the London InterBank Offered Rate (LIBOR) plus 2.1%. The Facility contains various covenants that, among other things, require the Company to maintain certain financial ratios, as defined in the agreement governing the Facility. As of December 31, 2002, there was outstanding $4.6 million under the Facility as a result of the Company's acquisition of Vitality. The Facility terminates October 31, 2003. The Company believes that it will be able to extend or renew the Facility or, alternatively, obtain a new credit facility with another lender; however, there can be no assurances that the Company will be able to renew or extend the Facility or obtain a new one on terms favorable to the Company. Failure to renew or extend the Facility or enter into a new credit facility could have a material adverse effect on the Company.

The Facility is an asset-based loan, secured by the Company's receivables, with any borrowings repaid by the cash flow from customer payments. The borrowing and repayment processes under the Facility are outlined below:

Cash Received by the Company

Under the terms of the Facility, all remittances from customers are sent/deposited into the Company's lock box accounts with authorized access by HFG. Regardless of whether any portion of the Facility is outstanding on any given day, all available cash in the lock box accounts is swept daily by HFG to its account. If there are no amounts owed under the Facility, the swept cash is transferred back the same day to the Company's main bank account. If any amounts are currently outstanding under the Facility, the swept cash is immediately applied by HFG against all or a portion of the loan balance. Any cash available after repayment of the entire outstanding loan balance on any given day is transferred back to the Company as discussed above.

Check Disbursements by the Company

All Company-issued checks are drawn on two disbursement accounts, one for pharmacy claims payments and one for remaining accounts payable. Checks are presented for payment daily to the disbursement accounts and are automatically funded by a transfer from the Company's main concentration account. If there are sufficient available balances in the concentration account, funds are automatically transferred to the disbursement accounts to cover the presentments. If there are not sufficient available balances in the concentration account the Company must borrow from the Facility that day. An authorized officer of the Company transmits a notice to HFG with the requested amount by noon. Within an hour HFG wires the requested amount as available funds to the concentration account, which amount is then automatically transferred the same day to the disbursement accounts to cover the presentments.

On February 28, 2003, the Company announced a stock repurchase program pursuant to which the Company is authorized to purchase up to $10 million of the Company's Common Stock from time to time in the open market or in private transactions. As of March 25, 2003, the Company has used, in the aggregate, approximately $5.1 million of this authorization. The Board's current authorization supersedes the repurchase program adopted by the Company in 2001.

In the first quarter of 2001, the Company commenced a stock repurchase program under which it was authorized to repurchase up to $5 million of the Company's Common Stock from time to time in the open market or in private

transactions. In February 2001, the Company repurchased 1,298,183 shares of Common Stock at a price of $2.00 per share in private transactions. (See Note 11 of Notes to Consolidated Financial Statements). This program has been superseded by the 2003 repurchase plan.

As the Company continues to grow, it anticipates that its working capital needs will also continue to increase. The Company believes that it has sufficient cash on hand, together with funds available under the Facility and cash expected to be generated from operating activities, to fund the Company's anticipated working capital needs, the current stock repurchase program and other cash needs.

The Company also may pursue joint venture arrangements, business acquisitions and other transactions designed to expand its Specialty Management and Distribution Services and PBM Services businesses, which the Company would expect to fund from cash on hand or debt, borrowings under the Facility, other future indebtedness or, if appropriate, the private and/or public sale or exchange of equity securities of the Company (see discussion of the Facility above).

The following table sets forth the Company's contractual obligations affecting cash in the future.

	Payments Due by Period (in thousands)				
Contractual Obligations	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
Line of Credit	$ 4,608	$4,608	$ --	$ --	$ --
Capital Lease Obligations	1,150	695	455	--	--
Operating Leases	8,482	1,725	4,388	2,369	--
Total Contractual Cash Obligations	$14,240	$7,028	$4,843	$2,369	$ --

Other Matters

In 1998, the Company recorded a $2.2 million charge against earnings as a result of an agreement in principle with respect to a civil settlement of a Federal and State of Tennessee investigation in connection with conduct occurring prior to the Company's August 1996 initial public offering involving, among others, two former officers of the Company. The definitive agreement covering that settlement was executed on June 15, 2000, and required payment of $0.8 million in 2000, $0.9 million in 2001, and $0.5 million in 2002. On July 1, 2002, this settlement was paid in full.

The TennCare(R) program operates under a demonstration waiver from The United States Center for Medicare and Medicaid Services ("CMS"). That waiver is the basis of the Company's ongoing service to those MCOs in the TennCare(R) program. The waiver expires on December 31, 2004. While the Company believes that pharmacy benefits will continue to be provided to Medicaid and other eligible TennCare(R) enrollees through MCOs in one form or another through at least December 31, 2004, should the funding sources and/or conditions for the TennCare(R) program change significantly, the TennCare(R) program's ability to pay the MCOs, and in turn the MCO's ability to pay the Company, could materially and adversely affect the Company's financial position and results of operations. Revenues from the TennCare(R) program for the years 2002, 2001 and 2000 were 30.1%, 36.6% and 47.5%, respectively of total revenue.

Historically, as a result of providing capitated PBM services to certain TennCare(R) MCOs, the Company's pharmaceutical claims costs had been subject to significant increases from October through February, which the Company believes is due to the need for increased medical attention to, and intervention with, MCOs' Members during the colder months. The resulting increase in pharmaceutical costs impacted the profitability of capitated contracts. Currently, the Company has no capitated PBM arrangements with MCOs participating in the TennCare(R) program. Fee-for-service arrangements mitigate the adverse effect on profitability of higher pharmaceutical costs incurred under capitated contracts, as higher utilization positively impacts profitability. The Company presently anticipates that approximately 12% of its total revenues for 2003 will be derived from capitated arrangements.

Generally, loss contracts arise only on capitated or other risk-based contracts and primarily result from higher than expected pharmacy utilization rates, higher than expected inflation in drug costs and the inability of the

Company to restrict its MCO clients' formularies to the extent anticipated by the Company at the time contracted PBM services are implemented, thereby resulting in higher than expected drug costs. At such time as management estimates that a contract will sustain losses over its remaining contractual life, a reserve is established for these estimated losses. There are currently no loss contracts and management does not believe that there is an overall trend towards losses on its existing capitated contracts.

On March 23, 2002, Mr. Richard Friedman, the Company's Chairman and Chief Executive Officer, repaid in full a $1.7 million loan from the Company. This loan, together with accrued and unpaid interest, totaled approximately $2.1 million.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

The Company's exposure to market risk for changes in interest rates relates primarily to the Company's debt. At December 31, 2002 the Company did not have any long term debt. The Company does not invest in, or otherwise use, derivative financial instruments.

At December 31, 2002, the carrying values of cash and cash equivalents, accounts receivable, accounts payable, claims payable, payables to Plan Sponsors and others, and debt approximate fair value due to their short-term nature.

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

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders
MIM Corporation

We have audited the accompanying consolidated balance sheet of MIM Corporation and subsidiaries as of December 31, 2002, and the related consolidated statements of operations, stockholders' equity, and cash flows for the year then ended. Our audit also included the financial statement schedule listed in the Index at Item 15(a). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedules based on our audit. The financial statements and schedule of MIM Corporation as of December 31, 2001 and for the years ended December 31, 2001 and 2000, were audited by other auditors who have ceased operations and whose report dated February 16, 2002, expressed an unqualified opinion on those statements, prior to restatement.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of MIM Corporation at December 31, 2002, and the consolidated results of their operations and their cash flows for the year ended December 31, 2002, in conformity with accounting principles generally accepted in the United States. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

In addition, as described in Note 5, these financial statements have been further revised to include the transitional disclosures required by Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets", which was adopted by the Company as of January 1, 2002. Our audit procedures with respect to the disclosures in Note 5 with respect to 2001 and 2000 included (a) agreeing the previously reported net income (loss) representing amortization expense, (including any related tax effects) recognized in those periods related to goodwill, to the Company's underlying records obtained from management, and (b) testing the mathematical accuracy of the reconciliation of adjusted net income (loss) to reported net income (loss) and the related earnings-per-share amounts. In our opinion, the disclosures for 2001 and 2000 in Note 5 are appropriate. However, we were not engaged to audit, review or apply any procedures to the 2001 or 2000 financial statements of the Company other than with respect to such adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2001 or 2000 financial statements taken as a whole.

/s/ Ernst & Young, LLP
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Ernst & Young, LLP
MetroPark, New Jersey
February 14, 2003

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Stockholders of MIM Corporation and Subsidiaries:

We have audited the accompanying consolidated balance sheets of MIM Corporation (a Delaware corporation) and Subsidiaries as of December 31, 2001 and 2000 and the related consolidated statements of operations, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2001. These consolidated financial statements and the schedule referred to below are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of MIM Corporation and Subsidiaries as of December 31, 2001 and 2000 and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2001, in conformity with accounting principles generally accepted in the United States.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule listed in the index to the financial statements is presented for the purpose of complying with the Securities and Exchange Commission's rules and is not part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in our audits of the basic financial statements, and in our opinion, fairly states in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

ARTHUR ANDERSEN LLP

Roseland, New Jersey
February 16, 2002

This is a copy of an Accountant's Report previously issued by Arthur Andersen LLP, and has not been reissued by Andersen. See Exhibit 23.2 for further information.

MIM CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31,
(In thousands, except for share amounts)

	2002	2001
ASSETS		
Current assets		
Cash and cash equivalents	$ 5,751	$ 12,487
Receivables, less allowance for doubtful accounts of $3,483 and $5,543 at December 31, 2002 and 2001, respectively	75,512	70,089
Inventory	9,320	3,726
Prepaid expenses and other current assets	2,104	1,439
Total current assets	92,687	87,741
Property and equipment, net	7,388	9,287
Due from affiliates	--	2,132
Deferred taxes	3,046	--
Other assets and investments	704	1,650
Goodwill, net	61,085	37,033
Intangible assets, net	17,321	1,976
Total assets	$ 182,231	$ 139,819
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Current portion of capital lease obligations	$ 634	$ 594
Line of credit	4,608	--
Accounts payable	17,302	4,468
Claims payable	34,869	46,564
Payables to plan sponsors	23,921	21,063
Accrued expenses and other current liabilities	6,252	5,745
Total current liabilities	87,586	78,434
Capital lease obligations, net of current portion and other current liabilities	437	1,089
Total liabilities	88,023	79,523
Commitments and contingencies		
Stockholders' equity		
Common stock, $.0001 par value; 40,000,000 shares authorized, 22,744,694 and 22,004,101 shares issued and outstanding at December 31, 2002 and 2001, respectively	2	2
Additional paid-in capital	120,651	105,424
Accumulated deficit	(23,511)	(42,196)
Treasury stock 1,398,183 shares at cost	(2,934)	(2,934)
Total stockholders' equity	94,208	60,296
Total liabilities and stockholders' equity	$ 182,231	$ 139,819

The accompanying notes are an integral part of these consolidated financial statements.

MIM CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
Years Ended December 31,
(In thousands, except per share amounts)

	2002	2001	2000
Revenue	$ 576,596	$ 456,646	$ 338,171
Cost of revenue	505,998	403,243	302,991
Gross profit	70,598	53,403	35,180
Selling, general and administrative expenses	45,877	38,489	30,811
Legal fees due to indemnification responsibility	--	--	3,098
Amortization of intangibles	1,424	2,200	1,450
TennCare reserve adjustments	(851)	(2,476)	--
Income (loss) from operations	24,148	15,190	(179)
Interest (expense) income, net	(792)	(56)	766
Provision for loss on investment	--	--	2,300
Income (loss) before provision for income taxes	23,356	15,134	(1,713)
Provision for income taxes	4,671	932	110
Net income (loss)	$ 18,685	$ 14,202	$ (1,823)
Basic income (loss) per share	$ 0.83	$ 0.67	$ (0.09)
Diluted income (loss) per share	$ 0.79	$ 0.64	$ (0.09)
Weighted average shares used in computing basic income (loss) per share	22,616	21,273	19,930
Weighted average shares used in computing diluted income (loss) per share	23,563	22,289	19,930

The accompanying notes are an integral part of these consolidated financial statements.

MIM CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(In thousands)

	COMMON STOCK	TREASURY STOCK	ADDITIONAL PAID-IN CAPITAL	ACCUMULATED DEFICIT	STOCKHOLDER NOTES RECEIVABLE	TOTAL STOCKHOLDERS EQUITY
Balance December 31, 1999	$ 2	$ (338)	$ 91,614	$ (54,575)	$ (1,516)	$ 35,187
Payments of stockholder loans	-	-	-	-	745	745
Exercise of stock options	-	-	333	-	-	333
Shares issued in connection with ADIMA acquisition	-	-	5,034	-	-	5,034
Non-employee stock option compensation expense	-	-	29	-	-	29
Net loss	-	-	-	(1,823)	-	(1,823)
Balance December 31, 2000	$ 2	$ (338)	$ 97,010	$ (56,398)	$ (771)	$ 39,505
Reclassification of stockholders loans to other assets	-	-	-	-	771	771
Exercise of stock options	-	-	7,274	-	-	7,274
Issuance of common stock to employees	-	-	28	-	-	28
Dissolution of MIM Strategic	-	-	1,112	-	-	1,112
Purchase of treasury stock	-	(2,596)	-	-	-	(2,596)
Net income	-	-	-	14,202	-	14,202
Balance December 31, 2001	$ 2	$ (2,934)	$ 105,424	$ (42,196)	-	$ 60,296
Exercise of stock options & other related activities	-	-	4,872	-	-	4,872
Shares issued in connection with Vitality acquisition	-	-	10,355	-	-	10,355
Net income	-	-	-	18,685	-	18,685
Balance December 31, 2002	$ 2	$ (2,934)	$ 120,651	$ (23,511)	-	$ 94,208

The accompanying notes are an integral part of these consolidated financial statements.

MIM CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	2002	2001	2000
Cash flows from operating activities:			
Net income (loss)	$ 18,685	$ 14,202	$ (1,823)
Adjustments to reconcile net income (loss) to net cash provided by operating activities, net of acquisitions:			
Depreciation	4,054	4,158	3,426
Amortization	2,010	2,200	1,450
Loss on investment	--	--	2,300
TennCare reserve adjustment	(851)	(2,476)	--
Non-cash compensation expense	145	28	29
Provision for losses on receivables and due from affiliates	1,193	1,383	571
Changes in assets and liabilities, net of acquisitions			
Receivables, net	142	(9,684)	8,989
Inventory	(2,040)	(1,114)	(1,013)
Prepaid expenses and other current assets	(554)	241	(297)
Accounts payable and accrued expenses	6,904	1,773	(2,236)
Claims payable	(11,696)	8,723	(5,431)
Payables to plan sponsors and others	2,859	(7,977)	4,869
Non-current liabilities	(50)	(531)	500
Net cash provided by operating activities	20,801	10,926	11,334
Cash flows from investing activities:			
Purchases of property and equipment, net of disposals	(2,101)	(2,632)	(6,634)
Purchases of investment securities	--	--	(4,000)
Maturities of investment securities	--	--	9,033
Costs of acquisitions, net of cash acquired	(34,851)	(2,186)	(19,638)
Due from affiliates, net	2,132	384	582
Decrease (increase) in other assets	1,555	780	(1,905)
Net cash (used in) investing activities	(33,265)	(3,654)	(22,562)
Cash flows from financing activities:			
Borrowings on line of credit	4,608	--	--
Principal payments on capital lease obligations	(560)	(588)	(514)
Decrease in debt	--	(165)	(2,607)
Proceeds from exercise of stock options	1,680	7,274	333
Purchase of treasury stock	--	(2,596)	--
Net cash provided by (used in) financing activities	5,728	3,925	(2,788)
Net (decrease) increase in cash and cash equivalents	(6,736)	11,197	(14,016)
Cash and cash equivalents--beginning of period	12,487	1,290	15,306
Cash and cash equivalents--end of period	$ 5,751	$ 12,487	$ 1,290

MIM CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31,
(In thousands, except per share amounts)

Supplemental Disclosures:

The Company paid $853, $465 and $657 for interest of each of the years ended December 31, 2002, 2001, and 2000, respectively.

Capital lease obligations of $1,495 were incurred to acquire equipment for the year ended December 31, 2000. None were incurred for the years ended December 31, 2002, and 2001.

In connection with the acquisition of American Disease Management Associates L.L.C. ("ADIMA"), the Company issued 2,700 shares of its common stock, par value $0.0001 per share, valued at $5,034 during the year ended December 31, 2000.

In 2001, there was a contribution of a minority interest to additional paid-in capital of $1,112 upon dissolution of a subsidiary.

In 2001, the Company reclassified stockholder notes receivable of $771 to other assets. During 2001, the stockholder repaid $504 of the notes outstanding, with the balance of $267 being repaid in 2002.

In connection with the acquisition of Vitality Home Infusion Services, Inc. ("Vitality"), the Company issued 612,419 shares of its common stock, par value $0.0001 per share, valued at $10,355 during the year ended December 31, 2002.

The accompanying notes are an integral part of these consolidated financial statements.

(In thousands, except for share and per share amounts)

NOTE 1--NATURE OF BUSINESS

Corporate Organization

MIM Corporation (the "Company" or "MIM") is a pharmaceutical healthcare organization delivering innovative pharmacy benefit management, specialty pharmaceutical management and distribution and other pharmacy-related healthcare solutions. The Company combines its clinical management expertise, sophisticated data management and therapeutic fulfillment capabilities to serve the particular needs of each of its customers and respective pharmacy benefit recipients covered by a customer's pharmacy-related health benefits. The Company provides a broad array of pharmacy benefits and pharmacy products and services to individual enrollees ("Members") receiving health benefits, principally through health insurers, including managed care organizations ("MCOs") and other insurance companies, and, to a lesser extent, labor unions, self-funded employer groups, government agencies, and other self-funded plan sponsors, directly or indirectly through third party administrators (collectively, "Plan Sponsors"). These services are organized under two reportable operating segments: pharmacy benefit management and mail services (collectively, "PBM Services"), and specialty pharmacy distribution and clinical management services ("Specialty Management and Distribution Services").

Business

In 2002, the Company derived revenues from agreements to provide PBM services, which includes prescription Mail Service to the Members of Plan Sponsors in the United States. The Company also provided Specialty Management and Distribution Services to chronically ill or genetically impaired patients that require injection and infusion therapies, as well as infusion therapies and home healthcare services to patients recently discharged from hospitals.

Historically, a significant portion of the Company's revenues have been derived from providing PBM services in the State of Tennessee to managed care organizations ("MCOs") participating in the State of Tennessee's TennCare(R) program. Revenue for the TennCare(R) program for the year 2002 was 30.1% of the Company's revenue, compared to 36.6% and 47.5% for the years ended December 31, 2001 and 2000, respectively.

Through its BioScrip(R) specialty injectable and infusion therapy programs, the Company distributes high-cost pharmaceuticals and provides clinically focused case and disease management programs to Members afflicted with chronic illnesses or genetic impairments. The disease states or conditions for which the Company has such programs include HIV/AIDS, oncology, hemophilia, multiple sclerosis, growth hormone deficiency, Gaucher's disease, rheumatoid arthritis, infertility, respiratory syncytial virus (RSV), hepatitis C, Crohn's disease and transplants. The specialty drugs distributed through the BioScrip(R) programs are dispensed and serviced from the Company's various dispensing locations in Columbus, Ohio; Livingston, New Jersey; and Roslyn Heights, New York. The Roslyn Heights facility has been utilized since January 2002, the acquisition date of Vitality Home Infusion Services, Inc. ("Vitality"), a New York-based provider of specialty pharmaceutical injectable therapy services. The Livingston location has been utilized since August 2000, the acquisition date of American Disease Management Associates, LLC ("ADIMA"), a New Jersey-based provider of specialty injectable and infusion therapy services.

NOTE 2--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Consolidation

The consolidated financial statements include the accounts of MIM Corporation and its subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make certain estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and 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. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include demand deposits, overnight investments and money market accounts, with maturities of ninety days or less.

Receivables

Receivables include amounts due from Plan Sponsors under the Company's PBM contracts, amounts due from pharmaceutical manufacturers for rebates, service fees resulting from the distribution of certain drugs through retail pharmacies and amounts due from certain third party payors.

Inventory

Inventory is stated at the lower of cost or market. Cost is determined using the first-in, first-out (FIFO) method. Inventory consists principally of purchased prescription drugs.

Property and Equipment

Property and equipment is stated at cost less accumulated depreciation and amortization. Depreciation is calculated using the straight-line method over the estimated useful lives of assets. The estimated useful lives of the Company's assets are as follows:

Asset	Useful Life
Computer and office equipment.....	3-5 years
Furniture and fixtures.....	5-7 years

Leasehold improvements and leased assets are amortized using a straight-line basis over the related lease term or estimated useful life of the assets, whichever is less. The cost and related accumulated depreciation of assets sold or retired are removed from the accounts with the gain or loss, if applicable, recorded in the statement of operations. Maintenance and repairs are expensed as incurred.

Claims Payable

The Company is responsible for all covered prescriptions provided to plan members during the contract period. Claims payable also includes estimates of certain prescriptions that were dispensed to members for whom the related claims had not yet been submitted.

Payables to Plan Sponsors

Payables to Plan Sponsors represent the sharing of pharmaceutical rebates with the Plan Sponsors, and on a limited bases, profit sharing plans with certain capitated contracts.

The Company estimates the portion of those pharmacy rebates that are shared with its clients and adjusts pharmacy rebates payable to plan sponsors when the amounts are paid typically on a quarterly basis, or as significant events occur. These estimates are accrued periodically based on actual and estimated claims data and agreed upon contractual rebate sharing rates. The Company records any cumulative effect of these adjustments against costs as identified, and adjusts its estimates prospectively to consider recurring matters. Adjustments generally result from contract changes with clients, differences between the estimated and actual product mix subject to rebates or whether the product was included in the applicable formulary.

Revenue Recognition

Revenues consist principally of sales of prescription drugs to Members, either through the Company's own pharmacies or through the Company's network of contractually affiliated retail pharmacies, and are recognized when those prescriptions are dispensed. Revenue is primarily derived from the following types of arrangements:

Fee-For-Service. Approximately 91% of revenues are generated from fee-for-service contracts. Under these contracts, revenues from orders dispensed by the retail pharmacy networks are recognized when the pharmacy services are reported to the Company by the dispensing pharmacist through the POS claims processing systems and the drug is dispensed.

The Company evaluates each contract using the indicators of Emerging Issues Task Force No. 99-19 "Reporting Gross Revenue as a Principal vs. Net as an Agent" ("EITF 99-19") to determine whether the Company acts as a principal or as an agent in the fulfillment of prescriptions through the retail pharmacy network. When the Company independently has a contractual obligation to pay a network pharmacy provider for benefits provided to its Plan Sponsors Members, and has other indicators of risk and reward, the Company includes payments from these Plan Sponsors as revenue and payments to the network pharmacy providers as cost of revenue ('gross') in accordance with EITF 99-19, as these transactions require the Company to assume credit risk and act as a principal. If the Company was merely administering Plan Sponsors' network pharmacy contracts in which the Company does not assume credit risk, but acts as an agent, the Company records only the administrative or dispensing fees as revenue ('net').

Capitated Agreements. Approximately 9%, or $52,628 of the total company revenues were generated from capitated contracts in the year ended December 31, 2002. The Company's capitated contracts with Plan Sponsors require the Company to provide covered pharmacy services to Plan Sponsor Members in return for a fixed fee per Member per month paid by the Plan Sponsor. Capitated contracts have terms varying from six months to one year. These contracts are subject to rate adjustment or termination upon the occurrence of certain events. At such time as management estimates that a contract will sustain losses over its remaining contractual life, a reserve is established for these estimated losses. There are currently no expected loss contracts.

Co-payments. When prescriptions are filled and the Company is the participating pharmacy, the Company is entitled to receive co-payments from its members and record these co-payments as revenue when the amounts are deemed collectible and reasonably estimable. When prescriptions are filled through its retail pharmacy networks, the Company is not entitled to these amounts and does not account for co-payments in its financial statements as these amounts are never billed or collected by the Company and it has no legal right or obligation to co-payments collected by the pharmacies in its retail network.

Cost of Revenue

Cost of revenue includes pharmacy claims, fees paid to pharmacies and other direct costs associated with pharmacy management, claims processing operations and mail order services, offset by volume rebates received from pharmaceutical manufacturers. The Company does not maintain cost of revenue information with regards to product sales.

Income Taxes

The Company accounts for income taxes under the provisions of Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" ("SFAS 109"). SFAS 109 utilizes the liability method, and deferred taxes are determined based on the estimated future tax effects of differences between the financial statement and tax basis of assets and liabilities at currently enacted tax laws and rates.

Earnings per Share

Basic earnings (loss) per common share are based on the weighted average number of shares outstanding and diluted earnings per share are based on the weighted average number of shares outstanding, including common stock equivalents. For the year ended December 31, 2000, diluted loss per share is the same as basic loss per share because the inclusion of common stock equivalents would be anti-dilutive.

	Years Ended December 31,		
	2002	2001	2000
Numerator:			
Net Income (loss)	$18,685	$14,202	$(1,823)
Denominator - Basic:			
Weighted average number of common shares outstanding	22,616	21,273	19,930
Basic income (loss) per common share	$ 0.83	$ 0.67	$ (0.09)
Denominator - Diluted:			
Weighted average number of common shares outstanding	22,616	21,273	19,930
Common share equivalents of outstanding stock options	947	1,016	0
Total shares outstanding	23,563	22,289	19,930
Diluted income (loss) per common share	$ 0.79	$ 0.64	$ (0.09)

Disclosure of Fair Value of Financial Instruments

The Company's financial instruments consist mainly of cash and cash equivalents, accounts receivable, accounts payable and short-term debt. The carrying amounts of cash and cash equivalents, accounts receivable, accounts payable and short-term debt approximate fair value due to their short-term nature.

Accounting for Stock-Based Compensation

The Company accounts for employee stock based compensation plans and non-employee director stock incentive plans in accordance with APB Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25"). Stock options granted to non-employees are accounted for ("SFAS 123") in accordance with SFAS No. 123, "Accounting for Stock-Based Compensation" (See Note 14). Stock options granted to non-employees are also accounted for in accordance with SFAS No. 123, "Accounting for Stock-Based Compensation", as well as Emerging Issues Task Force No. 96-18 "Accounting for Equity Instruments That Are Issued To Other Than Employees for Acquiring, or In Conjunction with Selling, Goods or Services." ("EITF 96-18")

The fair value of the Company's compensation cost for stock option plans for employees and directors, had it been determined, in accordance with SFAS 123, would have been as follows for the years ended December 31:

	2002		2001		2000	
	As Reported	Pro Forma	As Reported	Pro Forma	As Reported	Pro Forma
Net income (loss)	$ 18,685	$ 14,644	$ 14,202	$ 12,258	$ (1,823)	$ (4,051)
Basic income (loss) per common share	$ 0.83	$ 0.65	$ 0.67	$ 0.58	$ (0.09)	$ (0.20)
Diluted income (loss) per common share	$ 0.79	$ 0.62	$ 0.64	$ 0.55	$ (0.09)	$ (0.20)

Because the fair value method prescribed by SFAS No. 123 has not been applied to options granted prior to January 1, 1995, the resulting pro forma compensation expense may not be representative of the amount of compensation expense to be recorded in future years. As pro forma compensation expense for options granted is recorded over the vesting period, future pro forma compensation expense may be greater as additional options are granted.

Recent Accounting Pronouncements

In December 2002, the FASB issued Statement of Financial Accounting Standards No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure, and amendment of FASB Statement No. 123 (SFAS No. 148)." This

statement amends SFAS No. 123, to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. This statement also amends the disclosure requirements of SFAS No. 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. The transition guidance and disclosure provisions of SFAS No. 148 are effective for fiscal years ending after December 31, 2002. The Company will continue to account for stock-based employee compensation using the intrinsic value method under APB No. 25, "Accounting for Stock Issued to Employees" with pro forma disclosure of net income and earnings per share as if the fair value method prescribed by SFAS No. 123 had been applied in accordance with SFAS No. 148.

NOTE 3 - OPERATING SEGMENTS

The Company operates in two operating segments: (1) PBM Services, which is comprised of fully integrated pharmacy benefit management and mail services; and (2) Specialty Management and Distribution Services, which is comprised of its BioScrip(R) specialty injectable and infusion therapy programs for patients who are chronically ill and genetically impaired.

Although the Company did offer its BioScrip(R) programs in 2001, it did not manage this portion of its business separately from the PBM and mail services business. Hence, the BioScrip(R) services were not an operating segment at that time. In the first quarter of 2002, the Company substantially altered its business model with the acquisition and integration of Vitality. Due to various factors and industry projections (i.e., growth forecasts, penetration rates, etc.) related to the specialty pharmaceutical area, management decided to allocate a significant amount of resources to the growth of its specialty pharmaceutical business. After this reorganization in the first quarter of 2002, the Company determined that its specialty BioScrip(R) business met the definition of a reportable operating segment.

The accounting policies applied to the business segments are the same as those described in the Summary of Significant Accounting Policies.

With respect to the segment information below, the Company is required under SFAS 131, "Disclosures about Segments of an Enterprise and Related Information to show comparable segment information for the same periods in 2001 and 2000, regardless of the fact that the Company had only one operating segment prior to 2002. For purposes of 2001 and 2000 segment information disclosed below, we made segment allocations based on methodologies used for 2002 information.

Segment Reporting Information

	2002	2001	2000
Revenues:			
PBM Services	$407,093	$415,099	$ 320,317
Specialty Management and Distribution Services	169,503	41,547	17,854
Total	$576,596	$456,646	$ 338,171
Depreciation expense:			
PBM Services	$ 3,074	$ 3,630	$ 2,988
Specialty Management and Distribution Services	980	473	258
Total	$ 4,054	$ 4,103	$ 3,246
Income from operations:			
PBM Services	$ 8,372	$ 11,422	$ (262)
Specialty Management and Distribution Services	15,776	3,768	83
Total	$ 24,148	$ 15,190	$ (179)
Total assets:			
PBM Services	$ 66,703	$103,482	
Specialty Management and Distribution Services	115,528	36,337	
Total	$182,231	$139,819	
Capital expenditures:			
PBM Services	$ 885	$ 2,197	$ 5,152
Specialty Management and Distribution Services	1,241	589	1,323
Total	$ 2,126	$ 2,786	$ 6,475

NOTE 4 - ACQUISITIONS

On January 31, 2002, the Company acquired all of the issued and outstanding capital stock of Vitality Home Infusion Services, Inc. ("Vitality"). Vitality is a New York-based provider of specialty pharmaceutical services. Vitality provided such services to chronically ill and genetically impaired patients, particularly focusing on oncology, infectious disease, immunology and rheumatory disease.

The aggregate purchase price for Vitality was $46,416 (including $1,061 in transaction costs), payable $35,000 in cash and 612,419 shares of MIM common stock valued at $10,355. The common stock of MIM was valued using the average market price of the Company's common stock over the period including the two days before and after the terms of the acquisition were agreed to and announced. The purchase price for Vitality has been allocated to assets and liabilities based on management's best estimates of fair value and based on a final valuation performed by an independent outside valuation firm. The following table sets forth the allocation of the purchase price as of December 31, 2002:

Purchase price:	
Funded from the Company's line of credit	$35,000
Common stock value	10,355
Transaction costs	1,061
Total purchase price	46,416
Less: net tangible assets as of January 31, 2002	5,641
Excess of purchase price over net tangible assets acquired	$40,775

Allocation of excess purchase price:	
Customer relationships	$11,000
Trademarks	4,700
Non-compete agreements	730
Goodwill	24,345
Total	$40,775

The following table sets forth the assets and liabilities acquired with the purchase of Vitality.

Vitality Balance Sheet At January 31, 2002	
ASSETS	
Cash	$ 1,136
Accounts receivable	7,217
Inventory	4,098
	12,451
Fixed and other assets	180
Total assets	$ 12,631
LIABILITIES	
Accounts payable and accrued expenses	$ 6,990
Stockholders equity	5,641
Total liabilities and equity	$ 12,631

Vitality Pro Forma Financial Information

The following unaudited consolidated pro forma financial information for the whole Company for the twelve months ended December 31, 2002 and 2001, respectively, has been prepared assuming Vitality was acquired as of January 1, 2001, utilizing the purchase method of accounting, with pro forma adjustments for non-amortizing goodwill, amortizing intangibles, interest expense, rent expense and income tax benefit. The pro forma financial information is presented for informational purposes only and is not necessarily indicative of the results that would have been realized had the acquisition occurred on January 1, 2001. This pro forma financial information is not intended to be a projection of future operating results.

Pro Forma Income Statement

	For the year ended December 31	
	2002	2001
	(unaudited)	(unaudited)
Revenues	$ 583,640	$ 531,417
Net income	$ 18,497	$ 16,287
Basic income per common share	$ 0.82	$ 0.74
Diluted income per common share	$ 0.78	$ 0.71

NOTE 5 - GOODWILL

In June 2001, the Financial Accounting Standards Board issued Statements of Financial Accounting Standards No. 141, "Business Combinations," ("SFAS 141")and No. 142, "Goodwill and Other Intangible Assets," ("SFAS 142") which establish accounting and reporting standards governing business combinations, goodwill and intangible assets. SFAS No. 141 requires all business combinations initiated after June 30, 2001 to be accounted for using the purchase method of accounting. SFAS 142 states that goodwill is no longer subject to amortization over its estimated useful life. Rather, goodwill will be subject to at least an annual assessment for impairment by applying a fair-value based test. Under the new rules, an acquired intangible asset should be separately recognized and amortized over its useful life (unless an indefinite life) if the benefit of the intangible asset is obtained through contractual or other legal rights, or if the intangible asset can be sold, transferred, licensed, rented or exchanged regardless of the acquirer's intent to do so. The Company adopted these standards on July 1, 2002 and January 1, 2002.

Pursuant to SFAS No. 142, substantially all of the Company's intangible assets will no longer be amortized and the Company is required to perform an annual impairment test for goodwill and intangible assets. Goodwill and intangible assets are allocated to the reporting units, which are either the operating segment or one reporting level below the operating segment. SFAS 142 requires the Company to compare the fair value of the reporting unit to its carrying amount on an annual basis to determine if there is potential impairment. If the fair value of the reporting unit is less than its carrying value an impairment loss would be recorded to the extent that the fair value of the goodwill within the reporting unit is less than the carrying value. The impairment test for indefinite lived intangible assets consists of comparing the fair value of the intangible asset to its carrying value. If the carrying value of the intangible asset exceeds its fair value an impairment loss is recognized. Fair value for goodwill and intangible assets are determined based on discounted cash flows and appraised values. During the first quarter of 2002, the Company completed its initial impairment review, which indicated that there was no impairment of goodwill or intangible assets. The Company also performed its annual impairment test which indicated there was no impairment at December 31, 2002,

The following table provides a reconciliation of reported net income for the years ended December 31, 2001 and 2000, to adjusted net income as if SFAS No. 142 had been applied as of January 1, 2000.

	For the Year Ended December 31,					
	2002		2001		2000	
	Dollars	Diluted EPS	Dollars	Diluted EPS	Dollars	Diluted EPS
Net income as reported	$ 18,685	$0.79	$ 14,202	$ 0.64	$ (1,823)	$ (0.09)
Add back goodwill amortization (net of tax)	--	--	1,732	0.07	1,227	0.06
Net income as adjusted	$ 18,685	$0.79	$ 15,934	$ 0.71	$ (596)	$ (0.03)

	Specialty Management and Distribution Services	PBM Services	Total
Balance as of December 31, 2001	$ 18,831	$ 18,202	$ 37,033
Goodwill acquired (Vitality)	24,345		24,345
Period purchase price adjustments	(293)		(293)
Balance (net of amortization) as of December 31, 2002	$ 42,883	$ 18,202	$ 61,085

The changes in the net carrying amount of goodwill for the year ended December 31, 2002, are as follows:

All goodwill assigned to our Specialty Management and Distribution Services segment is expected to be deductible for income tax purposes. Goodwill associated with the PBM Services segment is not tax deductible.

The following table details the acquired intangible assets and their accumulated amortization as of December 31, 2002.

	As of December 31, 2002		As of December 31, 2001	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Amortized intangible assets:				
Non compete agreements	$ 960	$ (453)	$ 230	$ (230)
Customer relationships and trademarks	14,020	(1,906)	2,746	(770)
Total	$ 14,980	$ (2,359)	$ 2,976	$ (1,000)
Unamortized intangible assets:				
Trademarks	$ 4,700		$ --	

The amortization expense for the year ended December 31, 2002 was $1,424. The estimated amortization expense for the next five years is as follows:

For the year ending December 31,

2003	$1,841
2004	$1,755
2005	$1,402
2006	$1,377
2007	$1,377

NOTE 6 - INVESTMENT

On June 23, 1997, the Company acquired an 8% interest in Wang Healthcare Information Systems, Inc. ("WHIS"), which markets PC-based clinical information systems to physicians utilizing patented image-based technology. The Company purchased 1,150,000 shares of the Series B Convertible Preferred Stock of WHIS, for an aggregate purchase price equal to $2,300. Due to changes in the financial situation at WHIS and its ability to access capital, the Company recorded a provision for loss in the amount of $2,300 on this investment in 2000.

NOTE 7 - RELATED PARTY TRANSACTIONS

The Company leases one of its facilities from Alchemie Properties, LLC ("Alchemie") pursuant to a ten-year agreement. Alchemie is controlled by Mr. E. David Corvese, a stockholder and former officer and director of the Company (the "Founder"). Rent expense was approximately $56 for each of the years ended December 31, 2002, 2001, and 2000.

The Company has a consulting arrangement with one of its board members which, in addition to customary board fees, the board member's company receives a monthly fee to perform consulting work predominantly related to the TennCare(R) program. Consulting fees under this contract were $549, $508 and $494 for the years ended December 31, 2002, 2001 and 2000.

Stockholder Notes Receivable

On March 23, 2002, the Company's Chairman and Chief Executive Officer, repaid in full a $1,700 loan, together with all accrued and unpaid interest thereon, totaling approximately $2,100. Interest income on the note was $19, $121 and $161 for the years ended December 31, 2002, 2001 and 2000, respectively.

The Company had a $502 note receivable outstanding with the Founder as of December 31, 2000. The note was repaid in 2001. Interest income on the note was $41 for the year ended December 31, 2001, and $46 for the year ended December 31, 2000.

The Company had a $267 and $269 note receivable from Alchemie outstanding as of December 31, 2001 and 2000, respectively. The note bears interest at a rate of 10% per annum with principal due and payable on December 1, 2004. Interest income was $2, $29 and $27 for the years ended December 31, 2002, 2001 and 2000. This note was paid in full on January 31, 2002.

The Company had a $780 note receivable from the Founder outstanding as of December 31, 1999. The note was fully repaid in 2000. Interest income on the notes was $27 for the year ended December 31, 2000.

In 2001, the Company reclassified the then outstanding stockholder notes receivable from the Founder of approximately $771 from a reduction of stockholders' equity to other assets. Although the loans did not originate from the issuance of, or were otherwise collateralized by, the Company's equity securities, the Company initially classified the promissory notes in equity due to the nature of the borrowers' relationship to the Company at the time of the notes' origination. At that time, the Founder was the President and majority stockholder of the Company. As such, the borrowers and the Company were entities under common control at that time and the promissory notes were therefore treated as equity. The Founder is no longer an officer, director or majority stockholder of the Company and accordingly, the borrowers and the Company are no longer considered to be entities under common control.

Indemnification

Under certain circumstances, the Company may be obligated to indemnify and has advanced defense costs to two former officers of a subsidiary of the Company in connection with their involvement in the Federal and State of Tennessee investigation of which they were the subject. During 2000, the Company advanced and expensed approximately $2,700 for the former officers' legal costs in this matter.

NOTE 8 - PROPERTY AND EQUIPMENT

Property and equipment, at cost, consists of the following at December 31:

	2002	2001
Computer and office equipment, (including equipment acquired under capital leases)	$ 19,467	$ 18,000
Furniture and fixtures	1,551	1,149
Leasehold improvements	1,385	1,117
	22,403	20,266
Less: Accumulated depreciation	(15,015)	(10,979)
Property and equipment, net	$ 7,388	$ 9,287

NOTE 9 - LINE OF CREDIT

On November 1, 2000 the Company entered into a $45,000 revolving credit facility (the "Facility") with HFG Healthco-4 LLC, an affiliate of Healthcare Finance Group, Inc. ("HFG"), to be used for working capital purposes and future acquisitions. The Facility has a three-year term and is secured by the Company's receivables. Interest is payable monthly and provides for borrowing up to $45,000 at the London Inter-Bank Offered Rate (LIBOR) plus 2.1% (3.5% as of 2002). A 0.5% annual fee is incurred monthly when the line is not utilized. In connection with the issuance of the Facility, the Company incurred financing costs of $1,642, which are included in other assets and are being amortized over the term of the agreement. The facility contains various covenants that, among other things, require the Company to maintain certain financial ratios, as defined in the agreements governing the Facility. As of December 31, 2002 and 2001, the Company had amounts outstanding of $4.6 million and $0, respectively.

NOTE 10 - MINORITY INTEREST

On June 28, 2001, the Company dissolved MIM Strategic Marketing, LLC ("Strategic"), a joint venture of which the Company was the majority investor. The Company does not have any repayment obligation to the minority interest investor under Strategic's operating agreement or under the laws of the state of its formation. As a result of this dissolution, the minority interest balance of $1,112 has been reclassified to additional paid in capital.

NOTE 11 -TREASURY STOCK

In February 2001, the Company repurchased 1,298,183 shares of the Company's common stock for $2,596, at a price of $2.00 per share. This program has been superceded by the 2003 repurchase plan.

NOTE 12 - COMMITMENTS AND CONTINGENCIES

Legal Proceedings

Until settled on April 2, 2001, the Company had been engaged in commercial arbitration with Tennessee Health Partnership ("THP") over a number of commercial disputes surrounding the parties' relationship. In 1999, the Company recorded a TennCare reserve adjustment of $3,300 for estimated future losses related to this dispute and another TennCare provider. In connection with the above settlement, which was favorable to the Company, $1,300 was paid to THP in satisfaction of all claims between the parties and a $980 TennCare reserve adjustment credit was recorded in the first quarter of 2001.

On March 31, 1999, the State of Tennessee (the "State") placed Xantus Health Plans of Tennessee, Inc. ("Xantus") in receivership. The State proposed a plan of rehabilitation (the "Plan"), as opposed to a liquidation of Xantus, that would allow Xantus to remain operating as a TennCare MCO. Under the Plan, the State loaned Xantus $30,000 to repay pre-petition claims of providers, which claims aggregate approximately $80,000. Under the Plan, during December 1999, the Company received $4,200, including $600 of unpaid rebates to Xantus, which the Company was allowed to offset in full against its pre-petition claims. Because a plan for the payment of the remaining amounts had not been finalized in time for completion of the annual audit, and the recovery of any additional amounts was uncertain, the Company recorded a special charge in 1999 of $2,700 as a TennCare reserve adjustment for the estimated loss on the remaining amounts owed. In the third quarter of 2001 the Company recorded $1,496 as credits to the TennCare reserve, resulting from the collection of receivables from Xantus for amounts previously reserved in 1999. In the first quarter of 2002, the Company recorded $851 as a credit against that reserve based on management's determination that amount was free from claims to third parties.

In 1998, the Company recorded a $2,200 charge against earnings in connection with an agreement in principle with respect to a civil settlement of the Federal and State of Tennessee investigation in connection with the conduct of two former officers of the Company, prior to the Company's initial public offering. This settlement was paid in full on July 1, 2002.

Government Regulation

Various Federal and state laws and regulations affecting the healthcare industry do or may impact the Company's current and planned operations, including, without limitation, Federal and state laws prohibiting kickbacks in government health programs (including TennCare(R)), Federal and state antitrust and drug distribution laws, and a wide variety of consumer protection, insurance and other state laws and regulations. While management believes that the Company is in substantial compliance with all existing laws and regulations material to the operation of its business, such laws and regulations are subject to rapid change and often are uncertain in their application. As controversies continue to arise in the healthcare industry (for example, regarding the efforts of Plan Sponsors and pharmacy benefit managers to limit formularies, alter drug choice and establish limited networks of participating pharmacies), Federal and state regulation and enforcement priorities in this area can be expected to increase, the impact of which on the Company cannot be predicted. There can be no assurance that the Company will not be subject to scrutiny or challenge under one or more of these laws or that any such challenge would not be successful. Any such challenge, whether or not successful, could have a material adverse effect upon the Company's financial position and results of operations. Violation of the Federal anti-kickback statute, for example, may result in substantial criminal penalties, as well as exclusion from the Medicare and Medicaid (including TennCare) programs. Further, there can be no assurance that the Company will be able to obtain or maintain any of the regulatory approvals that may be required to operate its business, and the failure to do so could have a material adverse effect on the Company's financial position and results of operations.

The Company entered into a corporate integrity agreement with the Office of Inspector General (the "OIG") within the Department of Health and Human Services ("HHS") in connection with the Global Settlement Agreement entered into with the OIG and the State of Tennessee in June 2000. In order to assist the Company in maintaining compliance with laws and regulations and the corporate integrity agreement the Company implemented its corporate compliance program in August of 2000. This program includes educational training for all employees on compliance with laws and regulations relevant to the Company's business and operations and a formal program of reporting and resolution of possible violations of laws or regulations, as well as increased oversight by the OIG. Should the oversight procedures reveal credible evidence of any violation of federal law, the Company is required to report such potential violations to the OIG and the Department of Justice ("DOJ"). The Company is therefore subject to increased regulatory scrutiny and, if the Company commits legal or regulatory violations, they may be subject to an increased risk of sanctions or penalties, including exclusion from participation in the Medicare or Medicaid programs.

Employment Agreements

The Company has entered into employment agreements with certain key employees that expire at various dates through February 2004. Total minimum commitments under these agreements are approximately as follows:

2003	$ 1,666
2004	234
Total	$ 1,900

Operating Leases

The Company leases its facilities and certain equipment under various operating leases. The future minimum lease payments under these operating leases at December 31 are as follows:

2003	$ 1,725
2004	1,597
2005	1,466
2006	1,325
2007	1,018
Thereafter	1,351
Total	$ 8,482

Rent expense for non-related party leased facilities and equipment was approximately $1,820, $1,384 and $1,292 for the years ended December 31, 2002, 2001 and 2000, respectively.

Capital Leases

The Company leases certain equipment under various capital leases. Future minimum lease payments under the capital lease agreements at December 31 are as follows:

2003	$ 706
2004	420
2005	35
Total minimum lease payments	1,161
Less: Amount representing interest	97
Obligations under leases	1,064
Less: Current portion of lease obligations	634
Long term portion of lease obligations	$ 430

NOTE 13 - INCOME TAXES

The effect of temporary differences that give rise to a significant portion of federal deferred taxes is as follows as of December 31:

	2002	2001
Deferred tax assets (liabilities):		
Reserves not currently deductible	$ 3,387	$ 2,181
Goodwill and intangibles	(977)	(596)
Federal net operating loss carryforwards generated from operations	--	4,944
Federal net operating loss carryforwards generated from stock options	7,543	9,145
Property basis differences	636	140
Subtotal	10,589	15,814
Less: valuation allowance	(7,543)	(15,814)
Net deferred tax assets	$ 3,046	$ --

The Company has recorded a net deferred tax asset of approximately $3 million at December 31, 2002. Realization of this asset is dependent on generating sufficient taxable income in future periods. Management believes it is more likely than not that the deferred tax asset will be realized. As reflected in the preceding table, the majority of the valuation allowance relates to net operating loss carry forwards generated from stock exercises, where there is uncertainty regarding full realizability due to use limitations.

The Company's reconciliation of the expected provision (benefit) rate to the effective income tax rate is as follows:

	2002	2001	2000
Tax provision (benefit) at statutory rate	$ 8,174	$ 5,297	$(582)
State tax provision , net of Federal taxes	934	629	110
Change in the valuation allowance relating to deferred tax assets and liabilities generated from operations	(4,494)	(5,464)	357
Amortization of goodwill and other intangibles	--	359	361
Other	507	111	(136)
Provision for income taxes	$ 4,671	$ 932	$ 110

At December 31, 2002, the Company has Federal NOLs ("NOLs") remaining of approximately $21,500 million which will begin expiring in 2009. As opposed to the Company's NOLs that reduced the effective tax rate in fiscal years' 2002 and 2001, the remaining NOLs will be recorded directly in Stockholders' Equity when utilized rather than as a reduction of tax expense as the NOL's were generated primarily from the exercise of stock options in prior years. However, the Company will receive the cash flow benefit from the reduction in its income tax liability when the remaining NOLs are utilized.

As of December 31, 2002, certain of the NOLs described above are subject to limitation and may be utilized in a future year upon release of the limitation and recorded directly in Stockholders' Equity as discussed above. 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.

NOTE 14 - STOCKHOLDERS' EQUITY

Stock Options

The 1996 Incentive Stock Plan (the "1996 Plan") provided for the granting of incentive stock options ("ISOs") and non-qualified stock options ("NQSOs") to employees, directors and consultants of the Company. Under the 1996 Plan there were 5,200,450 shares authorized for issuance. In 2001, the stockholders approved the Company's 2001 Incentive Stock Plan (the "2001 Plan," collectively with the 1996 Plan, the "Plans"). Under the 2001 Plan an additional 950,000 shares were authorized for issuance. At the annual stockholders meeting in 2002 an amendment and restatement of the 2001 Plan was approved to increase the plan by 800,000 shares, from 950,000 to 1,750,000. As of December 31, 2002, 450,688 shares remained available for grant under the Plans.

Options granted under the Plans vest over a three-year period and, in certain limited 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 in some cases, to earlier termination in certain circumstances. 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 more than a 10% stockholder).

As of December 31, 2002 and 2001, the exercisable portion of outstanding options was 1,096,071 shares and 874,699 shares, respectively. Stock option activity under the Plans through December 31, 2002 is as follows:

	Options	Average Share Price
Balance, December 31, 1999	2,038,666	$4.2280
Granted	615,000	$2.1960
Canceled	(360,027)	$1.3852
Exercised	(105,167)	$3.1657
Balance, December 31, 2000	2,188,472	$4.1756
Granted	1,087,000	$8.3392
Canceled	(215,999)	$3.4262
Exercised	(510,831)	$4.2416
Balance, December 31, 2001	2,548,642	$5.7929
Granted	633,000	$13.6739
Canceled	(184,663)	$5.6851
Exercised	(349,095)	$4.4445
Balance, December 31, 2002	2,647,884	$7.8702

On April 17, 1998, the Company granted a former officer an option to purchase 1,000,000 shares of Common Stock at $4.50 (then-current market price) in connection with his employment agreement to become the Company's President, Chief Operating Officer and Chief Financial Officer. This option was not granted under the Plan. During 2001, all of the options granted to the former officer were exercised.

The 1996 Directors Stock Incentive Plan, (the "Directors Plan") was adopted to attract and retain qualified individuals to serve as non-employee directors of the Company ("Outside Directors"), to provide incentives and rewards to such directors and to associate more closely the interests of such directors with those of the Company's stockholders. The Directors Plan provides for the automatic granting of non-qualified stock options to Outside Directors joining the Company. Each such Outside Director receives an option to purchase 20,000 shares of Common Stock upon his or her initial appointment or election to the Board of Directors. The exercise price of such options is equal to the fair market value of the Common Stock on the date of grant. Options granted under the Directors Plan vest over three years. In 2002, an amendment and restatement of the Directors Plan was approved at the annual stockholders meeting to add 200,000 shares to the 300,000 shares previously authorized and provide the automatic annual grant of 5,000 options to each non-employee director of the Company. Following the approval, 5,000 options at an exercise price of $9.94 were granted to each of the six Directors. In addition, 20,000 shares at an exercise price of $8.77 were granted to the newly appointed director of the Company. As of December 31, 2002, options to purchase 170,000 shares are outstanding at an average exercise price of $6.88. At December 31, 2002, 100,000 shares under the Directors Plan were exercisable.

Accounting for Stock-Based Compensation

The fair value of the Company's compensation cost for stock option plans for employees and directors, had it been determined, in accordance with SFAS 123, would have been as follows for the years ended December 31:

	2002		2001		2000	
	As Reported	Pro Forma	As Reported	Pro Forma	As Reported	Pro Forma
Net income (loss)	$ 18,685	$ 14,644	$ 14,202	$ 12,258	$ (1,823)	$ (4,051)
Basic income (loss) per common share	$ 0.83	$ 0.65	$ 0.67	$ 0.58	$ (0.09)	$ (0.20)
Diluted income (loss) per common share	$ 0.79	$ 0.62	$ 0.64	$ 0.55	$ (0.09)	$ (0.20)

Because the fair value method prescribed by SFAS No. 123 has not been applied to options granted prior to January 1, 1995, the resulting pro forma compensation expense may not be representative of the amount of compensation expense to be recorded in future years. As pro forma compensation expense for options granted is recorded over the vesting period, future pro forma compensation expense may be greater as additional options are granted.

The fair value of each option grant was estimated on the grant date using the Black-Scholes option-pricing model with the following weighted-average assumptions:

	2002	2001	2000
Volatility	104.6%	104.4%	106.6%
Risk-free interest rate	2.79%	1.25%	6.25%
Expected life of options	6 years	4 years	4 years

The Black-Scholes option-pricing model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. In addition, option-pricing models require the input of highly subjective assumptions including expected stock price volatility. Because the Company's employee stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its employee stock options.

Performance Shares

Under the Plans, the Company's Board of Directors may grant stock to key employees. The Board of Directors may make the issuance of common stock subject to the satisfaction of one or more employment, performance, purchase or other conditions. As of December 31, 2002, the Company has 220,000 restricted stock grants (the "Performance Shares") that vest and become exercisable 8 years from the date of grant or earlier, if the Company exceeds certain earnings per share levels in 2001 and 2002. During 2002, the Company did not meet the earnings per share levels to accelerate vesting of the Performance Shares. The Company has recorded cumulative compensation expense of $362,484 related to these Performance Shares through December 31, 2002 based on the fair market value at the date of grant.

Performance Units

Under the Plans, performance units may be granted by the Company's Board of Directors to key employees. The terms and conditions of the performance units including the performance goals, the performance period and the value for each performance unit are established by the Company's Board of Directors. 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 $1,000,000 in respect of performance units for any given year. During 2002, 2001 and 2000, performance goals were not satisfied, thus there were no amounts paid to employees related to performance. As of December 31, 2002, there were no performance units outstanding as no amendments to the Plan were made and no targets for any year were met.

NOTE 15 - CONCENTRATION OF CREDIT RISK

The following table outlines contracts with Plan Sponsors having revenues and/or accounts receivable that individually exceeded 10% of the Company's total revenues and/or accounts receivable during the applicable time period:

	Plan Sponsor			
	A	B	C	D
Year ended December 31, 2000				
% of total revenue	22%	12%	12%	*
% of total accounts receivable at period end	*	14%	18%	*
Year ended December 31, 2001				
% of total revenue	14%	14%	11%	*
% of total accounts receivable at period end	*	23%	17%	*
Year ended December 31, 2002				
% of total revenue	*	*	12%	13%
% of total accounts receivable at period end	*	*	*	*

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* Less than 10%.

These customers are in the PBM Services segment.

NOTE 16 - PROFIT SHARING PLAN

The Company maintains a deferred compensation plan under Section 401(k) of the Internal Revenue Code. Under the plan, employees may elect to defer up to 50% of their salary, subject to Internal Revenue Service limits. The Company may make a discretionary matching contribution. The Company recorded matching contributions of $102, $86 and $65 for the years ended December 31, 2002, 2001, and 2000, respectively.

NOTE 17 - SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

A summary of quarterly financial information for fiscal 2002 and 2001 is as follows:

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2002:				
Revenues	$ 151,652	$ 135,732	$ 138,529	$ 150,683
Gross profit	$ 16,028	$ 17,448	$ 17,964	$ 19,158
Net income	$ 5,206	$ 4,605	$ 4,491	$ 4,383
Basic earnings per share	$ 0.23	$ 0.20	$ 0.20	$ 0.19
Diluted earnings per share	$ 0.22	$ 0.19	$ 0.19	$ 0.19
2001:				
Revenues	$ 106,036	$ 106,851	$ 119,886	$ 123,873
Gross profit	$ 11,636	$ 13,434	$ 13,655	$ 14,678
Net income	$ 3,483	$ 3,210	$ 4,321	$ 3,188
Basic earnings per share	$ 0.17	$ 0.16	$ 0.20	$ 0.15
Diluted earnings per share	$ 0.17	$ 0.15	$ 0.19	$ 0.14

NOTE 18- SUBSEQUENT EVENT

On February 27, 2003, the Executive Committee of the Board of Directors approved a stock repurchase program pursuant to which the Company is authorized to repurchase up to an aggregate of $10 million of its Common Stock in open market or private transactions. As of March 25, 2003, the Company has repurchased 799,893 shares of its Common Stock in the open market at an aggregate purchase price of $5.1 million.

MIM CORPORATION AND SUBSIDIARIES
Schedule II - Valuation and Qualifying Accounts
For the years ended December 31, 2002, 2001 and 2000
(In thousands)

	Balance at Beginning of Period	Charges to Receivables	Charged to Costs and Expenses	Other Charges	Balance at End of Period
Year ended December 31, 2000					
Accounts receivable	$2,547	$ (376)	$ 571	$ --	$ 2,742
Accounts receivable, TennCare(R)	$6,029	$ (438)			$ 5,591
Accounts receivable, other	$ 403	$ (403)	$ --	$ --	$ --
Year ended December 31, 2001					
Accounts receivable	$2,742	$(1,286)	$1,383	$ --	$ 2,839
Accounts receivable, TennCare(R)	$5,591	$(2,887)	$(2,476)(1)	$ 2,476(1)	$ 2,704
Accounts receivable, other	$ --	$ --	$ --	$ --	$ --
Year ended December 31, 2002					
Accounts receivable	$2,839	$ (906)	$1,193	$ --	$ 3,126
Accounts receivable, TennCare(R)	$2,704	$(2,347)	$ (851)(1)	$ 851(1)	$ 357
Accounts receivable, other	$ --	$ --	$ --	$ --	$ --

(1) Amounts credited to the TennCare(R)reserve account and reductions in related liability accounts

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

The information required by this item has been previously reported by the Company in a Current Report on form 8-K filed with the Commission on May 29, 2002

PART III

Item 10. Directors and Executive Officers of the Registrant

The information required by this item is incorporated by reference from the information contained in our definitive proxy statement to be filed with the SEC on or before April 30, 2003 in connection with the Company's 2003 Annual Meeting of Stockholders.

Item 11. Executive Compensation

The information required by this item is incorporated by reference from the information contained in our definitive proxy statement to be filed with the SEC on or before April 30, 2003 in connection with the Company's 2003 Annual Meeting of Stockholders.

Item 12. Security Ownership of Certain Beneficial Owners and Management

The information required by this item is incorporated by reference from the information contained in our definitive proxy statement to be filed with the SEC on or before April 30, 2003 in connection with the Company's 2003 Annual Meeting of Stockholders.

Item 13. Certain Relationships and Related Transactions

The information required by this item is incorporated by reference from the information contained in our definitive proxy statement to be filed with the SEC on or before April 20, 2003 in connection with our 2003 Annual Meeting of Stockholders.

Item 14. Controls and Procedures

Under the supervision and with the participation of management, including the Chief Executive Officer and Chief Financial Officer, the effectiveness of the design and operation of disclosure controls and procedures has been evaluated within 90 days of the filing date of this annual report, and, based on that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that these controls and procedures are effective. There were no significant changes in internal controls or in other factors that could significantly affect these controls subsequent to the date of that evaluation.

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed in the reports filed or submitted under the Securities Exchange Act of 1934 ("Exchange Act") is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in such reports is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decision regarding required disclosure.

PART IV

Item 15. Exhibits, Financial Statement Schedules, and Reports on Form 8-K

(A) Documents Filed as a Part of this Report

All other schedules not listed above have been omitted since they are not applicable or are not required, or because the required information is included in the Consolidated Financial Statements or Notes thereto.

3. Exhibits:

Exhibit Number	Description	Location
2.1	Agreement and Plan of Merger by and Among MIM Corporation, CMP Acquisition Corp., Continental Managed Pharmacy Services, Inc. and Principal Shareholders dated as of January 27, 1998	(4) (Exh. 2.1)
2.2	Purchase Agreement, dated as of August 3, 2000, among American Disease Management Associates, LLC its Members and Certain Related Parties, MIM Health Plans, Inc., and MIM Corporation.	(10) (Exh. 2.1)
3.1	Amended and Restated Certificate of Incorporation of MIM Corporation.	(1) (Exh. 3.1)
3.2	Amended and Restated By-Laws of MIM Corporation	
4.1	Specimen Common Stock Certificate	(4) (Exh. 4.1)
10.1	Drug Benefit Program Services Agreement between Pro-Mark Holdings, Inc. and RxCare of Tennessee, Inc., dated as of March 1, 1994, as amended January 1, 1995	(1) (Exh. 10.1)
10.2	Amendment No. 3 to Drug Benefit Program Services Agreement dated October 1, 1998	(6) (Exh.10.2)
10.3	Software Licensing and Support Agreement between ComCoTec, Inc. and Pro-Mark Holdings, Inc. dated November 21, 1994	(1) (Exh. 10.6)
10.4	Indemnity letter from MIM Holdings, LLC dated August 5, 1996.	(1) (Exh. 10.36)
10.5	Employment Agreement between MIM Corporation and Richard H. Friedman dated as of December 1, 1998.	(6) (Exh.10.14)
10.6	Amendment No. 1 to Employment Agreement dated as of May 15, 1998 between MIM Corporation and Barry A. Posner	(5) (Exh. 10.50)
10.7	Employment Agreement between MIM Corporation and Barry A. Posner dated as of March 1, 1999	(6) (Exh.10.17)
10.8	Registration Rights Agreement-I between MIM Corporation and John H. Klein, Richard H. Friedman, Leslie B. Daniels, E. David Corvese and MIM Holdings, LLC dated July 29, 1996	(1) (Exh. 10.30)
10.9	Registration Rights Agreement-II between MIM Corporation and John H. Klein, Richard H. Friedman and Leslie B. Daniels dated July 29, 1996	(1) (Exh. 10.31)
10.10	Registration Rights Agreement-III between MIM Corporation and John H. Klein and E. David Corvese dated July 29, 1996	(1) (Exh. 10.32)

10.11	Registration Rights Agreement-IV between MIM Corporation and John H. Klein, Richard H. Friedman, Leslie B. Daniels, E. David Corvese and MIM Holdings, LLC dated July 31, 1996	(1) (Exh. 10.34)
10.12	Registration Rights Agreement-V between MIM Corporation and Richard H. Friedman and Leslie B. Daniels dated July 31, 1996	(1) (Exh. 10.35)
10.13	Amendment No. 1 dated August 12, 1996 to Registration Rights Agreement-IV between MIM Corporation and John H. Klein, Richard H. Friedman, Leslie B. Daniels, E. David Corvese and MIM Holdings, LLC dated July 31, 1996	(2) (Exh.10.29)
10.14	Amendment No 2 dated June 16, 1998 to Registration Rights Agreement-IV between MIM Corporation and John H. Klein, Richard H. Friedman, Leslie B. Daniels, E. David Corvese and MIM Holdings, LLC dated July 31, 1996	(6) (Exh.10.31)
10.15	MIM Corporation 1996 Stock Incentive Plan, as Amended December 9, 1996	(2) (Exh. 10.32)
10.16	MIM Corporation 1996 Amended and Restated Stock Incentive Plan, as amended December 2, 1998	(6) (Exh.10.33)
10.17	MIM Corporation 1996 Non-Employee Directors Stock Incentive Plan*	(1) (Exh. 10.29)
10.18	Lease between Alchemie Properties, LLC and Pro-Mark Holdings, Inc., dated as of December 1, 1994.	(1) (Exh. 10.27)
10.19	Lease Agreement between Mutual Properties Stonedale L.P. and MIM Corporation dated April 23, 1997.	(3) (Exh.10.41)
10.20	Agreement between Mutual Properties Stonedale L.P. and MIM Corporation dated as of April 23, 1997.	(3) (Exh.10.42)
10.21	Lease Amendment and Extension Agreement between Mutual Properties Stonedale L.P. and MIM Corporation dated December 10, 1997	(3) (Exh.10.43)
10.22	Lease Amendment and Extension Agreement-II between Mutual Properties Stonedale L.P. and MIM Corporation dated March 27, 1998.	(3) (Exh.10.44)
10.23	Lease Agreement between Mutual Properties Stonedale L.P. and Pro-Mark Holdings, Inc., dated December 23, 1997	(3)(Exh.10.45)

10.24	Amendment No. 1 to Employment Agreement, dated as of October 11, 1999 between MIM Corporation and Richard H. Friedman	(8) (Exh.10.60)
10.25	Form of Performance Shares Agreement	(8) (Exh.10.61)
10.26	Form of Performance Units Agreement	(8) (Exh.10.62)
10.27	Form of Non-Qualified Stock Option Agreement*	(8) (Exh.10.63)
10.28	Corporate Integrity Agreement between the Office of the Inspector General of the Department of Health and Human Services and MIM Corporation, dated as of June 15, 2000	(9) (Exh. 10.2)
10.29	Loan and Security Agreement, dated November 1, 2000, between MIM Funding LLC and HFG Healthco-4 LLC.	(11) (Exh. 10.1)
10.30	Receivables Purchase and Transfer Agreement, dated as of November 1, 2000, among MIM Health Plans, Inc., Continental Pharmacy, Inc., American Disease Management Associates LLC and MIM Funding LLC.	(11) (Exh. 10.2)
10.31	Lease Agreement, dated as of February 24, 2000, by and between American Duke-Weeks Realty Limited Partnership and Continental Managed Pharmacy Services, Inc.	(12) (Exh. 10.68)
10.32	First Lease Amendment, dated as of February 24, 2000, by and between Duke-Weeks Realty Limited Partnership and Continental Managed Pharmacy Services, Inc.	(12) (Exh. 10.69)
10.33	Lease Agreement, dated as of July 22, 1996, by and between American Disease Management Associates, LLC ("ADIMA") and Regent Park Associates.	(12) (Exh. 10.70)
10.34	First Amendment of Agreement of Lease, dated as of June 15, 1999, by and between ADIMA and Five Regent Park Associates.	(12) (Exh. 10.71)
10.35	Second Amendment of Agreement of Lease, dated as of February 11, 2000, by and between ADIMA and Five Regent Park Associates.	(12) (Exh. 10.72)
10.36	Employment Letter, dated as of February 8, 1999, between the Company and Recie Bomar	(12) (Exh. 10.73)
10.37	Asset Purchase Agreement, dated April 4, 2001 among Continental Managed Pharmacy Services Inc., Community Prescription Service, Inc., and its Stockholders	(13) (Exh. 10.74)
10.38	Amended and Restated Certificate of Incorporation of the Registrant (incorporated by reference to Exhibit 3.1 to the Registrant's Registration Statement on Form S-1, File No. 333-05327).	(14) (Exh. 3.1)
10.39	Amended and Restated Rights Agreement, dated as of May 20, 1999, between the Registrant and American Stock Transfer and Trust Company (incorporated by reference to Exhibit 4.1 to Post-Effective Amendment No. 2 to the Registrant's Form 8-A/A dated May 20, 1999).	(14) (Exh. 4.1)

10.40	Purchase Agreement among American Disease Management Associates, L.L.C., its Members and Certain Related Partners, MIM Health Plans, Inc. and the Registrant, dated as of August 3, 2000 (incorporated by reference to Exhibit 2.1 to the Registrant's Current Report on Form 8-K filed August 10, 2000).	(14) (Exh. 4.2)
10.41	Registration Rights Agreement between the Registrant and Livingston Group LLC dated as of August 3, 2000 (incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K filed August 10, 2000).	(14) (Exh. 4.3)
10.42	Employment letter, dated as of June 21, 2001, between MIM Corporation and Donald Foscato	(15) (Exh. 10.75)
10.43	Employment letter, dated as of June 18, 2001, between MIM Health Plans, Inc. and Donald Dindak	(15) (Exh. 10.76)
10.44	Employment letter, dated as of June 19, 2001, between MIM Health Plans, Inc and Michael Sicilian	(15) (Exh. 10.77)
10.45	Purchase Agreement, dated as of January 9, 2002, among Vitality Home Infusion Services, Inc., Marc Wiener, Barbara Kammerer and MIM Corporation	(16) (Exh. 2.1)
10.46	Lease Agreement, dated as of January 31, 2002, between Bar-Marc Realty, LLC, as landlord, and Vitality Home Infusion Services, Inc., as Tenant	(17) (Exh. 10.49)
10.47	Guaranty of Lease Agreement, dated January 31, 2002, made by the Company in favor of Bar-Marc Realty, LLC	(17) (Exh. 10.50)
10.48	Employment Letter, dated October 15, 2001, between the Company and Russel J. Corvese	(17) (Exh. 10.51)
10.49	Amendment, dated October 15, 2001, to Employment Letter, dated as of February 8, 1999, between the Company and Recie Bomar	(17) (Exh. 10.52)
10.50	Amendment to Employment Agreement entered into as of September 18, 2002 by and between the Company and Barry A. Posner.	
10.51	Amendment to Employment Agreement effective as of December 31, 2001 by and between the Company and Richard H. Friedman.	
10.52	Employment Letter, dated October 1, 2002, between the Company and James S. Lusk.	
10.53	Third Amendment of Agreement of Lease, dated June 24, 2002, between Five Regent Park Associates and American Disease Management Associates.	
10.54	Second Amendment and Consent, dated as of January 31, 2002, to the Receivable Purchase and Transfer Agreement, dated as of November 1, 2000	
10.55	Amendment No. 3, dated as of November 25, 2002, to the Receivables Purchase and Transfer Agreement, dated as of November 1, 2000, each of the parties named on Schedule I thereto, MIM Funding LLC and HFG Healthco-4 LLC	

10.56	Amended and Restated 1996 Non-Employee Director's Stock Incentive Plan (effective April 17, 2002)	(18)
10.57	Amended and Restated 2001 Stock Incentive Plan (effective April 17, 2002)	(18)
21	List of Subsidiaries	
23.1	Consent of Ernst and Young, LLP	
23.2	Notice Regarding Consent of Arthur Andersen LLP	
99.1	Section 302 Certification of Richard H. Friedman	
99.2	Section 302 Certification of James S. Lusk	
99.3	Section 906 Certification of Richard H. Friedman	(19)
99.4	Section 906 Certification of James S. Lusk	(19)

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(1) Incorporated by reference to the indicated exhibit to the Company's Registration Statement on Form S-1 (File No. 333-05327), as amended, which became effective on August 14, 1996.

(2) Incorporated by reference to the indicated exhibit to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1996.

(3) Incorporated by reference to the indicated exhibit to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1997.

(4) Incorporated by reference to the indicated exhibit to the Company's Registration Statement on Form S-4 (File No. 333-60647), as amended, which became effective on August 21, 1998.

(5) Incorporated by reference to the indicated exhibit to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 1998, as amended.

(6) Incorporated by reference to the indicated exhibit to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1998.

(7) Incorporated by reference to the indicated exhibit to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 1999.

(8) Incorporated by reference to the indicated exhibit to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 1999.

(9) Incorporated by reference to the indicated exhibit to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2000.

(10) Incorporated by reference to the indicated exhibit to the Company's Current Report on Form 8-K filed on August 10, 2000.

(11) Incorporated by reference to the indicated exhibit to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2000.

(12) Incorporated by reference to the indicated exhibit to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2000.

(13) Incorporated by reference to the indicated exhibit to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2001.

(14) Incorporated by reference to the indicated exhibit to the Company's Form S-3 filed on July 12, 2001.

(15) Incorporated by reference to the indicated exhibit to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2001.

(16) Incorporated by reference to the indicated exhibit to the Company's Form 8-K filed on February 5, 2002.

(17) Incorporated by reference to the indicated exhibit to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2001.

(18) Incorporated by reference from the Company's definitive proxy statement for its 2002 annual meeting of stockholders filed with the Commission on April 30, 2003.

(19) This document is being furnished in accordance with SEC Release Nos. 33-8212 and 34-47551.

(B) Reports on Form 8-K

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on March 31, 2003.

MIM CORPORATION

/s/ James S. Lusk

James S. Lusk
Executive Vice President and
Chief Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title(s)	Date
/s/ Richard H. Friedman --- Richard H. Friedman	Chairman and Chief Executive Officer (principal executive officer)	March 31, 2003
/s/ James S. Lusk --- James S. Lusk	Executive Vice President and Chief Financial Officer (principal financial officer)	March 31, 2003
/s/ Louis DiFazio, Ph.D. --- Louis DiFazio, Ph.D.	Director	March 31, 2003
/s/ Louis A. Luzzi, Ph.D. --- Louis A. Luzzi, Ph.D.	Director	March 31, 2003
/s/ Richard A. Cirillo --- Richard A. Cirillo	Director	March 31, 2003
/s/ Michael Kooper --- Michael Kooper	Director	March 31, 2003
/s/ Ronald Shelp --- Ronald Shelp	Director	March 31, 2003
/s/ Harold Ford --- Harold Ford	Director	March 31, 2003
/s/ Jack Salzman --- Jack Salzman	Director	March 31, 2003

EXHIBIT INDEX

(Exhibits being filed with this Annual Report on Form 10-K)

3.2	Amended and Restated By-Laws of the Company
10.50	Amendment to Employment Agreement entered into as of September 18, 2002 by and between the Company and Barry A. Posner
10.51	Amendment to Employment Agreement effective as of December 31, 2001 by and between the Company and Richard H. Friedman
10.52	Employment Letter dated October 1, 2002, between the Company and James S. Lusk
10.53	Third Amendment of Agreement of Lease, dated June 24, 2002, between Five Regent Park Associates and American Disease Management Associates
10.54	Second Amendment and Consent, dated as of January 31, 2002, to the Receivables Purchase and Transfer Agreement, dated as of November 1, 2000, among each of the parties named on Schedule I thereto, MIM Funding, LLC and HFG Healthco-4 LLC
10.55	Amendment No. 3, dated as of November 25, 2002, to the Receivables Purchase and Transfer Agreement, dated as of November 1, 2000, among each of the parties named on Schedule I thereto, MIM Funding, LLC and HFG Healthco-4 LLC
21	List of Subsidiaries
23.1	Consent of Ernst and Young, LLP
23.2	Notice Regarding Consent of Arthur Andersen LLP
99.1	Section 302 Certification of Richard H. Friedman
99.2	Section 302 Certification of James S. Lusk
99.3	Section 906 Certification of Richard H. Friedman (1)
99.4	Section 906 Certification of James S. Lusk (1)

(1) This document is being furnished in accordance with SEC Release Nos. 33-8812 and 34-47551.

AMENDMENT TO EMPLOYMENT AGREEMENT

This Amendment to Employment Agreement (this "Amendment") is entered into as of September, 18, 2002, by and between MIM Corporation, a Delaware corporation (the "Company"), and Barry A. Posner ("Executive").

WHEREAS, the Company and Executive entered into an Employment Agreement dated as of March 1, 1999 (the "Employment Agreement"); and

WHEREAS, the Company and Executive desire to clarify that the Company, in its discretion, may grant stock options to Executive in addition to the grant specified in Section 3.4 of the Employment Agreement;

NOW, THEREFORE, in consideration of the mutual covenants set forth herein and other valuable consideration, the sufficiency of which is hereby acknowledged, the parties hereto, intending to be legally bound, hereby agree as follows:

1. Section 3.4 of the Employment Agreement is hereby amended to add the following sentence to the end thereof: "After such grant, the Executive shall be eligible for additional grants of options, if any, as recommended by the Company's Compensation Committee."

2. Section 7.4(i) of the Employment Agreement is hereby amended to delete the address block for Rogers & Wells under the heading "with a copy to" and to replace it with the following:

   King & Spalding
   1185 Avenue of the Americas
   New York, New York 10036-4003
   Attention: Richard A. Cirillo

3. Except as modified hereby, the Employment Agreement shall remain unmodified and in full force and effect.

4. This Amendment shall be construed in accordance with, and its interpretation shall otherwise be governed by, the laws of the State of New York, without giving effect to otherwise applicable principles of conflicts of law.

IN WITNESS WHEREOF, the parties hereto have executed this Amendment effective as of the date set forth above.

MIM CORPORATION

By: /s/ Richard H. Friedman

Richard H. Friedman, Chairman and CEO

/s/ Barry A. Posner

Barry A. Posner

AMENDMENT TO EMPLOYMENT AGREEMENT

This Amendment to Employment Agreement (this "Amendment") is effective as of December 31, 2001, by and between MIM Corporation, a Delaware corporation (the "Company"), and Richard H. Friedman ("Executive").

WHEREAS, the Company and Executive entered into an Employment Agreement dated as of December 1, 1998, which the Company and Executive previously amended on October 11, 1999 (the "Employment Agreement");

WHEREAS, the Company and Executive have agreed to extend the term of Executive's employment pursuant to the Employment Agreement through November 30, 2006 and desire to amend the Employment Agreement to reflect this extension; and

WHEREAS, the Company and Executive desire to clarify that the Company, in its discretion, may grant stock options to Executive in addition to the grant specified in Section 3.4 of the Employment Agreement;

NOW, THEREFORE, in consideration of the mutual covenants set forth herein and other valuable consideration, the sufficiency of which is hereby acknowledged, the parties hereto, intending to be legally bound, hereby agree as follows:

1. Section 1 of the Employment Agreement is hereby amended to provide as follows: "The Company hereby employs the Executive, and the Executive hereby accepts such employment, commencing as of December 1, 1998 and ending November 30, 2006, as Chief Executive Officer and Chairman of the Board of Directors of the Company (the "Board") unless sooner terminated in accordance with the provisions of Section 4 or Section 5 (the period during which the Executive is employed hereunder, including any extensions or renewals thereof, being hereinafter referred to as the "Term")."

2. Section 3.4 of the Employment Agreement is hereby amended to add the following sentence to the end thereof: "After such grant, the Executive shall be eligible for additional grants of options, if any, as recommended by the Company's Compensation Committee."

3. Except as modified hereby, the Employment Agreement shall remain unmodified and in full force and effect.

4. This Amendment shall be construed in accordance with, and its interpretation shall otherwise be governed by, the laws of the State of New York, without giving effect to otherwise applicable principles of conflicts of law.

IN WITNESS WHEREOF, the parties hereto have executed this Amendment effective as of the date set forth above.

MIM CORPORATION

By: /s/ Barry A. Posner

Barry A. Posner, Executive Vice President

/s/ Richard H. Friedman

Richard H. Friedman

[Letterhead of MIM Corporation]

October 1, 2002

Mr. James S. Lusk
42 Colts Glen Lane
Basking Ridge, NJ 07920

Re: MIM Corporation and Subsidiaries

Dear Jim:

MIM Corporation, a Delaware corporation (the "Company"), is pleased to offer you employment as the Company's Chief Financial Officer, on the terms and subject to the conditions set forth below. The terms and conditions of your employment would be as follows:

1. POSITION AND DUTIES:

Executive Vice President and Chief Financial Officer.

In such capacity, you shall be the principal financial and accounting officer of the Company and shall be responsible for all financial reporting and other matters typical of a Chief Financial Officer. In such capacity, you will faithfully perform the duties of said office and position and such other duties of an executive, managerial and administrative nature as are specified and designated from time to time by the Company's Board of Directors.

You will report primarily to, and shall have such further duties as shall be assigned to you by the Chief Executive Officer of the Company, subject to the authority of the Board of Directors. Subject to the terms and conditions of this Agreement, you acknowledge and understand that you are an employee at will.

2. BASE COMPENSATION:

Your base salary will be at an annual rate of $300,000.00 per year, payable bi-weekly, or at such other times as other employees of the Company are paid.

3. LONG-TERM INCENTIVE COMPENSATION:

As further compensation hereunder, effective upon the later to occur of the date you commence your employment with the Company and the date you execute definitive agreements with respect to each such grant, the Company would grant to you 150,000 non-qualified stock options ("Options") to purchase the Company's common stock, par value $0.0001 per share ("Common Stock"). The Options shall vest in equal installments on the first, second and third anniversary dates of your employment. The grant and vesting of your options would be subject to the terms and conditions set forth in the form of a definitive non-qualified stock

option agreement. Such options shall be priced at the closing stock price on the trading day immediately preceding your first day of employment with the Company. Six months after the commencement of your employment, you will be reviewed and a determination will be made, in the Company's sole and absolute discretion, as to the granting of additional Options.

4. TRANSPORTATION ALLOWANCE:

During your employment, the Company will provide you with a monthly allowance of $1000 for the use of an automobile.

5. PARTICIPATION IN HEALTH AND OTHER BENEFIT PLANS:

During your employment with the Company, you shall be permitted, if and to the extent eligible, to participate in all employee health and other related benefit plans, policies and practices now or hereafter available to members of senior management generally and maintained by or on behalf of the Company, including the Company's medical expense reimbursement plan (the "MERP") and a life insurance policy equal to three times your then annual salary. Nothing in this agreement shall preclude the Company from terminating or amending any such plans or coverage so as to eliminate, reduce or otherwise change any benefit payable thereunder.

You shall be eligible to participate in the Company's 1998 Cash Bonus Program For Key Employees. During the first calendar year of your employment, you would participate pro rata based on the number of days during calendar year 2002 that you were employed by the Company.

6. EXPENSES:

Subject to such policies as may from time to time be established by the Company's Board of Directors, the Company would pay or reimburse you for all reasonable and necessary expenses (which shall include professional fees and

dues reasonably necessary to the performance of your duties hereunder) actually incurred or paid by you during the term of your employment in the performance of your duties, upon submission and approval of expense statements, vouchers or other supporting information in accordance with the then customary practices of the Company.

7. VACATION:

You would be entitled to four weeks (20 business days) vacation during the term of your employment.

8. TERMINATION; SEVERANCE
CHANGE OF CONTROL:

If your employment with the Company is terminated for any reason whatsoever, whether by you or the Company, the Company would not be liable for, or obligated to pay you any bonus compensation or any other compensation contemplated hereby not already paid or not already accrued at the date of such termination, and no other benefits shall accrue or vest subsequent to such date. If you are terminated by the Company (or any successor) other than for "Cause" (as defined below), (i) you will be entitled to receive severance payments equal to one year of salary at your then current salary level, payable in accordance with the Company's then applicable payroll practices and subject to all applicable federal, state and local withholding; and (ii) all outstanding unvested Options granted to you (or hereafter under the Bonus Program) and held by you shall vest and become immediately exercisable and shall otherwise be exercisable in accordance with their terms and you shall become vested in any pension or other deferred compensation other than pension or deferred compensation under a plan intended to be qualified under Section 401(a) or 403(a) of the Internal Revenue Code of 1986, as amended (the "Code"); and (iii) you shall have no further rights to any other compensation or benefits hereunder on or after the termination of employment or any other rights hereunder. For purposes of this Agreement, "Cause" shall mean any of the following: (1) commission by you of criminal conduct which involves moral turpitude; (2) acts which constitute fraud or self-dealing by or on the part of you against the Company, including, without limitation, misappropriation or embezzlement; (3) your willful engagement in conduct which is materially injurious to the Company; or (4) your gross misconduct in the performance of duties as an employee of the Company, including, without limitation, failure to obey lawful written instructions of the Board of Directors of the Company, any committee thereof or any executive officer of the Company or failure to correct any conduct which constitutes a breach of any written agreement between you and the Company or of any written policy promulgated by the Board of Directors of either the Company, any committee thereof or any executive officer of the Company, in either case after not less than ten days' notice in writing to you of the Company's intention to terminate you if such failure is not corrected within the specified period (or after such shorter notice period if the Company in good faith deems such shorter notice period to be necessary due to the possibility of material injury to the Company). In addition, if you are terminated by the Company (or any successor)

within one year of a "Change of Control" (as defined below) or, within such one (1) year period, you elect to terminate your employment after the Company or a successor entity materially reduces your authority, duties and responsibilities, or assigns you duties materially inconsistent with your position or positions with the Company or a successor entity immediately prior to such Change of Control, (I) you shall receive severance payments equal to one year of your then current salary (and reimbursement for expenses incurred prior to the effective date of the termination of employment; (II) all outstanding unvested Options granted to you (or hereafter under the Bonus Program) and held by you shall vest and become immediately exercisable and shall otherwise be exercisable in accordance with their terms and you shall become vested in any pension or other deferred compensation other than pension or deferred compensation under a plan intended to be qualified under Section 401(a) or 403(a) of the Code; ; and (III) you shall have no further rights to any other compensation or benefits hereunder on or after the termination of employment or any other rights hereunder.

For purposes of this Agreement, "Change of Control" means the occurrence of one or more of the following: (i) a "person" or "group" within the means the meaning of sections 13(d) and 14(d) of the Securities and Exchange Act of 1934 (the "Exchange Act") becomes the "beneficial owner" (within the meaning of Rule l3d-3 under the Exchange Act) of securities of the Company (including options, warrants, rights and convertible and exchangeable securities) representing 50.1% or more of the combined voting power of the Company's then outstanding securities in any one or more transactions unless approved by at least two-thirds of the Board of Directors then serving at that time; provided, however, that purchases by employee benefit plans of the Company and by the Company or its affiliates shall be disregarded; or (ii) any sale, lease, exchange or other transfer (in one transaction or a series of related transactions) of all, or substantially all, of the operating assets of the Company; or (iii) a merger or consolidation, or a transaction having a similar effect, where (A) the Company is not the surviving corporation, (B) the majority of the Common Stock of the Company is no longer held by the stockholders of the Company immediately prior to the transaction, or (C) the Company's Common Stock is converted into cash, securities or other property (other than the common stock of a company into which the Company is merged), unless such merger, consolidation or similar transaction is with a subsidiary of the Company or with another company, a majority of whose outstanding capital stock is owned by the same persons or entities who own a majority of the Company's Common Stock at such time; or (iv) at any annual or special meeting of stockholders of the Company at which a quorum is present (or any adjournments or postponements thereof), or by written consent in lieu thereof, directors (each a "New Director" and collectively the "New Directors") then constituting a majority of the Company's Board of Directors shall be duly elected to serve as New Directors and such New Directors shall have been elected by stockholders of the Company who shall be an (I) "Adverse Person(s)"; (II) "Acquiring Person(s)"; or (III) "40% Person(s)" (as each of the terms set forth in (I), (II), and (III) hereof are defined in that certain Amended and Restated Rights Agreement, dated May 20, 1999, between the Company and American Stock Transfer & Trust Company, as Rights Agent.

9. Termination Upon Disability

If by virtue of ill health or other disability you are unable to perform substantially and continuously the duties assigned to you for more than 180 consecutive or non-consecutive days out of any consecutive twelve-month period, the Company shall have the right, to the extent permitted by law, to terminate your employment upon written notice; provided that the Company will have no right to terminate your employment if, in the opinion of a qualified physician reasonably acceptable to the Company, it is reasonably certain that you will be able to resume your duties on a regular full-time basis within 30 days of the date you receive notice of such termination. Upon a termination of your employment by virtue of disability, (i) you shall receive severance payments equal to one year of your then current salary (and reimbursement for expenses incurred prior to the effective date of the termination of employment and other benefits (including bonuses awarded but not yet paid) earned and accrued under this agreement prior to the effective date of the termination of your employment; (ii) you shall receive for a period of one year after termination of employment continuing coverage under the health benefit plans and programs you would have received under this agreement as would have applied in the absence of such termination, it being expressly understood and agreed that nothing in this clause (ii) shall restrict the ability of the Company to amend or terminate such plans and programs from time to time in its sole discretion; provided, however, that the Company shall in no event be required to provide any coverage after such time as you become entitled to coverage under the benefit plans and programs of another employer or recipient of your services (and provided, further, that such entitlement shall be determined without regard to any individual waivers or other arrangements); (iii) all fully vested and exercisable Options granted to and held by you may be exercised by you or your estate or beneficiaries for a period of one (1) year from and after the date of your disability; and (iv) you shall have no further rights to any other compensation or benefits hereunder on or after the termination of employment, or any other rights hereunder.

10. TERMINATION UPON DEATH:

If you die during the term of your employment, the obligations of the Company with respect to you shall terminate in their entirety, except as follows: Upon death, (i) you or your estate or beneficiaries shall be entitled to receive accrued and unpaid salary (including bonuses awarded or declared and not paid) and reimbursement for expenses incurred prior to the date of your termination; (ii) all vested and exercisable Options granted to you may be exercised by your estate for a period of one (1) year from and after the date of your death; and (iii) neither you or your estate or beneficiaries shall have any further rights to any other compensation or benefits hereunder on or after the termination of employment, or any other rights hereunder.

11. RESTRICTIVE COVENANT:

As a condition to your employment with the Company, you will be obligated to enter into a restrictive covenant agreement between you and the Company, covering, among other things, non-competition provisions, non-solicitation provisions, and the protection of the Company's trade secrets. That agreement is attached hereto as Exhibit A.

12. OTHER TERMS:

Your employment, restrictive covenants and option agreements will include other customary and usual terms, provisions, conditions and representations as are found in the Company's similar arrangements with its employees.

13. CONDITION TO EMPLOYMENT:

Your employment is conditioned on the approval of your employment and this letter agreement by the Board of Directors of the Company.

14. ARBITRATION:

If any dispute arises with respect to the rights and obligations hereunder and is not resolved by us, such dispute will be submitted to binding arbitration, which shall be conducted in accordance with the commercial arbitration rules (the "Rules") of the American Arbitration Association ("AAA") in effect at the time arbitration is commenced. Arbitration may be commenced by either party by service and filing of a demand for arbitration in accordance with the Rules of the AAA then in effect. There shall be one arbitrator in any arbitration pursuant to this agreement. The selection of arbitrator shall be made in accordance with the Rules of the AAA then in effect. The venue of arbitration shall be the State of New York, City of New York. The arbitrators in any arbitration pursuant to this agreement shall apply the substantive laws of the State of New York. Any arbitral award obtained pursuant to this agreement may be confirmed pursuant to Article 75 of the New York Civil Practice Law and Rules in New York State Supreme Court or in any other court of competent jurisdiction within or without the State of New York.

Please call me to discuss any questions or comments that you may have regarding these terms. After I receive your agreement to the foregoing, definitive documentation will be prepared. I look forward to hearing from you and working with you. Best regards.

Sincerely yours,

MIM CORPORATON

By: /s/ Richard H. Friedman

Name: Richard H. Friedman
Title: Chairman and CEO

Agreed to and Accepted By:

/s/ James S. Lusk
- ---
James S. Lusk

Exhibit A

RESTRICTIVE COVENANTS

Covenant Against Competition; Other Covenants. You acknowledge that (i) the principal business of the Company (for purposes of these restrictive covenants, the "Company" shall include all subsidiaries and affiliates of MIM Corporation) is the provision of a broad range of services designed to promote the cost-effective delivery of pharmacy benefits, including pharmacy benefit management services, claims processing, the purchasing of pharmaceutical products on behalf of pharmacy networks and long term care facilities (including assisted living facilities and nursing homes) and specialty pharmaceutical programs and mail order pharmacy services, including the dispensing of prescription pharmaceutical products, and the sale and distribution, on a retail and wholesale basis, of OTC's, vitamins, supplements, herbals and other goods typically offered for sale through a retail, mail order or internet on-line pharmacy (such business, and any and all other businesses that after the date hereof, and from time to time during the Term, become material with respect to the Company's then-overall business, herein being collectively referred to as the "Business"); (ii) the Company is dependent on the efforts of a certain limited number of persons who have developed, or will be responsible for developing the Company's Business; (iii) is national in scope; (iv) your work for the Company will give you access to the confidential affairs and proprietary information of the Company; (v) your covenants and agreements contained in these Restrictive Covenants are essential to the business and goodwill of the Company; and (vi) the Company would not have offered you employment but for the covenants and agreements set forth herein. Accordingly, you covenant and agree that:

(a) At any time during your employment with the Company and ending nine months following (i) termination of your employment with the Company (irrespective of the reason for such termination) or (ii) payment of any severance, whichever occurs last, you shall not engage, directly or indirectly, in sales or marketing or otherwise assisting any company or other business entity (which includes, without limitation, owning, managing, operating, controlling, being employed by, giving financial assistance to, participating in or being connected in any material way with any person or entity other than the Company), engaged in (i) the Business or (ii) any material component of the Business; provided, however, that the Executive's ownership as a passive investor of less than two percent (2%) of the issued and outstanding stock of a publicly held corporation shall not be deemed to constitute competition.

(b) During and after the period during which you are employed, you shall keep secret and retain in strictest confidence, and shall not use for his benefit or the benefit of others, except in connection with the Business and affairs of the Company and its affiliates, all confidential matters relating to the Company's Business and the business of any of its affiliates and to the Company and any of its affiliates, learned by you heretofore or hereafter directly or indirectly from the Company or any of its affiliates (the "Confidential Company Information"), including, without limitation, information with respect to (i) the strategic plans, budgets, forecasts, intended expansions

of product, service, or geographic markets of the Company and its affiliates, (ii) sales figures, contracts, agreements, and undertakings with or with respect to customers, (iii) profit or loss figures, and (iv) customers, clients, suppliers, sources of supply and customer lists, and shall not disclose such Confidential Company Information to anyone outside of the Company except with the Company's express written consent and except for Confidential Company Information which is at the time of receipt or thereafter becomes publicly known through no wrongful act of you or is received from a third party not under an obligation to keep such information confidential and without breach of these Restrictive Covenants or the Agreement. Notwithstanding the foregoing, this section (b) shall not apply to the extent that you are acting to the extent necessary to comply with legal process; provided that in the event that you are subpoenaed to testify or to produce any information or documents before any court, administrative agency or other tribunal relating to any aspect pertaining to the Company, you shall immediately notify the Company thereof.

(c) During the period commencing on the date hereof and ending one year following the date upon which you shall cease to be an employee of the Company or its affiliates, you shall not, without the Company's prior written consent, directly or indirectly, (i) solicit or encourage to leave the employment or other service of the Company or any of its affiliates, any employee or independent contractor thereof or hire (on your behalf or any other person or entity) any employee or independent contractor who has left the employment or other service of the Company or any of its affiliates within one year of the termination of such employee's or independent contractor's employment or other service with the Company and its affiliates, or (ii) solicit, contact, market to, work for, or assist others in soliciting any customer or client of the Company with whom the Company was in contact with or was providing goods and services to at the time of your termination of employment with the Company. During such period, you will not, whether for your own account or for the account of any other person, firm, corporation or other business organization, intentionally interfere with the Company's or any of its affiliates' relationship with, or endeavor to entice away from the Company or any of its affiliates, any person who during the Term is or was a customer or client of the Company or any of its affiliates.

(d) All memoranda, notes, lists, records, property and any other tangible product and documents (and all copies thereof) made, produced or compiled by you or made available to you concerning the Business of the Company and its affiliates shall be the Company's property and shall be delivered to the Company at any time on request.

Rights and Remedies upon Breach of Restrictive Covenants.

(a) You acknowledge and agree that any breach by him of any of the provisions of sections (a) through (d) above (the "Restrictive Covenants") would result in irreparable injury and damage for which money damages would not provide an adequate remedy. Therefore, if you breach, or threaten to commit a breach of, any of the Restrictive Covenants, the Company and its affiliates shall have the following rights and remedies, each of which rights and remedies shall be independent of the other and severally enforceable, and all of which rights and remedies shall be in addition to, and not in lieu of, any other rights and remedies available to the Company and its affiliates under law or in equity (including, without limitation, the recovery of damages):

(b) The right and remedy to have the Restrictive Covenants specifically enforced (without posting bond and without the need to prove damages) by any court having equity jurisdiction, including, without limitation, the right to an entry against you of restraining orders and injunctions (preliminary, mandatory, temporary and permanent) against violations, threatened or actual, and whether or not then continuing, of such covenants.

(c) The right and remedy to require you to account for and pay over to the Company and its affiliates all compensation, profits, monies, accruals, increments or other benefits (collectively, "Benefits") derived or received by you as the result of any transactions constituting a breach of the Restrictive Covenants, and you shall account for and pay over such Benefits to the Company and, if applicable, its affected affiliates.

(d) You agree that in any action seeking specific performance or other equitable relief, you will not assert or contend that any of the provisions of these Restrictive Covenants are unreasonable or otherwise unenforceable. The existence of any claim or cause of action by you, whether predicated on the Agreement or otherwise, shall not constitute a defense to the enforcement of the Restrictive Covenants.

Agreed to and accepted by:

- ----------
James S. Lusk

THIRD AMENDMENT OF
AGREEMENT OF LEASE
JUNE 24, 2002

Between: FIVE REGENT PARK ASSOCIATES (Landlord)
a New Jersey Partnership
c/o Eastman Management Corporation
651 West Mount Pleasant Avenue
Livingston, New Jersey 07039

And: AMERICAN DISEASE MANAGEMENT ASSOCIATES (Tenant)
#5N Regent Street
Livingston, New Jersey 07039

RE: Lease Dated July 22, 1996
First Amendment Dated June 15, 1999
Second Amendment Dated February 11, 2000

WITNESSETH

WHEREAS, the parties entered into a Lease Agreement dated July 22, 1996 for office space in the building known as #5N Regent Street, Livingston, New Jersey (the "Original Agreement"); First Amendment of Agreement of Lease dated June 15, 1999 (the "First Amendment"); and a Second Amendment of Agreement of Lease dated February 11, 2000 (the "Second Amendment"). The Original Agreement, the First Amendment and the Second Amendment are referred to collectively as the "Lease";

WHEREAS, the parties now desire to further amend the Lease to add additional space in the building in Suite 512 (currently occupied by World Wide Packaging Company) as shown on the sketch attached hereto as Exhibit "A" (the "Expansion Area"), to extend the Term of the Lease and to modify certain other terms of the Lease.

NOW THEREFORE, for and in consideration of the mutual covenants set forth herein, the receipt and sufficiency of which are mutually acknowledged, the parties hereto agree to amend the Lease as follows:

1. Capitalized terms used herein and not otherwise defined shall have the meaning ascribed thereto in the Original Agreement.

2. Beginning on the date Landlord substantially completes the work set forth in paragraph 3 below (the "Expansion Area Commencement Date"), the Basic Rent shall be increased by the amount of $37,328.00 per annum, or $3,110.00 per month. Tenant shall also pay, as Additional Rent for the Expansion Area, the initial amount of $997.27 per month. Beginning on April 1, 2003, the Basic Rent shall increase to $130,125.00 per annum, or $10,843.75 per month. In addition, beginning on the Expansion Area Commencement Date, Tenant shall pay an additional amount of $776.00 per month for additional renovation work requested by the Tenant as per attached floor plan.

3. Beginning on the Expansion Area Commencement Date, the Premises shall be expanded by 2,488 square feet and shall include the premises set forth in the Original Lease, the expansion area set forth in the Second Amendment and the Expansion Area. The total Rentable Area of the Premises shall be 8,675 square feet and the Tenant's Proportionate Share shall be 12.61%.

4. Landlord shall perform the renovation work in the Expansion Area as outlined on the floor plan attached hereto as Exhibit A as soon as practical upon the execution of this Amendment.

5. The Term of the Lease for the entire Premises as hereinabove defined, shall be extended for a period ending on the last day of the calendar month in which the twenty fourth (24) month anniversary of the Expansion Area Commencement Date shall occur.

6. Tenant shall not disclose any facts or terms of this Agreement to any third party including former, current or future tenants of the Building.

7. If Landlord is unable to deliver the Expansion Area, including the renovation work to be completed as set forth in Exhibit A, to Tenant by September 1, 2002 than Tenant shall have the option to terminate this Amendment for the Expansion Area without liability upon 10 days written notice.

8. In all other respects, except as expressly modified herein, the Lease are hereby ratified and confirmed.

IN WITNESS WHEREOF, the parties have hereunto set their hands on the date first written above.

WITNESS: (Landlord)
FIVE REGENT PARK ASSOCIATES
By: Janfel-JBS Corp., a General Partner

/s/ William Kanter
- --------------------------

By: /s/ Peter Schofel

ATTEST:

(Tenant)
AMERICAN DISEASE MANAGEMENT
ASSOCIATES, LLC

/s/ Barry Posner
- --------------------------

By: /s/ Michael Sicilian

SECOND AMENDMENT AND CONSENT, dated as of January 9, 2002 ("Second Amendment"), to the RECEIVABLES PURCHASE AND TRANSFER AGREEMENT, dated as of November 1, 2000 (as amended prior to the date hereof, the "Original RPTA", and as it may be amended, modified or supplemented on and after the date hereof, including by this Second Amendment, the "RPTA"), among SCRIP SOLUTIONS, INC. (as successor by merger to MIM Health Plans, Inc.), a Delaware corporation (together with its corporate successors and assigns, "Scrip", and in its capacity as primary servicer thereunder, the "Primary Servicer"), each of the parties named on Schedule I thereto (each, including Scrip, a "Provider" and collectively, the "Providers"), and MIM FUNDING LLC, a Delaware limited liability company (together with its successors and assigns, the "Purchaser") and consented to by HFG HEALTHCO-4 LLC (the "Lender"), as assignee of the Purchaser. Unless otherwise defined herein, terms in the RPTA are used herein as therein defined.

MIM Health Plans, Inc. has merged (the "Merger") with and into its wholly owned subsidiary Pro-Mark Holdings, Inc., and Pro-Mark Holdings, Inc., as the surviving corporation, has changed its name to Scrip Solutions, Inc.

MIM Corporation ("Parent") is entering into that certain Stock Purchase Agreement, dated as of January 9, 2002, by and among Vitality Home Infusion Services, Inc. ("Vitality"), Marc Wiener, Barbara Kammerer and the Parent (the "Vitality Purchase Agreement") attached hereto as Exhibit A, pursuant to which the Parent has agreed to purchase all of the outstanding stock of Vitality pursuant to the terms set forth therein (the "Vitality Acquisition").

The Primary Servicer and the Providers have requested that the Lender consent to the Parent entering into the Vitality Purchase Agreement. In connection with such consent, the Merger and the Vitality Purchase Agreement, the parties to the hereto have agreed to amend certain provisions of the RPTA pursuant to this Second Amendment.

Accordingly, in consideration of the foregoing and for other good and valuable consideration, the receipt and sufficiency of which hereby are acknowledged, and subject to the fulfillment of the conditions set forth below, the parties hereto agree as follows:

SECTION 1. CONSENT

The Purchaser hereby consents to, and waives any breach under the RPTA as the sole result of (i) the Merger, (ii) the name change of Pro-Mark Holdings, Inc. to Scrip Solutions, Inc., and (iii) the name change of Continental Pharmacy to Scrip Pharmacy, Inc. The Lender hereby acknowledges and consents to such consent and waiver.

The Lender agrees to deliver to the Parent a consent (in substantially the form of Exhibit B) to the execution and delivery by the Parent of the Vitality Purchase Agreement.

SECTION 2. AMENDMENTS TO RPTA

The Original RPTA is hereby amended, effective as of the effective date of the consummation of the Vitality Acquisition, as follows:

SECTION 2.1 Exhibit I to the Original RPTA is hereby amended by adding the following definition in its proper alphabetical order:

> "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 Loan Agreement.

SECTION 2.2 Exhibit I to the Original RPTA is hereby amended by deleting the defined term "Equity" and substituting therefor the following new definition:

> "Equity" means the amount set forth on the consolidated balance sheets of the Parent as equity.

SECTION 2.3 Clause (s) of Exhibit V to the Originator RPTA (Consolidated Net Worth) is hereby amended by removing the table appearing in such clause and substituting therefor the following new table:

Fiscal Quarter Ending	Amount
March 31, 2002	$60,000,000
June 30, 2002	$62,500,000
September 30, 2002	$65,000,000
December 31, 2002	$67,500,000
March 31, 2003 and each fiscal quarter thereafter	$70,000,000

SECTION 2.4 Clause (v) of Exhibit V to the Originator RPTA (Consolidated EBITDA) is hereby amended by removing the table appearing in such clause and substituting therefor the following new table:

Fiscal Quarter Ending	Amount
March 31, 2002 and each fiscal quarter thereafter	$3,000,000

SECTION 2.5 Clause (x) of Exhibit V to the Originator RPTA is hereby amended by removing such clause in its entirety and substituting therefor the following:

(x) The Providers' Total Liabilities to Equity Ratio. The ratio of Total Liabilities of the Parent to Equity exceeds the ratio set forth below as of the end of the corresponding fiscal quarter indicated below:

Fiscal Quarter Ending	Ratio
March 31, 2002 and each fiscal quarter thereafter	1.50:1.00

SECTION 2.6 Clause (y) of Exhibit V to the Originator RPTA (Debt to Consolidated Tangible Net Worth) is hereby amended by removing such clause in its entirety and substituting therefor the following:

(y) [Intentionally Omitted]

SECTION 2.7 Clause (z) of Exhibit V to the Originator RPTA (Current Ratio) is hereby amended by removing the table appearing in such clause and substituting therefor the following new table:

Fiscal Quarter Ending	Ratio
March 31, 2002 and each fiscal quarter thereafter	1.00:1.00

SECTION 2.8 Clause (aa) of Exhibit V to the Originator RPTA (Consolidated Working Capital) is hereby amended by removing the table appearing in such clause and substituting therefor the following new table:

Fiscal Quarter Ending	Ratio
March 31, 2002 and each fiscal quarter thereafter	$5,000,000

SECTION 2.9 Clause (bb) of Exhibit V to the Originator RPTA (Consolidated Tangible Net Worth) is hereby amended by removing the table appearing in such clause and substituting therefor the following new table:

Fiscal Quarter Ending	Ratio
March 31, 2002	$(8,500,000)
June 30, 2002	$(6,500,000)
September 30, 2002	$(3,500,000)
December 31, 2002	$ 0
March 31, 2003 and each fiscal quarter thereafter	$ 2,500,000

SECTION 3. ACKNOWLEDGMENT BY SCRIP

SECTION 3.1 Scrip hereby acknowledges that, following the Merger, it is the successor to all of the duties, responsibilities and obligations of MIM Health Plans, Inc. as a Provider and Primary Servicer under the RPTA and related Documents (as such term is defined in the Loan Agreement) and hereby undertakes, agrees and assumes all of such duties, responsibilities and obligations.

SECTION 3.2 The Primary Servicer agrees and undertakes to cause Vitality to enter into the Subscription Agreement substantially in the form of Exhibit C hereto substantially simultaneously with the consummation of Vitality Acquisition.

SECTION 3.3 The Primary Servicer agrees and undertakes to cause MIM Corporation to enter into the Guaranty substantially in the form of Exhibit D and the Assignment of Guaranty as Collateral Security substantially in the form of Exhibit E substantially simultaneously with the consummation of Vitality Acquisition.

SECTION 3.4 The Primary Servicer agrees and undertakes to cause the chief financial officer of MIM Corporation to deliver a Solvency Certificate substantially in the form of Exhibit F substantially simultaneously with the consummation of Vitality Acquisition.

SECTION 4. CONDITIONS PRECEDENT

This Second Amendment shall not become effective until the following conditions have been satisfied in full or waived in writing by the Purchaser and the Lender as its assignee:

(a) All required corporate and limited liability company actions in connection with the execution and delivery of this Second Amendment, the Merger, the Stock Purchase Agreement and the Vitality Acquisition shall have been taken, and each shall be satisfactory in form and substance to the Lender, and the Lender shall have received all information and copies of all documents, including, without limitation, records of requisite corporate and limited liability company action that the Lender may reasonably request, to be certified by the appropriate corporate or limited liability company person or government authorities;

(b) Each document (including, without limitation, any UCC-1 Financing Statements) required by law or requested by the Lender to be filed, registered or recorded in order to create in favor of the Lender a first priority perfected security interest in the Collateral (as defined in the Loan Agreement) shall have been properly filed, registered or recorded in each jurisdiction in which the filing, registrations or recordation thereof is so required or requested. The Lenders shall have received evidence satisfactory to it, of each such filing, registration or recordation.

(c) Fully executed counterparts of this Second Amendment and the Stock Purchase Agreement.

SECTION 5. MISCELLANEOUS

SECTION 5.1 The Providers each hereby certify, represent and warrant that (i) the representations and warranties in the RPTA are true and correct (and after having given effect to the Merger), with the same force and effect as if made on such date, except as they may specifically refer to an earlier date, in which case they were true and correct as of such date,(ii) no unwaived Event of Termination, a Group-Wide Event of Termination, a Servicer Termination Event or a Group-Wide Servicer Event of Termination or would constitute such an Event of Termination, Group-Wide Event of Termination, Servicer Termination Event or Group-Wide Servicer Event of Termination has occurred or is continuing (nor any event that but for notice or lapse of time or both would constitute an Event of Termination, a Group-Wide Event of Termination, a Servicer Termination Event or a Group-Wide Servicer Event of Termination or would constitute such an Event of Termination, Group-Wide Event of Termination, Servicer Termination Event or Group-Wide Servicer Event), (iii) each of the Providers and the Primary Servicer, as applicable has the corporate power and authority to execute and deliver this Second Amendment, the agreements and documents related to the Merger, the Stock Purchase Agreement and to consummate the Vitality Acquisition, and (iv) no consent of any other person (including, without limitation, shareholders or creditors of any Provider or Vitality), and no action of, or filing with any governmental or public body or authority is required to authorize, or is otherwise required in connection with the the execution and performance of this Second Amendment, the Merger or the Vitality Acquisition, other than, in each case, such that have been obtained.

SECTION 5.2 The terms "Agreement", "hereof", "herein" and similar terms as used in the RPTA shall mean and refer to, from and after the effectiveness of this Second Amendment, the RPTA as amended by this Second Amendment, and as it may in the future be amended, restated, modified or supplemented from time to time in accordance with its terms. Except as specifically agreed herein, the RPTA is hereby ratified and confirmed and shall remain in full force and effect in accordance with its terms.

SECTION 5.3 THIS SECOND AMENDMENT 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.

SECTION 5.4 This Second Amendment 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.

SECTION 5.5 Delivery of an executed counterpart of a signature page by telecopier shall be effective as delivery of a manually executed counterpart.

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

PROVIDERS: SCRIP SOLUTIONS, INC.
(as successor by merger to MIM Health Plans, Inc.)

By: /s/ Richard Friedman

Name: Richard Friedman
Title: Chairman & Chief Executive Officer

AMERICAN DISEASE MANAGEMENT ASSOCIATES, LLC

By: /s/ Richard Friedman

Name: Richard Friedman
Title: Chairman & Chief Executive Officer

SCRIP PHARMACY, INC. (f/k/a Continental Pharmacy, Inc.)

By: /s/ Richard Friedman

Name: Richard Friedman
Title: Chairman & Chief Executive Officer

PURCHASER: MIM FUNDING LLC

By: /s/ Richard Friedman

Name: Richard Friedman
Title: Chief Executive Officer

PRIMARY SERVICER: SCRIP SOLUTIONS, INC.
(as successor by merger to MIM Health Plans, Inc.)

By: /s/ Richard Friedman

Name: Richard Friedman
Title: Chairman & Chief Executive Officer

CONSENTED TO:
MIM CORPORATION

By: /s/ Richard Friedman

Name: Richard Friedman
Title: Chairman & Chief Executive Officer

HFG HEALTHCO-4 LLC

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

By: /s/ Dean A. Christiansen

Name: Dean A. Christiansen
Title: President

SCHEDULE I

LIST OF PROVIDERS

Name	Jurisdiction of Organization
American Disease Management Associates, LLC	Delaware
Scrip Pharmacy, Inc.	Ohio
Scrip Solutions, Inc.	Delaware

AMENDMENT NO. 3, dated as of November 25, 2002 ("Amendment No. 3") to the Receivables Purchase and Transfer Agreement, dated as of November 1, 2000 (as amended, restated, supplemented, or otherwise modified from time to time, the "RPTA"), among SCRIP SOLUTIONS, INC. (as successor by merger to MIM Health Plans, Inc.), a Delaware corporation (together with its corporate successors and assigns, "Scrip Solutions", and in its capacity as primary servicer thereunder, the "Primary Servicer"), each of the parties named on Schedule I thereto (each, including Scrip Solutions, a "Provider" and collectively, the "Providers"), and MIM FUNDING LLC, a Delaware limited liability company (together with its successors and assigns, the "Purchaser") and HFG HEALTHCO-4 LLC (the "Lender"), as assignee of the Purchaser. Unless otherwise defined herein, terms in the RPTA are used herein as therein defined.

WHEREAS, the Primary Servicer and the Providers have requested that the Purchaser agree to amend certain provisions of the RPTA and that the Lender consent to such amendments.

WHEREAS, the Purchaser is willing to agree to the amendments requested by the Primary Servicer and the Providers subject to the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt and sufficiency of which hereby are acknowledged, and subject to the fulfillment of the conditions set forth below, the parties hereto agree as follows:

SECTION 1. AMENDMENTS TO RPTA

SECTION 1.1 Exhibit I to the RPTA is hereby amended to add the following definition thereto in the appropriate alphabetical order:

> "Availability" means, at any date of determination, the amount of the difference between (i) the Borrowing Limit (as defined in the Loan Agreement) and (ii) the Lender Debt (as defined in the Loan Agreement).

SECTION 1.2 Paragraph (z) of Exhibit V to the RPTA is hereby amended in its entirety and the following shall be substituted therefor:

> (z) Current Ratio. The ratio of (i) Current Assets plus Availability to (ii) Current Liabilities is less than 1.20:1.00 as of the end of the fiscal quarter ending September 30, 2002 and each fiscal quarter ending thereafter.

SECTION 1.3 Paragraph (aa) of Exhibit V to the RPTA is hereby amended in its entirety and the following shall be substituted therefor:

> (aa) Consolidated Working Capital. The Consolidated Working Capital is less than zero as of the end of the fiscal quarter ending September 30, 2002 and each fiscal quarter ending thereafter.

SECTION 2. CONDITIONS PRECEDENT

This Amendment No. 3 shall be deemed to be effective as of September 30, 2002 subject to receipt by the Lender, as assignee of the Purchaser, of a copy of this Amendment No. 3 duly executed by the Primary Servicer, the Providers and the Purchaser.

SECTION 3. MISCELLANEOUS

SECTION 3.1 After giving effect to the amendments set forth herein, each of the Providers represents and warrants that no unwaived event has occurred and is continuing which constitutes an Event of Termination, a Group-Wide Event of Termination, a Servicer Termination Event or a Group-Wide Servicer Event of Termination or would constitute such an Event of Termination, Group-Wide Event of Termination, Servicer Termination Event or Group-Wide Servicer Event of Termination but for the requirement that notice be given or time elapse or both.

SECTION 3.2 The terms "Agreement", "hereof", "herein" and similar terms as used in the RPTA shall mean and refer to, from and after the effectiveness of this Amendment No. 3, the RPTA as amended by this Amendment No. 3, and as it may in the future be amended, restated, modified or supplemented from time to time in accordance with its terms. Except as specifically agreed herein, the RPTA is hereby ratified and confirmed and shall remain in full force and effect in accordance with its terms.

SECTION 3.3 THIS AMENDMENT NO. 3 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.

SECTION 3.4 This Amendment No. 3 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.

SECTION 3.5 Delivery of an executed counterpart of a signature page by telecopier shall be effective as delivery of a manually executed counterpart.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment No. 3 to be executed by their respective officers thereunto duly authorized, as of the date first above written.

PRIMARY SERVICER: SCRIP SOLUTIONS, INC.

By: /s/ Barry A. Posner

Name: Barry A. Posner
Title: Executive Vice President & Secretary

PROVIDERS: SCRIP SOLUTIONS, INC.

By: /s/ Barry A. Posner

Name: Barry A. Posner
Title: Executive Vice President & Secretary

AMERICAN DISEASE MANAGEMENT ASSOCIATES, LLC

By: /s/ Barry A. Posner

Name: Barry A. Posner
Title: Vice President & Secretary

SCRIP PHARMACY, INC.

By: /s/ Barry A. Posner

Name: Barry A. Posner
Title: Vice President & Secretary

VITALITY HOME INFUSION SERVICES, INC.

By: /s/ Barry A. Posner

Name: Barry A. Posner
Title: Vice President & Secretary

PURCHASER: MIM FUNDING LLC

By: /s/ Barry A. Posner

Name: Barry A. Posner
Title: Executive Vice President & Secretary

CONSENTED TO:

HFG HEALTHCO-4 LLC

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

By: /s/ Orlando Figueroa

Name: Orlando Figueroa
Title: Vice President

Exhibit 21

List of Subsidiaries

Scrip Solutions, Inc., a Delaware corporation
Vitality Home Infusion Services, Inc., a New York corporation
Scrip Pharmacy, Inc., an Ohio corporation
American Disease Management Associates, LLC., a Delaware limited liability company
MIM Health Plans of Puerto Rico, Inc., a Puerto Rican corporation
MIM Investment Corporation, a Delaware corporation
MIM IPA, Inc., a New York corporation
New York ADIMA, LLC., a New York corporation
MIM Funding LLC., a Delaware limited liability company

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in the Registration Statements on Form S-8 (File Nos. 333-79395 and 333-33905) of our report dated February 14, 2003, with respect to the consolidated financial statements and schedule of MIM Corporation included in this Annual Report (Form 10-K) for the year ended December 31, 2002.

/s/ Ernst & Young, LLP

MetroPark, New Jersey
March 26, 2003

Exhibit 23.2

NOTICE REGARDING CONSENT OF ARTHUR ANDERSEN LLP

Section 11(a) of the Securities Act of 1933, as amended (the "Securities Act"), provides that if any part of a registration statement at the time such part becomes effective contains an untrue statement of a material fact or an omission to state a material fact required to be stated therein or necessary to make the statements therein not misleading, any person acquiring a security pursuant to such registration statement (unless it is proved that at the time of such acquisition such person knew of such untruth or omission) may sue, among others, every accountant who has consented to be named as having prepared or certified any part of the registration statement, or as having prepared or certified any report or valuation which is used in connection with the registration statement, with respect to the statement in such registration statement, report or valuation which purports to have been prepared or certified by the accountant.

Following approval of MIM Corporation's Board of Directors and its Audit Committee, MIM Corporation dismissed Arthur Andersen LLP, ("Andersen") as MIM Corporation's independent accountants effective May 24, 2002. See MIM Corporation's Current Report on Form 8-K filed May 29, 2002 for more information. After reasonable efforts, MIM Corporation has been unable to obtain Andersen's written consent to the incorporation by reference into the Registration Statements of its audit report with respect to MIM Corporation's financial statements as of and for the fiscal years ended December 31, 2001 and 2000.

Under these circumstances, Rule 437a under the Securities Act permits MIM Corporation to file this Form 10-K without a written consent from Andersen. However, as a result, with respect to transactions in MIM Corporation securities pursuant to the Registration Statements that occur subsequent to the date this Annual Report on Form 10-K is filed with the Securities and Exchange Commission, Andersen will not have any liability under Section 11(a) of the Securities Act for any untrue statements of a material fact contained in the financial statements audited by Andersen or any omissions of a material fact required to be stated therein. Accordingly, you would be unable to assert a claim against Andersen under Section 11(a) of the Securities Act because it has not consented to the incorporation by reference of its previously issued reports into the Registration Statements. To the extent provided in Section 11(b)(3)(C) of the Securities Act, however, other persons who are liable under Section 11(a) of the Securities Act, including MIM Corporation's officers and directors, may still rely on Andersen's original audit reports as being made by an expert for purposes of establishing a due diligence defense under Section 11(b) of the Securities Act.

Exhibit 99.1

CERTIFICATION

The undersigned, Richard H. Friedman, Chairman and Chief Executive Officer of MIM Corporation (the "Company"), hereby certifies that the Annual Report of the Company on Form 10-K for the fiscal year ended December 31, 2002 fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 and that the information contained in such report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: March 31, 2003

/s/ Richard H. Friedman

Richard H. Friedman
Chairman and Chief Executive Officer

Exhibit 99.2

CERTIFICATION

The undersigned, James S. Lusk, Chief Financial Officer of MIM Corporation (the "Company"), hereby certifies that the Annual Report of the Company on Form 10-K for the fiscal year ended December 31, 2002 fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 and that the information contained in such report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: March 31, 2003

/s/ James S. Lusk

James S. Lusk
Executive Vice President and
Chief Financial Officer

Exhibit 99.3

CERTIFICATION

I, Richard H. Friedman, certify that:

1. I have reviewed this Annual Report on Form 10-K of MIM Corporation;

2. Based upon my knowledge, this Annual 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 Annual Report;

3. Based on my knowledge, the financial statements, and other financial information included in this Annual 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 Annual Report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

(a) designed such disclosure controls and procedures 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 Annual Report is being prepared;

(b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this Annual Report (the "Evaluation Date"); and

(c) presented in this Annual Report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

(a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: March 31, 2003

/s/ Richard H. Friedman

Richard H. Friedman
Chairman and Chief Executive Officer

A signed original of this written statement required by Section 906 has been provided to MIM Corporation and will be retained by MIM Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 99.4

CERTIFICATION

I, James S. Lusk, certify that:

1. I have reviewed this Annual Report on Form 10-K of MIM Corporation;

2. Based upon my knowledge, this Annual 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 Annual Report;

3. Based on my knowledge, the financial statements, and other financial information included in this Annual 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 Annual Report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

(a) designed such disclosure controls and procedures 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 Annual Report is being prepared;

(b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this Annual Report (the "Evaluation Date"); and

(c) presented in this Annual Report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

(a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: March 31, 2003

/s/ James S. Lusk

James S. Lusk
Executive Vice President and
Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to MIM Corporation and will be retained by MIM Corporation and furnished to the Securities and Exchange Commission or its staff upon request.